

**UB.00**  
**Maryland Environmental Service**

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>		<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
Nonbudgeted Fund	\$59,013	\$83,118	\$74,062	(\$9,056)	(10.9%)
<b>Total Funds</b>	<b>\$59,013</b>	<b>\$83,118</b>	<b>\$74,062</b>	<b>(\$9,056)</b>	<b>(10.9%)</b>

- A number of Maryland Environmental Service (MES) projects are scheduled for completion during fiscal 2002, accounting for the projected decrease in the estimated fiscal 2003 budget.

***Personnel Data***

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	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>	
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	551.00	549.00	549.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>551.00</b>	<b>549.00</b>	<b>549.00</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 03	n/a	n/a
Positions Vacant as of 12/31/01	31.00	5.63%

Note: Numbers may not sum to total due to rounding.

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## ***Analysis in Brief***

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### **Issues**

***MES Experiences Recruitment and Retention Difficulties:*** Over the last year, MES has experienced a vacancy rate as high as 9.7%. The service's most difficult to fill positions have been equipment operators, mechanics, boiler operators, and environmental operator apprenticeship positions. In addition, MES experienced recruitment problems in certain regions of the State such as the Dorsey Run area and Montgomery County. **MES should be prepared to discuss the impact of vacancies on the agency and the efforts made to increase retention now that the vacancy rate has fallen by 4%.**

### **Recommended Actions**

1. Nonbudgeted.

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***Operating Budget Analysis***

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**Program Description**

The Maryland Environmental Service (MES) was created as a unit within the Department of Natural Resources (DNR) in 1970 to provide water supply, wastewater treatment, and waste management services to State agencies, local governments, and private entities. During the 1993 session, the General Assembly adopted legislation which created MES as an instrumentality of the State and a public corporation independent of DNR. MES provides technical services including engineering, design, financing, construction, and operation of water supply and wastewater treatment facilities. MES also provides similar services in the area of hazardous and solid waste facility management, including sanitary landfills, incinerators, and resource recovery facilities. Additional services offered include sludge and dredged materials management, recycling and marketing of end products, and regulatory monitoring. Currently, MES operates over 171 water and wastewater treatment facilities, as well as the Hawkins Point Hazardous Waste Landfill, the Hart-Miller Island Dredged Material Containment Facility, and a regional yard-debris composting facility.

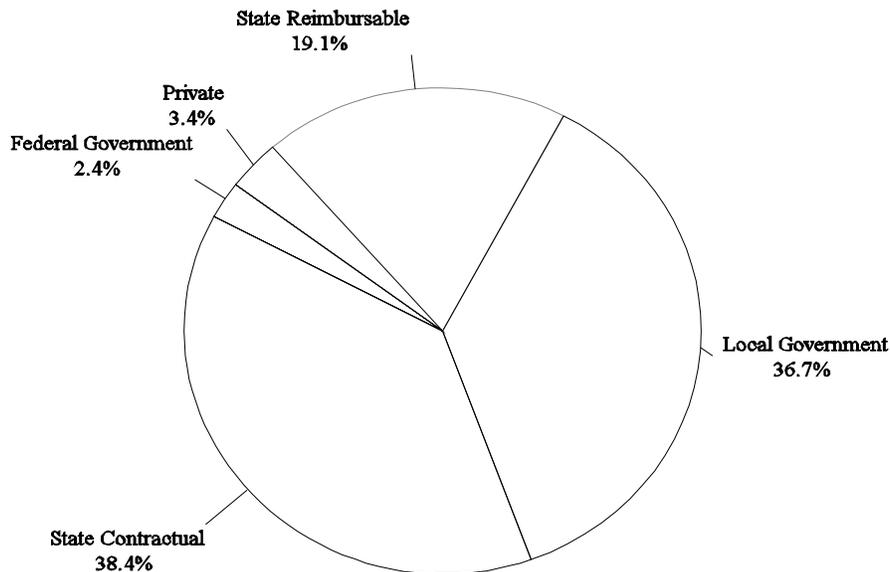
**Revenue Sources**

MES operates on a fee-for-service basis. Operating funds are generated from three sources: State agency contracts, local government contracts, and private contracts. In addition, MES receives State general obligation bond appropriations for capital improvements at State-owned facilities and issues revenue bonds to finance local government projects. Revenues from State agency contracts derive from the operation and maintenance of State-owned water and wastewater treatment plants and from specific projects and services such as environmental cleanup or recycling program management. Revenues from local governments and the private sector derive from the operation and maintenance of water and wastewater treatment facilities and solid waste management services (i.e., landfill and compost facility operations).

