COUNTY COUNCIL OF ANNE ARUNDEL COUNTY, MARYLAND
Minutes of
FY 2023 Budget Meeting
April 29, 2022 – 11:00 A.M.
County Council Chambers

The meeting was called to order by Chair Rodvien at 11:00 A.M. and opened with the Invocation given by Ms. Lacey, followed by the Pledge of Allegiance. The meeting was held in the County Council Chambers, Arundel Center, Annapolis, Maryland. There were approximately 150 persons in the audience.

The following members of the County Council were present:

Sarah F. Lacey	First District
Allison M. Pickard	Second District
Nathan Volke	Third District
Andrew C. Pruski	Fourth District
Amanda Fiedler	Fifth District
Lisa D.B. Rodvien	Sixth District
Jessica Haire	Seventh District

The Auditor's Office was represented by the County Auditor, Michelle Bohlayer.

PRESENTATION OF PROPOSED BUDGET

County Executive Steuart Pittman presented his proposed budget for FY 2023 to the Council.

PRELIMINARY MOTION

On motion of Ms. Pickard, seconded by Mr. Pruski, the Council voted that the partial reading of any bill, resolution, minutes, or amendments, constitutes the reading of the whole.

INTRODUCTION OF BILLS

BILL NO. 37-22 – AN ORDINANCE concerning: Annual Budget and Appropriation Ordinance of Anne Arundel County – FOR the purpose of adopting the County Budget, consisting of the Current Expense Budget for the fiscal year ending June 30, 2023, the Capital Budget for the fiscal year ending June 30, 2024, the Capital Program for the fiscal years ending June 30, 2023, June 30, 2024, June 30, 2025, June 30, 2026, June 30, 2027, and June 30, 2028; and appropriating funds for all expenditures for the fiscal year beginning July 1, 2022, and ending June 30, 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 38-22 – AN ORDINANCE concerning: Tax Levies – Special Community Benefit Districts, Shore Erosion Control Districts, and Waterways Improvement Districts – FOR the purpose of levying and imposing the tax rates for special community benefit districts,

shore erosion control districts, and waterways improvement districts required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 39-22 – AN ORDINANCE concerning: Tax Levies – Arundel Gateway Special Taxing District – FOR the purpose of levying and imposing the tax rates for the Arundel Gateway Special Taxing District required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 40-22 – AN ORDINANCE concerning: Tax Levies – Arundel Mills Special Taxing District – FOR the purpose of levying and imposing the tax rates for the Arundel Mills Special Taxing District required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 41-22 – AN ORDINANCE concerning: Tax Levies – Dorchester Special Taxing District – FOR the purpose of levying and imposing the tax rates for the Dorchester Special Taxing District required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 42-22 – AN ORDINANCE concerning: Tax Levies – Farmington Village Special Taxing District – FOR the purpose of levying and imposing the tax rates for the Farmington Village Special Taxing District required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 43-22 – AN ORDINANCE concerning: Tax Levies – National Business Park Special Taxing District – FOR the purpose of levying and imposing the tax rates for the National Business Park Special Taxing District required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 44-22 – AN ORDINANCE concerning: Tax Levies – National Business Park-North Special Taxing District – FOR the purpose of levying and imposing the tax rates for the National Business Park North Special Taxing District required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 45-22 – AN ORDINANCE concerning: Tax Levies – Two Rivers Special Taxing District – FOR the purpose of levying and imposing the tax rates for the Two Rivers Special Taxing District required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 46-22 – AN ORDINANCE concerning: Tax Levies – Village South at Waugh Chapel Special Taxing District – FOR the purpose of levying and imposing the tax rates for the Village South at Waugh Chapel Special Taxing District required by the County Budget for Fiscal Year 2023.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 47-22 – AN ORDINANCE concerning: Finance, Taxation, and Budget – Income Tax – FOR the purpose of amending the County income tax rate on a bracket basis; providing for a delayed effective date; and generally relating to finance, taxation, and budget.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

BILL NO. 48-22 – AN ORDINANCE concerning: Property Tax and Semiannual Payment Service Charge – FOR the purpose of levying and imposing a property tax for the use of Anne Arundel County for the taxable year beginning July 1, 2022, and ending June 30, 2023; fixing the rate of the County property tax for the taxable year; and establishing the service charge to be paid by a property owner electing to pay real property taxes and all other taxes and charges billed on the real property tax bill under a semiannual payment schedule.
Introduced by Ms. Rodvien, Chair
(by request of the County Executive)

RECESS

On motion by Mr. Volke, seconded by Ms. Pickard, the Council took a recess at 11:34 A.M.

RECONVENE

The Council reconvened at 12:00 P.M.

BUDGET PRESENTATIONS

David James, Spending Affordability Committee, gave a brief presentation. (A copy of supporting documents are located in the FY2023 Budget files.)

Melanie Hartwick-Davis, Vice Chair for the Planning Advisory Board, provided a short presentation. (A copy of supporting documents are located in the FY2023 Budget files.)

RECESS

On motion by Mr. Volke, seconded by, Ms. Lacey, the Council took a recess at 12:39 P.M.

RECONVENE

The Council reconvened at 12:49 P.M.

Chris Trumbauer, Budget Officer, gave a presentation of the proposed budget. (A copy of supporting documents are located in the FY2023 Budget files.)

OTHER BUSINESS

The Council discussed where to hold the Public Hearing on May 18, 2022 and agreed on North County High School.

The Chair reviewed the Budget meeting schedule.

ADJOURNMENT

There being no further business, on motion of Mr. Volke, seconded by Ms. Fiedler, the meeting was adjourned at 1:39 P.M.

Respectfully submitted,

/s/ Anna Macaulay

by Anna Macaulay

/s/ Laura Corby

for Laura Corby
Administrative Office

SPENDING AFFORDABILITY COMMITTEE
Anne Arundel County
January 31, 2022

The Hon. Steuart Pittman, County Executive
The Hon. Lisa Rodvien, Chair, County Council
Mr. Matt Power, Chief Administrative Officer
Mr. Chris Trumbauer, Budget Officer
Ms. Karin McQuade, Controller
The Arundel Center, 44 Calvert Street
Annapolis, Maryland 21401

This report of the Spending Affordability Committee (SAC) for Fiscal 2023 is hereby submitted in accordance with Section 610 of the Anne Arundel County Charter. This section requires in part that "The Committee shall make advisory recommendations to the Office of the Budget, the County Executive, and the County Council relating to spending affordability including County spending levels to reflect the ability of the taxpayer to finance County services and long-term debt." Section 610 also tells the Spending Affordability Committee to "…examine current capital projects, the five-year capital improvement program, per capita wealth, debt service, pay-as-you-go funding and alternative sources of funding."

Committee Recommendation

The SAC has followed the practice of previous Committees that "spending affordability" can best be determined by estimating the growth in personal income of County residents. The Committee analyzes personal income growth on both a year-over-year and long-term basis. The Committee uses the definition of personal income provided by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA), which is "income received by persons from all sources" (e.g., wages, employment benefits, business income, and investment income) whether taxable or not. To avoid placing additional financial burden on County residents, spending growth should remain in-line with personal income growth. Simply put, if County spending were to increase faster than personal income, additional taxes and fees from County residents would likely be needed at some point to support that spending.

Using personal income as a benchmark to guide our analysis, the SAC recommends a Fiscal 2023 spending increase of 3.5% vs. the Fiscal 2022 adjusted base budget. As shown in the table below, this results in a recommended Fiscal 2023 Current Expense (General Fund) budget of $1,809,032,099. This represents a $94.9 million increase (5.5%) over the SAC's Fiscal 2022 recommendation. The Fiscal 2022 recommendation was conservative and reflected the significant uncertainty regarding the financial impacts of coronavirus disease 2019 (COVID-19) on the County. Our Fiscal 2023 recommendation is based in part on better-than-expected County revenues and personal income projections for Fiscal 2021 and 2022.

With respect to the Capital Budget, County budget policy stipulates that the General Fund Debt Limit be less than 4% of forecasted personal income.[1] Applying the Committee's 3.5% budget growth recommendation to the average of current personal income estimates for Fiscal 2022 results in a forecasted Fiscal 2023 County personal income of $45,460,241,849. Applying the 4% limit to this personal income forecast results in a recommended General Fund Debt Limit of $1,818,409,674. This represents a $95.9 million increase over the SAC's Fiscal 2022 recommendation.

Anne Arundel County Spending Affordability Committee Recommendations For Fiscal Year 2023	
Current Expense Budget Recommendation	
(Adjusted Base Budget for Current Year x Estimated Personal Income Growth Rate for Budget Year)	
Approved Fiscal 2022 Budget	$1,873,082,300
- Appropriated Fund Balance	(114,225,200)
- Rainy Day Fund Contribution	(11,000,000)
Committee's Adjusted Base Budget - Fiscal 2022	$1,747,857,100
Estimated Increase in County Personal Income (Fiscal 2022 to Fiscal 2023)	3.5%
FY2023 General Fund Appropriation Limit (customary manner)	**$1,809,032,099**
Capital Budget Recommendation	
(Personal Income Forecast for Current Year x Estimated Personal Income Growth Rate for Budget Year x Standard)	
Average of Regional Economic Studies Institute (RESI) of Towson University and Moody's Analytics Forecasts for County Personal Income - Fiscal 2022	$43,922,938,985
Estimated Increase in County Personal Income (Fiscal 2022 to Fiscal 2023)	3.5%
Forecast Personal Income - Fiscal 2023	$45,460,241,849
Standard Applied in County's Debt Affordability Model	4.0%
Fiscal 2023 General Fund Debt Limit (customary manner)	**$1,818,409,674**

Background

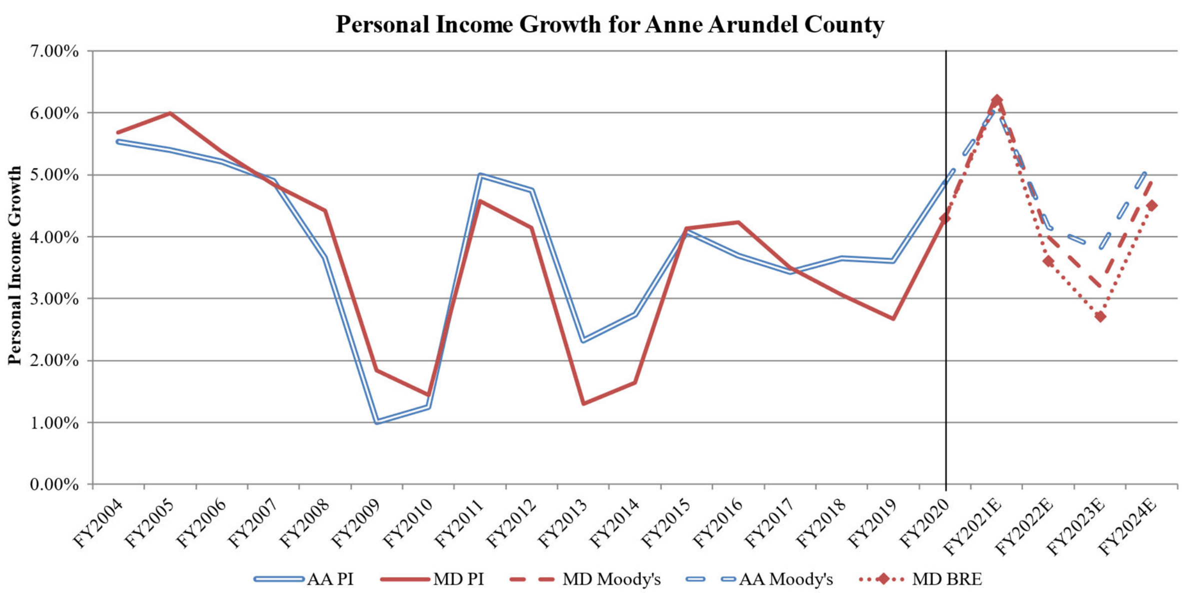
The State of Maryland contracts with four firms (Sage Policy Group, Moody's, IHS Markit-Global Insight, and the Regional Economic Studies Institute [RESI] of Towson University) to provide economic data and personal income forecasts. In addition, the State Board of Revenue Estimates (BRE) makes its own forecast for Maryland. To supplement this data, the County Budget Office obtained Anne Arundel-specific data and Fiscal 2023 forecasts from RESI and Moody's. This is a change from previous years, in which the County only contracted with RESI for Anne Arundel-specific forecasts. The SAC requested this change to provide additional data to inform our recommendations.

The RESI and Moody's estimates are informed by personal income data from the BEA, employment data from the Bureau of Labor Statistics, and population data from the U.S. Census Bureau. The following table summarizes the most recent personal income growth estimates for Maryland and Anne Arundel County. On average, these estimates project a 2.7% personal income growth rate for Maryland and a 2.8% growth rate for Anne Arundel County for Fiscal 2023. As shown in the table, the RESI estimates are significantly lower than those provided by the other analysts.

[1] Page 21, Approved Current Expense Budget and Budget Message for Fiscal Year 2022.

Comparison of Personal Income Forecasts Fiscal Year 2021 – 2024 (date of estimate)					
		2021	2022	2023	2024
State of Maryland	Board of Revenue Estimates (Dec 2021)	6.2%	3.6%	2.7%	4.5%
	Sage Policy Group (Nov 2021)	6.3%	3.8%	2.8%	4.3%
	Moody's (Nov 2021)	6.3%	4.0%	3.2%	4.9%
	IHS-Global Insight (Nov 2021)	6.2%	3.7%	3.0%	4.8%
	RESI of Towson University (Dec 2021)	1.8%	1.8%	1.8%	3.6%
	Average	**5.3%**	**3.4%**	**2.7%**	**4.4%**
Anne Arundel County	Moody's (Dec 2021)	6.1%	4.2%	3.8%	5.2%
	RESI of Towson University (Dec 2021)	1.8%	1.8%	1.8%	3.6%
	Average	**4.0%**	**3.0%**	**2.8%**	**4.4%**

The following graph shows the actual annual growth rates in personal income from Fiscal 2004 to Fiscal 2020 for Maryland and Anne Arundel County as reported by the BEA, along with the Moody's and BRE forecasts for Fiscal 2021 and beyond. If viewing in black and white, the lower (blue double) line in 2005 is Anne Arundel County and the higher (red solid) line in 2005 is Maryland. In 2023, the higher (blue double) dashed line is Anne Arundel County. For the most recent year where data is available (Fiscal 2020), the BEA currently reports that the personal income growth rate in Anne Arundel County was 4.86%. Note that this data is subject to potential updates by the BEA in future reports. The chart below shows the most recent updates for all years, and supersedes any data presented in previous Committee reports.



Summary of SAC Analysis and Discussions

The SAC members applied our collective experience and background in business, economics, finance, and Federal/State/Local government to assess the forecasts provided by the State's four econometric modeling firms. Because full year personal income reporting is only available from the BEA through Fiscal 2020, projections for Fiscal 2023 are based on 2 years of estimated data. These estimates are continuously revised as new data becomes available. In some cases, the actual reported data is also revised. These revisions are typically downward, meaning that County economic growth was slower than originally forecast.

Further complicating this analysis for Fiscal 2023 are the widely varying estimates provided by RESI and Moody's. In their presentation to the SAC on 8 December 2021, RESI presented a very conservative outlook for economic growth in both the County and the State. Their Fiscal 2023 personal income estimate for Anne Arundel is approximately $44.3 billion. In contrast, Moody's growth estimates are more in line with those of other analysts, and their Fiscal 2023 personal income estimate for Anne Arundel is approximately $46.1 billion. There are similar differences in the estimates for Fiscal 2021 and Fiscal 2022. For the purposes of this report, the Committee's recommendation on debt affordability uses the average of the RESI and Moody's Fiscal 2022 estimates.

As noted above, the SAC recommends a 3.5% growth in the Fiscal 2023 budget vs. Fiscal 2022. In our deliberations, individual SAC members advocated for growth rates ranging from 2.0% to 3.8%. Members advocating for a lower recommendation primarily expressed concern over the tax burden on lower-income County residents who have been disproportionately affected by COVID-19. Members advocating for a mid-range recommendation expressed concern that long-term spending has significantly outpaced County economic growth in recent years, along with concern that spending increases based on near-term revenue windfalls may be detrimental in future years. Members advocating for higher growth rates cited the Moody's analysis and current job market (e.g., large numbers of unfilled positions, with employers offering significant wage increases to attract employees). All these arguments have merit. Ultimately, the Committee voted to adopt a 3.5% recommendation. The following paragraphs provide additional details regarding each of the positions outlined above.

Concerns Regarding the Ongoing Economic Impacts of COVID-19

At the macro level, Anne Arundel County remains largely insulated from the economic impacts of COVID-19 due to our large number of Federally funded jobs, in particular at Ft. Meade. However, the ongoing economic impact of COVID-19 coupled with rising inflation at the national level disproportionately affects lower income County residents. There are some signs of recovery, with approximately 22,000 jobs added in the County in calendar year 2021 vs. 2020. However, the total number of non-farm jobs in the County (approximately 258,000, excluding Ft. Meade) remains below pre-pandemic levels (approximately 269,000 in 2019). Further, Maryland unemployment (5.7%) is slightly higher than the collective Mid-Atlantic Region unemployment rate (5.5%), and well above the pre-pandemic level of 3.4%. Most jobs added in 2021 were in lower paying industries (such as hospitality, eating and drinking establishments, retail, and personal services). There were virtually no net jobs added in 2021 in higher paying industries such as technical and professional services. Essentially, County residents re-entering the workforce are doing so in low paying jobs. At the same time, these residents are seeing an increased cost of living due to inflation. Compounding this issue is the fact the Federal Pandemic Unemployment Compensation program ended in September 2021. As such, the Committee is concerned that large increases in spending may drive the need for increased taxes and fees in future years, which would disproportionately impact County residents who are still recovering from the economic impact of COVID-19.

