

Queen Anne's County Fiscal Foundation & Future January 9, 2025



Board of County Commissioners

James J. Moran, At Large

Jack N. Wilson, District 1

J. Patrick McLaughlin, District 2

Philip L. Dumenil, District 3

Christopher M. Corchiarino, District 4



Topics

Financial Stability

Prior Year Outcomes

Where Are We Today?

How Do We Compare?

Forecasts and Projections

Financial Stability





Financial Management

Practices

- Quarterly Reporting of Financial Status to Board of Commissioners and/or the Spending Affordability Committee
- Regular Projections of Revenues & Expenditures
- Regular Updating & Reporting of Long-Range Operating Forecast
- Strict Compliance with GAAP, 24 Year GFOA Award for Financial Reporting Recipient
- Strong Multi-year Planning via Long Range Capital Improvement Program



Rainy Day Fund

Re - Established in 2013

- Contingencies of an Emergency Nature
- One-time expenses
- Requires Annual Reports on Fund Balance
- Surplus Revenues used to Maintain Minimum Balance
- Minimum Amount of the Fund is 8% of Budgeted General Fund Operating Revenues

Revenue Stabilization Fund

Established in 2016 by Resolution

- Unanticipated Revenue Shortfalls
- One Time Expenses
- Funded by Transfer from General Fund not to Exceed \$1 Million each Year
- Maximum amount not to exceed 5% of budgeted General Fund operating revenues
- Transfer made after Rainy Day Funding has been met



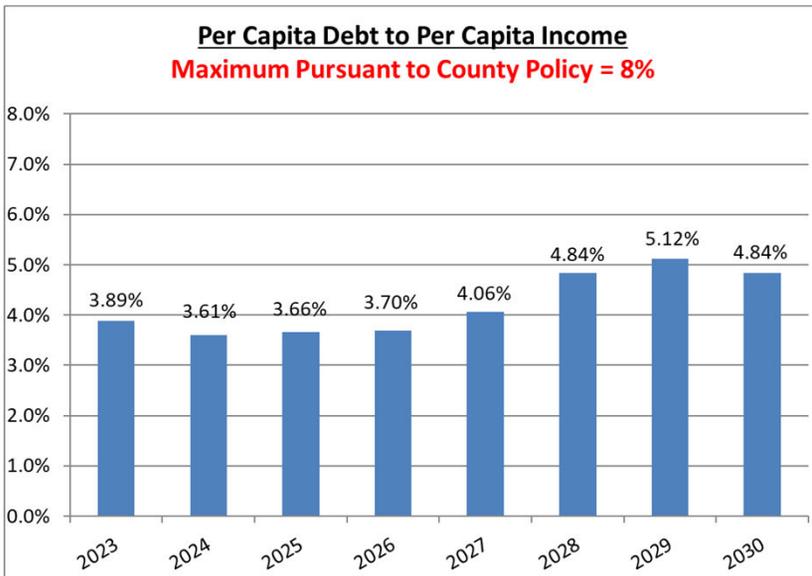
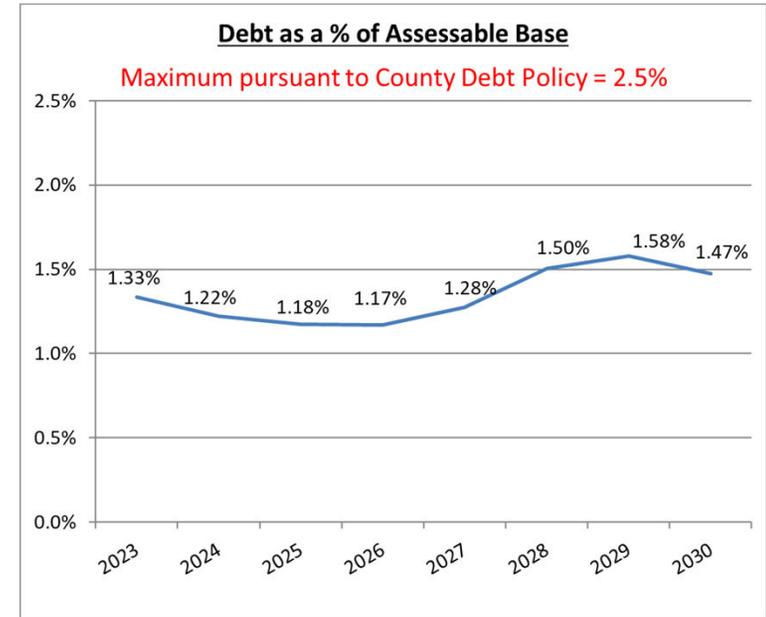
Debt Policy

**Established in 2009,
Updated in 2013**

- Prepare 6 Year Capital Improvement Plan by Funding Source
- Budget can include Transfer from General Fund to General Capital Fund

