



BUDGET WORKSHOP FY2027 Strategy & Goal Setting

November 18, 2025

Commission Members:

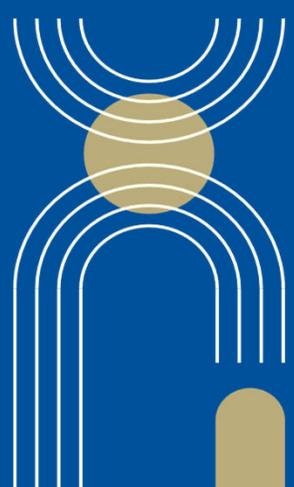
Chris Corchiarino, Jim Moran, Phil Dumenil, Jack Wilson & Patrick McLaughlin

County Administrator: Todd R. Mohn, P.E.

Budget & Finance Office: Jeff Rank & Karen Rodgers



AGENDA



1. Welcome and Workshop Purpose
2. Economic & Revenue Outlook
3. Strategic Priorities Discussion
4. Fiscal Health & Key Budget Considerations
5. Communications & Public Engagement
6. Closing & Next Steps

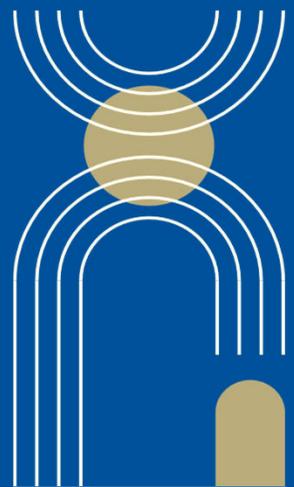


Fiscal Year 2027

Welcome &

Workshop

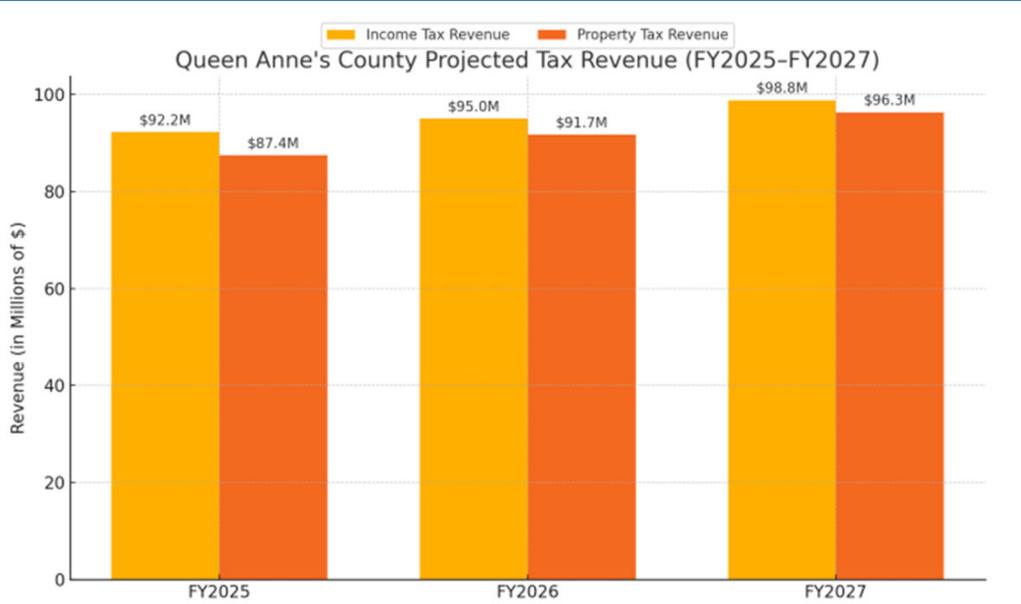
Purpose



- Align on Fiscal Outlook
- Strategic Priorities
- Potential Constraints
- Outreach Planning

Fiscal Year 2027

Revenue & Expenditure Outlook



Revenue Chart (Income & Property Tax Revenue, FY2025–FY2027)

