



ANNE ARUNDEL COUNTY  
RECEIVED OFFICE OF THE COUNTY AUDITOR

MAY 01 2014

COUNTY COUNCIL

April 30, 2014

Received

MAY 1 RECD

Executive

The Honorable Members of the County Council  
The Honorable County Executive Laura A. Neuman  
Anne Arundel County, Maryland  
44 Calvert Street  
Annapolis, Maryland 21401

Dear Members and Ms. Neuman:

The Annotated Code of Maryland, State Government Article establishes regulations governing video lottery terminals (VLT). The State Comptroller is required to pay 4.51% of the VLT proceeds to the County in the form of local impact grants, and prior to expending the revenue, the County must develop a multiyear plan for the expenditure of the grant funds for the restricted purposes established in State law. The County is required to consult with the Local Development Council (LDC) when developing its multiyear plan.

The Maryland Live video lottery facility at the Arundel Mills mall opened in June 2012. In fiscal year 2012, the County budgeted \$500,000 of revenue from local impact grants, and in fiscal year 2013, the County budgeted \$16.4 million. In both years, the related revenue and expenses were recorded in the General Fund because the County Council did not establish the Video Lottery Facility Local Impact Grant special revenue fund until fiscal year 2014.

The purpose of this letter is to report to the County Council (1) the amounts and purposes for which the Administration asserts the County spent the local impact grant revenues in fiscal years 2012 and 2013, and (2) how the actual expenditures compare to the spending plans presented to the LDC and to the County Council. We did not conduct our analysis in accordance with Government Auditing Standards issued by the Comptroller General of the United States or standards issued by the American Institute of Certified Public Accountants, and our analysis was more limited than would be necessary to express an opinion on local impact grant revenues and expenditures or on management's compliance with State law. Accordingly, we do not express an opinion or any other form of assurance on local impact grant revenues and expenditures or on management's compliance with State law. Management has chosen not to respond to our findings and recommendations at this time.

This report is intended solely for the use of the County Council and the management of Anne Arundel County. However, this report is a public document that may be obtained from the Office of the County Auditor.

**State Law**

The State Government Article of the Annotated Code of Maryland requires the State Comptroller to pay 4.51% of the Maryland Live VLT proceeds to the County in the form of local impact grants (§§ 9-1A-27 and 9-1A-31(a)). When the General Assembly originally adopted § 9-1A-31(b), it specified that the County must expend the revenue for "improvements in the immediate proximity to the video lottery facilities," and the County may expend the revenue for "infrastructure improvements; facilities; public safety; sanitation; economic and community development, including housing; and other public services and improvements."

The General Assembly modified the law effective October 1, 2012. They left intact the provision that local impact grants may be expended for infrastructure improvements, facilities, public safety, sanitation, economic and community development, and other public services and improvements, but they modified the language requiring the County to spend the local impact grants on "improvements in the immediate proximity to the video lottery facilities." The modified language provides that the County shall spend the local impact grants on "*improvements primarily in the communities in the immediate proximity to the video lottery facilities.*" The General Assembly did not define "improvements in the immediate proximity of the video lottery facilities" in the original legislation or "improvements primarily in the communities in the immediate proximity of the video lottery facilities" in the subsequent legislation.

Section 9-1A-31(c) requires the establishment of a Local Development Council, and 9-1A-31(d) stipulates that prior to the expenditure of any local impact grant funds, the County must develop a multiyear plan for the expenditure of the funds for the restricted purposes in § 9-1A-31(b). The County is required to consult with the LDC in developing its multiyear plan, and the County must submit the plan to the LDC for review and comment before adopting the plan or expending any grant funds. The LDC is required to advise the County on the impact of the VLT facility on the communities and on the needs and priorities of the communities in the immediate proximity to the VLT facility, and the County is required to hold a public hearing on the plan at the request of the LDC. State law stipulates that the County shall make best efforts to accommodate the recommendations of the LDC and any testimony presented at the hearing before adopting the plan.