Concerns Regarding Long Term County Spending Trends

Since Fiscal 2002, the Committee has used personal income as the metric by which to assess spending affordability. Using this standard, the Committee is concerned that County spending is significantly outpacing personal income growth. In other words, spending is growing faster than the County economy (using personal income as a proxy). Specifically, over the past 10 years, Budget Office analysis shows that the compound annual growth rate (CAGR) of County spending is 4.25%. Over the same period, personal income grew at a CAGR of 3.65%. In the past 5 years, the CAGR of County spending is even higher at 4.54%. Moreover, analysis shows that spending growth outpaced personal income growth on a year-over-year basis in 6 of the last 8 years for which actual data is available (see Attachment A). The Committee first noted our concern over long-term spending growth in our Fiscal 2022 report.

Our concern is not a matter of whether expected County revenues support proposed spending. Based on data presented to the Committee by the Budget Office, we are confident that County Revenues for Fiscal 2023 will be strong, with an estimated growth of $108 million or 6% vs. the Fiscal 2022 approved budget. However, this increase is largely due to recent changes in Federal tax policy concerning pass through entities, which had the effect of accelerating State and County tax filings and payments. Further, as the Committee noted in our report for Fiscal 2022, we believe recent revenue increases are due at least in part to Federal stimulus in response to COVID-19. The County is also benefitting from the current real estate market, with steady growth in property tax revenue and better than usual recordation and transfer taxes. Finally, there is a significant fund balance based on better-than-expected revenues in Fiscal 2021 and 2022.

That said, Committee members expressed concern that the revenue increases noted above may be transitory, and the County Council may enact "permanent" spending programs based on projected revenues and available fund balance. This in turn may lead to structural deficits in future years. In the event of a future revenue downturn, this could force the Council to either decrease County services, enact tax increases beyond the changes introduced in Fiscal 2020, or freeze future spending growth. The burden of any of these outcomes would fall on County residents.

The Committee encourages the County Council to take a strategic, long-term view regarding the County economy and budget. Personal income data from BEA makes it clear that County economic growth is slowing. In past years, it was safe to assume an average Anne Arundel personal income growth of approximately 4% each year. However, in six of the last eight years for which actual data is available (2013 – 2020), personal income growth was less than 4% (see Attachment A). There are many factors driving slower growth, among them an aging County population, a decline in overall population growth year-over-year, and flat growth when it comes to higher paying jobs. As such, the Committee believes future personal income growth for the County will be closer to 3.5% per year.

Near Term Outlook

While long-term County growth appears to be slowing, there is reason to believe that near-term growth will be strong and the 3.8% growth projection by Moody's is accurate. As noted above, the number of jobs in the County has still not returned to pre-pandemic levels. Further, the labor force participation rate for calendar year 2021 was 65.43%, vs. a pre-pandemic level of 69.16%. It is well documented in the media that businesses across the board have large numbers of job openings and are offering substantial salaries (as compared to pre-pandemic levels) to attract employees. Therefore, as COVID-19 restrictions are lifted it is reasonable to expect that County residents will continue to re-enter the workforce and that average wages will increase, positively impacting personal income and tax revenue.

Conclusion

Based on the analysis presented above, the SAC recommends an increase of 3.5% in the Fiscal 2023 General Fund budget as compared to Fiscal 2022. This recommendation is less than the personal income growth rate currently forecasted by Moody's for Anne Arundel County (3.8%), but greater than the forecast provided by RESI (1.8%). The Committee believes the Moody's estimate is more accurate. However, there remains significant uncertainty over the impacts of COVID-19 which makes it difficult to draw any long-term conclusions. Moreover, the Committee is concerned over County spending growth in recent years. This, coupled with analysis that shows County economic growth is steadily slowing, suggests a budget increase that is less than Moody's personal income growth prediction. As we have noted in previous reports, the Committee encourages a more conservative approach, allowing budget and policy flexibility in future years.

The Committee once again extends its heartfelt appreciation to our County employees, especially to Budget Administrator Hujia Hasim and Budget and Management Analyst Hannah Dier. The quality of governmental services that they provide is second to none. We sincerely hope that the evidence assembled for this report will help manage expectations and inform fair and just analysis of the difficult choices facing our elected leaders.

Sincerely,

David G. James, Chair

Spending Affordability Committee Membership for Calendar 2021 to 2022:

District	Name	Resolution #	Appointed on	Term Expires
1	Nicole Butler	34-19	9/16/2019	12/1/2022
2	Ejaz Younas, Vice Chair	19-17	5/1/2017	12/1/2020
3	Deborah Ritchie	34-19	9/16/2019	12/1/2021
4	Open			
5	Mary Clapsaddle, Secretary	34-19	9/16/2019	12/1/2022
6	David Juppe	34-19	9/16/2019	12/1/2022
7	David James, Chair	45-17	10/16/2017	12/1/2021

Attachment A
Approved Budgets vs. Reported Personal Income Growth

Fiscal Year	Spending Affordability Committee Budget Growth Recommendation	General Fund Approved Budget ($ millions)	Year-Over-Year Budget Growth	Actual Personal Income ($ thousands)*	Year-Over-Year Personal Income Growth
2008	5.50%	1,160.3		27,483,266	
2009	5.00%	1,173.6	1.15%	27,758,138	1.00%
2010	0.00%	1,180.8	0.61%	28,103,186	1.24%
2011	1.50%	1,169.4	-0.97%	29,504,352	4.99%
2012	4.40%	1,155.6	-1.18%	30,903,248	4.74%
2013	3.50%	1,218.9	5.48%	31,622,453	2.33%
2014	4.50%	1,238.3	1.59%	32,490,391	2.74%
2015	4.75%	1,309.7	5.77%	33,816,515	4.08%
2016	4.50%	1,346.5	2.81%	35,065,139	3.69%
2017	3.00%	1,406.7	4.47%	36,268,040	3.43%
2018	3.50%	1,460.8	3.85%	37,593,304	3.65%
2019	3.75%	1,524.9	4.39%	38,950,416	3.61%
2020	3.75%	1,637.6	7.39%	40,844,871	4.86%
2021	3.70%**	1,680.5	2.62%	TBD***	
2022	2.00%	1,747.9	4.01%	TBD	

*Based on data available from the BEA (https://apps.bea.gov/iTable/index_regional.cfm) as of January 2022. This data is subject to change in future BEA reporting. Also, it should be noted that the BEA reports county and metropolitan area personal income on a Calendar Year basis. Quarterly data is only available at the state level. For analysis purposes, the Budget Office converted this data to a County Fiscal Year basis by averaging the Calendar Year data. For example, the personal income shown above for Fiscal 2020 is the average of the BEA reported data for Calendar 2019 and 2020.

**The Fiscal 2021 recommendation was made in January 2020, prior to onset of the COVID-19 pandemic.

***Data for Calendar 2021 and 2022 is not yet available from BEA as of the date of this report.

ANNE ARUNDEL COUNTY
MARYLAND
Office of Planning and Zoning

2664 Riva Road, P.O. Box 6675
Annapolis, MD 21401
410-222-7450

Gustav S. Kurtz, Jr.
Chair, Planning Advisory Board

April 26, 2022

The Honorable Steuart Pittman, County Executive
Anne Arundel County
Arundel Center, P.O. Box 2700
Annapolis, Maryland 21404

RE: Final Deliberation Letter, Proposed Capital Budget and Program, FY2023 - FY2028

Dear County Executive Pittman:

The Planning Advisory Board (PAB) is a citizen advisory board created by §532 of the Anne Arundel County Charter. Under §533 of the Charter, the PAB is charged with recommending the list of capital projects, along with their estimated costs, to be implemented by the County in Fiscal Year 2023 and the balance of the program through Fiscal Year 2028 in the Capital Budget (CIP). The PAB believes that the CIP should be consistent with the County's goals, policies and plans including *Plan2040*, the *Master Plan for Water Supply and Sewerage Systems* and other Functional Plans as adopted by Anne Arundel County. The PAB also believes that the CIP should be, to the greatest extent possible, consistent with the current adopted program.

The PAB forwarded its Interim Deliberation Letter to you on March 14, 2022 after meeting to attempt to balance the CIP's identified needs with known resources. The PAB met on March 23, 2022 and was informed by the Budget Office of updates since the Interim Deliberation meeting that included funding and project class updates. As with our recommendations to you in the Interim Deliberation Letter; our final deliberation recommendations remain based on our understanding of the need to be fiscally conservative while funding the most important regulatory, life/safety and system/resource preservation needs.

The PAB's recommendations for the Capital Budget and Program are based on the assumed availability of $205.0 million of County PAYGO funds and General Obligation Bond affordability of approximately $960 million (presently set at $160 million; this also includes an estimated surplus carryover of approximately $18.9 million from the prior fiscal year); the priority of the projects proposed by the requesting agencies; consistency with the prior adopted CIP (FY2022 – FY2027); and the fiscal and policy impact of these projects on the County. The initial Program, forwarded to the PAB for its deliberation was $1,635,904,700 and was over assumed affordability by $467,002,100 in the six-year cycle.

During its deliberation, the PAB, with the assistance of the Office of Budget, was able to substantially reduce the large imbalance between the projects and programs with their estimated costs and assumed affordability. In offering these recommendations to you, the PAB has practically met the target of keeping the Capital Budget and Program within the limits of assumed affordability over the entire span of the program from FY2023 to FY2028, subject to changes in affordability ceilings and refined project cost estimates.

Following further discussion about the Program, the level of assumed affordability, and the extent of demonstrated unmet need in the County, the PAB voted to unanimously approve the Final Advisory Recommendation for the FY2023 – FY2028 Capital Budget by a vote of 5-0.

The Final Advisory Recommended Program by the PAB is $1,212,300,599 and is under affordability by approximately $1.6m. The Capital Budget for FY2023 recommended by the PAB, valued at $183,563,699 is under the assumed affordability by $200,338,901.

The PAB wishes to draw your attention to the following specific projects within the six-year program. These projects listed below are arrayed in no special order of significance:

- *F003620* New Police Firing Range - the PAB supports the design and construction of a new indoor firing range for the Anne Arundel County Police Department.

- *F580200* Fire Training Academy Replacement - the PAB supports the design of the Fire Training Academy for the County's career and volunteer firefighters.

- *P000723* Tanyard Springs - the PAB supports the design and construction of the new Tanyard Springs Park in a high-need area as identified by the 2017 Land Preservation, Parks and Recreation Plan.

- *P000823* Bacon Ridge Natural Area-Forney - the PAB supports the design and construction for the expansion of the Bacon Ridge Natural Area.

- *P000923* South Shore Park - the PAB supports the design and construction of the South Shore Park.

- *L576100* New Glen Burnie Library - the PAB supports the design and construction of the new Glen Burnie Regional Library that will be a coordination with the Cultural Resources section of the Office of Planning and Zoning to provide a centralized location for the Joan Cass Beck collection and display cultural artifacts, as well as house the County's Archaeology Laboratory.

- *F001318* Joint 911 Public Safety Center - the PAB supports the design and construction of the new 911 center to more efficiently direct calls to the Police and Fire Departments.

- *C000522* Circuit Courthouse Renovations - the PAB supports the design and construction of renovations at the Circuit Courthouse.

Enclosed is the FY2022 (FY2022 – FY2027) Approved Program, the Departmental Requests and the PAB's Final Deliberation by Project Class Summary for your information.

If there are any questions regarding our recommendation, please contact Michael Stringer in the Office of Planning and Zoning at pzstri20@aacounty.org.

Sincerely,

Gustav S. Kurtz, Jr.
Chair

Enclosures
1. Affordability Comparison-FY2023 – FY2028
2. Project Class Summary-FY2023 - FY2028 PAB Final Recommendation
3. Project Class Summary-FY2022 - FY2027 Approved Program

cc: Matt Power, Chief Administrative Officer, Office of the County Executive
Chris Trumbauer, Budget Officer, Office of the County Executive
Members of the Planning Advisory Board
Naomi McAllister, Senior Capital Budget Analyst, Office of Budget
Laura Corby, Administrative Officer, Anne Arundel County Council
Steve Kaii-Ziegler, Planning and Zoning Officer, Office of Planning & Zoning (OPZ)
Christina Pompa, Deputy Planning and Zoning Officer, Planning Division, OPZ
Cindy Carrier, Planning Administrator, Long Range Planning Section, OPZ
Michael Stringer, Planning Board Administrator, OPZ

FY2023 Capital Budget and Program - Affordability Comparison

	2023	2024	2025	2026	2027	2028
	Bonds & PayGo	Bonds & PayGo	Bonds & PayGo	Bonds & PayGo	Bonds & PayGo	Bonds & PayGo
Affordability Target						
+ Normal Bonds	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
+ Prior Yr Credit	18,902,600	-	-	-	-	-
+ Fund Balance (PayGo)	205,000,000	10,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Adjusted Affordability	**383,902,600**	**170,000,000**	**165,000,000**	**165,000,000**	**165,000,000**	**165,000,000**
FY2023 Program	**213,601,562**	**169,237,300**	**155,984,600**	**175,081,200**	**159,417,800**	**-**
Over (Under) Affordability	*(170,301,038)*	*(762,700)*	*(9,015,400)*	*10,081,200*	*(5,582,200)*	*(165,000,000)*
Dept. Request	**239,981,823**	**331,046,600**	**336,060,400**	**260,985,500**	**212,292,700**	**255,537,700**
Over (Under) Affordability	*(143,920,777)*	*161,046,600*	*171,060,400*	*95,985,500*	*47,292,700*	*90,537,700*
Over (Under) Program	*26,380,261*	*161,809,300*	*180,075,800*	*85,904,300*	*52,874,900*	*255,537,700*
PAB Final Recommendation	**183,563,699**	**288,897,600**	**236,570,400**	**195,160,500**	**177,106,700**	**131,001,700**
Over (Under) Affordability	*(200,338,901)*	*118,897,600*	*71,570,400*	*30,160,500*	*12,106,700*	*(33,998,300)*
Over (Under) Program	*(30,037,863)*	*119,660,300*	*80,585,800*	*20,079,300*	*17,688,900*	*131,001,700*
Over (Under) Dept. Req.	*(56,418,124)*	*(42,149,000)*	*(99,490,000)*	*(65,825,000)*	*(35,186,000)*	*(124,536,000)*

Cumulative Affordability - Over (Under)

	2023	2024	2025	2026	2027	2028
FY2023 Program	(170,301,038)	(171,063,738)	(180,079,138)	(169,997,938)	(175,580,138)	(340,580,138)
Dept. Request	(143,920,777)	17,125,823	188,186,223	284,171,723	331,464,423	422,002,123
PAB Recommended	(200,338,901)	(81,441,301)	(9,870,901)	20,289,599	32,396,299	(1,602,001)

FY2023 Capital Budget and Program - Affordability Comparison

	2023		2024		2025		2026		2027		2028	
	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo
Affordability Target												
+ Normal Bonds	160,000,000		160,000,000		160,000,000		160,000,000		160,000,000		160,000,000	
+ Not Used in Prior Year	18,902,600											
+ Fund Balance		205,000,000		10,000,000		5,000,000		5,000,000		5,000,000		5,000,000
Adjusted Affordability	**178,902,600**	**205,000,000**	**160,000,000**	**10,000,000**	**160,000,000**	**5,000,000**	**160,000,000**	**5,000,000**	**160,000,000**	**5,000,000**	**160,000,000**	**5,000,000**
FY2023 Program	**207,651,562**	**5,950,000**	**164,287,300**	**4,950,000**	**151,034,600**	**4,950,000**	**170,131,200**	**4,950,000**	**154,467,800**	**4,950,000**	**-**	**-**
Over (Under) Affordability	*28,748,962*	*(199,050,000)*	*4,287,300*	*(5,050,000)*	*(8,965,400)*	*(50,000)*	*10,131,200*	*(50,000)*	*(5,532,200)*	*(50,000)*	*(160,000,000)*	*(5,000,000)*
Deptl. Request	**179,822,323**	**60,159,500**	**324,897,800**	**6,148,800**	**327,769,100**	**8,291,300**	**252,530,700**	**8,454,800**	**204,196,800**	**8,095,900**	**247,195,800**	**8,341,900**
Over (Under) Affordability	*919,723*	*(144,840,500)*	*164,897,800*	*(3,851,200)*	*167,769,100*	*3,291,300*	*92,530,700*	*3,454,800*	*44,196,800*	*3,095,900*	*87,195,800*	*3,341,900*
Over (Under) Program	*(27,829,239)*	*54,209,500*	*160,610,500*	*1,198,800*	*176,734,500*	*3,341,300*	*82,399,500*	*3,504,800*	*49,729,000*	*3,145,900*	*247,195,800*	*8,341,900*
PAB Recommended	**96,018,500**	**87,545,199**	**284,548,800**	**4,348,800**	**230,079,100**	**6,491,300**	**188,505,700**	**6,654,800**	**170,810,800**	**6,295,900**	**124,459,800**	**6,541,900**
Over (Under) Affordability	*(82,884,100)*	*(117,454,801)*	*124,548,800*	*(5,651,200)*	*70,079,100*	*1,491,300*	*28,505,700*	*1,654,800*	*10,810,800*	*1,295,900*	*(35,540,200)*	*1,541,900*
Over (Under) Program	*(111,633,062)*	*81,595,199*	*120,261,500*	*(601,200)*	*79,044,500*	*1,541,300*	*18,374,500*	*1,704,800*	*16,343,000*	*1,345,900*	*124,459,800*	*6,541,900*
Over (Under) Deptl. Req.	*(83,803,823)*	*27,385,699*	*(40,349,000)*	*(1,800,000)*	*(97,690,000)*	*(1,800,000)*	*(64,025,000)*	*(1,800,000)*	*(33,386,000)*	*(1,800,000)*	*(122,736,000)*	*(1,800,000)*