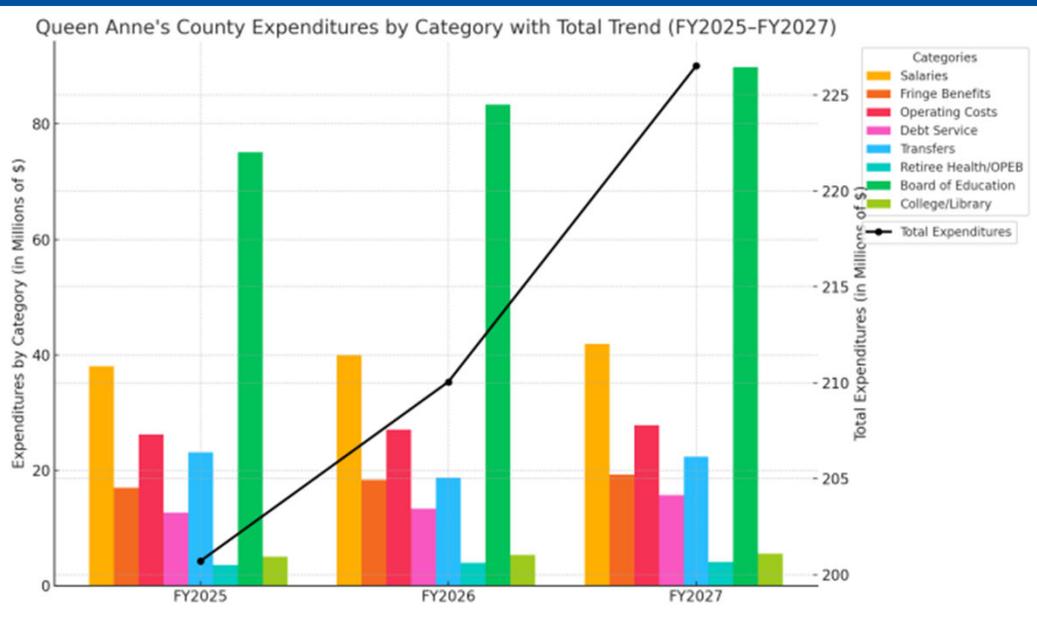
- **Strong Growth Forecasted:** Income and property tax revenues are projected to rise steadily, reaching a combined ~\$195.6M by FY2027.
- **Core Revenue Drivers:** These two sources make up over 85% of General Fund revenues, supported by continued employment and property valuation growth.
- **Stable Tax Rates:** Growth is achieved without increases to the income tax rate (3.2%) or property tax rate (\$0.83 per \$100 AV).
- **Broad-Based Stability:** Forecast reflects a balanced reliance on wage growth and real estate value appreciation.

Fiscal Year 2027

Revenue & Expenditure Outlook

Expenditure Chart (Major Categories + Total Trend, FY2025–FY2027)

