County Financial Management
MACo Summer Conference
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Ted Zaleski, Director of Management and Budget, Carroll County
Goals For This Session

• Expose you to and familiarize you with:
  – important terms and ideas
  – places to find valuable information
  – important questions to ask and things to think about
Two Critically Important Documents

The Budget and the Comprehensive Annual Financial Report (CAFR)
Where Do You Want To Go?

• Budgets and plans are forward looking.
• A budget is:
  – a legislative act.
  – a policy document.
  – a process.
Where Have You Been?

• The CAFR is backward looking.
• A CAFR is:
  – the result of a financial audit.
  – a statement of your fiscal position.
  – a record of recent financial activity.
  – a tool for evaluating your fiscal strengths and weaknesses.
The Budget

Where Do You Want To Go?
The Budget Process

• The process varies from county to county.
• Common elements:
  – Goals of elected officials
  – Budget requests
  – A proposed budget
  – Public input
  – An adopted budget
Not The Budget You Are Used To

- Government budgeting is different.
- Your budget is a law.
- You budget by funds.
- You are budgeting in a very public process.
- You budget for activities that you don’t have authority over.
Budgets By Fund

- General (Operating)
- Capital
- Enterprise (Water and Sewer)
- Special Revenue (Hotel)
- All Funds
- All counties are not alike
It All Starts With Revenue
Revenue Projecting

• You can’t build your budget or plans if you don’t have an idea of how much revenue will be available.
• You should under project revenue so you aren’t forced to make mid-year changes to your budget.
• But, you should get close so that you don’t artificially constrain your spending choices.
The General Fund Revenue Mix

• Property and income taxes are the largest parts of your revenue.
• A number of revenues are common to most counties, but there are revenues that vary from county to county.
Property Tax

- Counties’ largest source of revenue
- Tied to assessments of both existing properties and new construction
- Generally fairly stable and predictable
- Good data available
- You collect it
- Homestead Tax Credit
- Constant yield
Income Tax

- Counties’ second largest revenue
- Volatile
- Notoriously difficult to project
- Little data available
- The State collects it
State Aid

• Little revenue comes from the State to counties now.
• Police Aid
• Highway User Revenue (HUR)
• Don’t be misled by what the State labels Aid to Local Governments.
Taxes, Fees and Charges

- Taxes are imposed for general operations. There is no specific tie between a dollar collected and the purpose it is used for (property tax).
- Fees are tied to specific use and cannot exceed the relevant costs (permit fee).
- Charges are for volume use (water).
One-Time Versus On-Going

• Be very careful
• Whenever possible match one-time revenue to one-time expenditures.
• Using one-time revenue for on-going expenditures creates a hole in a future budget.
Expenditures
What Are You Choosing To Fund?

• Setting expenditure budgets is a policy act.
• With limited funds every choice to fund something is a choice to not fund something else.
• There are constituents for everything you do (and many things you don’t do).
• You will never find agreement on the right mix of expenditures.
The Cost Of People

- By far – your biggest expenditure
- Salaries and wages
- Benefits
- Contracted services
Mandated Expenditures

• Much of what you fund is dictated by other levels of government.
  – Public schools including teacher pensions
  – Community College
  – Board of Elections
  – State’s Attorney
  – ADA
  – Stormwater
  – Prevailing wages
Public Schools

• This is the largest part of your budget.
• You have limited authority.
• You approve at the category level.
• You are required to fund at or above Maintenance of Effort (MOE).
Grants

• Generally, tax dollars being distributed by another level of government.

• Grants come with strings.
  – Restrictions on use
  – Compliance

• Make sure you really want the grant.
Multi-Year Balanced Operating Plan

- Difficult to do
- Forces better decision-making
- Builds a framework for the budget process
- Sets expectations
- Creates a fiscal planning bridge across elections
Capital Budget

• Identifies and isolates large one-time expenditures.
• Reduces the volatility of the operating budget.
• Spreads costs over multiple budget years.
• Multi-year plan
• Operating impacts
• Infrastructure
The CAFR

Where Have You Been?
A Few Terms You Will Hear

• Comprehensive Annual Financial Report (CAFR) – Your annual financial audit
• Generally Accepted Accounting Principles (GAAP) – Some of the accounting rules we live by
• Government Accounting Standards Board (GASB) – The people who set some of the accounting rules we live by
• Uniform Financial Report (UFR) – A required submission to the State
What To Look For

• The auditor’s opinion – Is it unmodified?
• The auditor’s management letter – Are major issues identified?
• Management’s Discussion and Analysis (MD&A)
• Government wide statements – What is happening to net assets?
What To Look For

• The balance sheet – What is happening to fund balance?
• Budget statements – Are there deficits or operating losses?
• Notes – They help to explain the numbers.
• Statistical section – Context over time
Long-Term Liabilities

- Pensions
- Other Post-Employment Benefits (OPEB)
- The CAFR captures your position, which will then influence budget decisions.
Debt

- How much do you owe?
- What is the schedule for payment?
- How large a burden is it?
- The CAFR captures your position, which will then influence budget decisions.
Investments

• Counties are restricted in their investment options.
• Investment policy
• County investments must be:
  – Legal
  – Safe
  – Liquid
• Typical investments include:
  – U.S. Treasuries
  – Certificates of Deposit
  – Government Pools
Surplus

• The result of one year’s operations.
• You better have a surplus.
  – Revenue is greater than budget.
  – Expenditures are lower than budget.
  – Other accounting changes.
• Be careful how you use surpluses.
Reserves

• Why keep reserves?
• How do you keep reserves?
• Balancing the need for reserves against the perception of overtaxing.
Component Units

• Your financial statements include more than just county government.
• Schools – the disconnect between debt and assets.
• Unfunded liabilities
A Few Other Thoughts
Resources

• Government Finance Officers Association (GFOA) www.gfoa.org
  – Government Finance Review
  – Best practices
  – Elected Officials’ publications
  – Conference and training

• The Association of Public Treasurers www/aptusc.org

• Maryland Government Finance Officers Association (MDGFOA) www.mdgfoa.org
Things To Think About

• State budget
• Teacher pensions
• Kirwan Commission including Pre-K
• Federal and State tax laws
• Next Gen 911
• EPA/MDE
If You Want To Contact Me

Ted Zaleski

tzaleski@ccg.carr.org
tzaleski@carrollcountymd.gov after August 1
410-386-2082