<u>Combined Affordability - Over (Under)</u>

	2023	2024	2025	2026	2027	2028
FY2023 Program						
Net Over (Under) Affordability	(170,301,038)	(762,700)	(9,015,400)	10,081,200	(5,582,200)	(165,000,000)
		(170,301,038)	(171,063,738)	(180,079,138)	(169,997,938)	(175,580,138)
Cumulative:		(171,063,738)	(180,079,138)	(169,997,938)	(175,580,138)	(340,580,138)
Deptl. Request						
Net Over (Under) Affordability	(143,920,777)	161,046,600	171,060,400	95,985,500	47,292,700	90,537,700
		(143,920,777)	17,125,823	188,186,223	284,171,723	331,464,423
Cumulative:		17,125,823	188,186,223	284,171,723	331,464,423	422,002,123
PAB Recommended						
Net Over (Under) Affordability	(200,338,901)	118,897,600	71,570,400	30,160,500	12,106,700	(33,998,300)
		(200,338,901)	(81,441,301)	(9,870,901)	20,289,599	32,396,299
		(81,441,301)	(9,870,901)	20,289,599	32,396,299	(1,602,001)

Project Class Summary - FY2022 Approved Program

	2023		2024		2025		2026		2027		2028	
Class Title	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo
General County	68,920,500	2,130,000	20,193,800	2,130,000	21,815,600	2,080,000	19,687,700	2,080,000	19,685,800	2,080,000	-	-
School Off-Site	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	-	-
Dredging	1,000,000	200,000	1,000,000	200,000	1,000,000	200,000	1,000,000	200,000	1,000,000	200,000	-	-
Board of Education	68,534,062	(541,000)	49,789,000	1,200,000	23,874,000	1,200,000	76,363,000	1,200,000	69,209,000	1,200,000	-	-
Fire & Police	13,411,000	1,150,000	2,588,000	150,000	525,000	150,000	8,046,000	150,000	16,257,000	150,000	-	-
Roads & Bridges	33,235,000	2,511,000	41,853,000	770,000	40,197,000	820,000	30,980,000	820,000	31,780,000	820,000	-	-
Traffic Control	2,070,000	-	2,070,000	-	2,070,000	-	2,070,000	-	2,070,000	-	-	-
Community College	950,000	-	2,000,500	-	6,610,000	-	17,714,500	-	4,081,000	-	-	-
Library	350,000	-	2,581,000	-	31,727,000	-	350,000	-	2,493,000	-	-	-
Recreation & Parks	18,681,000	500,000	41,712,000	500,000	22,716,000	500,000	13,420,000	500,000	7,392,000	500,000	-	-
Water Quality Improvements	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater Runoff Controls	-	-	-	-	-	-	-	-	-	-	-	-
General Fund Total:	207,651,562	5,950,000	164,287,300	4,950,000	151,034,600	4,950,000	170,131,200	4,950,000	154,467,800	4,950,000	-	-

Project Class Summary -- PAB Recommended

	2023		2024		2025		2026		2027		2028	
Class Title	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo	Bonds	PayGo
General County	60,805,000	18,075,199	45,168,800	2,130,000	34,315,100	2,080,000	32,770,700	2,080,000	34,195,800	2,080,000	21,920,800	2,080,000
School Off-Site	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-
Dredging	642,500	57,000	1,000,000	200,000	1,000,000	200,000	1,000,000	200,000	1,000,000	200,000	1,000,000	200,000
Board of Education	(38,044,000)	10,755,000	71,262,000	(1,300,000)	50,743,000	1,200,000	53,674,000	1,200,000	82,540,000	1,200,000	54,360,000	1,200,000
Fire & Police	34,558,000	4,755,300	49,340,000	2,048,800	(125,000)	1,691,300	11,092,000	1,854,800	8,679,000	1,495,900	1,897,000	1,741,900
Roads & Bridges	5,565,000	30,822,000	45,071,000	770,000	56,159,000	820,000	31,288,000	820,000	36,601,000	820,000	31,530,000	820,000
Traffic Control	1,842,000	-	2,075,000	-	2,075,000	-	2,075,000	-	2,075,000	-	2,075,000	-
Community College	2,150,000	1,200,000	2,195,000	-	9,867,000	-	18,006,000	-	4,081,000	-	1,924,000	-
Library	600,000	1,650,000	3,730,000	-	43,863,000	-	350,000	-	350,000	-	3,608,000	-
Recreation & Parks	27,504,000	20,226,700	64,207,000	500,000	31,682,000	500,000	37,750,000	500,000	789,000	500,000	5,645,000	500,000
Water Quality Improvemer	(104,000)	4,000	-	-	-	-	-	-	-	-	-	-
Stormwater Runoff Contro	-	-	-	-	-	-	-	-	-	-	-	-
General Fund Total:	96,018,500	87,545,199	284,548,800	4,348,800	230,079,100	6,491,300	188,505,700	6,654,800	170,810,800	6,295,900	124,459,800	6,541,900

Steuart Pittman, County Executive

FY2023 Budget Overview

Chris Trumbauer

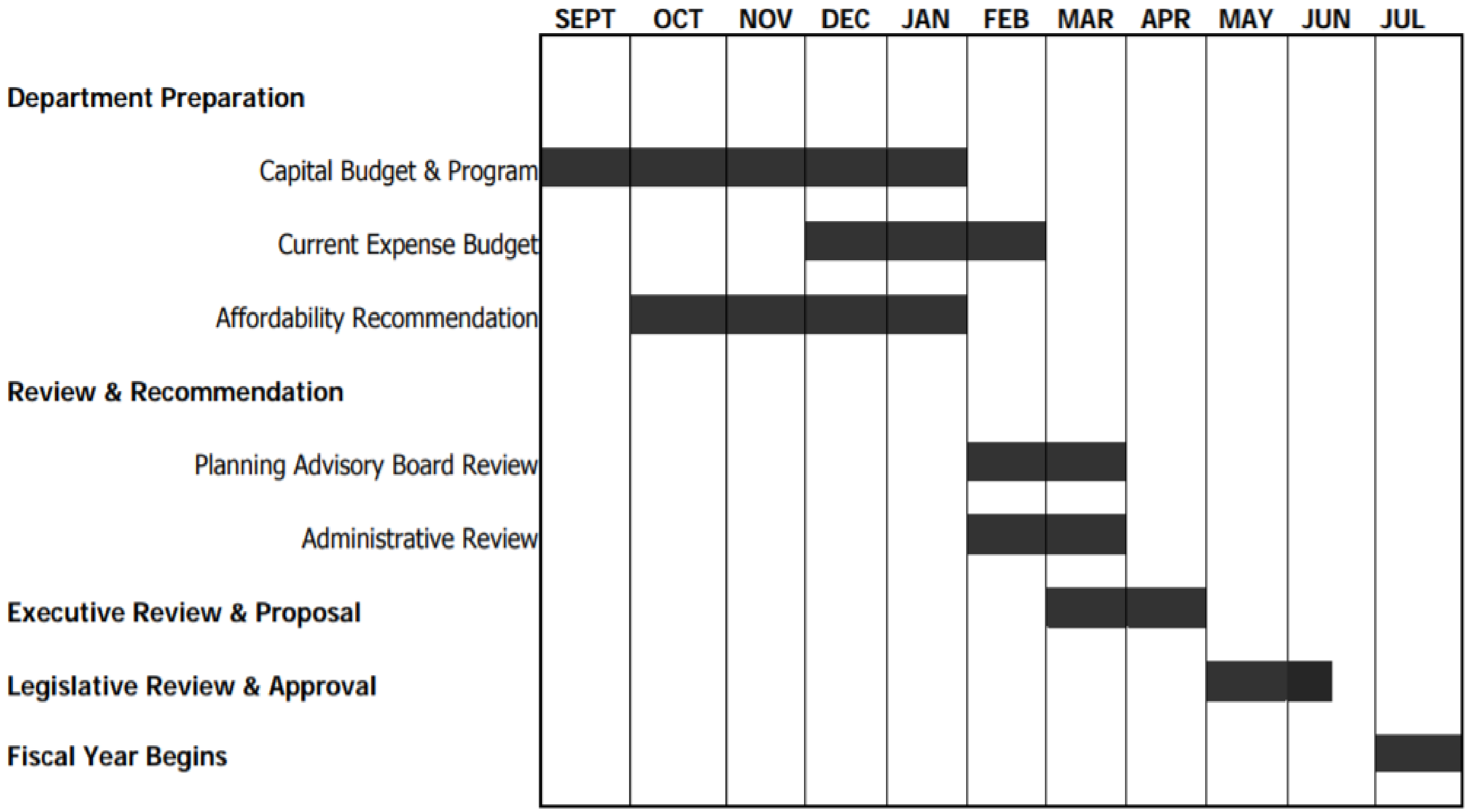
Budget Officer

Hujia Hasim	Budget Administrator
Steven Theroux	Assistant Budget Officer
Naomi McAllister	Senior Budget & Management Analyst
Darlene Flynn	Budget & Management Analyst III
Beth McCoy	Budget & Management Analyst III
Hannah Dier	Budget & Management Analyst III
Samantha Chiriaco	Budget & Management Analyst III
Janae Moulden	Budget Management Assistant I

April 29, 2022

Contents

FY2023
Budget Development Process



FY2022 Estimated Results

Note: Throughout this presentation, rounding may result in differences in totals

FY2022 Estimated Revenue

(Millions of Dollars)

	FY2022 Budget Approved	FY2022 Revised Estimate	Difference
Property Tax	789.8	800.1	10.3
Income Tax	647.4	696.5	49.1
State Shared Revenue	21.2	24.3	3.1
Recordation & Transfer	105.0	170.0	65.0
Local Sales Tax	27.2	28.2	1.0
Licenses & Permits	17.4	17.7	0.3
Investment Income	1.4	0.8	-0.5
Other	73.0	88.3	15.3
Interfund Reimb.	79.9	73.7	-6.3
Operating Revenue	1,762.3	1,899.6	137.3
Fund Balance	110.8	-21.5	-132.3
Total	1,873.1	1,878.1	5.0

FY2022 Budget Projected Results

(Millions)

$110.8 Planned Use of Fund Balance

($1,873.1 – 1,762.3)

Revenue	
Approved Budget	$1,762.3
Projected Realizations	1,899.6
More than Anticipated	$137.3
Expenditures	
Approved Budget	$1,873.1
Projected Expenditures	1,878.1
(Over) / Under Expenditure	($5.0)
FY2022 Fund Bal. Under (Over) Utilization	**$132.3**

Actual Fund Balance Generation (**110.8** – **132.3**) = **$21.5**

Fund Balance

(Millions)

End of FY21 (June 30, 2021)	$ 240.9
Designated for Use in FY2022	**110.8**
Available July 1, 2022	$130.1
FY2022 Under Utilization of Fund Bal.	**132.3**
Available June 30, 2022	**$262.4**
(Available to Support FY2023 Budget)	

$240.9 + $21.5 = $262.4

FY21 Year End + FY22 Generated = Available

Federal COVID Funds

CARES Act

- County received $101M in April, 2020
- Spending deadline was 12/31/2021
- Anne Arundel County has fully expended its CARES funding and the final report was accepted by US Treasury.

American Rescue Plan Act (ARPA)

- County scheduled to receive a total of $112.5M
  - $56.25M rec’d in May, 2021 and $56.25M expected in May, 2022
- Spending deadline is 12/31/2024
- Total of $56M approved to date for FY22
- Approx $23.5M is deployed in FY23 budget for “one-time” expenses

ARP Funding Proposals included in the FY23 Budget

All ARP funding requests have been determined to be eligible by the County's ARP consultant and approved by the Fiscal Recovery Funds Oversight Committee

Program	Funding
Partnership for Children, Youth and Families	**525,300**
Legal and Wraparound Services for Immigrant Children	343,700
Early Childhood Initiative	111,600
Help for the Immigrant Community	70,000
Chief Administrative Officer	**5,756,800**
UHY Consultants	105,000
Eviction Prevention (**ACDS**)	3,090,000
Community Grant Program (**ACDS**)	1,070,000
Inclusive Ventures Program Expansion (**AAEDC**)	1,327,200
Youth Healing Alliance at Meade Village (**HCAAC**)	164,600
Capital Budget - PAYGO	**12,855,000**
Utility Fund PAYGO	5,774,000
OIT PAYGO	1,431,000
Rec and Parks PAYGO	5,650,000
Fire Department	**2,664,500**
Advance Life Support Program (Paramedic Training)	2,664,500
Department of Social Services	**1,125,000**
Summer SNAP Program	1,050,000
Sarah's House -- Maintenance Needs	75,000
Office of Detention Facilities	**90,000**
Detention Officer Hiring Bonus	90,000
Dept of Public Works	**45,000**
Telework Equipment	45,000
Department of Recreation & Parks	**500,000**
Vehicle Replacement Carryover from FY22	500,000
Total	**$ 23,561,600**

FY2023
General Fund
Overview

General Fund

$2,157,450,500

($262,372,000 is Fund Balance)

Year-to-Year Growth

(Millions)

	Budget	
FY2023	$2,157.5	
FY2022	$1,873.1	
Increase	$ 284.4	+ 15.2%
(subtracting incremental fund balance)	$ 151.6	
(subtracting one-time revenue)	$ 3.0	
	$ 129.8	**+ 7.4%** (recurring revenue)

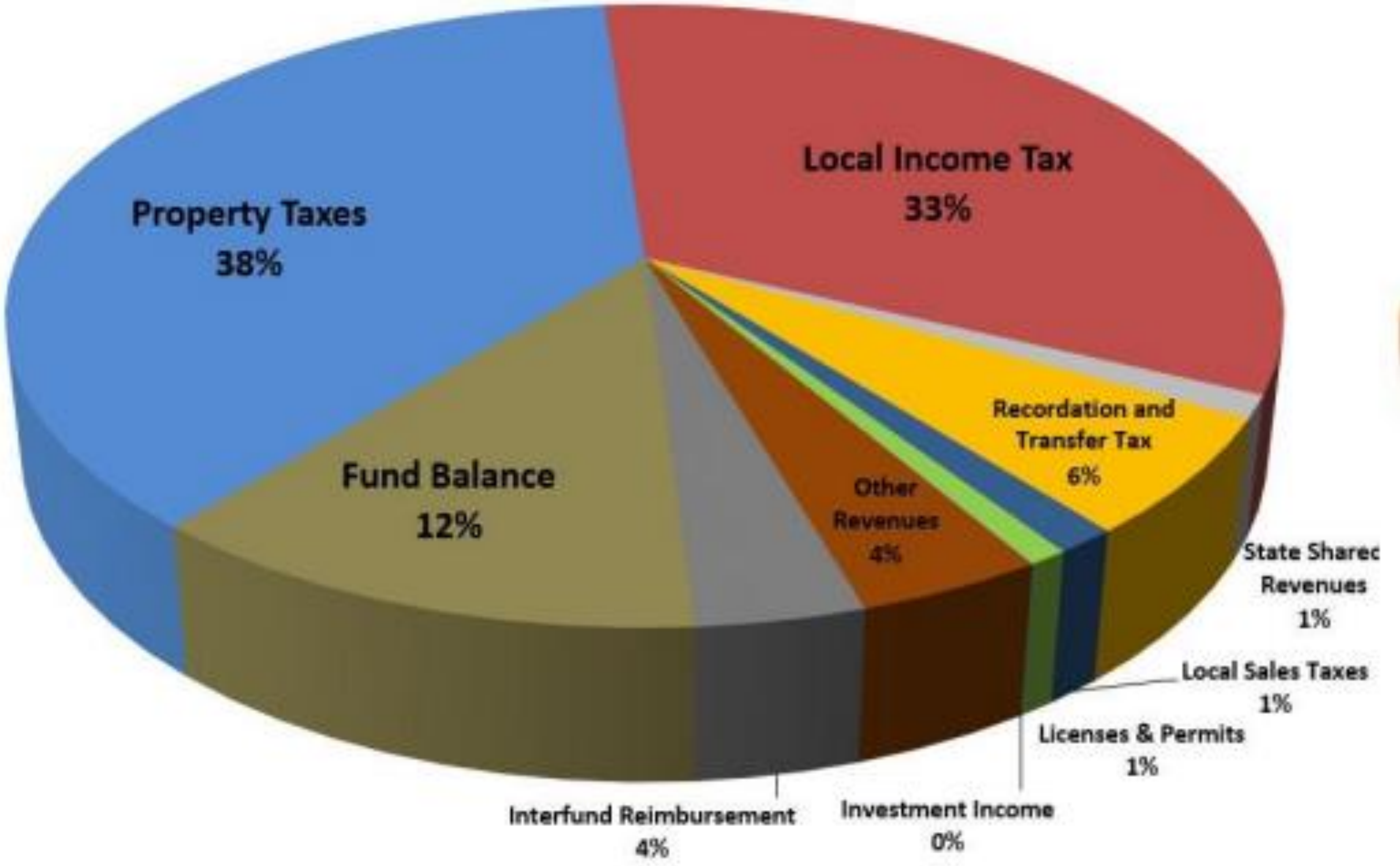
Highlights

- $129.8 million Increase in Recurring Revenue (+7.4% over FY22)
- Property Tax Rate unchanged, even though Tax Cap allows $0.03 increase
  Tax Rate $0.933 (Annapolis $0.559, Highland Beach $0.903)
- Income Tax Rate reduced to 2.70% for income up to $50k;
  remains 2.81% for income above $50k
- Fully eliminate the structural deficit; $100k budget surplus
- Reduces new debt authority by $10M/yr from $170M to $160M
- $50 million new county BOE funding (most in county history)
- $23.5 million Contribution to Revenue Reserve Fund –
  $132.7 million Projected Balance at the end of FY2023 (7% max)
- $10 million to start a new Affordable Housing Trust Fund
- $16.5 million one-time contribution to Pension Fund
- 59 New Positions in the General Fund
- 0% Change in Stormwater Remediation Fee, Solid Waste Fee
- 5% Change Water/Sewer User Rate

