



**ANNE ARUNDEL COUNTY
OFFICE OF THE COUNTY AUDITOR**

To: Members of the County Council

From: Susan L. Smith, County Auditor

Date: May 21, 2020

Subject: Legislation to be heard or eligible for vote on May 26, 2020: Bill Nos. 9-20, 12-20, 17-20, 18-20, 37-20, and 38-20.

Bill No. 9-20: Amendments to the Anne Arundel County Solid Waste Management Plan 2013 (as stated in our March 12, 2020 letter for the March 16, 2020 Council Meeting that was cancelled)

This bill updates the Anne Arundel County Solid Waste Management Plan 2013, as follows:

1. Updates the ownership of a privately owned waste transfer station;
2. Removes the section on "Dead Animal Incinerators" since the only known privately owned and operated dead animal incinerator is a pet crematory, and the Maryland Department of the Environment advised the Department of Public Works that pet crematories do not require a refuse disposal permit and thus do not need to be included in the County's Solid Waste Management Plan;
3. Updates two facilities from proposed facilities to existing facilities (a privately owned special medical waste processor facility and a privately owned rubble landfill);
4. Discloses the expansion of the Anne Arundel County composting facility, provides updated information regarding the operation of this facility, and updates the name of the operator that the County contracts with due to a change in ownership;
5. Removes a privately owned yard waste processing facility that no longer exists; and
6. Adds a new privately owned yard waste composting facility.

This bill has no fiscal impact.

Bill No. 12-20: Subdivision and Development – Adequate School Facilities – Low Income Tax Credits (As Amended)

This bill exempts certain residential developments that meet certain conditions from the test for adequate school facilities and adds the conditions for the exemption. This bill was commented on in our letter dated May 6, 2020. At the May 11, 2020 Council meeting, this bill was amended to:

1. Narrow the eligibility for this exemption to require the residential development to be funded in part by low income tax credits awarded from the Maryland Department of Housing and Community Development.

2. Subjects the exemption to Anne Arundel County Code § 17-5-207 (b) to (d). Anne Arundel County § 17-5-207 (b) requires the developer to enter into an agreement with the County acknowledging that the exemption is limited to five lots or dwelling units, and that further subdivision or development will be subject to the adequate public facilities requirement for schools. The agreement is required to be executed and recorded in the land records of Anne Arundel County prior to the Planning and Zoning Officer's approval of a proposed plat or an application for grading and building permit in connection with the site development plan. Anne Arundel County § 17-5-207 (c) thru (d) provides additional requirements for residential developments in the Parole Towne Center Growth Management Area and Meade Village.
3. Requires the property to be encumbered for at least 30 years by recorded deed restrictions that require that at least 60% of the units be occupied by a household with an income that does not exceed 60% of the median income for the Baltimore Primary Metropolitan Statistical Area as published annually by the U.S. Department of Housing and Urban Development.

Overall, these amendments reduce the number of residential developments that would apply for an exemption and extends the availability of affordability housing for those that receive an exemption.

Bill No. 17-20: Finance, Taxation, and Budget - Real Property Taxes - Tax Credits – 9-1-1 Specialists

This bill provides a real property tax credit to 9-1-1 specialists, defines the terms dwelling and 9-1-1 specialist, and provides eligibility criteria, calculation, duration, and application requirements for the credit.

Eligibility

This bill refers to Md. Annotated Code, Tax Property Article § 9-105 for the definition of dwelling, which defines dwelling as a house that is used as the principal residence of the homeowner and is actually occupied or expected to be actually occupied by the homeowner for more than 6 months of a specified 12-month period. This bill refers to Md. Annotated Code, Tax Property Article § 9-262 for the definition of a 9-1-1 specialist, which defines a 9-1-1 specialist as an employee of a county public safety answering point, or an employee working in a county safety answering point, whose duties and responsibilities include:

- receiving and processing 9-1-1 requests for emergency assistance;
- other support functions directly related to 9-1-1 requests for emergency assistance; or
- dispatching law enforcement officers, fire rescue services, emergency medical services, and other public safety services to the scene of an emergency.

The Police Department intends for this credit to be for those employees that are in their communication unit which includes their police communication operators, and approximately five other positions that include management aides, a secretary, a communications manager, and a Police Lieutenant. The Fire Department intends for this credit to only be for their fire communication operators. The Fire Department has approximately 13 additional employees in their communication unit including a program specialist, communication systems support specialist, fire fighter emergency medical technician, fire lieutenants, a fire captain and a fire battalion chief. The Office of Information Technology (OIT) intends for this credit to include approximately 15 to 20 people that are dedicated to the public safety

arena, including project managers, server techs, desktop techs and their managers. I have requested advice from the Office of Law as to whether the positions the Departments intend to cover would qualify for the credit as the law is currently written, and if the law as written would allow positions not intended to qualify. Allowing all OIT staff that are dedicated to the entire public safety arena might have logistical issues and some of these positions might not meet the current definition of working "in a county safety answering point" and the law will have to be consistently applied. I recommend that the County Council also ensure their intent is on the record.

