



Queen Anne's County

COUNTY ADMINISTRATOR'S OFFICE

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County Administrator: *Todd R. Mohn*

TO: County Commissioners

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

SUBJECT: FY2021 County Administrator's Budget

DATE: March 24, 2020

The FY2021 budget is transmitted to you under unique circumstances. There is presently a global pandemic affecting the lives of all the citizens of Queen Anne's County and the entire United States. Our personal, community, and economic lives have been disrupted.

We know that the market and the local and national economy are undergoing volatility and uncertainty. It seems clear that the slowdown in economic activity will impact our major revenue sources, primarily income taxes, which represent almost 40% of our budget. Income taxes are impacted by the number of jobs, by wages, and investment activity.

However, at this time it is too early to capture the kinds of data needed to adjust our revenues for this budget. Going into this period, our local economy was strong—wage growth consistently outpaced the State of Maryland and most Maryland counties. To the extent that our income tax distributions weaken, as we expect, it will probably not occur until the second half of FY2021 or in FY2022. Consequently, while our revenue estimates are conservative, and are scaled back slightly, they do not take into account the impacts from a slowdown or recession.

In light of current circumstances, the County must be in a position to respond quickly and decisively to an economic downturn. The County has shown strong fiscal management, as evidenced by our two AAA bond ratings. We have a sizeable Rainy Day Fund and a Revenue Stabilization Fund. This will help us weather a weakening economy. At the same time, we must be prepared to take the difficult but necessary actions to bring the operating budget into balance.



Accordingly, we submit the County Administrator's FY2021 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. There are new positions or enhancements included in the budget, however in light of current circumstances virtually none are funded for more than ½ of the fiscal year. This will enable us additional time to consider the impacts of hiring staff.

We have scheduled Commissioner work sessions for review of the budget during March and April, release of the Commissioner's proposed budget on April 21, followed by public hearings on May 4, 5, and 6. The final budget adoption is scheduled for June 9.

For FY2021, there is again moderate revenue growth. The County's two main revenue sources, property tax and income tax, grow by over \$4 million. The one-third portion of the County reassessed in 2019 shows growth of 6.9% vs. the previous assessment of three years ago. The FY2021 budget reflects sound financial management and continued compliance with county policies. The budget is consistent with the County's AAA bond rating.

The FY2021 budget grows by a total of \$4.7 million or 3.2%, from \$145.0 million in FY2020 to \$149.7 million in FY2021. 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, including a focus on the results of the Kirwan Commission, the need to maintain replacement policies, and "stay ahead of the curve" regarding spending in light of potential fiscal downturns.

The budget includes funding at the Maintenance of Effort level for the Board of Education. The budget provides \$1.5 million in additional funding for the public schools.

The Constant Yield Tax Rate is that property tax rate which, based on the FY2021 total assessed value of properties, would produce the same amount of property tax revenue in FY2021 as in FY2020. Because assessments increased, the Constant Yield rate of \$0.8358 per \$100 of assessable base is lower than the proposed rate of \$0.8471 per \$100 of assessable base. Adopting the Constant Yield Rate would result in a reduction of almost \$1 million from the budget. The budget as proposed includes no change in the property tax rate.

The County's FY2021 capital budget is \$41.9 million, including a bond sale of \$19.9 million. Highlights of this year's capital budget include \$7.2 million for Board of Education projects including the Kent Island High School roof replacement, a multiyear technology plan, and security upgrades; \$6.5 million for the Kent Island Library expansion; \$1.7 million for Parks projects including athletic field and playground work, and trail development; \$2.7 million for the Detention Center renovation; \$1.7 million for the county's asphalt overlay/road resurfacing project; and \$9.1 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 FY2021 budget.