FY2023 Revenue Detail

General Fund Revenue

$2,157,450,500



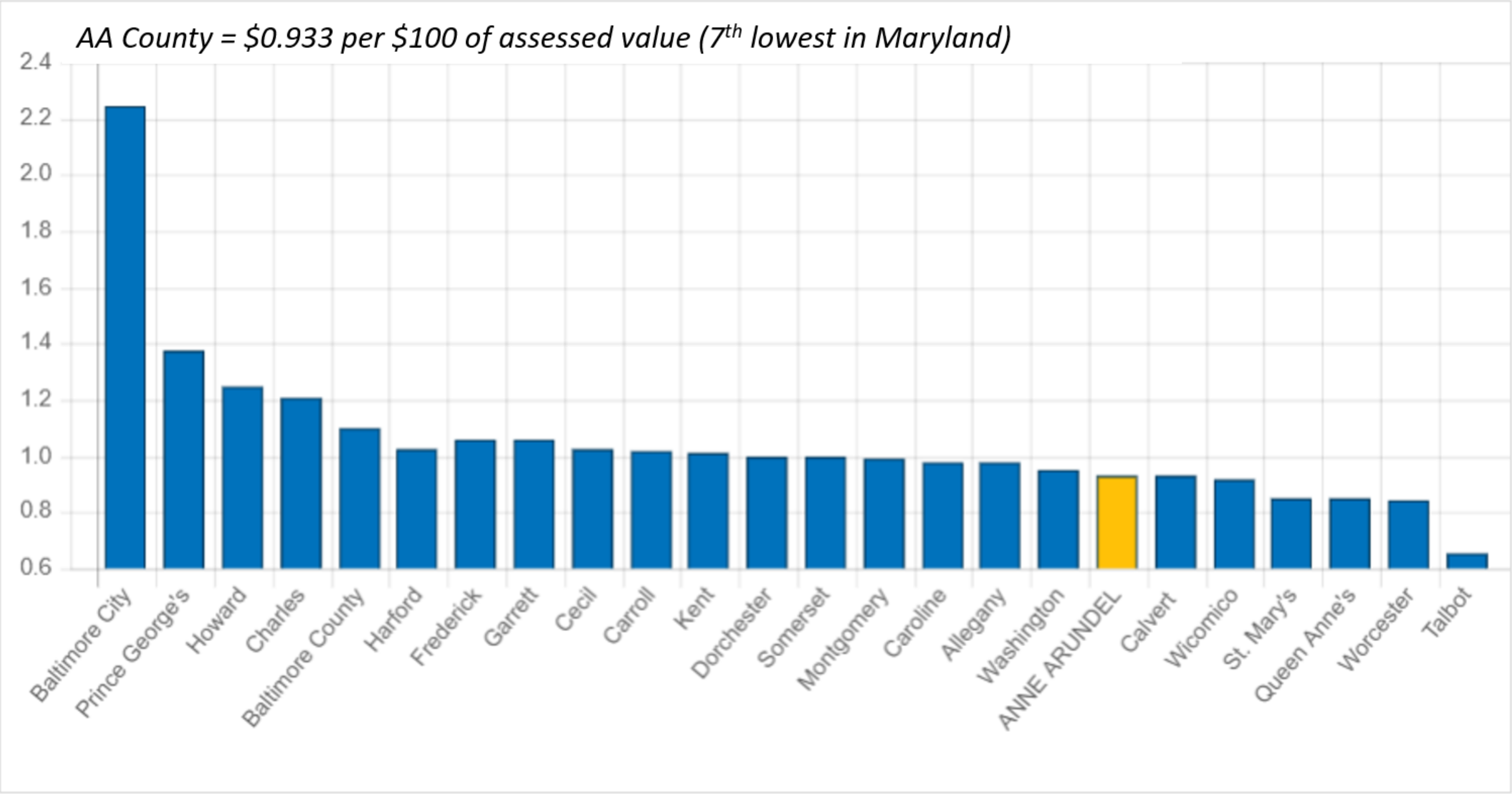
FY23 Revenue

	FY23 Amt. (Millions $)	% Change FY22 Bud	% Change FY22 Rev
Property Tax	812.6	2.9%	1.6%
Income Tax	714.7	10.4%	2.6%
State Shared Revenue	25.1	18.3%	3.3%
Recordation & Transfer	131.0	24.8%	-22.9%
Local Sales Tax	28.5	4.7%	1.1%
Licenses & Permits	17.7	1.9%	0.0%
Investment Income	0.8	-39.6%	0.0%
Fees for Servces and Other	83.8	14.8%	-5.1%
Interfund Reimbusements	77.8	-2.7%	5.6%
Total Recurring Revenue	1,892.1	7.4%	-0.4%
One-time revenue	3.0		
Fund Balance	262.4		
Total	2,157.5	15.2%	14.9%

Property Tax Revenue

Property Tax Comparison

FY23 proposed vs. FY22 approved



Property Tax Revenue

- FY2022
  - Better than expected new construction
  - More than anticipated Personal Property Tax receipts
- FY2023
  - Taxable Assessable Base (Incl. new construction) +2.0%
  - January CPI is 7.48% (for Tax Revenue Cap Purposes 4.5%)
  - Calculated Property Tax Rate Under the Tax Cap: $0.963 ($0.576 Annapolis, $0.933 in Highland Beach)
  - Proposed Property Tax Rate: $0.933 (unchanged)

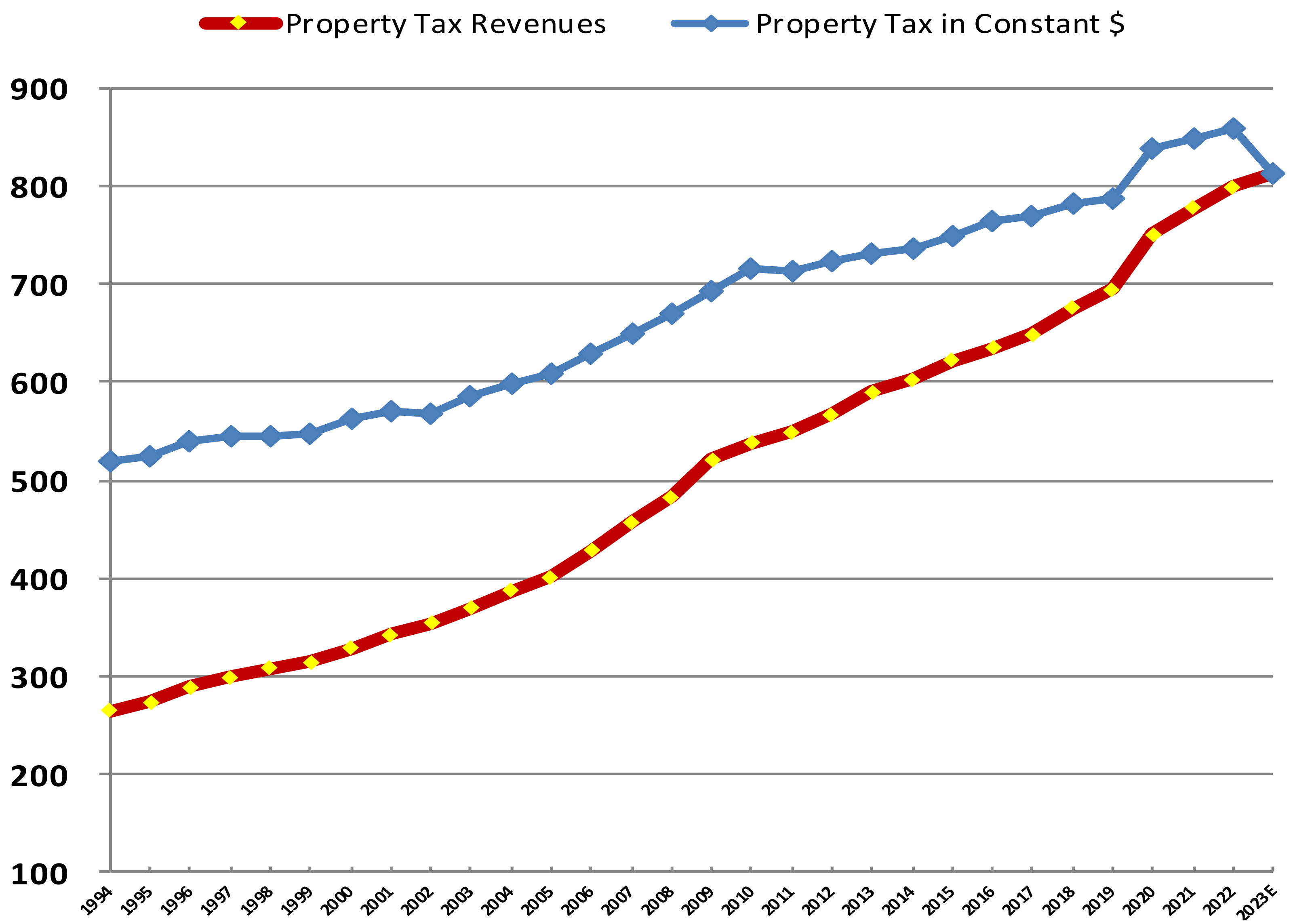
    ($0.559 Annapolis, $0.903 in Highland Beach)

$812,632,900 FY23 Property Tax Revenue

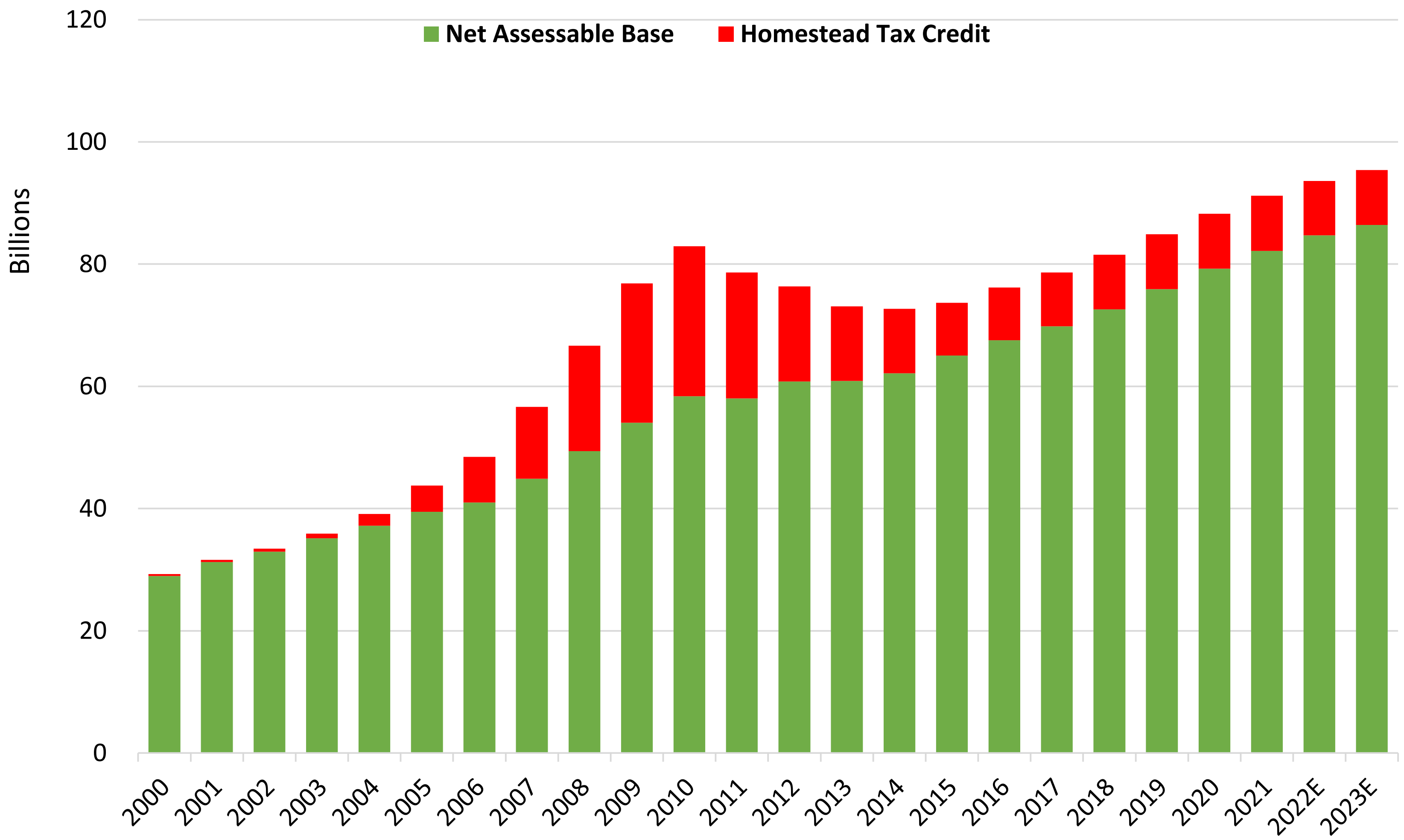
Compares to $789,805,300 in FY2022 Original (+2.9%)

Compares to $800,109,700 in FY2022 Revised (+1.3%)

