



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

To: Councilmembers, Anne Arundel County Council
From: Michelle Bohlayer, County Auditor
Date: June 16, 2023
Subject: Auditor's Review of Legislation for the June 20, 2023 Council Meeting

Bill 44-23: Summary of Legislation

**Personnel – Public Ethics
– Public Safety – Classified
Service and Exempt
Service – Pay Schedules
and Positions (As
Amended)**

This bill makes various changes to classified and exempt service pay schedules and positions.

We commented on this bill in our letter dated June 1, 2023. At the June 5, 2023 meeting, this bill was amended to remove the position of Fire Deputy Chief (Exempt) proposed as a new position for fiscal year 2024 (FY24). This bill was also amended to correct an error in the naming of a classified position. We have no further comments on this bill.

Bill 46-23: Summary of Legislation

**Current Expense Budget –
Fourth Quarter Fund
Transfer and
Supplementary
Appropriations**

This bill is an emergency ordinance that transfers appropriations of funds between certain offices, departments, institutions, boards, commissions, or other agencies in the General Fund and makes supplementary appropriations from unanticipated revenues to certain offices, departments, institutions, boards, commissions, or other agencies in the General Fund and certain special funds.

Review of Fiscal Impact

This bill transfers \$10,069,200 of appropriations from the Chief Administrative Officer's (CAO) Contingency Account. This is the second request to adjust the CAO's Contingency Account appropriation in fiscal year 2023 (FY23), which has an available appropriation of \$11,980,000 which is sufficient to cover this transfer.

These transfers are being made to the following supplementary appropriations:

- The Board of Supervisors of Elections is requesting an additional \$235,000 for temporary pay due to 2023 Primary Election expenditures shifting from fiscal years 2022 (FY22) into FY23.

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- The University of Maryland Extension is requesting an additional \$117,500 to account for a missed payment to the University of Maryland in FY22. This request will be using FY23 general funds to pay a FY22 liability.
- The Department of Public Works is requesting an additional \$701,900 for snow removal services and supplies (\$527,100) and to cover expenditures in personal services due to unrealized turnover (\$174,800).
- The Fire Department is requesting an additional \$710,500 to cover expenditures in personal services for special pays and overtime.
- The Office of Central Services is requesting an additional \$2,050,000 for facility utility costs, including electricity, natural gas, propane, and fuel oil.
- The Office of Emergency Management is requesting an additional \$125,900 to cover expenditures related to payment for pictometry (geospatial imagery) services.
- The Office of Law is requesting an additional \$31,000 to cover expenditures in personal services for special pays.
- The Office of Personnel is requesting an additional \$75,000 for attorney fees and arbitration costs related to union negotiations.
- The Office of Transportation is requesting an additional \$18,400 for the County's share of funding for a Chesapeake Bay Passenger Ferry feasibility study.
- The Police Department is requesting an additional \$6,004,000 to cover expenditures in personal services for overtime and special pays.

This bill also transfers unappropriated fund balance of the following funds:

- The Garage Working Capital Fund increase of \$400,000 due to rising gasoline prices.
- The Annapolis and Anne Arundel County Conference and Visitors Bureau Special Revenue Fund increases \$267,200 due to additional estimated hotel tax revenue.
- The Arts Council of Anne Arundel County Special Revenue Fund increase of \$45,700 due to additional estimated hotel tax revenue.
- The Arundel Gateway Special Taxing District Fund increase of \$43,300 for required debt service payments.
- The Laurel Race Track Community Benefit Fund increase of \$60,000 related to the appropriation of funds to the Upgrade Various Schools capital project (Project #E539100).
- The Grants Special Revenue Fund increases \$520,137 due to grant funds awarded to the Department of Health (\$4,400) for oral health equipment to be used during oral cancer screenings; to the Office of the Sheriff (\$15,737) for mobile ballistic barriers and a walkthrough metal detector for the Circuit Court building; and to the Partnership for Children, Youth, and Families (\$500,000) for an eviction prevention and relocation

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assistance program. There is no matching funding requirement for the County for these grants.

The Controller certified that the funds for the total of \$10,069,200 in general fund transfers and appropriations and \$1,336,337 in other fund appropriations are available for appropriation.

**Bill 47-23:
Current Expense Budget –
Board of Education –
Supplementary
Appropriation and
Transfers of Funds****Summary of Legislation**

This bill is an emergency ordinance that transfers general fund appropriations and makes supplementary appropriations from unanticipated revenues to the Local Education Fund. This bill reflects budgetary changes adopted by the Board of Education (BOE) at their May 10, 2023 meeting.

Review of Fiscal Impact

This BOE approved Fourth Quarter Operating Budget Supplemental and Fund Transfer for FY2023 includes the following transfers:

- \$1,358,600 from Administration due to savings realized from larger than budgeted grant administrative charges.
- \$2,435,600 from Instructional Salaries and Wages due to savings realized from additional turnover/salary lapse offset by a grant increase for employee appreciation bonuses.
- \$791,600 from Other Instructional Costs due to savings realized as a result of Blueprint requirements mandating expenditures in alternate categories and underutilized contracted services for summer school.
- \$351,400 from Health Services due to savings realized from anticipated nursing expenses coming in under budget.
- \$9,355,800 from Pupil Transportation due to reduced payments to transportation vendors as a result of unserved transportation routes during the school year, and summer school and tutoring transportation not being utilized to the extent originally projected.
- \$78,300 from Community Services due to savings for the Judy Center programs. These grant funds are multi-year and will be carried over into FY24.

It also includes the following increases:

- \$2,151,500 for Mid-Level Administration to purchase school furniture for Meade Senior High School and newly renovated schools, and to provide employee appreciation bonuses.
- \$11,238,800 for Textbooks and Classroom Supplies including supplies and small equipment for newly renovated schools, athletic supplies, musical instruments, career technical education supplies,

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library books, and technology devices. These increases were offset by savings due to transfers within federal grants.