#### Procedures

In our analysis, we:

- reviewed the minutes of the LDC meetings in fiscal years 2012 and 2013 to determine whether the Administration, in consultation with the LDC, adopted a multiyear plan for the expenditure of grant funds as required in § 9-1A-31(d).
- reviewed the general ledger to determine actual local impact grant revenue in fiscal years 2012 and 2013.
- obtained the Budget Office's assertions on the amounts and purposes for which the local impact grants were spent in fiscal years 2012 and 2013 and compared the assertions to amounts recorded in the general ledger and to other supporting documents.
- compared the Budget Office's assertions to the fiscal year 2013 spending plan presented to the LDC and to the County Council. We did not make such a comparison for FY2012 because the Administration did not present a spending plan to the LDC or to the County Council for FY2012.

The General Assembly chose to use an imprecise standard, permitting the grants to be used for the very broad purpose of "other public services and improvements." Virtually every County expenditure is for public services and improvements; therefore, we did not perform any additional procedures to determine whether the funds were spent for the restricted purposes set forth in § 9-1A-31(b) of the State Government Article.

#### Multiyear Spending Plan

We reviewed the LDC minutes for fiscal years 2012 and 2013 to determine whether the Administration developed a multiyear spending plan in consultation with the LDC.

#### *Fiscal Year 2012*

We determined that the Administration did not consult with the LDC or adopt and present a multiyear plan to the County Council for FY2012.

*Fiscal Year 2013*

We determined that the Administration did consult with the LDC to develop and adopt a spending plan for FY2013, but the plan was not a multiyear plan as required by § 9-1A-31(d).

The LDC minutes show that LDC first met to discuss their spending priorities on March 22, 2012. On April 5, 2012, the Administration presented a FY2013 spending plan to the LDC, and the LDC unanimously approved the plan. The plan the Administration developed addressed only FY2013 expenditures; it was not a multiyear plan. The Administration included the proposed expenditures (\$15 million) in the proposed fiscal year 2013 General Fund budget and presented the proposed plan to the County Council during the FY2013 budget deliberations.

Our review of the FY2013 minutes shows that the Administration, in consultation with the LDC, developed a spending plan for fiscal year 2014 that included a \$1.9 million grant to the People's Community Health Center. Subsequent to the LDC's approval of the FY2014 plan, the Administration introduced an ordinance to appropriate \$1.4 million of the grant to the People's Community Health Center in fiscal year 2013, and the County Council approved this additional appropriation in June 2013. Consequently, the total amount of expenditures presented to the LDC and to the County Council for fiscal year 2013 was \$16.4 million.

**Revenues**

*Fiscal Year 2012*

In FY2012, the County anticipated receiving \$500,000 of revenue from local impact grants. The actual amount received was \$1,307,252.

*Fiscal Year 2013*

In FY2013, the County anticipated receiving \$15 million of local impact grants, and actual revenue for the fiscal year was \$19,456,875.

**Expenditures**

*Fiscal Year 2012*

The Budget Office asserts the entire \$1,307,252 received in FY2012 was spent to sustain services at the Harmans-Dorsey, Jessup, and Severn fire stations. Since the Maryland Live facility did not open until June 2012, we analyzed the general ledger and other supporting documentation to determine whether it is reasonable to assert that the cost to sustain services at these three stations for only one month is \$1,307,252. Based on our analysis, we do not believe this assertion is reasonable.

The Administration does not maintain records to support the costs to operate an individual fire station, so we obtained the staffing assigned to each station and calculated the staffing costs based on the number of required positions and an average position cost (salary, FICA, pension, and health insurance). We then allocated other relevant costs from the Planning and Logistics Bureau and the Operations Bureau based on the actual expenditures and the number of fire stations in the County. We acknowledge that this is an imprecise allocation because the cost of an individual station will be affected by the number of paid vs. volunteer staffing, the number of overtime shifts required to meet staffing needs, etc. However, we were unable to obtain data that would allow us to calculate a more precise estimate.