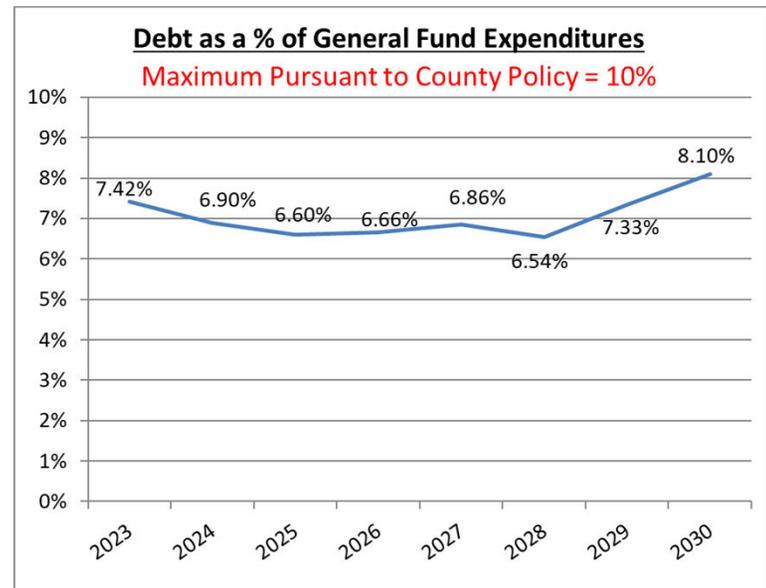
Before Issuance of Bonded Indebtedness, ensure Outstanding General Bonded Debt is:

- 2.5% or Less than Total Taxable Assessable Base
- Per Capita Debt to Per Capita Income is less than 8%
- Less than 10% Debt Service to Total General Fund Expenditures



Current Bond Ratings:

- Fitch Ratings: **AAA**
- S&P Global Ratings: **AAA**
- Moody's: **Aa1**



Prior Year Outcomes

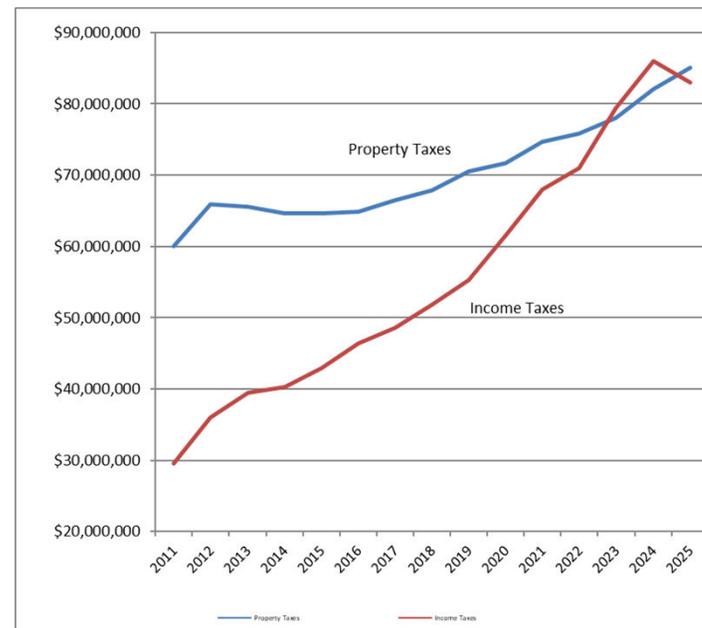




General Fund Revenue

Revenues:	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Budget
Property Taxes	\$ 71,645,066	\$ 74,732,398	\$ 75,895,277	\$ 78,012,721	\$ 82,049,357	\$ 85,100,000
Income Taxes	61,547,651	67,985,531	71,002,615	79,467,361	86,007,950	83,000,000
Other Local Taxes	9,111,368	15,422,349	14,854,140	12,937,658	11,793,401	10,402,000
State Shared Taxes	1,074,473	1,174,931	-	-	-	-
Licenses & Permits	1,029,639	1,408,474	1,616,239	1,346,101	1,167,289	1,255,875
Intergovernmental Revenue*	1,615,025	1,786,650	5,285,294	3,102,287	3,265,896	2,561,760
Service Charges & Miscellaneous	4,472,432	4,224,457	5,766,564	9,612,704	13,085,564	6,686,576
Other Financing Sources	267,169	1,977,508	3,043,411	2,975,902	2,333,639	2,167,290
GASB Adj for Leases & Subscriptions	-	-	-	2,141,569	38,000	-
Total Revenues	\$ 150,762,823	\$ 168,712,298	\$ 177,463,540	\$ 189,596,303	\$ 199,741,096	\$ 191,173,501

Property and Income Tax Revenue made up 84% of the total General Fund revenues in FY24.





General Fund Expenditures

Expenditures:	<u>FY20 Actual</u>	<u>FY21 Actual</u>	<u>FY22 Actual</u>	<u>FY23 Actual</u>	<u>FY24 Actual</u>	<u>FY25 Budget</u>
General Government	\$ 9,333,134	\$ 10,247,041	\$ 11,322,706	\$ 13,059,140	\$ 14,735,938	\$ 16,735,538
Public Safety	25,838,244	27,067,386	30,801,902	35,123,715	39,555,442	42,845,358
Public Works	10,021,870	10,789,282	7,175,031	7,580,446	8,058,493	14,696,931
Parks & Recreation	4,513,241	4,556,265	5,416,520	5,719,945	6,042,174	6,746,655
Health	2,147,035	2,437,604	1,788,588	2,478,623	1,305,306	2,976,908
Social Services	177,746	180,556	168,650	179,069	193,586	203,592
Education	61,552,866	63,042,977	65,623,889	66,179,316	71,011,747	77,281,873
Library	1,889,225	1,957,600	2,063,975	2,312,786	2,598,152	2,782,887
Conservation of Natural Resources	564,732	598,450	666,818	730,037	846,386	926,656
Economic/Community Development	745,860	661,533	823,249	992,148	1,165,297	1,327,145
Debt Service	12,772,764	11,764,070	12,142,958	13,174,417	12,743,060	12,753,594
Intergovernmental	562,056	516,792	563,958	653,024	689,608	696,220
Miscellaneous / Non-Departmental	5,308,680	6,834,217	6,981,356	6,779,850	7,194,374	4,494,346
GASB Adj for Leases & Subscriptions	-	-	-	2,141,568	38,000	-
Total Expenditures before Transfers	135,427,453	140,653,773	145,539,600	157,104,084	166,177,563	184,467,703
Transfers to Other Funds	9,310,064	18,721,892	21,089,395	23,661,847	24,853,114	6,705,798
Total Expenditures	\$ 144,737,517	\$ 159,375,665	\$ 166,628,995	\$ 180,765,931	\$ 191,030,677	\$ 191,173,501