**Exhibit 1** illustrates the agency's anticipated revenue sources for fiscal 2003. The agency receives 96.6% of its revenue from fees charged to the State and other governments. This includes 36.7% for services provided to other governments, 57.5% for State reimbursable and contractual services, and 2.4% for services to the federal government. Services provided to the private sector account for 3.4% of the agency's total budget.

## Exhibit 1

### Fiscal 2003 Projected Revenue Sources



Source: Maryland Environmental Service

### Estimated Budget

The estimated fiscal 2003 budget for MES totals \$74.1 million. This represents an 11% decrease from the fiscal 2002 working appropriation. The decrease is typical of the MES proposed budget. Since the agency cannot precisely predict new business or changes in the scope of existing contracts, its proposed budget appears to fall significantly compared to the current year budget. **Exhibit 2** summarizes the major changes in the agency's budget for fiscal 2003.

### Cost Containment Impact

The administration plans to transfer \$400,000 from MES to the general fund for fiscal 2003. MES indicates that this money will be from any unearned revenue from State projects or unrestricted retained earnings. Unearned revenues occur when project cost estimates exceed actual project costs. MES will not know if unearned revenues will cover the \$400,000 commitment until the end of fiscal 2003. "Unrestricted retained earnings" come from MES's working capital. By making this contribution to the general fund and decreasing available working capital, MES will have to carefully monitor expenditures on projects with up front costs.

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**Exhibit 2**

**Governor's Proposed Budget  
Maryland Environmental Service  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Nonbudgeted Fund</b>	<b>Total</b>
2002 Working Appropriation	\$83,118	\$83,118
2003 Governor's Allowance	74,062	74,062
Amount Change	(\$9,056)	(\$9,056)
Percent Change	(10.9%)	(10.9%)
<b>Where It Goes:</b>		
<b>Personnel Expenses</b>		
Fiscal 2003 increments . . . . .		316
Annualize fiscal 2002 general salary increase . . . . .		533
Other adjustments . . . . .		1,050
<b>Subtotal</b>		<b>\$1,898</b>
<b>Local Government</b>		
Projects completed in fiscal 2002; no work anticipated in fiscal 2003 . . . . .		(645)
<b>State Contractual</b>		
MPA Environmental Planning & Technical Services - estimate based on MPA project requirements . . . . .		1,447
Poplar Island - fiscal 2003 projection based on project time line . . . . .		1,429
B.W.I. Stormwater Pollution Prevention - increased inspection and maintenance . . . . .		166
Bonifant Road Rubble Landfill Closure - project scheduled for completion in fiscal 2002 . . . . .		(104)
Sideling Hill Surge Tank - project scheduled for completion in fiscal 2002 . . . . .		(127)
Public School Playground Project - Scope of work not defined for fiscal 2003 . . . . .		(200)
Scrap Tire Recycling - no current definition of fiscal 2003 projects . . . . .		(204)

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**Where It Goes:**

Westernport Landfill Closure - construction phase winding down in fiscal 2003 . . . .	(252)
Scrap Tire Amnesty Day - scope of work not defined for fiscal 2003 . . . . .	(341)
Hobbs Road Landfill Closure - construction phase winding down in fiscal 2003 . . . .	(462)
Westover Landfill Closure - construction phase winding down in fiscal 2003 . . . . .	(496)
Beula Landfill Closure - construction phase winding down in fiscal 2003 . . . . .	(828)
Reichs Ford Landfill Project - construction phase winding down in fiscal 2003 . . . . .	(847)
Scrap Tire Stockpile Cleanup Projects - scope of work not defined for fiscal 2003 . .	(1,929)
Cox Creek Construction/Management - construction phase tapering off in fiscal 2003	(7,343)
Other	(218)
<b>Total</b>	<b>(\$9,056)</b>

Note: Numbers may not sum to total due to rounding.

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**Performance Analysis: Managing for Results**

**Exhibit 3** outlines the performance data that MES has consistently used to track its progress. 2001 proved to be mixed for the agency. Billable hours were below 2001 expectations. Accident leave was up significantly from 2000 and far exceeded 2001 estimates. Used oil collection also was disappointing. However, Leafgro sales far exceeded expectations.