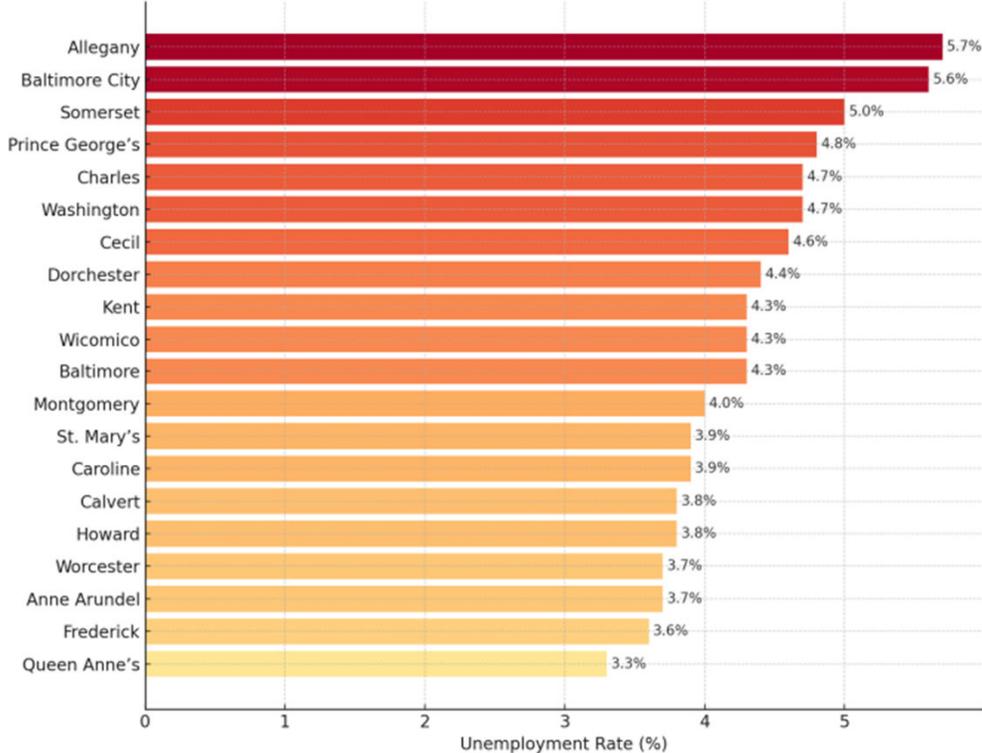
- **Education-Focused Investment:** Board of Education spending continues to be the largest category, exceeding \$89M by FY2027.
- **Rising Compensation Costs:** Salary and fringe benefits projected to increase by over \$6M across the three-year period.
- **Capital & Debt Obligations Growing:** Transfers and debt service costs increase notably, reflecting ongoing infrastructure investments.
- **Total Spending Trend:** Overall General Fund expenditures increase from \$200.7M in FY2025 to \$226.5M in FY2027—about a 12.8% growth.



Fiscal Year 2027

Economic Outlook

Maryland County Unemployment Rates (August 2025)



- Labor market remains relatively tight, but growth is modest — meaning wage pressures may persist even in a slow-growth environment.
- Low unemployment (~3.6%) suggests limited slack in the workforce, which increases risk of cost escalation (benefits, salaries) for local governments.
- Housing market is moderately strong (price +6%, permitting +8%) but may be nearing a plateau—this affects property tax revenue growth potential, especially in commuter/exurban counties like ours.
- Eastern Shore's slower growth and structural constraints (industry concentration, out-migration) mean the County should adopt conservative revenue forecasts and remain cautious about relying solely on high growth assumptions.
- Because the region is exposed to federal/state funding shifts (contractors, grants, defense installations), a slowdown in federal hiring or increased tariffs/trade pressures could ripple locally.
- Given inflation and tight labor markets, the cost side remains under pressure—even if revenue growth is moderate. Budgeting should assume moderate growth on the revenue side but elevated cost pressures on the expenditure side.

GENERAL FUND REVENUE FORECAST

FY2026

GENERAL FUND REVENUE FORECAST REVENUES	Estimated	Adopted Budget	Estimated	Projected				
	FY25	FY26	FY26	FY27	FY28	FY29	FY30	FY31
Taxes								
Local Property Tax	87,435,448	92,116,500	91,674,048	96,257,750	101,070,638	106,124,170	111,430,378	117,001,897
Local Income Tax	92,197,851	89,500,000	94,963,787	99,711,976	104,697,575	109,932,453	115,429,076	121,200,530
Admission and Amusement Taxes	268,342	260,000	275,000	277,750	280,528	283,333	286,166	289,028
Recordation Taxes	8,683,351	7,000,000	8,000,000	8,040,000	8,080,200	8,120,601	8,161,204	8,202,010
Transfer Taxes	3,172,995	2,600,000	3,000,000	3,015,000	3,030,075	3,045,225	3,060,452	3,075,754
Sales Taxes	-52,371	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Franchise Fees	337,705	325,000	325,000	300,000	275,000	250,000	225,000	200,000
Hotel Taxes	1,165,772	1,250,000	1,200,745	1,236,768	1,273,871	1,312,087	1,351,449	1,391,993
Licenses and Permits	1,001,069	880,375	1,000,000	1,010,000	1,020,100	1,030,301	1,040,604	1,051,010
Intergovernmental	3,235,224	2,803,687	2,500,000	2,525,000	2,550,250	2,575,753	2,601,510	2,627,525
Miscellaneous Revenue	613,426	664,600	625,000	631,250	637,563	643,938	650,378	656,881
Charges for Current Services	4,645,025	3,973,202	4,250,000	4,335,000	4,421,700	4,510,134	4,600,337	4,692,343
Investment Income	6,295,580	5,500,000	5,000,000	3,500,000	2,450,000	1,715,000	1,200,500	1,000,000
Subtotal - Revenues	208,999,417	206,898,364	212,838,580	220,865,494	229,812,498	239,567,995	250,062,053	261,413,971
Transfers In	2,167,290	2,166,439	2,166,439	894,094	894,094	888,856	888,856	888,856
TOTAL REVENUES	211,166,707	209,064,803	215,005,019	221,759,588	230,706,592	240,456,851	250,950,909	262,302,827