- \$885,000 for Special Education for employee appreciation bonuses and supplies/materials for special education students. These increases were offset by savings from additional turnover/salary lapse as well as lower than anticipated non-public placement costs.
- \$368,500 for Pupil Services for contracted services for attendance monitoring. These costs were offset by savings from additional turnover/salary lapse.
- \$2,659,100 for Operation of Plant for IT security infrastructure, additional school security cameras, an increase in utilities, and employee appreciation bonuses.
- \$5,904,600 for Maintenance of Plant for preventative maintenance and other deferred maintenance backlog projects. These increases were offset by grant fund savings associated with projects not completed in the current fiscal year, which will be carried over to FY24.
- \$3,943,500 for Fixed Charges to reflect an increase in fund balance within the health care self-insurance fund.
- \$246,000 for Food Services for food supplies for community schools as well as a state education support professionals bonus for employees in Food Services.
- \$8,351,500 for Capital Outlay for various HVAC upgrades, a design fuel farm, baseball/softball lighting, and employee appreciation bonuses.

The net impact of these transfers and supplementary appropriations is an increase of \$21,377,200. This bill recognizes \$3,505,252 in additional federal revenue, \$2,258,843 in additional state revenue, \$7,904,105 in additional local revenue, and \$7,709,000 in additional restricted revenue from other sources.

The Controller certified that \$35,748,500 in supplementary appropriations and fund transfers are available for appropriation.

**Bill 48-23:
Modification to
Conveyance of Surplus
Property – Freetown Road
in Glen Burnie**

Summary of Legislation

This bill modifies conditions of a prior deed conveying previously County-owned real property located at 7765 Freetown Road, Glen Burnie, to Bello Machre, Inc. The bill changes the authorized use of the property from a residential facility for individuals with developmental disabilities to an administrative and office facility that supports provision of housing and other services for individuals with developmental disabilities. The bill preserves an existing stipulation for a possibility of reverting back to the County should the condition be violated.

Review of Fiscal Impact

We agree with the Administration's fiscal note that there is no fiscal impact of this bill.

**Bill 49-23:
Second Amendment to
Lease between Anne
Arundel County,
Maryland and Bates
School Limited
Partnership**

Summary of Legislation

This bill authorizes a second amendment to lease a portion of County-owned property in Annapolis known and designated as Wiley H. Bates High School to Bates School Limited Partnership (tenant). The current lease took effect in 2005 and runs through March 17, 2055. The proposed extension is 42 years, running through March 17, 2097. The lease rate remains \$1 per year.

The Office of Central Services Real Estate Division advised that extending the lease will allow the tenant to obtain long-term lender financing to renovate the property. The proposed renovations include, but are not limited to, renovating the individual living units, the common areas, and the HVAC system.

Review of Fiscal Impact

This bill has no direct fiscal impact. The tenant is responsible for maintenance and operating expenses of the leased space; however, the County does provide landscaping services to the property. The County has no plans for any County-funded improvements to the building, and the County has not funded any recent improvements to the property.

**Bill 50-23:
Finance, Taxation, and
Budget – Real Property
Taxes – Tax Credits –
Disabled Veterans and
Their Surviving Spouses
and Retired Veterans -
Duration**

Summary of Legislation

This bill extends the duration of the Disabled Veterans and Their Surviving Spouses Real Property Tax Credit (Disabled Veterans Tax Credit) to the disabled veteran or surviving spouse from 5 years to until they no longer occupy the dwelling or the surviving spouse remarries. This bill also extends the duration of the Retired Veterans Real Property Tax Credit (Retired Veterans Tax Credit) to a retired veteran from 5 years to until they no longer occupy the dwelling or a maximum of 50 years.

Review of Fiscal Impact

The Disabled Veterans Tax Credit began in FY22, and the Retired Veterans Tax Credit began in fiscal year 2020. In FY23, there have been 32 recipients of the Disabled Veterans Tax Credit and 238 recipients of the Retired Veterans Tax Credit. The property tax credits granted since these began are as follows:

| Fiscal Year | Amount of Tax Credit | |
|--------------------|-----------------------------|-------------------------|
| | Disabled Veterans | Retired Veterans |
| 2020 | - | \$103,400 |
| 2021 | - | \$99,700 |
| 2022 | \$28,500 | \$92,000 |
| 2023 (est.) | \$39,100 | \$84,700 |

Each recipient requesting these tax credits must be reviewed annually for their continued eligibility. The Office of Finance does not expect a significant change in workload from this bill and no additional resources are anticipated to be required.

This bill extends the duration of the disabled and retired veteran real property tax credits provided certain eligibility conditions are met. It is anticipated that new applicants will apply and existing recipients will continue to receive the tax credit after five years, creating a cumulative increase in tax credits issued over a period of time. Currently, there are 149 participants receiving the Retired Veterans Tax Credit that could be eligible to continue to receive the tax credit in fiscal year 2025 (assuming other eligibility criteria are met) based on the requirements of this bill. In addition, there are approximately 12 new participants in the Retired Veterans Tax Credit program and 20 new participants in the Disabled Veterans Tax Credit program each year. Based on the increase in duration and the growing number of participants, the number of tax credits issued could increase substantially, however, because this is based on each individual circumstance, it is difficult to estimate the cumulative impact.

Real property tax credits reduce taxes collected by the County, however, if the County maximizes the property tax revenue under the tax cap, the fiscal impact of the change in eligibility for the tax credit

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would not impact the property tax revenue collected by the County but rather would be absorbed by the remaining tax base.