**MES should be prepared to discuss the 2001 results and how the 2003 estimates were adjusted to reflect the agency's 2001 performance.**

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**Exhibit 3**

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**Program Measurement Data  
Maryland Environmental Service  
Fiscal 1999-2003**

	<b>Actual <u>1999</u></b>	<b>Actual <u>2000</u></b>	<b>Est. <u>2001</u></b>	<b>Actual <u>2001</u></b>	<b>Est. <u>2002</u></b>	<b>Est. <u>2003</u></b>	<b>Ann. Chg. <u>99-01</u></b>	<b>Ann. Chg. <u>01-03</u></b>
Billable Hours	812,402	832,436	849,085	783,639	791,475	815,220	-1.8%	2.0%
Accident leave as a percentage of total hours worked	.190%	0.084%	0.082%	0.290%	0.082%	0.081%	23.5%	-47.2%
Leafgro sales	997,000	1,086,000	1,140,000	1,424,000	1,466,000	1,510,000	19.5%	3.0%
Used oil collection (1,000 gallons)	784	807	831	799	822	847	1.0%	3.0%
Corporate and State facilities violations*	74	51	71	81**	68	65	4.6%	-10.4%

\*Violations based on calendar year

\*\*As of November 30, 2001

Source: Maryland Environmental Service

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## ***Issues***

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### **1. MES Experiences Recruitment and Retention Difficulties**

Over the last year, MES has experienced a vacancy rate as high as 9.7%. The service's most difficult to fill positions have been equipment operators, mechanics, boiler operators and environmental operator apprenticeship positions. In addition, MES experienced recruitment problems in certain regions of the State, such as the Dorsey Run area and Montgomery County.

To reduce the agency's vacancy rate, MES did the following:

- Established a "Human Resources Mini-Board." This group of high-level managers from all programs within the service meets each week to review the status of all vacancies. Vacancy rates are calculated weekly and communicated to the group. Recruitment and retention strategies are shared and discussed. Resumes are shared among divisions.
- Attended four job fairs last year: one at Chesapeake College, two in Salisbury, and one for Baltimore inner city high schools.
- Faxed and e-mailed all openings to the employment offices around the State. MES also used the Careernet.com site for the airline layoffs.
- Developed relationships with temporary agencies to hire qualified temps for full-time employment for reduced rates.
- Provided additional compensation for positions located in hard to recruit areas.
- Utilized free Internet job banks. Searched America's Job Bank weekly, which has resulted in finding applicants from this source.
- Made recruitment an agency-wide BEST (Building Excellence and Success Together) goal. Monthly emphasis provided to all MES employees on the importance of quickly filling vacancies and that each employee can help recruit.
- Established job postings on the MES web site.
- Posted job openings in military newspapers and bulletin boards.

According to MES, the result of these efforts has decreased its vacancy rate from a high of 9.7% to the current 5.63%.

**MES should be prepared to discuss the impact of vacancies on the agency and the efforts made to increase retention now that the vacancy rate has fallen by 4%.**

***Recommended Actions***

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1. Nonbudgeted.

***Current and Prior Year Budgets***

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**Current and Prior Year Budgets  
Maryland Environmental Service  
(\$ in Thousands)**

	<u>Nonbudgeted</u>	<u>Total</u>
<b>Fiscal 2001</b>		
Estimated Budget	59,547	\$59,547
Change	(534)	(534)
<b>Actual Expenditures</b>	<b>\$59,013</b>	<b>\$59,013</b>
 <b>Fiscal 2002</b>		
Estimated Budget	54,847	\$54,847
Change	28,271	28,271
<b>Working Budget*</b>	<b>\$83,118</b>	<b>\$83,118</b>

\* The 2001 actual expenditures and the 2001 working budget are different because the agency cannot precisely predict new business or changes in the scope of existing contracts.

Note: Numbers may not sum to total due to rounding.

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**Fiscal 2002 Budget Changes**

Unlike previous years, where the difference between the estimated budget and the working budget was rather small, MES has seen a tremendous increase in new contracts and expansion of current projects for fiscal 2002.

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Below is a list of the new projects that were not included in the fiscal 2002 estimated budget:

<b><u>Project</u></b>	<b><u>Project Estimate</u></b>
Camp Brown Water Treatment Plant (WTP)	\$5,384
MD Air National Guard-Stormwater	6,732
New Windsor Water/Wastewater (W/WW)	80,047
Pearlstone W/WW	29,314
Sideling Hill Surge Tank	127,447
Foxville Gardens WTP	35,914
Crownsville Area Storm Water	48,680
Fibroshore	95,596
Chesapeake City W/WW	215,689
Town of La Plata W/WW	639,919
Town of Perryville Wastewater Treatment Plant (WWTP) Study	5,561
Montgomery County Metro Bus Stops	132,691
Swan Pond Cleanup	268,441
Tangier Island W/WW	61,001
Bay Breeze State Park WTP	1,015
Baywoods of Annapolis Waste Water Pumping Station (WWPS)	16,486
Calvert Cliffs State Park WTP	2,826
Greenwell State Park WTP	2,577
Harkins Site Stabilization	130,736
Port Deposit W/WW	6,519
San Mar Children's School WWTP	10,290
St Mary's River State Park WTP	2,895
Town of Perryville WTP Supervisory	1,989
Berlin SHA WTP	12,795
Kidde Consultants Inc (KCI)-- Charles County Stormwater	12,665
Cambridge Construction Inspection	94,035
Chesapeake College WTP	3,079
DC Storm Water Monitoring	101,319
Sweetheart Cup WTP	3,926
Howard/Crisfield Tire Cleanup	104,194
KCI Southern Middle School Monitoring	911
Palmer Tire Cleanup	<u>325,129</u>
<b>Total</b>	<b>\$2,585,802</b>