Education Expenditures (Public Schools and Chesapeake College) made up 43% of total County expenditures in the FY25 budget. **Includes associated debt service.*

Where Are We Today?





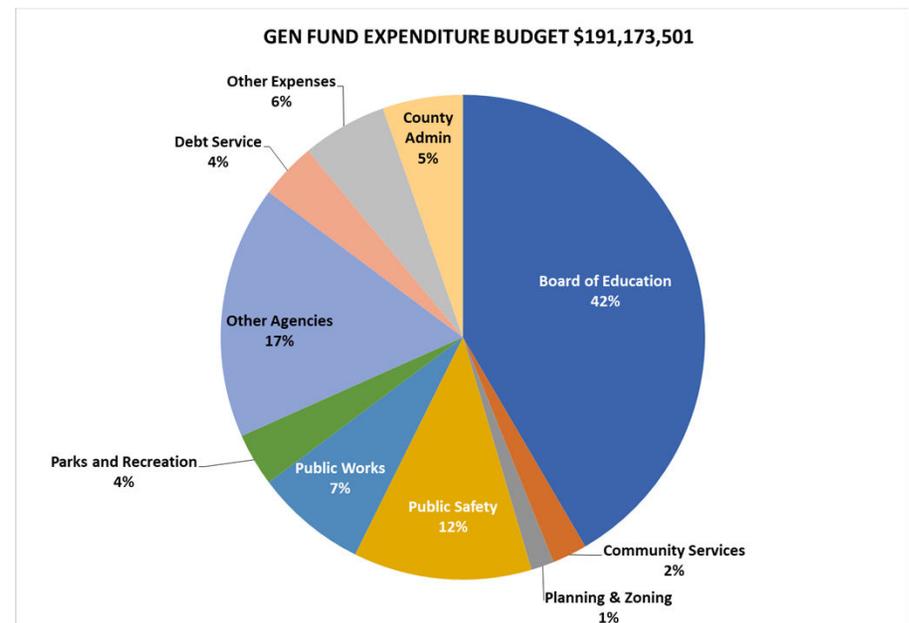
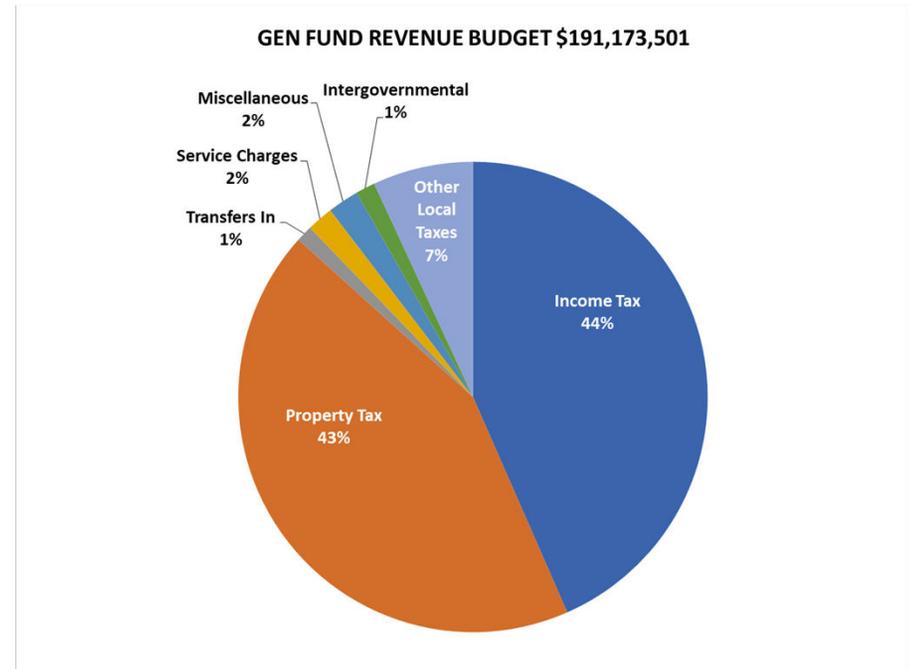
Where Do Revenues Come From? Where Do We Spend?