\$0.01 of property tax rate = \$1.1 million

0.1% of income tax rate = \$2.9 million

GENERAL FUND EXPENDITURE FORECAST

FY2026

GENERAL FUND EXPENDITURE FORECAST	<i>Adopted</i>		<i>Estimated</i>	<i>Projected</i>					
	<i>Estimated</i>	<i>Budget</i>		<i>Estimated</i>	<i>FY27</i>	<i>FY28</i>	<i>FY29</i>	<i>FY30</i>	<i>FY31</i>
	<u>FY25</u>	<u>FY26</u>		<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>	<u>FY30</u>	<u>FY31</u>
EXPENDITURES									
Salaries	38,000,096	42,213,028	39,900,101	41,895,106	43,989,861	46,189,354	48,498,822	50,923,763	
Fringe Benefits	17,000,000	18,720,404	18,360,000	19,278,000	20,241,900	21,253,995	22,316,695	23,432,529	
Operating Costs	26,226,026	29,671,718	27,012,807	27,823,191	28,657,887	29,517,623	30,403,152	31,315,246	
Debt Service	12,670,814	13,356,594	13,356,594	15,697,664	16,810,186	20,543,304	20,543,304	20,543,304	
Transfers (Capital Projects, Special Revenue Funds, Enterprise Funds)	23,136,672	11,681,719	18,739,941	22,336,623	18,682,687	18,569,046	20,471,109	20,191,924	
Retiree Health/OPEB	3,608,454	4,692,178	3,950,000	4,108,000	4,272,320	4,443,213	4,620,941	4,805,779	
Board of Education	75,085,219	83,373,301	83,373,301	89,873,301	96,373,301	98,782,634	101,252,199	103,783,504	
College/Library	4,979,541	5,355,861	5,355,861	5,516,537	5,682,033	5,852,494	6,028,069	6,208,911	
TOTAL EXPENDITURES	200,706,822	209,064,803	210,048,604	226,528,421	234,710,174	245,151,662	254,134,291	261,204,961	
REVENUE									
	211,166,707	209,064,803	215,005,019	221,759,588	230,706,592	240,456,851	250,950,909	262,302,827	
Surplus/Deficit (Revenue Less Expenditures)	10,459,885	0	4,956,414	-4,768,833	-4,003,582	-4,694,811	-3,183,382	1,097,866	
% Change in Total Expenditures	5.1%	4.2%	4.7%	7.8%	3.6%	4.4%	3.7%	2.8%	





FUNDING PRESSURE POINTS

- Board of Education
 - Additional \$6.5m operating over FY26
 - New/Renovated Centreville Middle School

- Unfunded mandates and legislative impacts
 - HUR & Roads
 - Does the County supplement state road capital projects?
 - Beginning in FY28, allocations revert to fiscal 2024 distribution

 - SDAT
 - \$215k in FY26 for office support (90% of cost)
 - We may be expected to pay 100%

 - Health Department
 - Current funding is 54% State/45% County, MACO advocating for a fair and functional funding model that reflects local realities and supports long-term public health success
 - We may be expected to pay higher share

 - Court System
 - Second Courthouse judge (~\$250k-400k)