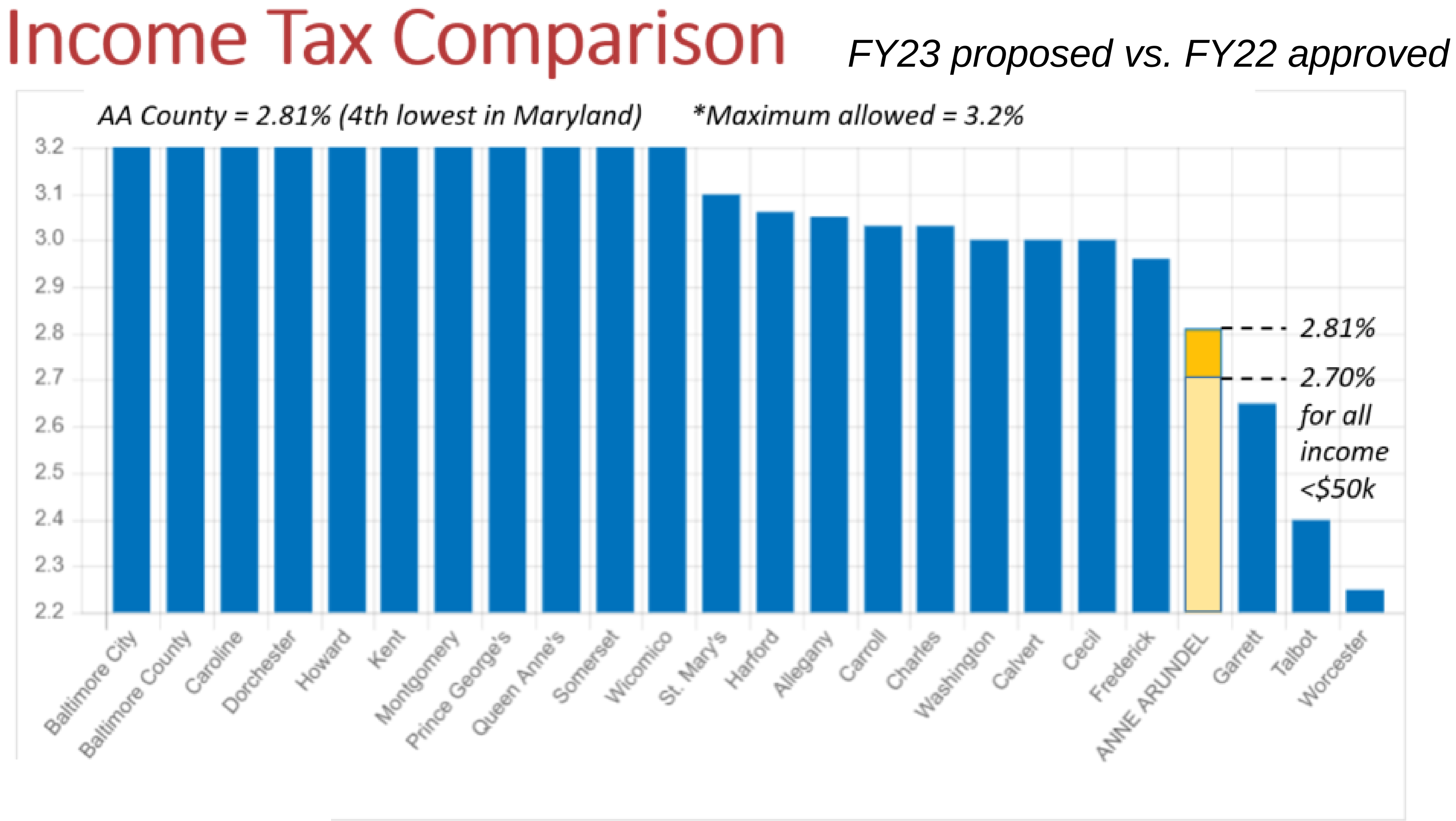
Property Tax Revenue Since 1994



Assessment Safety Valve



Income Tax Revenue



Income Tax Revenue

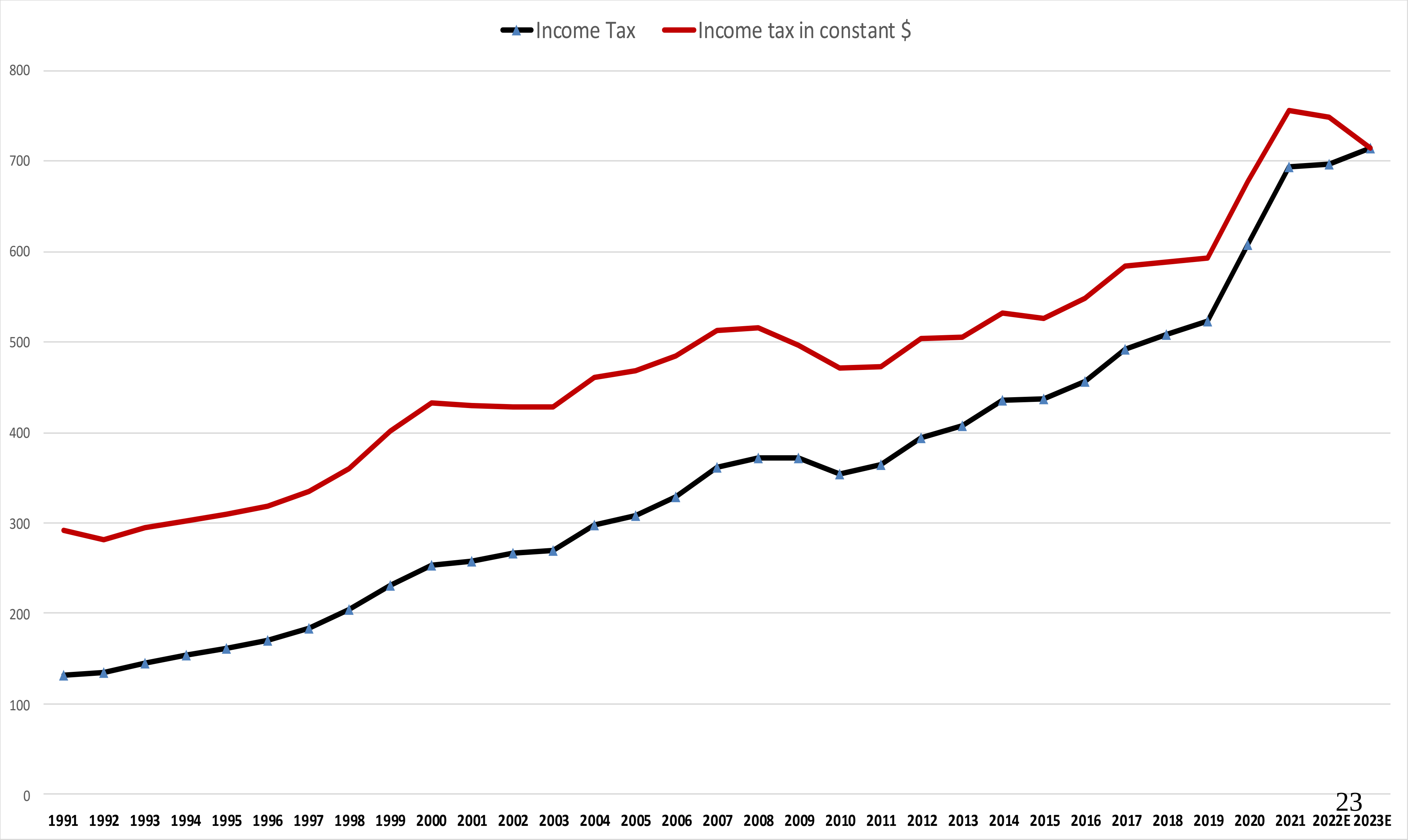
- FY2022
  - Receipts are currently projected to be $49.1 million above what was estimated mainly due to better than expected Calendar Year 2020 receipts.
- FY2023
  - Estimates are based on the assumption that taxable personal income will increase by 5.5% in CY 2021, increase by 3.5% in CY 2022 and increase by 3.0% in CY 2023. Estimates also adjusted for certain one-time revenues and potential impacts of State and Federal tax law changes.
  - Forecasting $18 million of positive on-going impact from Federal Tax Law Change.
  - Progressive Income Tax - Income tax rate of 2.7% for all Maryland income that is $50,000 or less, and a tax rate of 2.81% for all Maryland income over $50,000. (Fiscal Impact: FY23=$4 million, annualized =$10 million)

$714,700,000 Income Tax Revenue

Compares to $647,400,000 in FY 2022 Original (+10.4%)

Compares to $696,500,000 in FY 2022 Revised (+2.61%)

Income Tax Revenue Since 1991



Recordation & Transfer Tax

- FY2022
  - Both transactions & prices are up
  - Mortgage rates low for first half of year, but increasing
  - Year to date figures show 10%+ growth, but active inventory is a concern. Several large commercial transactions this year
- FY2023
  - Negative growth in transactions from current levels expected since inventory is low.
  - Mortgage rates higher – will affect sales and refinancings

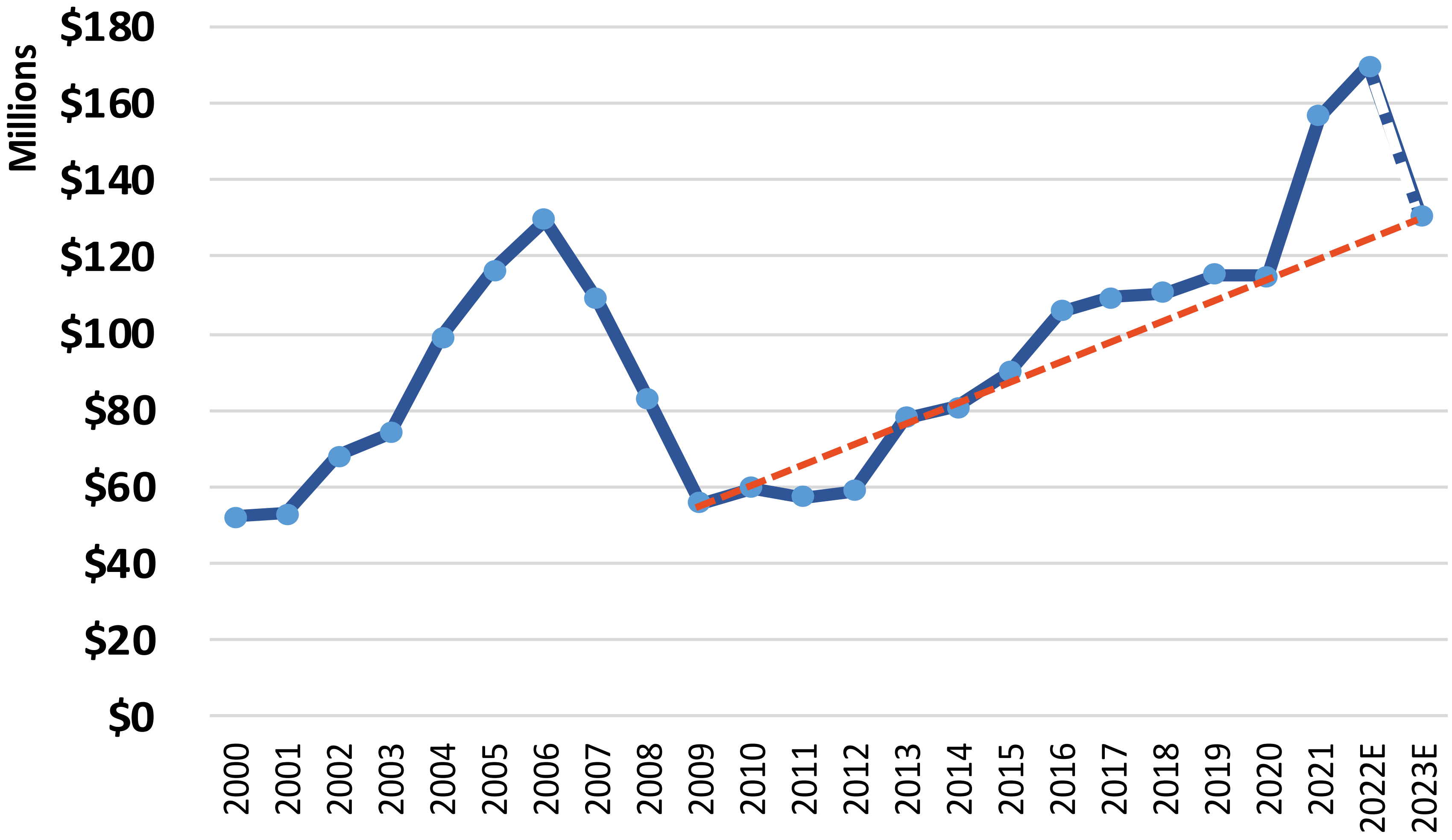
$131,000,000 Recordation & Transfer Taxes

Compares to $105,000,000 in FY2022 Original (+24.8%)

Compares to $170,000,000 in FY2022 Revised (–22.9%)

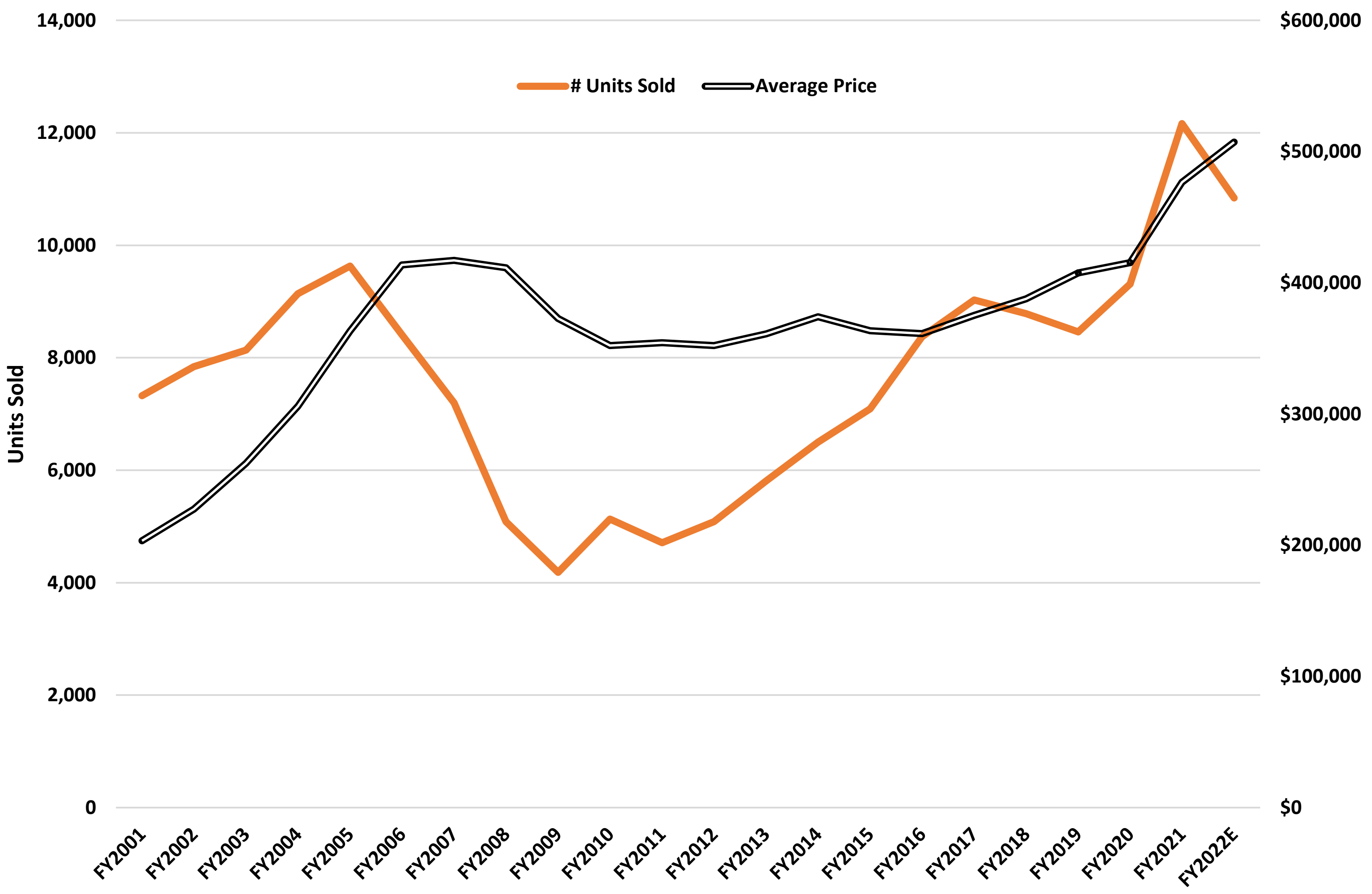
Recordation & Transfer Tax Revenue

Fiscal Year

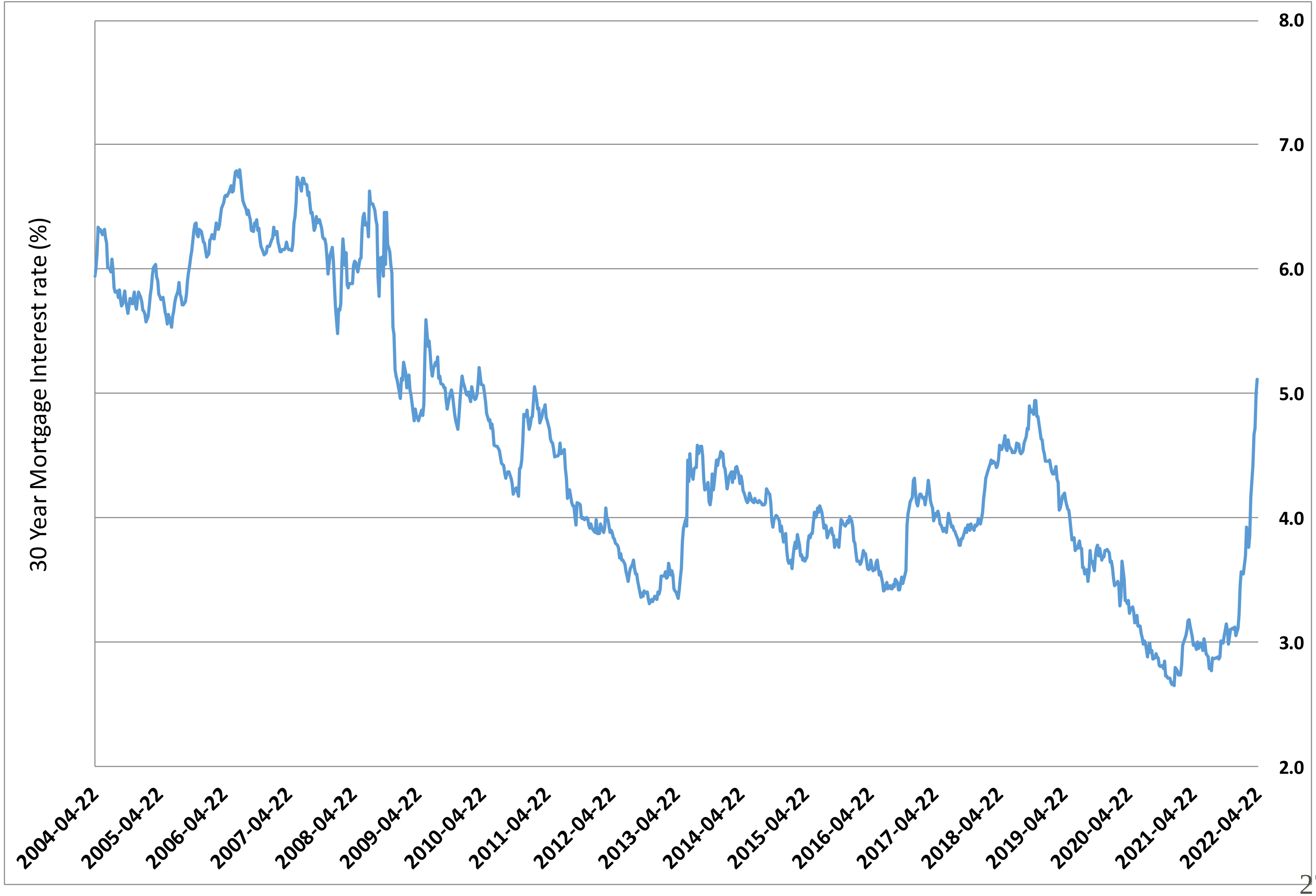


Anne Arundel Housing Transactions

Fiscal Year (based on March 31 2022 data)