Revenues

- No Increase in Property Tax or Income Tax Rates
- \$10.1 Million Total Growth
- Income Tax Revenue Increase \$6.5 million
- Property Tax Revenue Increase \$4.0 Million

Expenditures

- Funding for Obligated Debt Service
- \$7.0 Million Increase in Board of Education Funding above Maintenance of Effort
- 3% Cost of Living Increase for Employees
- \$2.0 Million Increase For Public Safety and Health Services

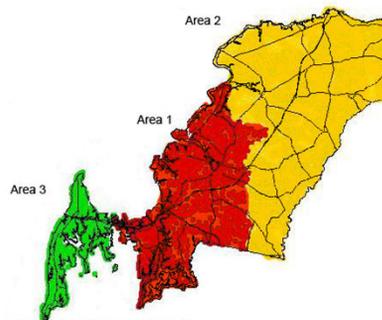
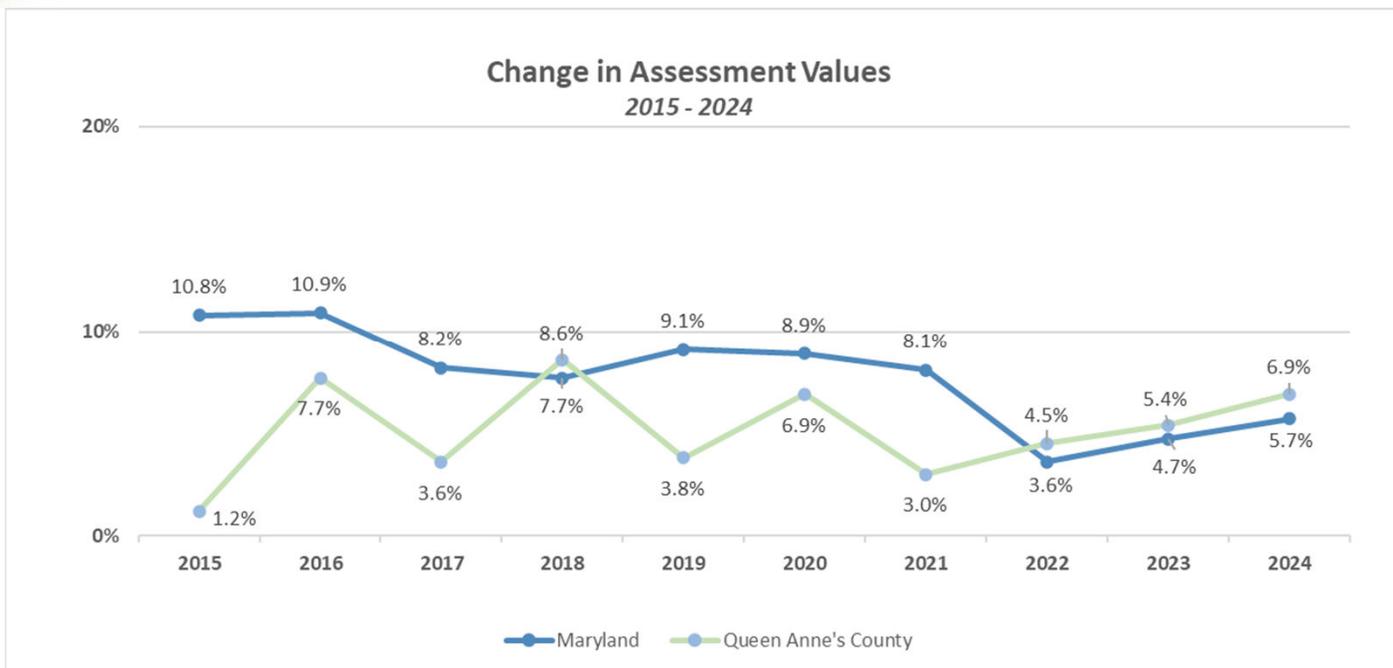




Real Property Assessed Value

Assessment Valuation Notes:

- Assessments are conducted by the State Dept of Assessments & Taxation, an “independent” valuator. The County has no role in conducting the assessments.
- One-third of all properties are assessed each year, so any one property is only re-evaluated every three years.
- Any increase in assessment is phased-in over a three-year period. Further, if the real property is a principal residence, the annual increase is capped at 5% by the Homestead Tax Credit.



State Department of Assessments & Taxation
September 2005

Area 1	Assessment Area 1 will be reassessed for January 1, 2022
Area 2	Assessment Area 2 will be reassessed for January 1, 2023
Area 3	Assessment Area 3 will be reassessed for January 1, 2024



