

In accordance with the requirements of the Talbot County Charter, the following County Current Expense Budget and Capital Budget & Program for the fiscal year July 1, 2007 through June 30, 2008 (FY 2008) has been approved by the County Council of Talbot County. The Annual Budget and Appropriation Ordinance was introduced by legislative action of the Talbot County Council on April 17, 2007 and passed on May 29, 2007.

The FY 2008 Approved Current Expense Budget totals \$86,234,000. This represents an increase of 23.9 percent, or \$16,634,000 over the FY 2007 Approved Budget. A significant majority of this increase is related to non-operating expenses, including one-time capital projects and funding of the County's long-term obligation related to non-pension, or "other post-employment", benefits (OPEB), as required by GASB 45 (the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*). Ongoing operating expenses totaling \$66.8 million represent an increase of \$4.6 million or 7.4 percent over FY 2007. The portion of ongoing operating expenses for the Board of Education totals \$34.4 million, or 51.5 percent of the total operating budget. In broad terms, the total Proposed Expense Budget increase is comprised of the following:

Capital Projects	\$5,685,000
OPEB Obligation	\$6,350,000
Public Schools Operating & Debt Service	\$2,530,000
County Operating (less Public Schools)	<u>\$2,069,000</u>
Total	\$16,634,000

Most capital projects and the OPEB obligation are funded from reserve balances which make up 18.3 percent of the total revenue budget, while increased operating expenses and debt service requirements are funded from projected operating revenues. The graphs on the next page summarize the distribution of revenues and expenses by major categories.

Property tax revenues are projected to generate \$26.1 million, or 30.3 percent of the total revenue budget. The revenue estimate is based on a real property tax rate of \$.475 per \$100 of assessed valuation for properties located outside of the incorporated limits of the Towns of Easton, Oxford, Queen Anne, St. Michaels and Trappe. This rate is \$.025 less than the current County property tax rate. The County Council is continuing to grant tax differentials to the incorporated towns in FY 2008. The tax rate differential for each town is as follows: Easton, \$.126; Oxford, \$.11; Queen Anne, \$.055; St. Michaels, \$.12; and Trappe, \$.08. The total estimated County real property base subject to the tax levies is \$5,738,007,297.

The local income tax, based on a rate 2.25% of Maryland Taxable Income, is projected to generate \$23,400,000 in revenues.

A Statement of Long-Term Debt Outstanding accompanies the Budget, as well as a Statement of Debt Service Requirements for the upcoming year. In FY 2008, annual debt service payments equal 4.5 percent of projected General Fund revenues.

The Proposed Capital Budget for FY 2008 totals \$22.2 million; \$1.9 million of which is to be funded from Federal and State Grants, \$2.0 million from development impact fees, \$8.3 million from the General Fund, and \$10.0 million from long-term borrowing.

Other FY 2008 Operating and Capital Budgets represented in this document include the Talbot County Community Center, Hog Neck Golf Course, Easton Airport, George P. Murphy and Bay Hundred Community Pools, Narcotics Task Force, Talbot Family Network, Sanitary Districts #1, #2 & #5, Onsite Sewage Disposal, Septage Receiving and the Development Impact Fund.