This bill provides the credit to 9-1-1 specialists that have completed at least one year of full-time employment with Anne Arundel County as a 9-1-1 specialist, are employed full-time by the County as a 9-1-1 specialist, and are eligible for the credit authorized by Md. Annotated Code, Tax Property Article § 9-105 for the dwelling for which the credit is sought. This credit cannot be combined with other optional property tax credits.

Calculation and Duration

The tax credit is limited to the amount of the real property tax due per the annual tax assessment, not to exceed \$2,500. The tax credit is available to eligible 9-1-1 specialists for a period of one taxable year and four annual taxable renewals, for a maximum total of five taxable years.

Application

In accordance with Md. Annotated Code, Tax Property Article § 9-262, the proposed bill includes provisions for the deadline and form of the application.

Termination

The bill states that the credit will cease on the sooner of the 9-1-1 specialist:

- receiving the credit for five taxable years;
- terminating employment with the County for a reason other than a service-related disability;
or
- no longer residing in or owning the dwelling for which the credit was granted.

If terminated for cause, the 9-1-1 specialist is liable for all property taxes for the taxable year of the termination including any and all applicable interest and penalties on those taxes. If a 9-1-1 specialist terminates during a year for a reason other than cause, the 9-1-1 specialist is only eligible for a prorated share of the credit.

Fiscal Impact

The fiscal impact of this bill includes a reduction of property tax revenue and the costs to administer the program. Property tax revenue will decline by the amount of credits granted to qualifying 9-1-1 specialists; however, if the Administration chooses to maximize property taxes under the County's property tax cap, these taxes will be reallocated to other County taxpayers resulting in no tax revenue loss.

This bill allows the County to charge an administrative fee to eligible 9-1-1 specialists equal to 1% of the credit. The maximum fee would be \$25 (1% of the maximum credit of \$2,500). The Office of

Personnel will perform an annual review of residency and length of employment, and the Office of Finance will be responsible for review of the applications for credit and perform the applicable tax adjustments. Both the Office of Personnel and the Office of Finance state that the additional workload will be handled by the existing resources and will not result in a fiscal impact to the County.

The table below shows the number of police and fire communication operator positions in the fiscal year 2020 budget. In addition, the table also shows the number of police and fire communication operator positions with an address in Anne Arundel County. In addition to the police and fire communication operator positions, there would also be certain support staff that would be eligible for this credit but the number could not be easily identified so they are not included in the table below. Some 9-1-1 specialists may not own their residence, some properties may have other optional tax credits and would not be able to use both credits, and some properties will not be eligible for the maximum credit of \$2,500.

	# of Eligible Positions	# with a County Address
Police Communication Operator Is, IIs, IIIs & IVs	96	58
Fire Communication Operators	<u>28</u>	<u>9</u>
Total Positions	124	67
Maximum Tax Credit	\$ 2,500	\$ 2,500
Potential Decrease in Tax Revenue or Shifted Revenue	\$ 310,000	\$ 167,500
Potential Recoupment of Administrative Costs (\$25 each)	<u>(\$ 3,100)</u>	<u>(\$ 1,675)</u>
Net Fiscal Impact	\$306,900	\$165,825

Source: Total Number of Eligible Positions included in the FY2020 Approved Budget. Total Number with a County Address are current employees with a County address in their personnel records from the Office of Personnel.

Note: In addition to the eligible positions listed here, there are also certain support staff that would be eligible for this credit but are not listed above because the type of positions that qualify will require advice by the Office of Law.

Bill No. 18-20: Finance, Taxation, and Budget – Real Property Taxes – Tax Credits – Public Safety Officer Tax Credits

The purpose of this bill is to revise the form of application for the public safety officer tax credit. This tax credit was established by Bill No. 81-17 to provide a maximum of \$2,500 in real property tax credits to eligible public safety officers for a period of five years. At the time of its establishment, the tax credit program was administered by the State Department of Assessments and Taxation (SDAT) as well as the County. In the 2018 Legislative Session of the State of Maryland, House Bill No. 89 passed, which transferred responsibility for the tax credit program from SDAT to the Counties. As such, this bill amends the County Code to reflect that the application form for the credit is a form provided by the County Controller, and not SDAT.