General Obligation Debt

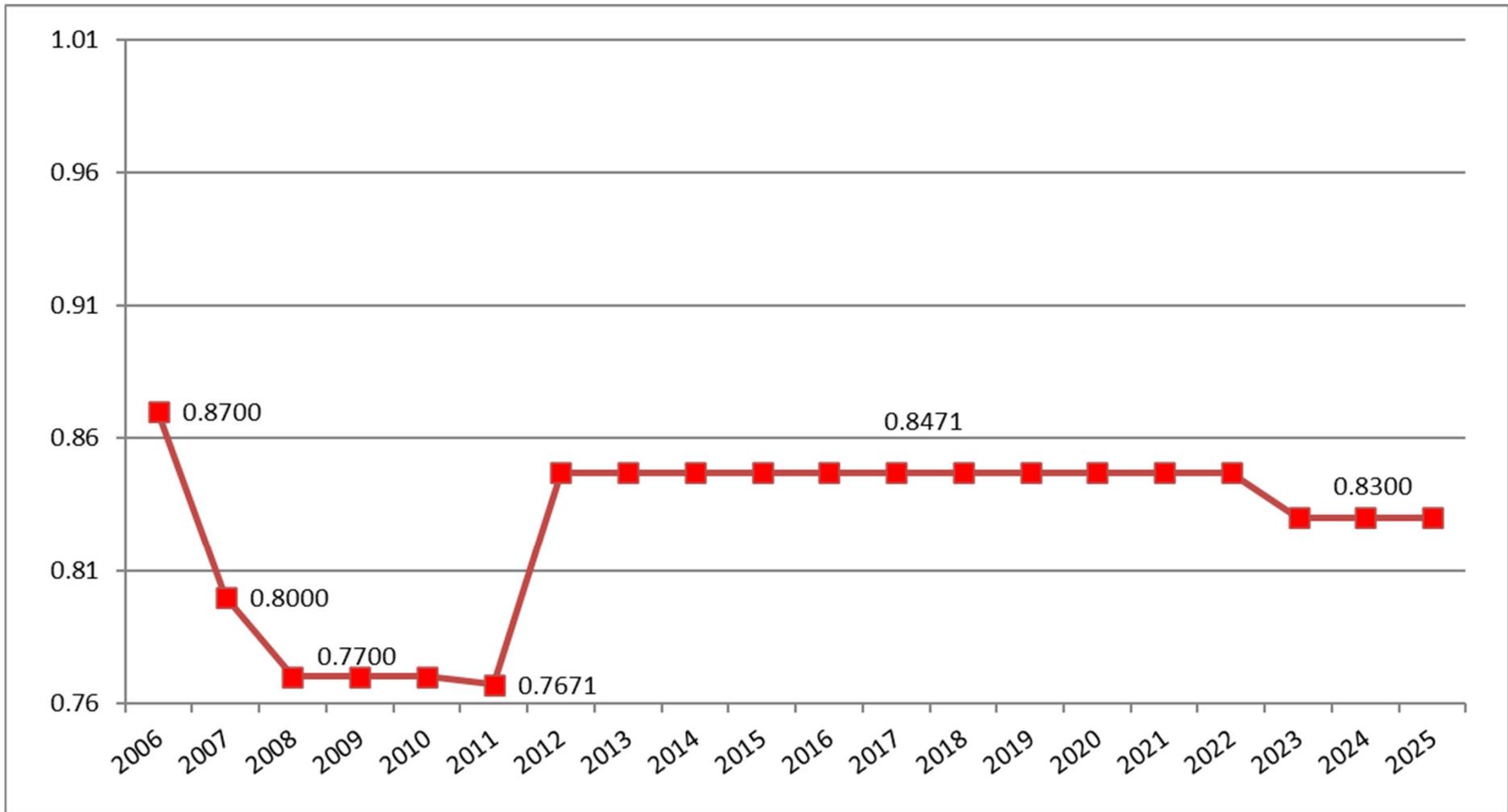
Governmental Activities Debt History

Fiscal Year	General Obligation Bonds	% Change
2017	\$ 118,246,793	3.9%
2018	126,915,847	7.3%
2019	129,894,801	2.3%
2020	127,729,323	-1.7%
2021	131,177,147	2.7%
2022	130,769,264	-0.3%
2023	121,817,595	-6.8%
2024	113,099,821	-7.2%

Estimated Balance - General Obligation Bonds						Capital Budget years
	Beginning Balance	Principal Payments	Bond Issuance	Ending Balance	% Change	(bond issuance)
2024	121,817,595	(8,717,774)	-	113,099,821	-7.2%	
2025	113,099,821	(9,081,658)	-	104,018,163	-8.0%	2023 and 2024
2026	104,018,163	(9,449,130)	25,176,387	119,745,420	15.1%	2025
2027	119,745,420	(11,095,054)	23,298,210	131,948,576	10.2%	2026
2028	131,948,576	(10,970,781)	45,277,443	166,255,238	26.0%	2027
2029	166,255,238	(13,572,318)	21,791,950	174,474,870	4.9%	2028
2030	174,474,870	(15,009,554)	18,699,500	178,164,816	2.1%	2029
2031	178,164,816	(14,518,371)	14,210,000	177,856,445	-0.2%	2030