- *Recent State Projections show a \$1.5 billion deficit*

Fiscal Year 2027

Strategic Priorities Discussion

BOE Capital Funding

Project Description	FY27 Requested
70366 - HVAC Replacement - KES -Expenses	\$ 2,562,230
70372 - School Replacement - CMS - Expenses	2,530,270
70367 - Roof Replacement - KES - Expenses	1,680,000
70363 - Asphalt Paving/Sealcoating/Stripping (BOE) - Expenses	1,333,000
70379 - Exterior / Interior Painting - Expenses	891,400
70378 - Appliances / Other School Equipment - Expenses	707,880
70357 - BOE Playground Equipment - Expenses	700,000
70356 - BOE Furniture Replace Classroom - Expenses	600,000
70374 - Classroom Security Hardware Replace - Expenses	500,000
70381 - Flooring Replacement/Upgrades - Expenses	406,850
70355 - BOE Capital Equipment Misc - Expenses	400,000
70364 - HVAC Replacement - CES - Expenses	389,706
70382 - Lighting Replacement / Upgrades - Expenses	343,902
70353 - Surveillance Cam & Misc Security Enhance - Expenses	275,000
70329 - Community Based Health / Nurse Suites - Expenses	130,810
70380 - Windows Blinds & Doors - Expenses	79,310
70376 - Field and Court Work - Expenses	60,000
70253 - Portables	50,000
70347 - Scoreboard Replacements Indoor - Expenses	46,350
Total FY27 BOE Requested Amount	\$ 13,686,708

BUDGET HIGHLIGHTS – MAJOR CAPITAL



Projects in Current 6-Year Plan	
Detention Center	\$70.0-80.0 Million
BOE – Career Tech Ed Facility	\$28.2 Million
BOE – CMS Replacement	\$20.5 Million
Pedestrian Bridge	\$19.9 Million
Sheriff’s Office	\$16.0 Million
Rec Center	\$15.0 Million
Historic Courthouse	\$10.0 Million
Animal Services Building	\$6.3 Million



These may be adjusted for timing, inflation, priority, etc.

Projects NOT in Current 6-Year Plan	
Jemal Property (Outlets)	\$6 Million - \$10 Million
Old Grasonville Amb. Bldg	TBD
Additional EMS Unit	\$1.0 Million
Charter School	TBD
Board of Elections Facilities	TBD
Library Admin Office Space	TBD
Historic High School/Old BOE Admin Bldg	TBD
Health Department Building	TBD



These may need to be added to the plan and moved up in timeline

BUDGET HIGHLIGHTS – MAJOR OPERATING

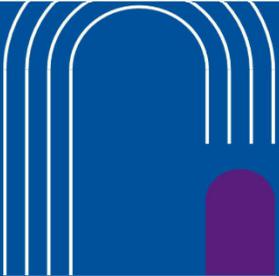


Items NOT in Current Operating Budget	
Additional Funds for BOE (ongoing)	\$6.5 Million
Additional EMS Unit – operating costs	~\$1.1 Million/annum
Second Courthouse Judge Expenses	~\$250,000-\$400,000
Additional Sheriff staffing for protection and enforcement	~\$70,000-\$120,000/each
State Road Hwy Safety Improvements and Enforcement	TBD