Based on our analysis, we estimate the cost to sustain services at the Harmans-Dorsey, Jessup, and Severn fire stations for one month is approximately \$750,000, considerably less than the \$1,307,252 the Budget Office asserts was spent for this purpose in fiscal year 2012.

Also, we noted that the Administration did not present the \$807,252 of expenditures that exceeded the \$500,000 included in the FY2012 budget to the LDC or to the County Council. The Administration was not required to do so because General Fund appropriations were sufficient to absorb these additional expenditures.

### *Fiscal Year 2013*

The Budget Office asserts the County spent the \$19,456,875 of local impact grants received in fiscal year 2013 as shown in Exhibit 1. As noted above, the Administration presented a FY2013 spending plan to the LDC and to the County Council for \$15 million and subsequently increased the amount by \$1.4 million for a grant to the People's Community Health Center. However, we noted that the Administration did not present a spending plan to the LDC or to the County Council for the remaining \$3,056,875 expended in FY2013. As happened in FY2012, the Administration did not need to seek the County Council's approval to spend the additional \$3,056,875 because General Fund appropriations were sufficient to absorb the additional expenditures.

We offer the following comments on the Administration's assertions of how the County spent the \$19,456,875 of local impact grants in FY2013.

#### Police Department

The FY2013 spending plan presented to the LDC and to the County Council included \$3.5 million for the Police Department, comprising \$1.9 million to staff new posts at the Arundel Mills substation and \$1.6 million to sustain existing staffing at three Western District posts. However, as shown in Exhibit 1, the Budget Office asserts that the County spent only \$2 million of local impact grants for the Police Department, comprising \$1.1 million to staff posts at Arundel Mills and \$900,000 to train new officers for the Arundel Mills posts.

We reviewed the calculations provided by the Budget Office and concur with their assertion.

#### Fire Department

The FY2013 spending plan presented to the LDC and to the County Council included \$6.8 million for the Fire Department, comprising \$800,000 to purchase and staff a new ambulance unit at the Harmans-Dorsey fire station and \$6 million to sustain staffing at the Harmans-Dorsey, Jessup, and Severn fire stations (\$2 million each). However, as shown in Exhibit 1, the Budget Office asserts that the County actually spent \$8,706,875 for the Fire Department, comprising \$1,206,875 to purchase and staff the new ambulance unit at the Harmans-Dorsey station and \$7.5 million to sustain staffing at the Harmans-Dorsey, Jessup, and Severn fire stations (\$2.5 million each). We do not concur with this assertion.

The Budget Office's calculation includes \$1,206,875 to purchase and staff the new ambulance unit, comprising \$206,875 to purchase the ambulance and \$1,000,000 to staff it. In our review, we determined the cost to purchase and staff the ambulance was only \$1,025,040, comprising \$255,000 to purchase the ambulance, \$716,400 to staff the ambulance, and \$53,640 of operating and replacement lease rate costs. (We based the cost to staff the unit on an average overtime rate of \$40.89/hour, including FICA, because the unit was staffed via overtime for the entire year.)

The Budget Office's calculation of the cost to sustain staffing at the Harmans-Dorsey, Jessup, and Severn fire stations assumes \$100,000 per position multiplied by the staffing ratios for the stations, yielding a cost of \$7,800,000. Of this amount, the Budget Office asserts \$7,500,000 was funded with local impact grants.

We reviewed the amounts budgeted for personal services and determined the average cost per position was \$94,600, including salary, FICA, pension, and health insurance costs. When we multiplied this average by the staffing ratios for the three stations, we calculated the total cost to sustain personal services at the stations was \$7,380,000, or \$120,000 less than the Budget Office's assertion.