Real Property Tax Rate

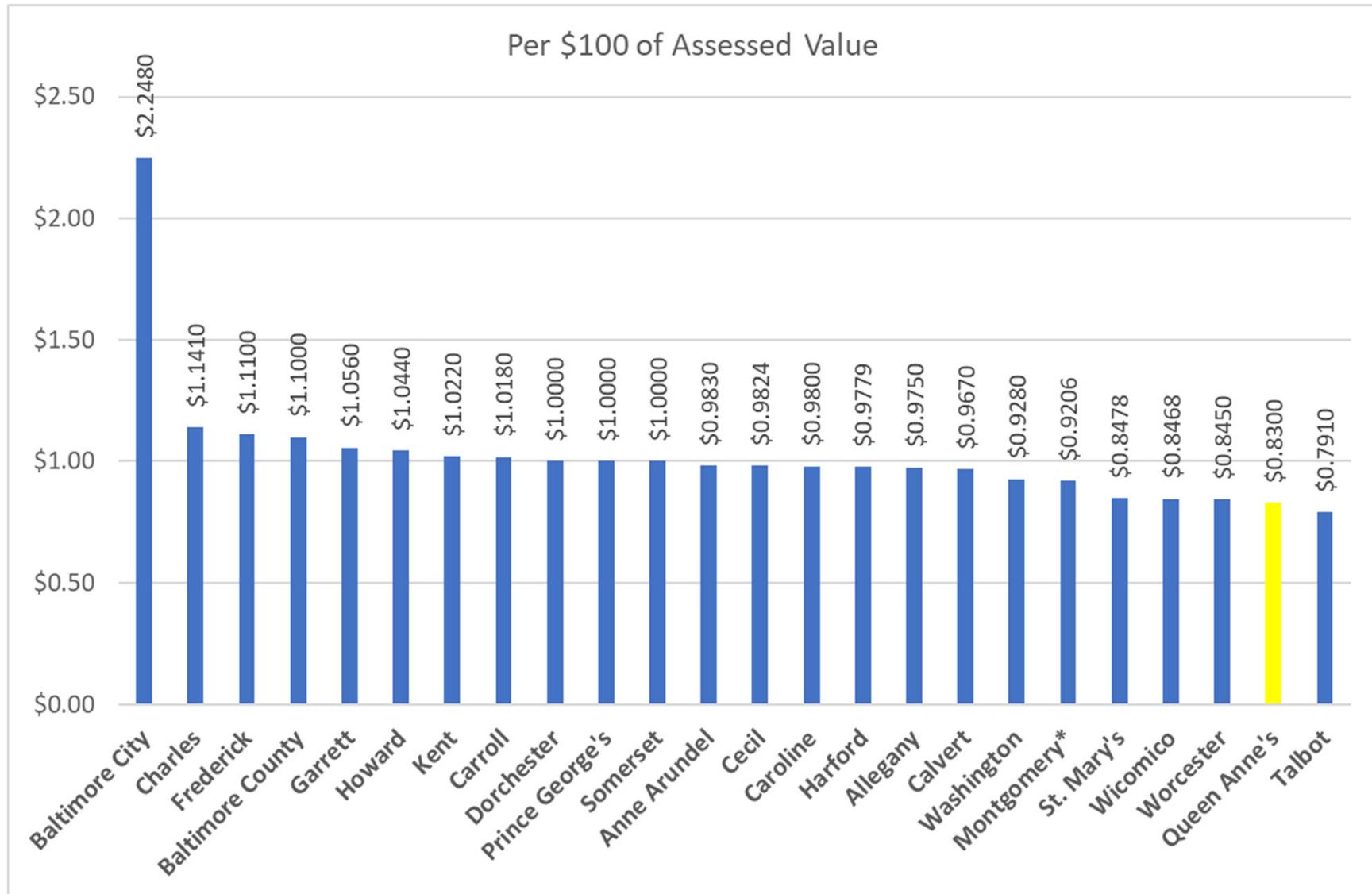


How Do We Compare?





Real Property Tax Rates - Statewide





Per Capita Income

**5th
Highest
in the
State
(Dollars)**

**4th Highest
in the
State
(5-yr growth)**

County	2018	2023	Percent Change
Montgomery, MD	83,790	100,044	19.40%
Talbot, MD	68,562	98,166	43.18%
Howard, MD	74,479	95,529	28.26%
Anne Arundel, MD	65,309	84,019	28.65%
Queen Anne's, MD	63,612	83,650	31.50%
Kent, MD	58,110	77,025	32.55%
Frederick, MD	59,773	76,664	28.26%
Calvert, MD	60,978	76,018	24.66%
Carroll, MD	59,744	74,895	25.36%
Baltimore, MD	57,505	74,738	29.97%
Harford, MD	56,658	71,196	25.66%
St. Mary's, MD	56,222	70,353	25.13%
Worcester, MD	55,311	68,163	23.24%
Charles, MD	54,897	66,642	21.39%
Baltimore (Independent City), MD	49,059	64,357	31.18%
Cecil, MD	47,039	59,373	26.22%
Garrett, MD	43,570	57,525	32.03%
Prince George's, MD	45,909	57,096	24.37%
Dorchester, MD	44,032	57,060	29.59%
Caroline, MD	44,792	56,447	26.02%
Washington, MD	44,614	56,174	25.91%
Allegany, MD	40,117	49,182	22.60%
Wicomico, MD	40,087	48,596	21.23%
Somerset, MD	30,871	37,345	20.97%
Maryland	59,919	75,391	25.82%



Unemployment Rate Eastern Shore Counties

County	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Caroline County	5.4%	4.6%	4.2%	3.7%	3.4%	5.4%	4.5%	3.1%	2.1%	2.7%
Cecil County	5.9%	5.0%	4.7%	4.3%	3.8%	5.7%	4.8%	3.3%	2.2%	3.1%
Dorchester County	7.0%	6.0%	5.6%	5.0%	4.4%	6.3%	5.3%	3.6%	2.3%	3.3%
Kent County	5.2%	4.7%	4.4%	4.2%	3.8%	6.3%	5.1%	3.6%	2.4%	3.0%
Queen Anne's County	4.4%	3.8%	3.6%	3.2%	2.9%	5.2%	4.0%	2.8%	1.8%	2.5%
Somerset County	8.1%	7.0%	6.8%	6.8%	5.9%	8.1%	6.9%	4.8%	3.2%	4.3%
Talbot County	4.8%	4.0%	3.9%	3.6%	3.3%	5.8%	5.0%	3.4%	2.2%	2.9%
Wicomico County	6.7%	6.0%	5.6%	5.1%	4.4%	7.2%	5.6%	3.8%	2.5%	3.5%
Worcester County	10.4%	9.0%	8.4%	7.9%	7.1%	10.9%	7.5%	5.0%	3.3%	3.6%
State of Maryland	5.0%	4.3%	4.0%	3.8%	3.4%	6.5%	5.3%	3.2%	2.1%	3.1%

Source: Maryland Department of Labor, Licensing and Regulation

Queen Anne's County has had lowest unemployment rate on the Eastern Shore for over 10 years.