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The following table shows projects that changed in scope since the fiscal 2002 budget estimates.

<b><u>Project</u></b>	<b><u>Sept. 2000 Project Estimate</u></b>	<b><u>September 2001 Project Estimate</u></b>	<b><u>Increase</u></b>
Berlin scrap tire walking path	-	\$83,663	\$83,663
Beulah Landfill closure	-	855,246	855,246
Hobbs Road Landfill closure	\$16,885	475,115	458,230
Johnson/Suderland tire cleanup	-	65,677	65,677
Jordan/Oakville tire cleanup	-	1,500,000	1,500,000
Reich's Ford Landfill closure	-	919,392	919,392
W/WW GCL projects	5,089,351	8,143,332	3,053,981
Westernport Landfill closure	29,990	273,251	243,261
Westover Landfill closure	23,779	517,289	493,510
Bonifant Road Landfill closure	-	103,521	103,521
Dundalk Marine Terminal operation and maintenance	890,489	1,695,958	805,469
Hart-Miller Island	2,805,000	4,389,691	1,584,691
Montgomery County yard waste	2,246,645	3,054,905	808,260
Cox Creek construction	-	10,502,121	10,502,121
MD Port Authority Env. Planning & Tech. Services	-	1,095,681	1,095,681
Poplar Island Environmental Restoration Program Implem.	-	<u>3,125,573</u>	<u>3,125,573</u>
<b>Total</b>	<b>\$11,102,139</b>	<b>\$36,800,415</b>	<b>\$25,698,276</b>

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Appendix 2

**Object/Fund Difference Report  
Maryland Environmental Service**

<b>Object/Fund</b>	<b>FY02</b>		<b>FY03</b>	<b>FY02 - FY03</b>		<b>Percent Change</b>
	<b>FY01 Actual</b>	<b>Working Appropriation</b>		<b>Allowance</b>	<b>Amount Change</b>	
<b>Positions</b>						
01 Regular	551.00	549.00	549.00	0	0%	
<b>Total Positions</b>	<b>551.00</b>	<b>549.00</b>	<b>549.00</b>	<b>0</b>	<b>0%</b>	
<b>Objects</b>						
01 Salaries and Wages	\$ 22,185,147	\$ 26,104,381	\$ 28,002,373	\$ 1,897,992	7.3%	
02 Technical & Spec Fees	3,053,826	4,714,997	4,151,030	(563,967)	(12.0%)	
03 Communication	383,931	362,305	372,135	9,830	2.7%	
04 Travel	139,289	184,500	186,928	2,428	1.3%	
06 Fuel & Utilities	1,601,424	2,197,455	2,248,402	50,947	2.3%	
07 Motor Vehicles	2,266,417	2,241,147	2,296,743	55,596	2.5%	
08 Contractual Services	9,238,971	13,842,275	8,765,974	(5,076,301)	(36.7%)	
09 Supplies & Materials	4,735,274	6,504,289	5,643,638	(860,651)	(13.2%)	
10 Equip - Replacement	900,436	2,437,936	2,357,616	(80,320)	(3.3%)	
11 Equip - Additional	1,770,623	1,202,950	3,226,054	2,023,104	168.2%	
13 Fixed Charges	4,171,015	4,597,900	4,596,597	(1,303)	0%	
14 Land & Structures	8,566,671	18,727,643	12,214,714	(6,512,929)	(34.8%)	
<b>Total Objects</b>	<b>\$ 59,013,024</b>	<b>\$ 83,117,778</b>	<b>\$ 74,062,204</b>	<b>(\$ 9,055,574)</b>	<b>(10.9%)</b>	
<b>Funds</b>						
07 Non-budgeted Fund	\$ 59,013,024	\$ 83,117,778	\$ 74,062,204	(\$ 9,055,574)	(10.9%)	
<b>Total Funds</b>	<b>\$ 59,013,024</b>	<b>\$ 83,117,778</b>	<b>\$ 74,062,204</b>	<b>(\$ 9,055,574)</b>	<b>(10.9%)</b>	

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.