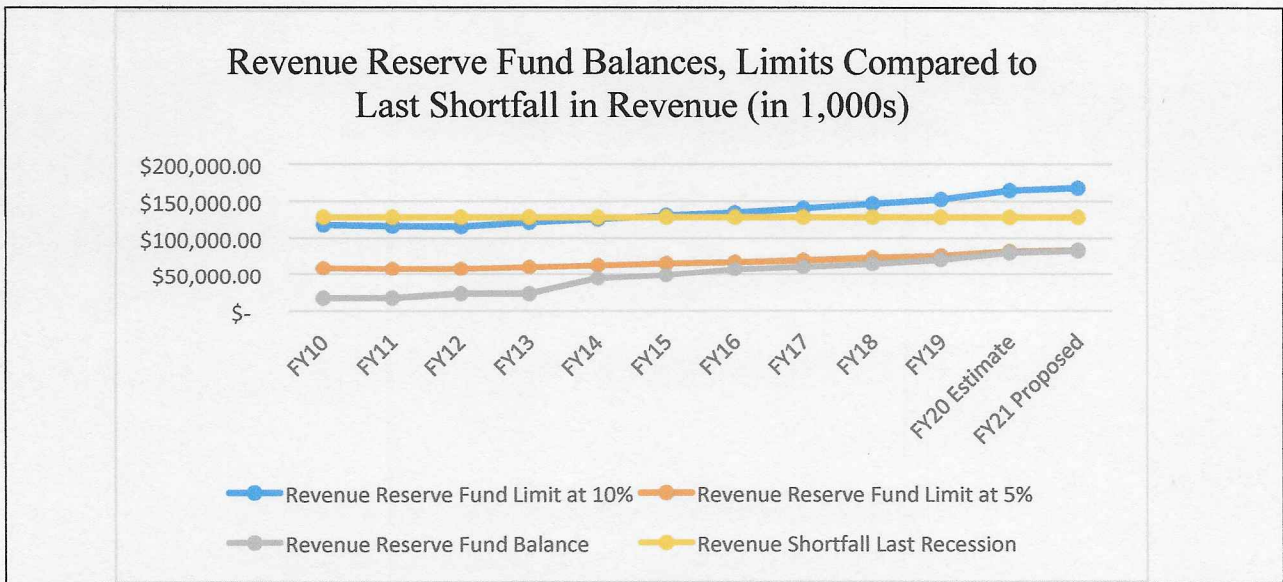
Per the Office of Finance, this change will not require any additional resources to carry out the tax credit program as the fiscal year 2020 applications were already processed without SDAT's involvement. There is no fiscal impact to the County.

Bill No. 37-20: An Emergency Ordinance concerning: Finance, Taxation, and Budget – Revenue Reserve Fund

This bill increases the allowable amount of money in the Revenue Reserve Fund from 5% to 10% of the estimated General Fund revenues. The Revenue Reserve Fund is a continuing, non-lapsing account in which funds are retained to support appropriations if estimated general fund revenues decline below current expense budget appropriations during a fiscal year.

During the course of a fiscal year, the County Executive, with the approval of the County Council, may authorize a transfer from the Revenue Reserve Fund to the general fund to cover the current expense budget if the County Executive determines that revenues will be below the estimated revenues relied on to fund the current expense budget and all reasonable reductions in expenditures have been made and will not be sufficient to offset the anticipated shortfall in revenue.

During the last recession, the County transferred \$32,750,000 from the Revenue Reserve Fund and the remaining \$95,519,000 shortfall was obtained from transfers from unspent pay-go from the General County Capital Projects fund, Central Garage Operating and Replacement Funds, and the Health Insurance Fund. The following chart shows the revenue shortfall in the 2008 to 2010 recession compared to the revenue reserve fund limits at 5% and 10% of estimated revenue, as well as the revenue reserve balance.



According to the most recent Moody's credit analysis of the County, increasing reserves is one of the factors that could lead to an upgrade in the County's credit rating. The County's current rating is Aa1. This bill would have a positive fiscal impact to the County and provide additional stability during a downturn in the economy.

Bill No. 38-20: An Emergency Ordinance concerning: Residential Rent Increases during Catastrophic Health Emergencies

This bill limits rent increases, to the extent allowed by law, to 3% for all residential rental properties located in the County for up to 30 days after the expiration of the Governor's proclamation of a catastrophic health emergency as long as the renewal of the lease includes at least one tenant who was a party to the lease prior to the renewal. This limit applies even if the landlord gave notice of the rent increase prior to the date of proclamation of emergency.

In response to the recent pandemic, Arundel Community Development Services, Inc. (ACDS), on behalf of the County, instituted an Eviction Prevention Program available to households with income at 80% and below the medium income whose household income has been negatively impacted by COVID. Because the need is exceeding the dollar amounts available, ACDS will be lowering the income limit to 60% and below the medium income. According to ACDS, they received over 720 phone calls in the first few weeks. Since ACDS is still in the process of managing these cases, they were unable to determine how many potential evictions were the result of rent increases above 3%, but due to the overwhelming calls ACDS believes there is a need. This bill will reduce County expenditures for services that would otherwise be needed to assist those tenants that would not be able afford rent increases in excess of 3%, and would reduce the County's income tax attributable to those rent increases that exceed 3%.



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