Dependency on State Funding

This table shows percentage of each County's General Fund Budget that is funded by the state

- Shows exposure each County has to state budget cuts to health, transportation, and public safety grants and formulas. Funds which can be cut (and have often been cut in the past):
 - Highway User Revenues
 - Local health formula
 - Elderly & Disabled transportation grants
 - Police Aid
 - Fire & Rescue Aid
 - Various capital grants for construction projects
- The state can also increase expenses that it charges to counties, such as charges for operating:
 - Local health department
 - Local social services department
 - Court-related expenses
 - Cost of operating the local Dept of Assessments & Taxation office

Note – this does NOT include funding for local boards of education, community colleges, or libraries. Due to complicated formula-funding this makes comparisons difficult.

County	Percent of General Fund State Aid*
Dorchester	14.8%
Allegany	14.6%
Garrett	12.0%
Kent	11.4%
Baltimore City	10.5%
Worcester	10.4%
Somerset	9.8%
Talbot	8.6%
Caroline	7.3%
Washington	6.7%
Wicomico	6.7%
Cecil	6.3%
Anne Arundel	4.4%
St. Mary's	4.2%
Carroll	3.8%
Queen Anne's	3.7%
Harford	3.0%
Calvert	2.9%
Frederick	2.6%
Charles	2.4%
Prince George's	2.3%
Howard	1.4%
Baltimore	1.2%
Montgomery	1.1%

Source: General Assembly of Maryland, Dept of Legislative Services

Forecasts & Projections





What Drives County's Economy and Fiscal Conditions?

Population Growth

- Who are we attracting?
- Workforce growth

Economic Growth

- Job growth
- Types of jobs
- Procurement

Real Estate

- Residential
- Non-Residential

Personal Income Forecast



FY25 Estimates & FY26 Forecast Assumptions

FY25 Year-End Estimates

- 2.1% Increase in Revenue compared to FY24 Actuals
- No Increase in Property Tax or Income Tax Rates
- 9.0% Increase (\$6.2 Million) in Board of Education Funding
- Revenue forecasted at 6.7% above FY25 adopted budget

FY26 Forecast Assumptions

- Funding for Obligated Debt Service, including future debt issuance projections
- \$6.5 Million increase for Board of Education Funding
- 5% Average COLA & Pay For Performance for Employees
- 9% Increase in Health Insurance Costs
- 3% Increase in Operating Costs
- OPEB Contributions per 10-year plan
- Property Tax Revenue Increase 5% above FY25 est. actuals
- Income Tax Revenue Increase 5% above FY25 est. actuals



FY25-30 Revenue Forecast

GENERAL FUND REVENUE FORECAST	Actual			Adopted Budget	Estimated	Projected				
	FY22	FY23	FY24	FY25	FY25	FY26	FY27	FY28	FY29	FY30
REVENUES										
Taxes										
Local Property Tax	75,895,277	78,012,721	82,049,357	85,100,000	86,809,653	91,150,136	95,707,642	100,493,025	105,517,676	110,793,560
Local Income Tax	71,002,615	79,467,361	86,007,950	83,000,000	89,448,268	93,920,681	98,616,715	103,547,551	108,724,929	114,161,175
Admission and Amusement Taxes	247,533	248,987	261,842	252,000	252,000	254,520	257,065	259,636	262,232	264,855
Recordation Taxes	9,933,241	8,651,034	7,436,184	6,500,000	7,533,959	7,571,629	7,609,487	7,647,534	7,685,772	7,724,201
Transfer Taxes	3,824,021	3,046,615	2,885,299	2,300,000	2,971,858	2,986,717	3,001,651	3,016,659	3,031,742	3,046,901
Sales Taxes	0	0	83,040	250,000	95,000	100,000	100,000	100,000	100,000	100,000
Franchise Fees	489,972	507,847	364,677	375,000	340,000	325,000	315,000	300,000	300,000	300,000
Hotel Taxes	849,345	991,022	1,127,036	1,100,000	1,150,000	1,173,000	1,196,460	1,220,389	1,244,797	1,269,693
Licenses and Permits	1,126,267	838,254	802,612	880,875	880,875	889,684	898,581	907,566	916,642	925,808
Intergovernmental	5,285,293	3,102,287	3,265,897	2,561,760	2,561,760	2,587,378	2,613,251	2,639,384	2,665,778	2,692,436
Miscellaneous Revenue	1,684,428	3,765,153	1,741,105	716,589	716,589	723,755	730,992	738,302	745,685	753,142
Charges for Current Services	3,835,921	3,298,630	4,131,708	3,469,987	3,469,987	3,539,387	3,610,174	3,682,378	3,756,026	3,831,146
Investment Income	325,225	4,808,600	7,418,478	2,500,000	5,500,000	3,850,000	2,695,000	1,886,500	1,320,550	924,385
Subtotal - Revenues	174,499,138	186,738,511	197,575,185	189,006,211	201,729,949	209,071,886	217,352,020	226,438,925	236,271,829	246,787,302
Transfers In	2,964,402	2,857,792	2,165,911	2,167,290	2,167,290	2,166,439	2,166,463	894,094	888,856	883,956
TOTAL REVENUES	177,463,540	189,596,303	199,741,096	191,173,501	203,897,239	211,238,325	219,518,483	227,333,019	237,160,685	247,671,258
% Change in Revenues before Transfers in and Fund Balance	4.57%	7.01%	5.80%	FY24 actual -4.34%	FY24 actual 2.10%	FY25 estimated 3.64%	3.96%	4.18%	4.34%	4.45%