Mortgage Interest Rates



State Shared Revenue

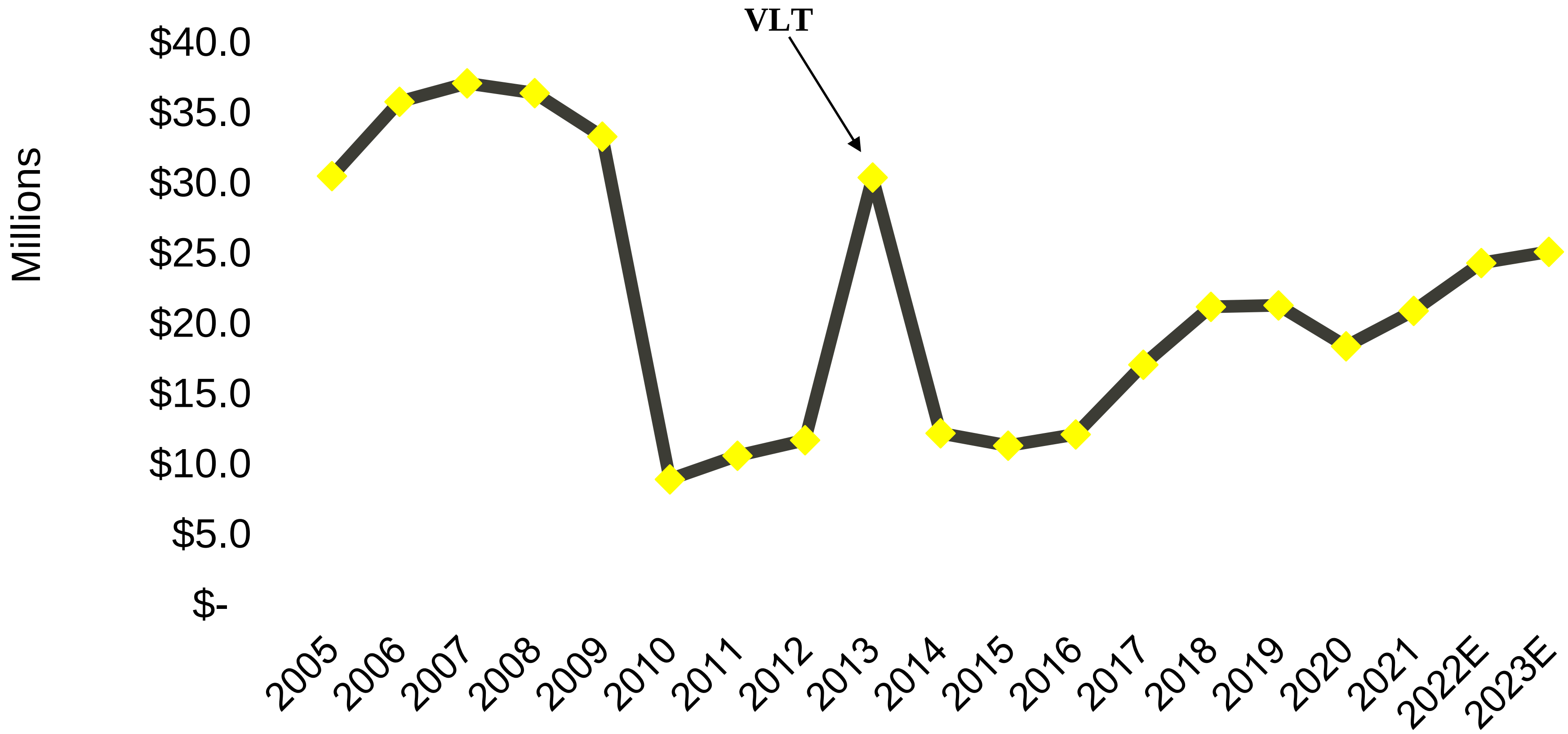
- FY2022
  - Highway User Revenue (HUR) projected at $6.8 million, revised up by State by $0.4 million.
  - Table Game Revenue revised estimate are up $1.4 million.
  - Admissions and Amusement tax revenues revised estimate shows a 21% increase from original budget of $1.3 million.
- FY2023
  - HUR is projected at $7.0 million (+10.4% from FY22 Original Budget)
  - $10.25 million projected from Table Game revenue (+18.6%)
  - Admission & Amusement Tax at $7.8 million (+25.8%)

$25,092,900 State Shared Revenue

Compares to $21,214,400 in FY2022 Original (+18.3%)

Compares to $24,284,300 in FY2022 Revised (+3.3%)

State Shared Revenue



Local Sales Taxes

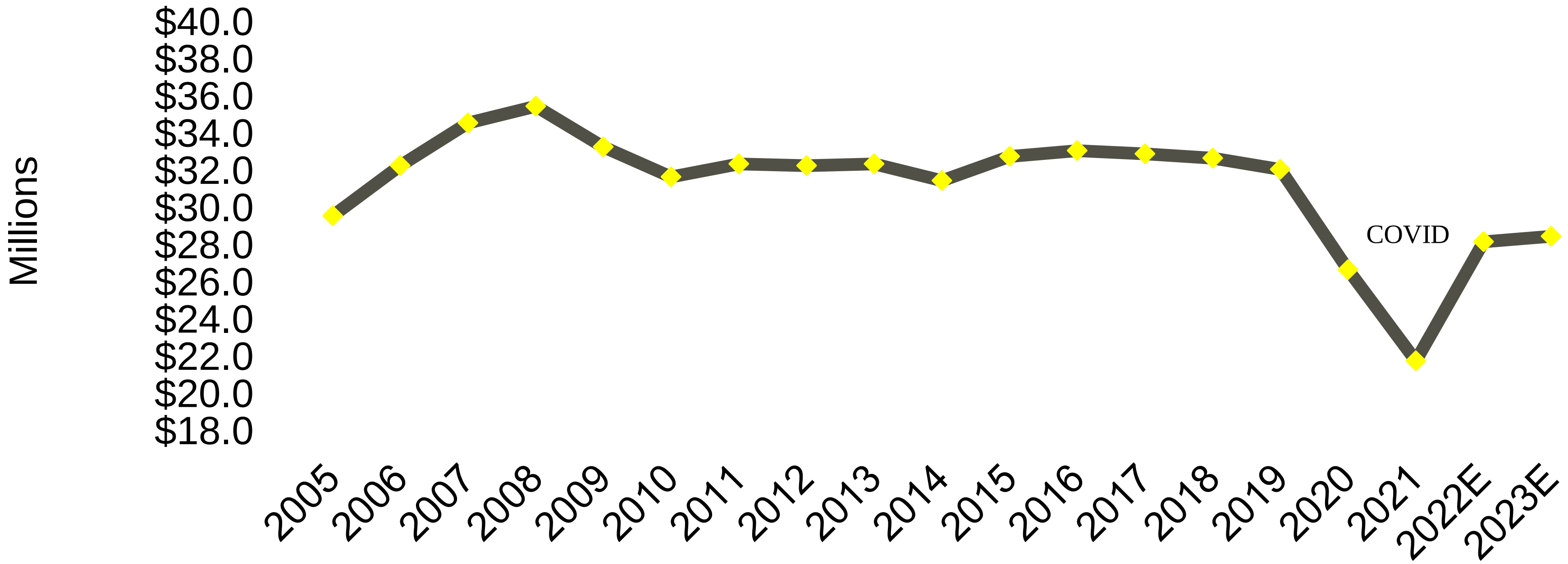
- FY2022
  - Revised up the Hotel Motel Tax by $0.5 million to $12.7 million.
  - Parking Revenue projected to be $5.0 ($0.5 million more than original estimates)
- FY2023
  - Hotel Motel Tax is estimated at $13.0 million (about $1.3 million lower than “normal” level of $14.3 million in FY2019)
  - Parking Tax estimate is $5.2 million, which is about $0.8 million lower than “normal” levels of $6.0 million
  - All other categories are estimated to be flat at FY2022 level.

$28,468,000 Local Sales Taxes

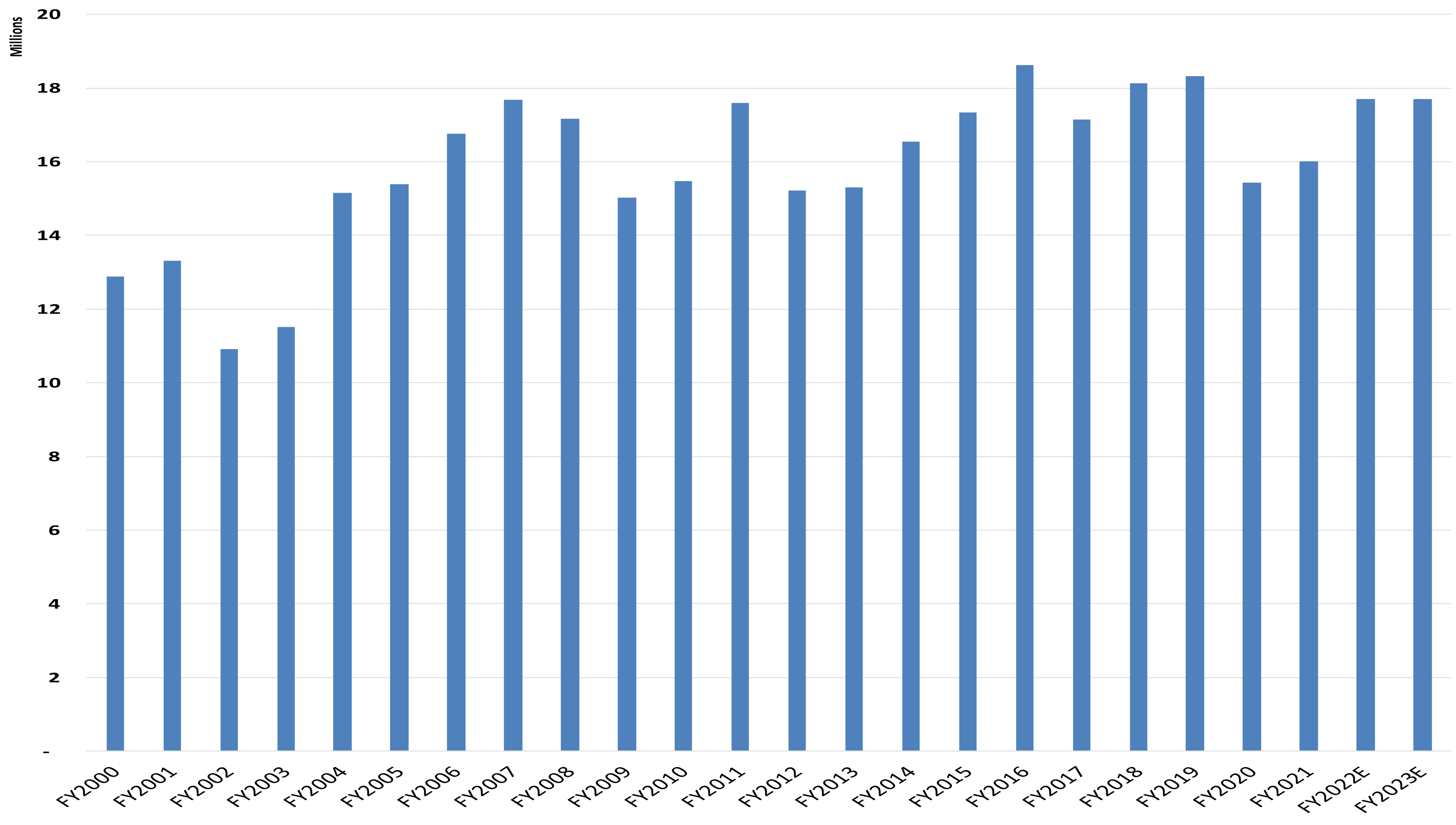
Compares to $27,180,000 in FY2022 Original (+4.7%)

Compares to $28,168,000 in FY2022 Revised (+1.7%)

Local Sales Tax



Licenses & Permits



Investment Income

- FY2022
  - The revenue estimates revised to reflect actual daily cash balances and declining interest rates of return
- FY2023
  - Forecast short term interest rates to remain flat

$830,000 Investment Income

Compares to $1,375,000 in FY2022 Original (-39.6%)

Compares to $830,000 in FY2022 Revised (+0%)

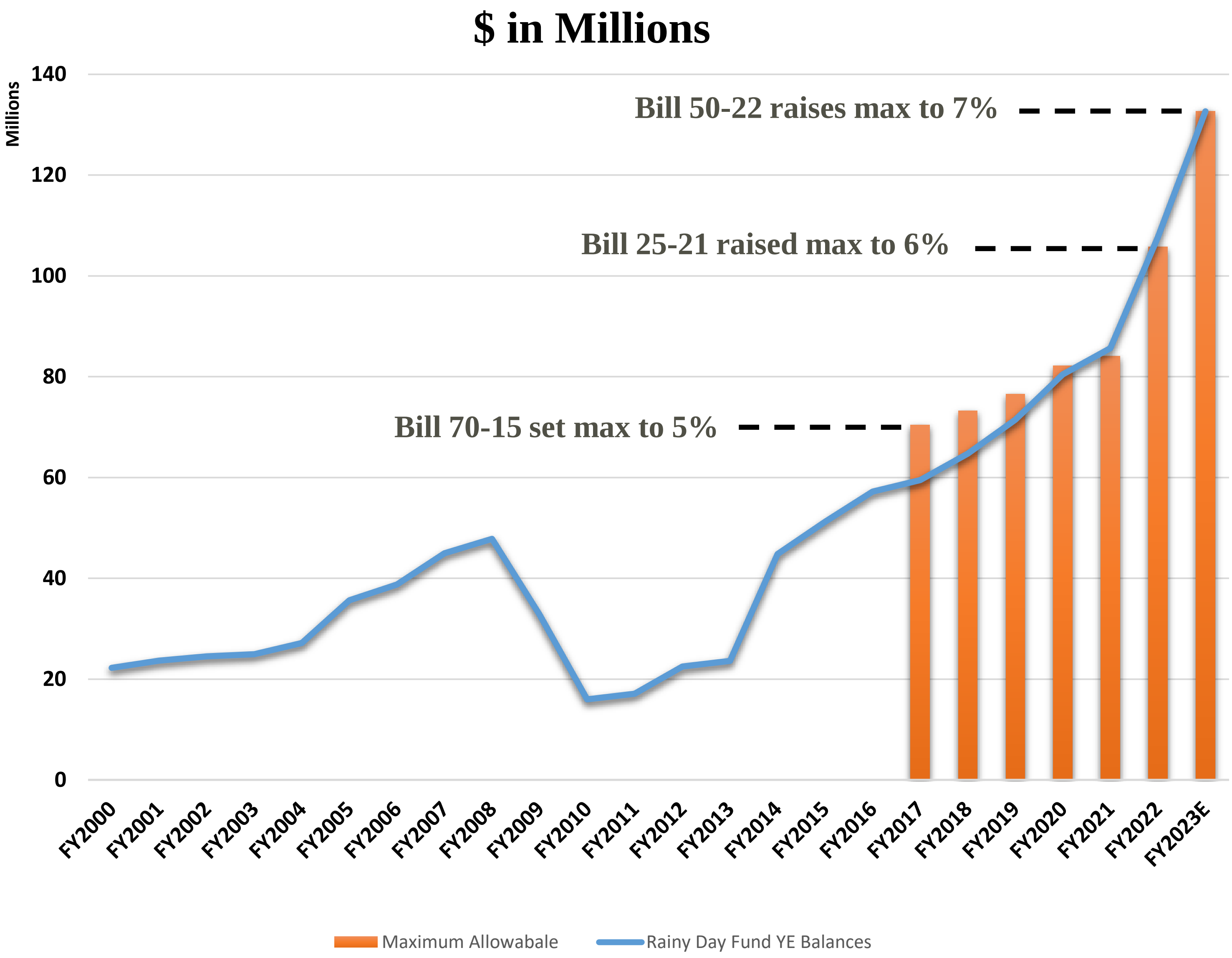
Interfund Reimbursement

Recurring

($ in Millions)

Enterprise Funds	$ 21.1
Internal Service Funds	1.7
Capital Projects Fund	9.4
Special Revenue Funds	2.8
Tax Increment Funds	42.1
Pension Fund	0.7
Total	$ 77.8

Revenue Reserve Fund



Tax Rate / Fee Rate Changes Proposed

General Fund			
Property Tax Rates (Per $100 Assessment)	Approved in FY2022	Proposed in FY2023	% Change
Real Property Tax Rate			
Outside Annapolis and Highland Beach	$0.933	$0.933	0.0%
Within City of Annapolis	$0.559	$0.559	0.0%
Within Town of Highland Breach	$0.903	$0.903	0.0%
Personal Property Tax Rate			
Outside Annapolis and Highland Beach	$2.332	$2.332	0.0%
Within City of Annapolis	$1.397	$1.397	0.0%
Within Town of Highland Breach	$2.257	$2.257	0.0%
Income Tax Rate (% of Maryland Adjusted Gross Income)			
Maryland Income Under $50,000	2.81%	2.70%	-3.9%
Maryland Income Over $50,000	2.81%	2.81%	0.0%
Watershed Protection and Restoration Fund (WPRF)			
Stormwater Remediation Fee (one equivalent residential unit)	$89.25	$89.25	0.0%

Waste Collection Fund			
Residential Trash Collection Fee (Per Household)	$341.00	$341.00	0.0%
Tipping Fee (Per Ton)	$85	$85	0.0%
Water Wastewater Operating Fund			
Water Usage Rates ($ Per 1,000 Gallon)	$2.83	$2.97	4.9%
Sewer Usage Rates ($ Per 1,000 Gallon)	$4.97	$5.21	4.8%