DEBT SERVICE PROJECTIONS

FY2026

	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>	<u>FY30</u>	<u>FY31</u>
Existing Bond Debt Service (Principal & Interest)	\$ 13,100,854	\$ 13,076,950	\$ 13,066,164	\$ 11,362,848	\$ 11,333,165	\$ 11,308,579	\$ 9,434,226
Less: Reimbursements from Ches College & Housing Auth	(432,263)	(434,866)	(437,123)	(408,524)	(408,546)	(408,013)	(408,013)
Adjusted Debt Service	\$ 12,668,591	\$ 12,642,084	\$ 12,629,041	\$ 10,954,324	\$ 10,924,619	\$ 10,900,566	\$ 9,026,213
Plus Estimated Debt Service for:							
FY26 Issuance of \$23.8 million	-	285,666	2,307,787	2,248,037	2,188,288	2,128,538	2,068,787
FY27 Issuance of \$14.9 million	-	-	371,791	1,468,574	1,431,395	1,394,216	1,357,037
FY28 Issuance of \$43.6 million	-	-	-	1,090,385	4,307,021	4,197,983	4,088,944
FY29 Issuance of \$36.2 million	-	-	-	-	904,800	3,573,960	3,483,480
FY30 Issuance of \$48.8 million	-	-	-	-	-	1,220,575	4,821,271
FY31 Issuance of \$44.2 million	-	-	-	-	-	-	1,104,018
FY32 Issuance of \$8.7 million	-	-	-	-	-	-	-
Total Bond Debt Service (Estimated)	\$ 12,668,591	\$ 12,927,750	\$ 15,308,619	\$ 15,761,320	\$ 19,756,123	\$ 23,415,838	\$ 25,949,750



OUTSTANDING DEBT PROJECTIONS

FY2026

Outstanding Debt per Capita

Current debt policy states debt will not exceed \$3,000 per capita and 2.5% of the total taxable assessable base.

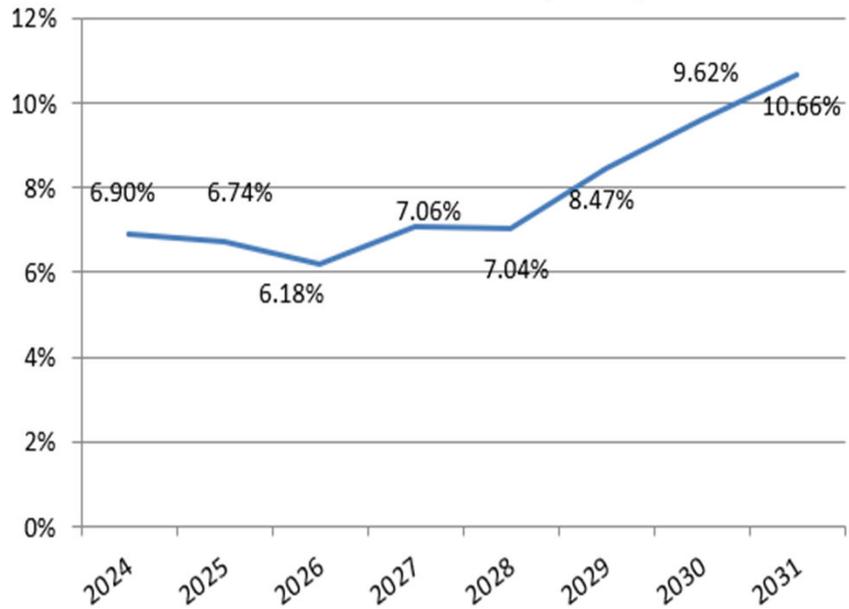
	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>	<u>FY30</u>	<u>FY31</u>
<u>Existing General Obligation Bond Debt</u>							
Governmental Activities	\$ 104,018,163	\$ 94,569,033	\$ 84,732,797	\$ 76,185,747	\$ 67,301,032	\$ 58,068,678	\$ 50,369,267
Business Type Activities	1,701,359	1,521,614	1,334,911	1,164,068	984,923	805,778	805,778
TOTAL	105,719,522	96,090,647	86,067,708	77,349,815	68,285,955	58,874,456	51,175,045
<u>Forecasted additions to debt</u>							
FY26 Issuance of \$23.8 million	-	23,835,000	23,835,000	23,835,000	23,835,000	23,835,000	23,835,000
FY27 Issuance of \$14.9 million	-	-	14,871,634	14,871,634	14,871,634	14,871,634	14,871,634
FY28 Issuance of \$43.6 million	-	-	-	43,615,403	43,615,403	43,615,403	43,615,403
FY29 Issuance of \$36.2 million	-	-	-	-	36,192,000	36,192,000	36,192,000
FY30 Issuance of \$48.8 million	-	-	-	-	-	48,823,000	48,823,000
FY31 Issuance of \$44.2 million	-	-	-	-	-	-	44,160,700
FY32 Issuance of \$8.7 million	-	-	-	-	-	-	-
(less principal payments on forecasted additions - cumulative)	-	-	(1,191,750)	(3,127,082)	(7,243,184)	(13,168,886)	(21,535,738)
<u>Total Debt Including:</u>							
Forecasted Issuances	<u>\$ 105,719,522</u>	<u>\$ 119,925,647</u>	<u>\$ 123,582,592</u>	<u>\$ 156,544,770</u>	<u>\$ 179,556,808</u>	<u>\$ 213,042,607</u>	<u>\$ 241,137,044</u>