In total, the cost we calculated to purchase and staff the ambulance unit at the Harmans-Dorsey station and the cost to sustain services at the Harmans-Dorsey, Jessup, and Severn stations was \$8,405,000, approximately \$300,000 less than the \$8,700,000 the Budget Office asserts was spent for these purposes.

Transit Operations

The FY2013 spending plan presented to the LDC and to the County Council included \$600,000 for bus routes in the vicinity of Maryland Live, and the Budget Office asserts that the County did spend \$600,000 for this purpose in fiscal year 2013. We do not concur with this assertion.

We reviewed expenditures in the general ledger, the grant agreement between the County and Central Maryland Regional Transit (CMRT), and maps of the bus routes provided by the Office of Planning and Zoning. The maps show the bus routes funded with the grant from the County to CMRT are the "K Route" from the Arundel Mills to Odenton, the "J Route" from Arundel Mills east through Glen Burnie to Freetown and west through Maryland City to Laurel, and the "B Route" that connects to the J Route in Fort Meade and runs west to Laurel.

We concur that these bus routes provide transportation services in the vicinity of Maryland Live. However, our analysis of the expenditure records shows the total amount expended and encumbered for the three routes was only \$580,749, or \$19,251 less than the \$600,000 the Budget Office asserts was spent for this purpose.

Department of Public Works – Road Resurfacing and Reconstruction

The FY2013 spending plan presented to the LDC and to the County Council included \$1 million for road resurfacing and reconstruction. During the FY2013 budget deliberations, Mr. Hammond represented that approximately 6% of the County's lane miles were in the vicinity of the casino, and \$1 million was 6% of the \$17 million appropriated for road resurfacing and reconstruction in the capital budget. During the deliberations, I objected to this methodology because the proposed expenditures could not be linked directly to road resurfacing and reconstruction in the proximity of Maryland Live.

As shown in Exhibit 1, the Administration ultimately chose not to spend any local impact grants on road resurfacing and reconstruction in fiscal year 2013.

Anne Arundel Community College

The FY2013 spending plan presented to the LDC and to the County Council included \$2 million for Anne Arundel Community College's (AACC) Arundel Mills Campus. However, as shown in Exhibit 1, the Budget Office asserts the County actually contributed \$3 million of local impact grants towards AACC's operating costs for the Arundel Mills campus. This use of an additional \$1 million was not presented to the LDC or to the County Council.

The Budget Office calculated \$3 million by multiplying the *estimated* cost to operate the Arundel Mills campus (\$10 million) by the *approximate* percentage of AACC's total funding that is provided by the County (30%). However, our review of the FY2013 budget shows that the County's portion of AACC's funding was 29.2%, and Andrew Little, AACC Executive Director of Finance, advised us that the cost to operate the Arundel Mills campus was \$8,792,442 in FY2103. We multiplied the County's budgeted funding percentage (29.2%) by the actual expenditures for the Arundel Mills campus (\$8,792,442) and derived expenditures of \$2,567,393, which is \$432,607 less than the \$3 million the Budget Office asserts was spent for the AACC Arundel Mills campus.

Anne Arundel Economic Development Corporation

The FY2013 spending plan presented to the LDC and to the County Council included \$250,000 to fund Anne Arundel Economic Development Corporation's (AAEDC) efforts to assist in the development and promotion of the area near the Arundel Mills mall. As shown in Exhibit 1, the Administration chose not to spend any local impact grants revenue for this purpose in FY2013.

Arundel Workforce Development Corporation

The FY2013 spending plan presented to the LDC and to the County Council included \$250,000 to fund Arundel Workforce Development Corporation's (AWDC) to hire and train workers for Maryland Live and surrounding businesses, and the Budget Office asserts the County spent \$250,000 for this purpose.