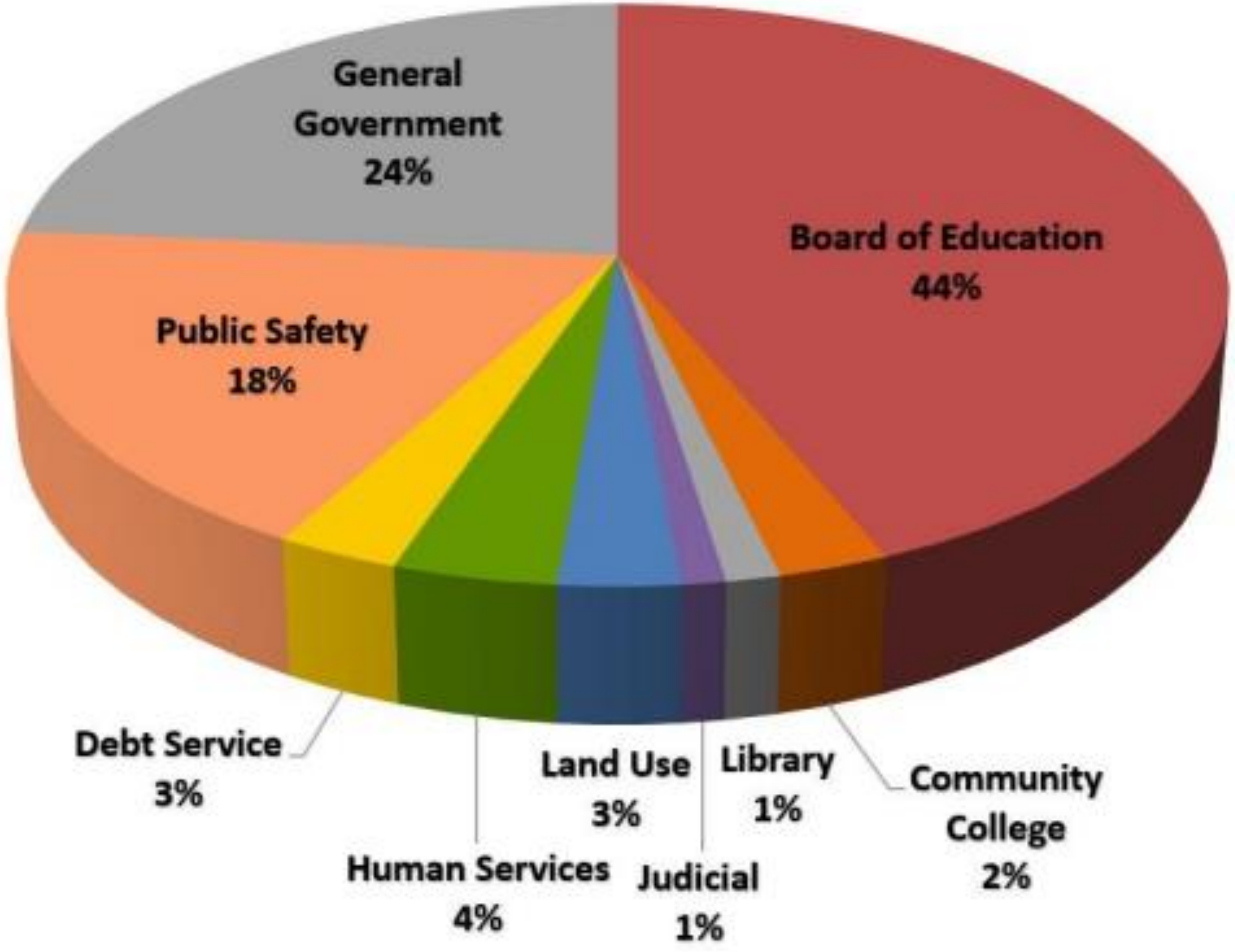
Utility Debt Service Fund			
Capital Facility Recoupment Charge	$3.46	$3.81	10.1%
Water System Capital Facility Connection Charges (for each equivalent dwelling unit)	$9,351	$10,286	10.0%
Wastewater System Capital Facility Connection Charges (for each equivalent dwelling unit)	$9,351	$10,286	10.0%
Environmental Protection Fee (% of all usage charges for both water and wastewater service)	32.50%	35.00%	7.7%

FY2023
Expenditure Detail

Appropriations

$2,157,450,500

BOE "fully loaded"



Appropriations
(Millions)

Board of Education (fully loaded)	**$**	**942.0**
Community College	**$**	**55.8**
Library	**$**	**27.3**
Judicial	**$**	**22.3**
Land Use	**$**	**61.4**
Human Services	**$**	**82.4**
Public Safety	**$**	**394.0**
Debt Service	**$**	**62.1**
General Government *(includes fund bal)*	**$**	**510.2**
Total	**$**	**2,157.5**

New Positions

59 - General Fund Positions

- Department of Aging and Disabilities +7
- Central Services +7
- Chief Administrative Officer +1
- Emergency Management +1
- Fire Department +4
- Health Department +2
- Legislative Branch +4
- Office of Personnel +3
- Planning and Zoning +3
- Police +7
- Recreation and Parks +8
- Sheriff +4
- Social Services +1
- Office of the State’s Attorney +5
- Office of Transportation +2

FY23 Pay Package

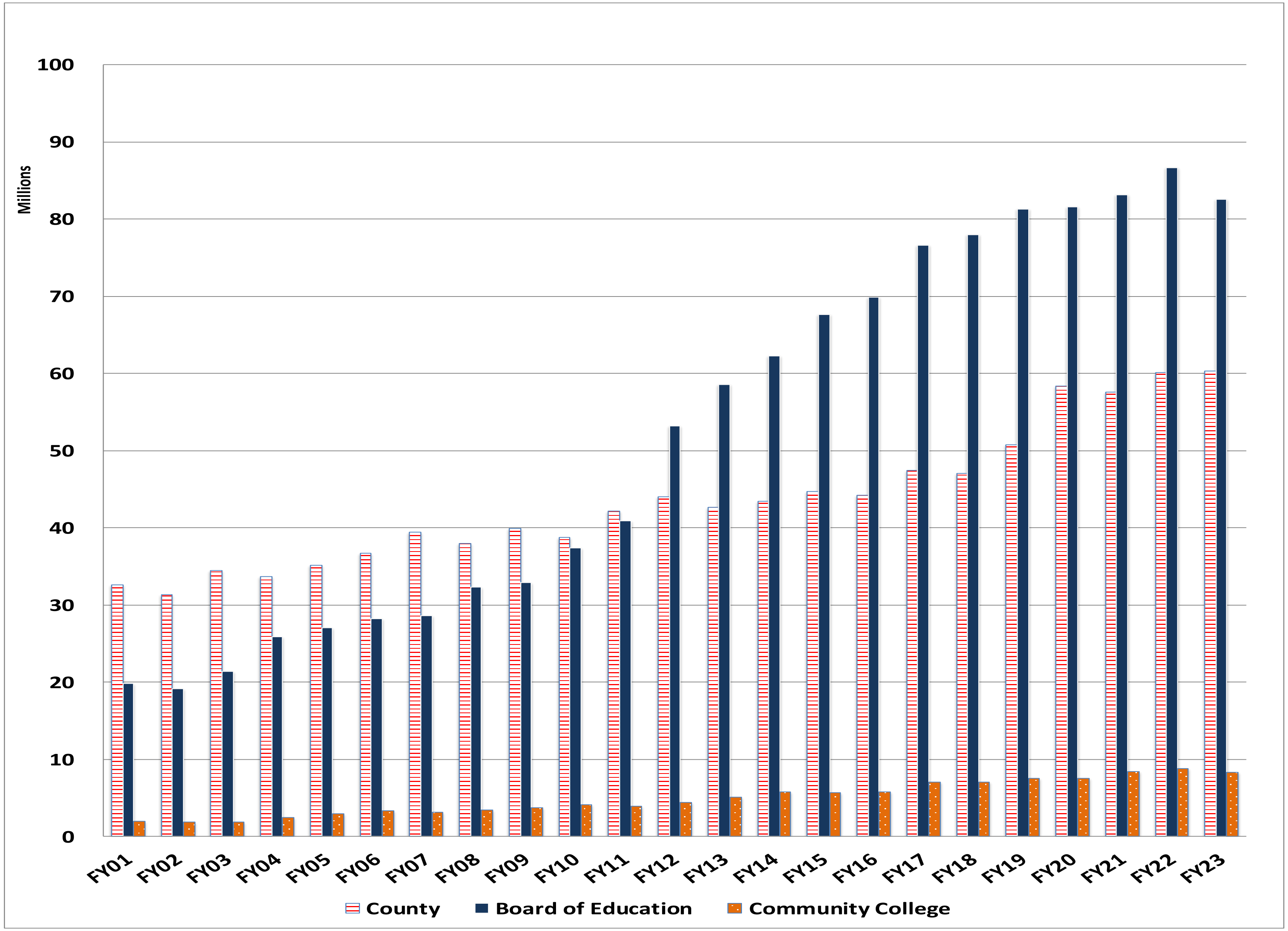
- **Reached Tentative Agreements with all bargaining units**
- **Agreements are very consistent among units and include at least:**
  - **4.5% COLA**
  - **Merit/Step for all County Employees**
- **Same package for non-reps**
- **$15/hour minimum hourly rate for contractual employees** (upon contract FY23 renewal)
- **Estimated incremental cost of all agreements is $20.2M**

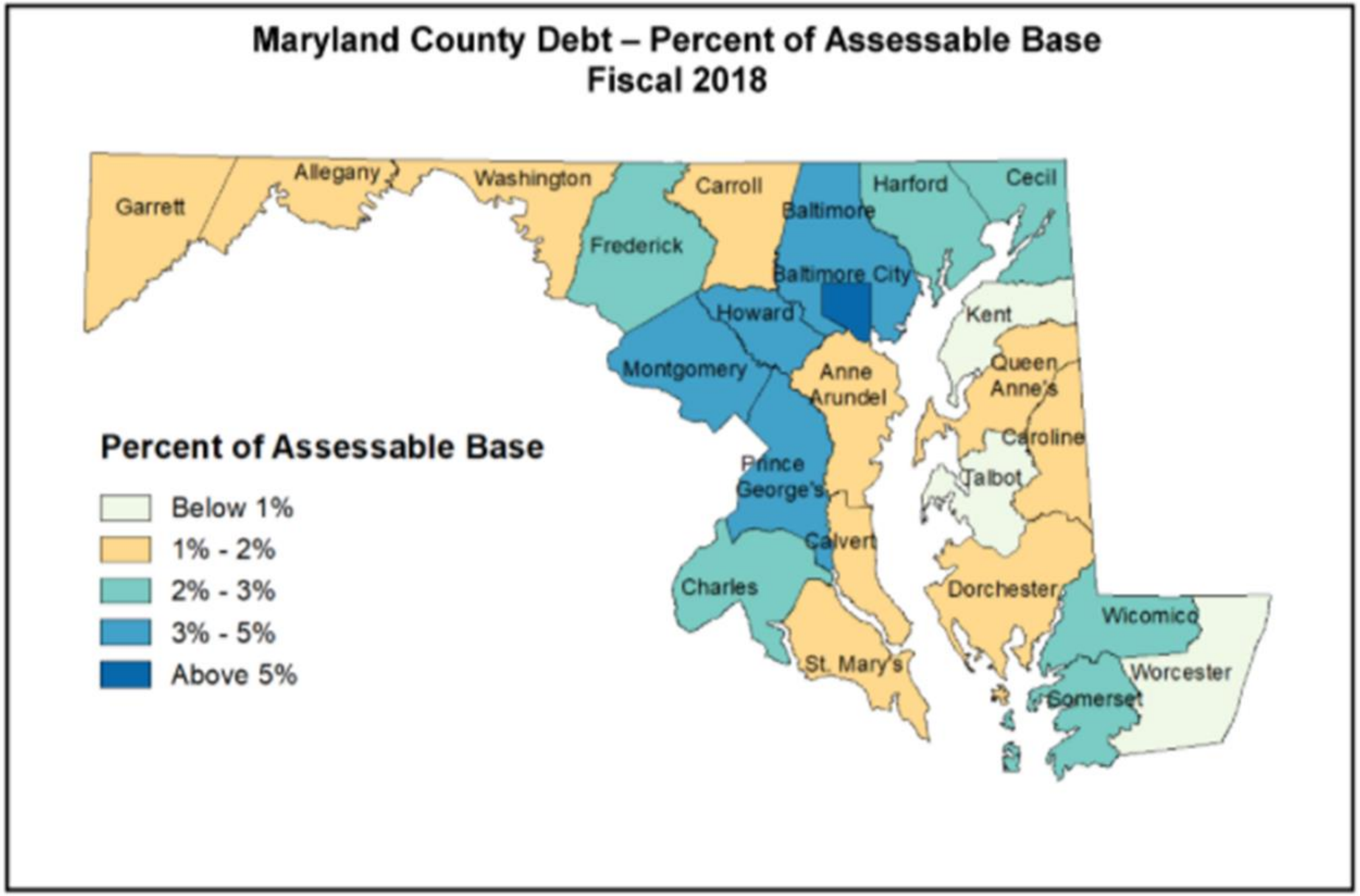
Debt Service

(Millions)

General County	$60.3
Compass Pointe	1.7
Community College	8.3
Board of Education	82.6
Total	**$152.9**

Debt Service History





Prepared by: Maryland Department of Legislative Services

Source: Department of Legislative Services, County Government Budget Documents, Board of Revenue Estimates

Contact: Trevor Owen (410-946-5510)

Updated: November 2020

Debt Service to Operating Revenue

FY10	FY11	FY12	FY13	FY14	FY15	FY16
7.5%	7.7%	8.8%	8.6%	8.9%	8.9%	8.9%

FY17	FY18	FY19	FY20	FY21	FY22	FY23
9.0%	8.8%	9.0%	8.7%	8.3%	8.4%	8.9%

With operating revenues at about **$1.76 billion** per year,
each additional 1% point in this ratio translates to:
$17.6 million
in additional debt service cost per year

Other Post Employment Benefits (OPEB)

From General Fund:	Trust	PayGo	Total
County	20,693,808	36,677,878	**57,371,686**
College	2,970,544	-	**2,970,544**
Library	1,015,539	-	**1,015,539**
General Fund Recurring total:	**24,679,890**	**36,677,878**	**61,357,768**
General fund One Time Contribution			**-**
Total General Fund Contribution	**24,679,890**	**36,677,878**	**61,357,768**

From Health Insurance Fund:			
County - Recurring	7,500,000		7,500,000
County- One Time	-		-
Total Health Insurance Fund	**7,500,000**		**7,500,000**

Total OPEB Contribution	**32,179,890**	**36,677,878**	**68,857,768**

<u>Component Units</u>

Board of Education
Community College
Library

Board of Education County Funding

(Millions)

County Direct	$834.7
Other County Funding:	
Debt Service	82.6
School Health	16.3
School Safety (SROs and Xing guards)	8.4
Total	$942.0

Amount 43.7% of County Budget

49.7% of County Recurring Budget

Board of Education Funding

Unrestricted Funds

(Millions)

	Amount	% Total
County	$ 834.7	62.8%
State	467.7	35.2%
Federal	3.3	0.2%
BOE Revenue	23.4	1.8%
Total	$1,329.2	100%

Year-over-Year Increase of $113.7 Million

County Contribution Increase of $50.0 Million (44%)

Board of Education Funding

<u>All</u> Funding sources

(Millions)

	Amount	% Total
County	$ 834.7	54.6%
State	470.8	30.8%
Federal	142.0	9.2%
Food Services	13.6	0.9%
BOE Revenue	68.5	4.5%
Total	$1,529.6	100%

Year-over-Year Increase of $158.5 Million

County Contribution Increase of $50.0 Million (31.5%)

Board of Education Funding Highlights

(Millions)

Full compensation package **$53.2**

- 4% COLA / Step, all units
- Mid-Year Step, all units
- “Catch-up” Step, units II – IV
- NBC Salary Enhancement (Blueprint requirement)

424 New Positions, including: **$38.0**

- 119 new special education positions
- 29 new social/emotional learning positions
- 48 new pre-k positions to convert half-day programs to full-day pre-k classrooms
- 20 new English language development positions and 3 new bilingual facilitators
- 140 new classroom teacher positions, including the final year of staffing required to fully open Crofton HS

Board of Education Funding Highlights

(Millions)

Per Pupil Increase for Contract/Chart Schools	**$2.8**
$5/day Increase for Substitute Teachers	**$0.5**
Alternative Education – Teen Parenting Program	**$0.35**
Outfitting Schools w/ Menstrual Hygiene Products	**$2.2**
10% COLA for Contractual Bus Drivers	**$3.4**
13 New Buses for Prismatic Calculated Shortage	**$0.9**
8 New Assistant Principals	**$1.1**

Community College Funding
(Millions)

	Amount	% Total
County	$49.1	39.4%
State	41.0	32.9%
Tuition	31.7	25.4%
Other	2.8	2.2%
Total	**$124.6**	**100%**

Year-over-Year Increase of $4.4 Million
County Contribution Increase of $1.0 Million (22.8%)

Library Funding

	Amount	% Total
County	$27.87	88.5%
State	2.73	8.7%
Fees, Fines, Collections	0.23	0.7%
Fund Balance	0.66	2.1%
Total	**$31,484,600**	**100%**

Year-over-Year Increase of $2.2 Million
County Contribution Increase of $2.3 Million (104.5%)