DEBT MEASURES PURSUANT TO POLICY

FY2026

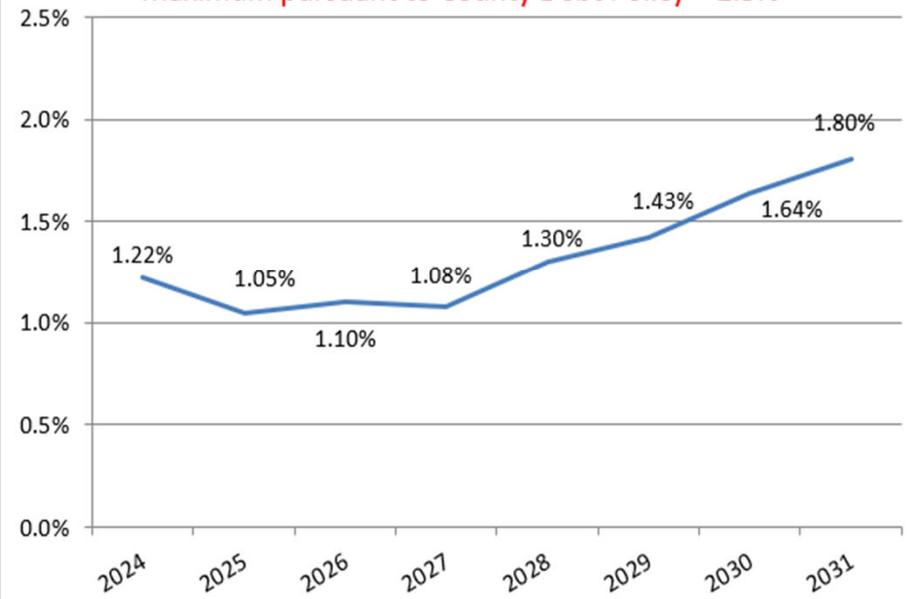
Debt as a % of General Fund Expenditures

Maximum Pursuant to County Policy = 10%



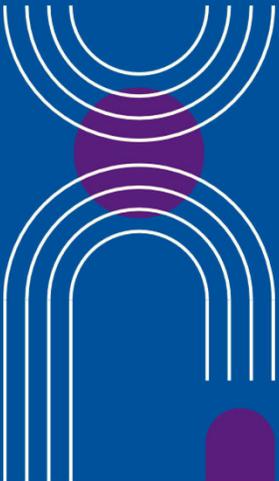
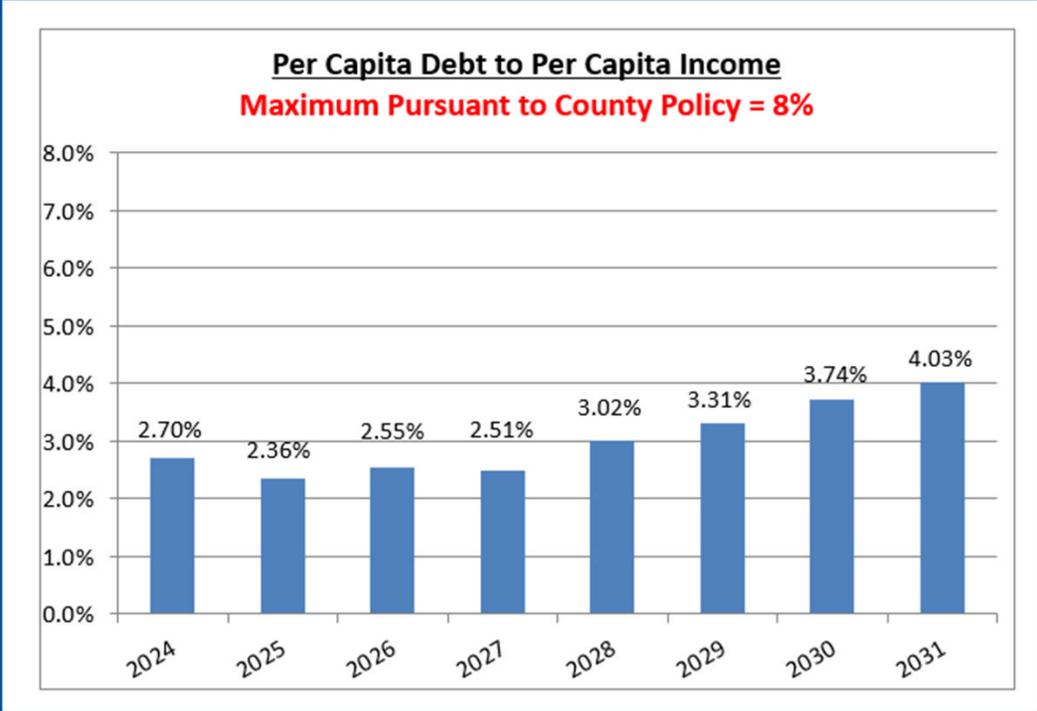
Debt as a % of Assessable Base