We noted that AWDC provides job training assistance countywide, not just in the Arundel Mills area, and the County's total contribution for AWDC's countywide operations was \$395,000 in FY2013. Consequently, providing \$250,000 of local impact grants to AWDC implies 63% of AWDC's efforts were to hire and train workers for the benefit of Maryland Live and other businesses in the Arundel Mills area. The Budget Office asserts this large percentage is reasonable because AWDC made significant efforts to hire and train workers for Maryland Live and other business in the Arundel Mills area; however, the Budget Office was unable to provide us with any specific costs or statistics identified by AWDC that were associated with these efforts.

Provinces Library Branch

The FY2013 spending plan presented to the LDC and to the County Council included \$500,000 to fund the operating costs of the Provinces library branch, and the Budget Office asserts \$500,000 was spent for this purpose. We concur with this assertion.

We reviewed staffing information provided to us by the Public Library Association of Annapolis and Anne Arundel County, Inc., and determined \$427,808 was budgeted to staff the Provinces branch. Further, total appropriations excluding personal services for the entire library system (15 libraries and Library Headquarters) were approximately \$4.3 million, of which it is reasonable to assume at least \$72,192 would be used for expenses at the Provinces branch. Therefore, we conclude it is reasonable to assert that the County spent \$500,000 of local impact grants to sustain services at the Provinces library branch in FY2013.

Community Grants

The FY2013 spending plan originally presented to the LDC and to the County Council included \$100,000 of local impact grants for community organizations. The FY2014 spending plan presented to the LDC included a \$1.9 million grant for the People's Community Health Center to construct a health and wellness center in Severn, of which \$1.4 million was appropriated in FY2013.

The Budget Office asserts the County awarded \$1.5 million of local impact grants in grants to community organizations as shown below.

Organization	Purpose	Amount
Baltimore Washington Medical Center	"Weight of the Nation" education sessions	\$5,120
Rob's Barbershop Community Foundation	Provide grooming for homeless	\$6,300
Boys and Girls Club	Operating funds for Severn location	\$15,000
Anne Arundel County Food Bank	Purchase food	\$11,394
Villages of Dorchester	Streetlights	\$7,000
Villages of Dorchester	Security camera system	\$15,726
The Provinces Civic Association	Landscape traffic islands	\$1,200
Quail Run Community Association	Additional security	\$13,260
Hebron-Harman Elementary School PTA	Outdoor learning space	\$5,000
Hebron-Harman Elementary School PTA	Purchase iPads	\$5,000
Severn Elementary School PTA	Purchase iPads	\$15,000
People's Community Health Center	Construction of health and wellness center	\$1,400,000
TOTAL		\$1,500,000

Members of the County Council  
Ms. Neuman  
April 30, 2014  
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We reviewed the grant agreements for each organization and the related general ledger entries, and we concur with the Budget Office's assertion.

Debt Service on General Obligation Bonds for Board of Education Capital Projects

The FY2013 spending plan presented to the LDC and to the County Council did not include any expenditure for debt service on Board of Education (BOE) capital projects. However, as shown in Exhibit 1, the Budget Office asserts the County spent \$2,900,000 for this purpose. The Administration did not present these expenditures to the LDC or to the County Council, and the Administration did not seek the County Council's approval to spend the local impact grants for this purpose because General Fund appropriations were sufficient to absorb the additional expenditures.

The County spent \$58,599,882 on debt service (principal and interest) related to Board of Education capital projects in fiscal year 2013. The Budget Office asserts that it made a conservative assumption to fund 5% of the debt service on BOE projects (\$2.9 million) with local impact grants because census data shows 9% of the County's population lives within a three-mile radius of the Arundel Mills mall. The Budget Office did not analyze the debt on bonds issued specifically for BOE capital projects in the Arundel Mills vicinity, a methodology we believe would be more appropriate.

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We reiterate that purpose of this letter is to report to the County Council how the Administration asserts the County spent the revenue from local impact grants in fiscal years 2012 and 2013 and to compare the actual expenditures to the spending plans presented to the LDC and to the County Council. While we believe the Budget Office could have used more precise methodologies to allocate the expenditures of local impact grants for purposes more directly in the vicinity of or affected by the Maryland Live facility, we cannot conclude that any funds were spent for purposes other than those permitted in § 9-1A-31(b) of the State Government Article because those purposes include "other public services and improvements."

