

COUNTY ADMINISTRATOR'S OFFICE

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Queen Anne's County

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Stephen Wilson, District 2
Robert Charles Buckey, District 3
Mark A. Anderson, District 4

TO: County Commissioners

FROM: Gregg A. Todd, County Administrator
Jonathan R. Seeman, Director, Budget, Finance & Information Technology

SUBJECT: FY2019 County Administrator's Budget

DATE: March 13, 2018

We are pleased to submit the County Administrator's FY2019 Operating and Capital budgets for your review. The Departments submitted budget requests in January, and we have met with them to develop this balanced budget for you to consider. The budgets as well as the budget presentation will appear on the County's website as well.

We have scheduled Commissioner work sessions for review of the budget during March and April, release of the Commissioner's proposed budget on April 10, followed by public hearings on April 23, 24 and 25. The final budget adoption is scheduled for May 22.

For FY19, there is moderate revenue growth, and some continued fiscal uncertainty in future years, particularly in the income tax. The County's two main revenue sources, property tax and income tax, grow by \$4 million. The one-third portion of the County reassessed in 2017 (Kent Island) shows growth of 8.6% vs. the previous assessment of three years ago. The FY2019 budget reflects sound financial management and continued compliance with county policies regarding issues such as debt management, use of fund balance and maintenance of the Rainy Day Fund. The budget is consistent with the County's AAA bond rating.

The FY2019 budget grows by \$4.0 million or 3.0%, from \$134.1 million in FY2018 to \$138.1 million in FY2019. The recommended budget is based on no change in the property tax rate, remaining at \$0.8471 per \$100 of assessed value.

This budget reflects the recommendations of the County's Spending Affordability Committee. The recommendations include use of fund balance only for one-time non-recurring expenditures, expenditure growth in accordance with revenue growth, and compensation increases sustainable in future years.

The expenditure increase of \$4.0 million includes a 2% salary increase for County employees. There are limited funds in the Contingency account to address \$0.9 million in General Fund enhancement requests,

primarily 12 requested additional positions. They are detailed in the accompanying presentation, and will be part of the Commissioner's budget review.

The budget includes additional funding at the Maintenance of Effort level, or \$1.4 million for the Board of Education. The Board of Education has requested an additional \$4.0 million, or \$2.6 million above Maintenance of Effort. As you will see, after budget increases for necessary increases for benefits, debt service, and public health and safety, there are very few discretionary funds available beyond Maintenance of Effort.

In accordance with State law, the county plans to advertise and hold a hearing on the Constant Yield Tax Rate, that property tax rate which, based on the FY2018 total assessed value of properties, would produce the same amount of property tax revenue in FY2019 as in FY2018. Because assessments grew, the Constant Yield rate of \$0.8342 per \$100 of assessable base is lower than the proposed rate of \$0.8471 per \$100 of assessable base, by about 1.3 cents. Funding the budget at the current property tax rate results in about \$1 million in property tax revenue above the constant yield level. Again, the budget as proposed includes no change in the property tax rate.

The County's FY2019 capital budget is \$29.4 million, including a bond sale of \$13.9 million. The other funding sources include grants (\$4.1 million), capital budget fund balance (\$2.5 million), operating (Enterprise Funds) (\$0.9 million), paygo funding (\$0.8 million) from the General Fund (fund balance) and other sources (\$7.2 million), primarily State loans for the Southern Kent Island sewer project.

The six year capital improvement program includes future year bond sales in accordance with the County's debt policy. Highlights of this year's capital budget include \$1.5 million for construction of the new County Courthouse; \$6.2 million for Board of Education projects including facility improvements, a multiyear technology plan, and security upgrades; \$1.3 million (primarily in grants) for the Department of Aging including transit projects and enhanced security for senior centers; \$1.6 million for Parks projects including parking lot paving, playground replacement, and trail development and maintenance; \$1.9 million for the county's asphalt overlay/road resurfacing project; and \$5.7 million in funding for the Southern Kent Island (SKI) sewer project.

We look forward to working with you on the review and adoption of the FY2019 budget.