FY25-30 Expenditure Forecast

GENERAL FUND EXPENDITURE FORECAST				<i>Adopted Budget</i>	<i>Estimated</i>	<i>Projected</i>				
EXPENDITURES	<i>Actual</i>			<i>FY25</i>	<i>FY25</i>	<i>FY26</i>	<i>FY27</i>	<i>FY28</i>	<i>FY29</i>	<i>FY30</i>
	<i>FY22</i>	<i>FY23</i>	<i>FY24</i>							
Salaries	28,128,936	30,921,800	35,486,498	37,254,996	38,000,096	39,117,746	41,073,633	43,127,315	45,283,680	47,547,865
Fringe Benefits	11,578,106	13,030,075	14,017,338	16,424,052	17,000,000	17,245,255	18,107,517	19,012,893	19,963,538	20,961,715
Operating Costs	21,806,535	27,316,928	25,462,161	30,304,820	26,226,026	31,213,965	32,150,384	33,114,895	34,108,342	35,131,592
Debt Service	12,142,958	13,174,418	12,743,061	12,670,814	12,670,814	13,271,495	15,697,664	16,810,186	20,543,304	22,359,516
Transfers (Capital Projects, Special Revenue Funds, Enterprise Funds)	21,089,395	23,661,847	24,853,114	10,845,605	14,807,718	14,537,542	17,966,155	14,149,921	13,870,736	15,603,945
Retiree Health/OPEB	4,195,201	4,170,303	4,858,605	3,608,454	3,608,454	3,752,792	3,902,904	4,059,020	4,221,381	4,390,236
Board of Education	63,632,483	64,085,219	68,885,219	75,085,219	75,085,219	81,585,219	88,085,219	94,585,219	96,949,849	99,373,596
College/Library	4,055,381	4,405,341	4,724,681	4,979,541	4,979,541	5,128,927	5,282,795	5,441,279	5,604,517	5,772,653
TOTAL EXPENDITURES	166,628,995	180,765,931	191,030,677	191,173,501	192,377,868	205,852,940	222,266,271	230,300,728	240,545,348	251,141,117
REVENUE	177,463,540	189,596,303	199,741,096	191,173,501	203,897,239	211,238,325	219,518,483	227,333,019	237,160,685	247,671,258
Surplus/Deficit (Revenue Less Expenditures)	10,834,545	8,830,372	8,710,419	0	11,519,371	5,385,385	-2,747,788	-2,967,709	-3,384,663	-3,469,859
% Change in Total Expenditures	4.6%	8.5%	5.7%	0.1%	0.7%	7.0%	8.0%	3.6%	4.4%	4.4%



Potential Challenges

Potential Structural Issues

- Funding Blueprint without considering an overhaul to current systems
- Funding major construction projects during period of high interest rates and relatively high inflation
- Funding increasing healthcare costs and state-mandated benefit costs

Potential Inter-Governmental Funding Issues

- How will state's projected \$2.7 Billion deficit affect the County?
 - HUR? Police Aid? County funding for state agencies? State's share of education funding?
- Federal funding from and to various departments and programs may be affected by the new administration's decisions
 - Transportation funds / Aging and social program funds / FEMA & disaster preparation funds

Income Tax Revenues

- Queen Anne's County is more dependent on income taxes generated from residents who are government employees than most other counties.
 - How will state cuts affect state employee residents?
 - What changes will the new federal administration bring to the status of the ~1,200 federal employees and x number of federal contractors who reside in the County?



Major Potential Projects on the Horizon (FY26 to FY2030)

- Regional Detention Center - \$ 25,335,000
- Recreation Center - \$ 20,000,000
- Historic Courthouse - \$ 10,000,000
- Animal Services Building - \$ 6,250,000
- Queen Anne's Tech Center at Chesapeake College - \$ 4,077,663
- Playground Equipment - \$ 5,615,111
- Sheriff's Office Building - \$16,000,000
- QACHS Addition Study/Design/Constr. - \$ 4,140,000
- KIHS Addition Study/Design/Constr. - \$ 4,140,000
- Trail Dev/Maintenance - \$ 3,300,000



Stay Informed & Participate

- We post all financial updates / reports / policies / presentations
 - <https://qac.org/417/Budget-Finance>
- All budget work sessions recorded and associated working documents are posted
 - <https://qac.org/587/Budget-Section>
- Annual Comprehensive Financial Reports (2008 to current)
 - <https://qac.org/584/Accounting-Section>
- Attend our budget public information meetings
 - Monday, May 19 – Kent Island Library
 - Tuesday, May 20 – Liberty Building, 107 N Liberty St, Centreville
 - Wednesday, May 21 – Sudlersville Middle School

Contact Us:

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