We thank the Budget Office staff for their assistance and courteous cooperation during our review. Please call if you have any questions regarding our findings and recommendations.

Sincerely,

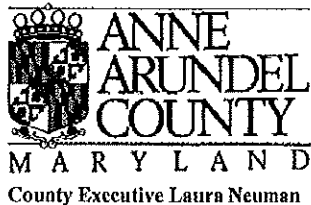


Teresa Sutherland, CPA  
County Auditor

# EXHIBIT 1

	FY2013 Spending Plan Approved by LDC and Presented to County Council	Expenditures per the Budget Office	Auditor's Calculation of Expenditures	Difference
<b>Police Department</b> Personal services costs - new posts at Arundel Mills Training costs for new posts at Arundel Mills Sustaining existing staffing - Western District: Post 5a6 Post 5a5 Post 5a3	\$1,900,000  \$460,000 \$460,000 \$680,000	\$1,100,000 \$900,000  \$0 \$0 \$0	\$1,100,000 \$900,000  \$0 \$0 \$0	\$0 \$0  \$0 \$0 \$0
<b>Fire Department</b> New ambulance and staffing at Harmans Dorsey station Sustaining services: Harmans-Dorsey fire station Jessup fire station Seyvern fire station	\$800,000  \$2,000,000 \$2,000,000 \$2,000,000	\$1,206,875  \$2,500,000 \$2,500,000 \$2,500,000	\$1,025,000  \$2,460,000 \$2,460,000 \$2,460,000	\$181,875  \$40,000 \$40,000 \$40,000
<b>Transit Operations</b> Central Maryland Regional Transit grant	\$600,000	\$600,000	\$580,749	\$19,251
<b>Department of Public Works</b> Road resurfacing and reconstruction	\$1,000,000	\$0	\$0	\$0
Anne Arundel Community College Arundel Mills Campus	\$2,000,000	\$3,000,000	\$2,567,393	\$432,607
Anne Arundel Economic Development Corporation	\$250,000	\$0	\$0	\$0
Arundel Workforce Development Corporation	\$250,000	\$250,000	See Auditor's comments in report narrative.	
Library Sustain services at Provinces Branch	\$500,000	\$500,000	\$500,000	\$0
Community Grants	\$1,500,000	\$1,500,000	\$1,500,000	\$0
Debt service on BOE capital projects	Not presented to LDC or to County Council	\$2,900,000	See Auditor's comments in report narrative.	





Arundel Center  
44 Calvert Street  
Annapolis, MD 21401

John R. Hammond  
Budget Officer  
Chairman, Board of Trustees of the Anne  
Arundel County Retirement & Pension System  
Chairman, Pension Investment Committee  
410-222-2352  
410-222-1108 FAX  
jhammond@aacounty.org

April 30, 2014

The Honorable Members of the County Council  
The Honorable County Executive Laura Neuman  
Anne Arundel County, Maryland  
44 Calvert Street  
Annapolis, Maryland 21401

Dear Council Members and County Executive Neuman,

In response County Auditor Teresa Sutherland's letter of April 30, 2014, reporting on the County's utilization of Video Lottery Terminal (VLT) revenues received by Anne Arundel County in FY2012 and FY2013, I offer the following comments.

#### **Multiyear Spending Plan**

The fifteen members of the Local Development Council (LDC) are appointed by the County Executive. In making the initial appointments the County Executive desired to consult with the County Councilman from the district (District 1) for suggestions as to the LDC's membership. Unfortunately, the District 1 Councilman's seat was in a state of flux in late CY2011 and early CY2012. Indeed, the seat was declared vacant in early CY2012 and was not filled by the County Council until March 19, 2012. Consequently appointments to the LDC were delayed.