FY2023
Operating Summary

FY2023 Budget is Balanced

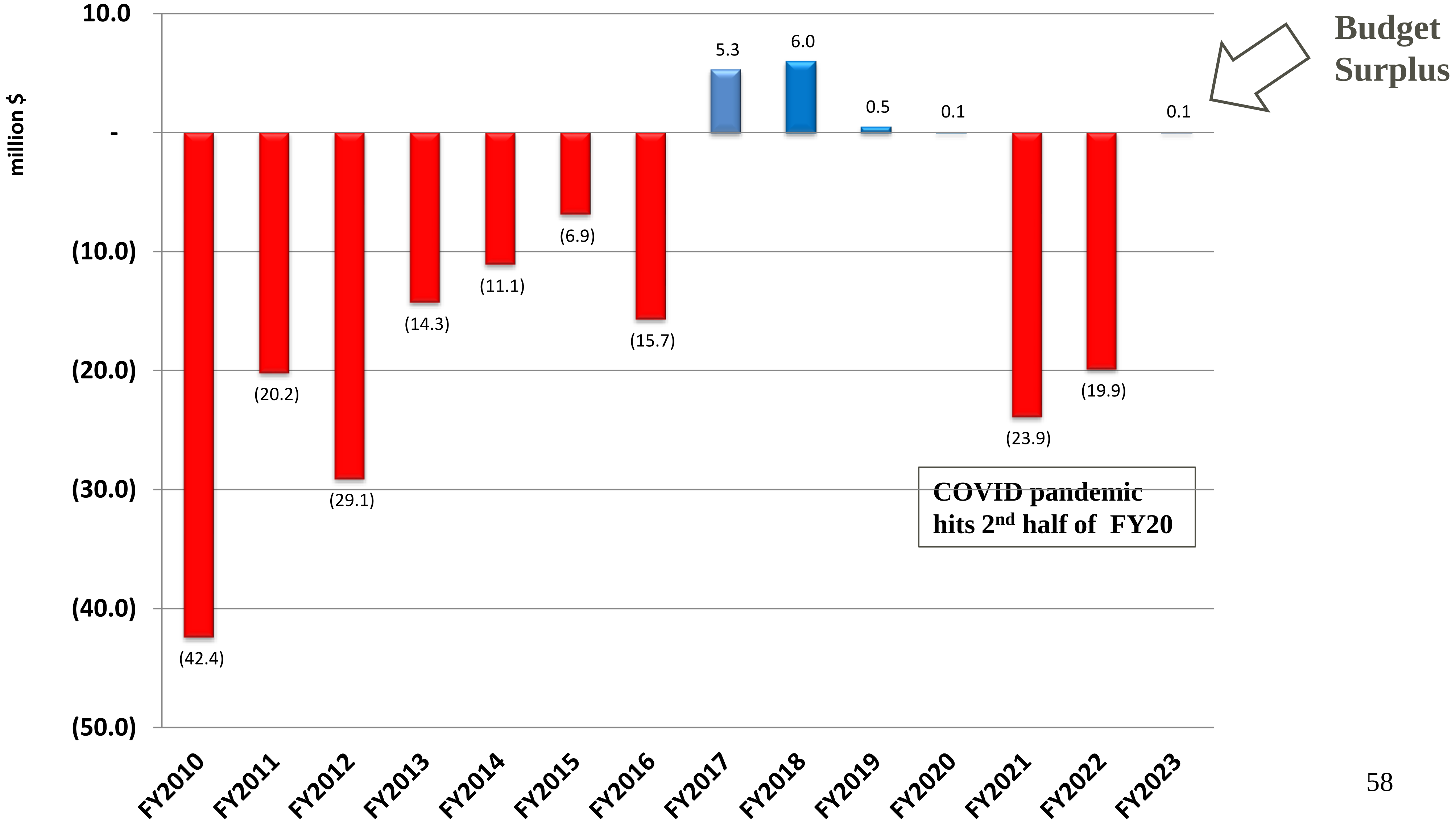
Recurring Revenue	$1,892.1
One-Time revenue	$3.0
Fund Balance Utilization	$ 262.3
Total Revenue	$2,157.4
Total Appropriations	$2,157.4
Balance	$ 0.0

Fund Balance & One-Time Revenue Utilization

(Structural Balance)

One-Time Revenue:	
Police State Aid	$ 3.0
Fund Balance	$262.3
Total One-time Resource	**$265.3**
One-Time Expenditures:	
PayGo to Capital Budget	$ 205.0
One-Time Pension Contribution	16.5
Garage Vehicle Operating Fund One-time Transfer	3.0
Revenue Reserve Contribution	23.5
Housing Trust Fund One-time	10.0
Resilience Authority One-time	1.0
Other Operating Budget One-Time Expenses	26.3
Total one-time expenditures	**$288.3**
One-time Expenditures Over (under) One-time Resources	$20.0
Prior Year Structural deficit	($19.9)
Ending Structural Surplus (Deficit) in FY2023	$0.1

Structural (Deficit) Surplus in the Proposed Budget (in millions)



CAPITAL BUDGET

AAA

Standard & Poor’s

Aaa

Moody’s

Debt Affordability Model

		FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
New Authority, Normal		$160,000,000	$160,000,000	$160,000,000	$160,000,000	$160,000,000	$160,000,000
Not used (over used) in prior year		18,902,600					
New Authority, IPA's		$0	$0	$0	$0	$0	$0
Total New Authority Affordable		**$178,902,600**	**$160,000,000**	**$160,000,000**	**$160,000,000**	**$160,000,000**	**$160,000,000**
Affordability Ratios and Guidelines							
Debt Service as % of Revenue	11.5%	8.7%	9.5%	9.5%	9.3%	9.3%	9.3%
Debt as % of Full Value	2.0%	1.62%	1.64%	1.65%	1.65%	1.65%	1.65%
Debt as % of Personal Income	4.0%	3.6%	3.7%	3.6%	3.6%	3.5%	3.5%
Debt per Capita	$3,500	$2,742	$2,848	$2,919	$2,992	$3,060	$3,124
Debt Service		$165,222,780	$184,491,297	$190,891,961	$192,622,678	$198,776,310	$205,215,169
Debt at end of fiscal year		$1,642,387,399	$1,719,159,468	$1,775,321,510	$1,833,728,049	$1,889,978,214	$1,944,196,219
General Fund Revenues		$1,892,515,100	$1,952,173,800	$2,013,815,700	$2,077,508,800	$2,143,323,000	$2,211,330,600
Estimated Full Value (000)		$101,616,863	$104,665,000	$107,805,000	$111,039,000	$114,370,000	$117,801,000
Total Personal Income (000)		$45,350,000	$47,051,000	$49,051,000	$51,136,000	$53,309,000	$55,575,000
Population		598,910	603,535	608,196	612,893	617,627	622,397

Use of Bonds & PayGo

Bonds Affordability

	2023	2024	2025	2026	2027	2028
New Authority, Normal	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
Prior Year Credit	18,902,600	-	-	-	-	-
Adjusted Affordability	178,902,600	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
Use of Bonds	6,140,522	277,065,100	239,196,100	196,310,500	138,932,700	115,914,700

PayGo Affordability

	2023	2024	2025	2026	2027	2028
Fund Balance	205,000,000	10,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Adjusted Affordability	205,000,000	10,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Use of PayGo	205,000,000	10,000,000	5,000,000	5,000,000	5,000,000	5,000,000

Bonds & PayGo Affordability (Combined)

	2023	2024	2025	2026	2027	2028
Combined Availability	383,902,600	170,000,000	165,000,000	165,000,000	165,000,000	165,000,000
Use of Bonds & PayGo	211,140,522	287,065,100	244,196,100	201,310,500	143,932,700	120,914,700
Amount Over (Under) Affordability	(172,762,078)	117,065,100	79,196,100	36,310,500	(21,067,300)	(44,085,300)
Cumulative:	**(172,762,078)**	**(55,696,978)**	**23,499,122**	**59,809,622**	**38,742,322**	**(5,342,978)**

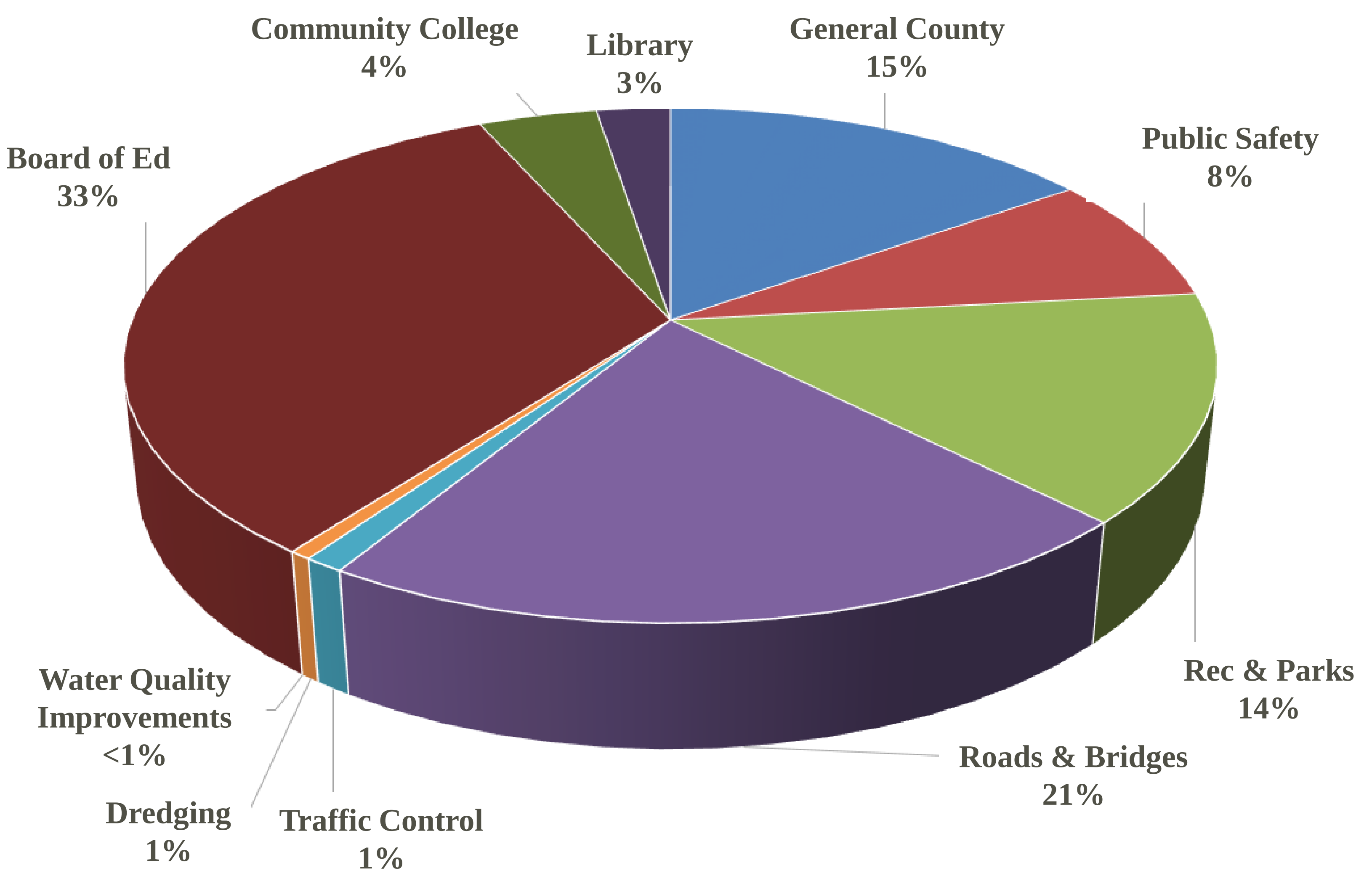
Permanent Public Improvements - PPI

Project Code and Title		Prior	FY23	FY24	FY25	FY26	FY27	FY28	Total
E550400	Old Mill MS South	7,796,000	32,011,000	0	0	0	0	0	**39,807,000**
E569100	Old Mill West HS	74,193,000	0	0	0	0	0	0	**74,193,000**
E572700	Rippling Woods ES	10,000,000	0	0	0	0	0	0	**10,000,000**
E578000	CAT North	0	0	0	0	0	0	0	**0**
E809200	West County ES	1,000,000	0	0	0	0	0	0	**1,000,000**
F563100	Crownsville Fire Station	459,200	6,700,000	0	0	0	0	0	**7,159,200**
F575100	Evidence & Forensic Sci Unit	25,408,800	0	0	0	0	0	0	**25,408,800**
F580300	Cape St Claire FS Replacement	0	0	10,012,000	0	0	0	0	**10,012,000**
F580600	Police Special Ops Facility	7,420,000	0	0	0	0	0	0	**7,420,000**
F586400	Joint 911 Public Safety Ctr	0	0	20,000,000	0	0	0	0	**20,000,000**
H573100	Race Road - Jessup Village	0	9,577,000	0	0	0	0	0	**9,577,000**
H575700	MD 214 & Loch Haven Road	893,000	0	0	0	0	0	0	**893,000**
H578500	Transportation Placeholder	0	0	0	0	0	0	0	**0**
H581200	Parole Transportation Center	3,482,000	11,357,000	0	0	0	0	0	**14,839,000**
H581300	Waugh Chapel Road Improvements	1,061,000	1,248,000	12,732,000	0	0	0	0	**15,041,000**
H581400	Route 2 Improvements	413,000	0	1,998,000	0	0	0	0	**2,411,000**
H581600	Route 3 Improvements	1,269,000	-821,000	1,887,000	0	0	0	0	**2,335,000**
H583500	Oakwood/Old Mill Blvd Roundabo	370,000	0	0	0	0	0	0	**370,000**
H583700	Pleasant Plains Rd Safety Im	0	1,477,000	2,109,000	0	0	0	0	**3,586,000**
H586800	Conway Road Improvements	0	0	2,802,000	0	0	0	0	**2,802,000**
H587000	USNA Bridge Area Bike Imp	0	182,000	0	2,964,000	0	0	0	**3,146,000**
	PPI Fund Bonds Total:	133,765,000	61,731,000	51,540,000	2,964,000	0	0	0	**250,000,000**

Capital Budget Highlights

- Fully funds BOE FY23 Capital request of $189.2M
- Record funding for Dept of Rec and Parks ($99.7 in FY23)
  - Two new parks (Tanyard Springs and South Shore)
- New Joint 911 Call Center
- New Police Firearms Training Center
- $30.5M of State Funding for Crownsville Hosp Mem Park
- Eight new Transportation projects
- Increased funding for Road Resurfacing and Road Reconstruction

Proposed Capital Budget & Program FY23-FY28 by Class



Proposed Capital Budget & Program FY23 by Class*

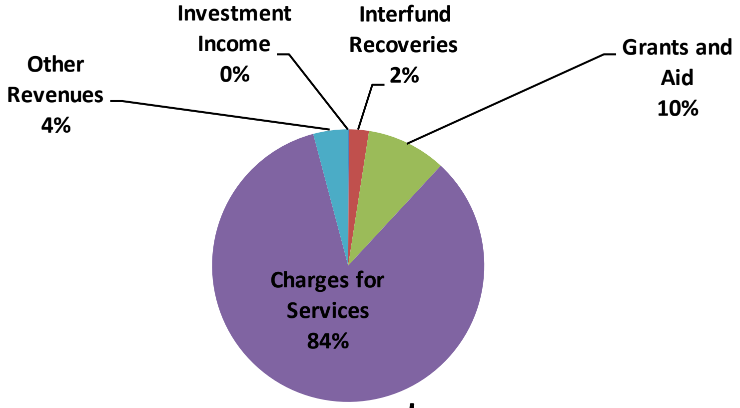
Class	FY23 Budget	%	Total FY23-FY28	Total %
General County	106,035,000	18.5%	318,226,500	15.2%
Public Safety	47,205,300	8.3%	168,606,000	8.1%
Recreation & Parks	99,655,450	17.4%	298,498,450	14.3%
Roads & Bridges	109,978,000	19.2%	442,190,000	21.2%
Traffic Control	3,342,000	0.6%	21,217,000	1.0%
Dredging	596,000	0.1%	11,596,000	0.6%
Water Quality Improvements	(100,000)	0.0%	(100,000)	0.0%
Board of Education	189,189,000	33.1%	688,603,000	33.0%
Community College	14,034,000	2.5%	86,786,000	4.2%
Library	2,250,000	0.4%	54,151,000	2.6%
Total	**$572,184,750**	**100.0%**	**$2,089,773,950**	**100.0%**

** General County Capital Projects Only*

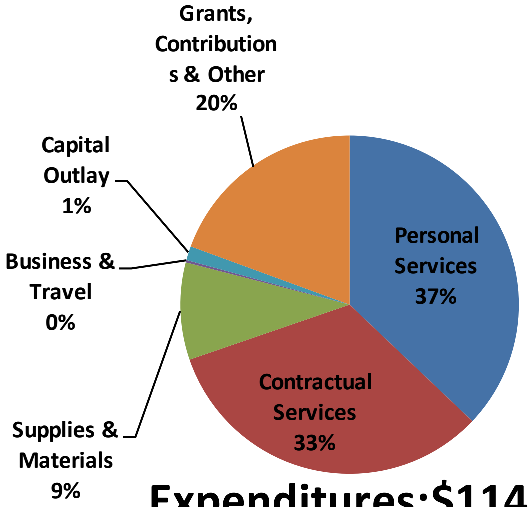
MAJOR ENTERPRISE FUNDS

Enterprise Funds

Utility Fund

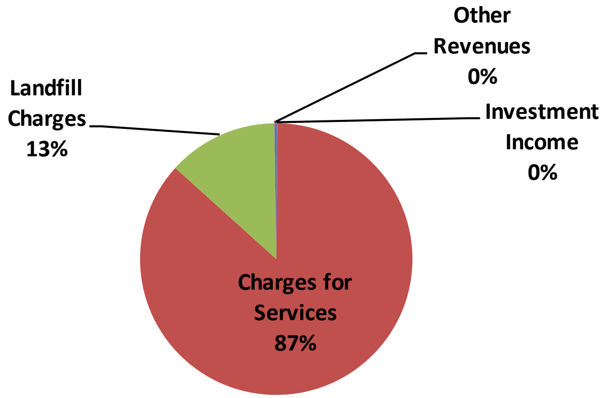


Revenues: $108.8M

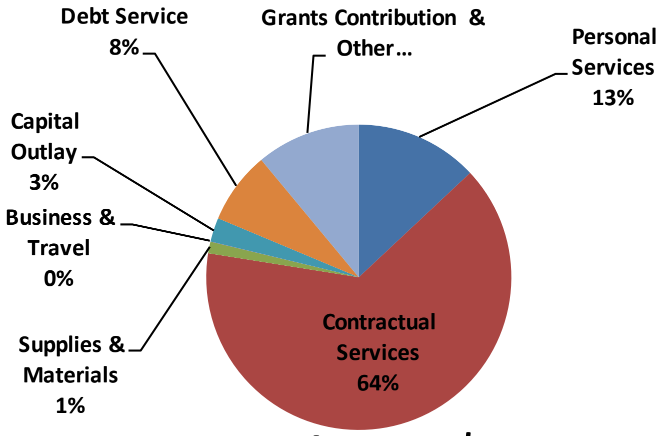


Expenditures:$114.8M

Solid Waste Fund



Revenues:67.0M



Expenditures:$71.7M

Closing

Complete Budget Documents

The entire Operating and Capital Budget, as well as the Budget Message is available as of April 29th, 2022 at:

www.aacounty.org/budget

Anne Arundel County, Maryland
Steuart Pittman, County Executive

Office of the Budget
410-222-1222