Maximum pursuant to County Debt Policy = 2.5%



DEBT MEASURES PURSUANT TO POLICY

FY2026



Fiscal Year 2027

Communications & Public Engagement Strategy

- Budget Workshops
 - November 18 “FY2027 Goals & Strategy Setting”
 - March 26 “Board of Education, Library & Sheriff”
 - March 31 “Parks and Public Works”
 - April 9 “Other Depts as needed and Outside Agency Grants”
- Public Information Sessions
 - May 18 – Kent Island Library
 - May 19 – Liberty Building
 - May 20 – Sudlersville Middle School
- Online Resources
 - All Public Budget Documents <https://qacbudget.com>
 - Online Budget Transparency Portal
 - Schedule
 - Work Session Handouts
 - Presentations
 - County Administrator’s Submitted Budget
 - ***Budget in Brief Document***
 - County Commissioners’ Final Budget
 - Budget Resolution



BUDGET PUBLIC ENGAGEMENT STRATEGY

Fiscal Year 2027

Next Steps

- Operating Budget Guidance to Departments
 - Although revenues are growing, expenses are growing quicker due to inflation, tariffs, etc.
 - Will be recommending non-payroll operating costs be held within 3%
 - Be Realistic, Not Optimistic: Use conservative revenue and cost estimates. Assume costs for wages, benefits, fuel, utilities, and contracted services will continue rising at 3% to 6%.
 - Prioritize Core Services: Focus on sustaining essential services. Avoid launching new programs unless there's a compelling need or offsetting reduction elsewhere.
 - Scrutinize Base Budgets: Identify and eliminate outdated, underutilized, or duplicative costs. Emphasize service-based reviews over incremental increases.
 - Flag Personnel Requests Carefully: New positions or reclassifications should be tightly justified—especially with rising benefit and pension costs.
 - Expect Higher Benefit Costs: Anticipate continued increases in health insurance and retirement contributions, and reflect that in their projections.
- Capital Budget Projects
 - Prioritize “Ready-to-Go” Projects: Favor projects that are shovel-ready and fully scoped, especially those eligible for state or federal matching funds.
 - Phase Multi-Year Projects Thoughtfully: Break large capital initiatives into manageable phases to maintain flexibility in funding and timing.
 - Watch Construction Cost Escalation: Building material inflation has moderated but remains elevated. Include escalation contingencies in all estimates.
 - Defer Non-Essential Assets: Delay capital items (vehicles, equipment, buildings) that don't directly affect health, safety, or mandated operations.
 - Consider Operational Impact: Quantify how new capital assets will affect future operating costs (staff, maintenance, utilities, technology).