The LDC held its initial meeting on March 22, 2012. The agenda for that meeting (Exhibit A) included Item #4, a Fiscal Briefing and Discussion of Draft Multiyear Plan. A draft multiyear plan was presented (Exhibit B).

The focus of the LDC's work from the initial meeting through April was to put a plan together for FY2013 as the County Executive's proposed FY2013 budget was due April 15, 2012 to the County Council. No consideration was given to FY2012 by the LDC as Maryland Live! was not even open, and if it were to open in FY2012, it would be for only a month at best. Given the compressed time frame of the LDC's first year of deliberations, the formulation by the LDC of a multiyear plan was deferred in order for the LDC to become more knowledgeable of the details of their subject matter, and have enough time to adequately consider a multiyear plan.

#### **Expenditures**

##### FY2012

The County's general fund budget is an annual plan of expenditure. Revenue to support the expenditures appropriated in the annual general fund budget are realized throughout the year. No

attempt is made to manage expenditures on the basis of when the revenue is realized. In FY2012 \$1,307,252 was received by the County from the operation of the casino during the month of June 2012. The utilization of this annual revenue to the general fund is not restricted to utilization for expenditures during the month of June, as asserted in the report. There is no doubt that in FY2012 substantially more than \$1,307,252 in County general fund expenditures were made in the area of the casino that fell into the broad categories under the state statute. This point is acknowledged in the report on page 2, by the notation of the imprecise language of the state statute regarding the area of the utilization of the funds and the broad uses to which the funds may be employed. Even under the erroneous assertion of the letter that only expenditures during the month of June qualify, the County's expenditures of at least that amount within the "immediate proximity of the video lottery facilities" would be satisfied.

### FY2013

There is no requirement that the LDC be consulted as to the utilization of funds that are realized above those anticipated in the LDC's spending plan submitted to the County Executive as asserted in the letter. As noted, in the letter, approval was sought from the County Council to utilize a portion of the funds above the anticipated amount, and the remainder of the more than anticipated funds was utilized to fund expenditures already appropriated by the County Council.

Much effort was expended to analyze the various categories of expenditure. Rather than dwell on the individual analysis of each item, which the letter acknowledges is imprecise, the conclusion of the letter is instructive: *"While we believe the Budget Office could have used more precise methodologies to allocate the expenditures of local impact grants for purposes more directly in the vicinity of or affected by the Maryland Live! facility, we cannot conclude that any funds were spent for purposes other than those permitted in Section 9-1A-31(b) of the State government Article because those purposes include "other public services and improvements."*

### Summary

One final comment, the utilization of the VLT impact funds is a current example of an issue that the framers of the Anne Arundel County charter wrestled with during their deliberations in the early 1960s. They were very concerned about the issue of dedicated funds and the Balkanization of the County based upon the utilization of the dedicated funding. Their prescience then resonates today in the 50<sup>th</sup> year of charter government, when their Report to the Voters of Anne Arundel County, discussing Section 718 of the Charter states:

*"Section 718 COMPOSITION AND LIMITATIONS UPON COUNTY FUNDS AND LEVIES; SPECIAL TAXES; BOND OBLIGATION. The drafting of this section caused the Charter Board and its staff many days and nights of deliberation, discussion and research. In general, the Charter Board believed that all County revenues should be paid into and appropriated out of one fund. It further believed in the principle that there should be no dedication of tax*

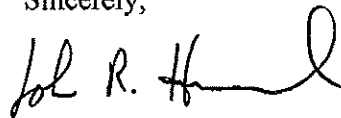
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*revenues at the source. Such dedication of such tax limits and destroys the concept of the budget process. The budget function is one of planning, looking ahead at the financial requirements of the coming year and the years ahead. It is the assigning of dollar signs to programs of work and the balancing of competing demands for money. If there is no work to be done, there is obviously no need for money. The basis of the budget is first, therefore, to determine what work is to be done, how much work is to be done and by whom. In Anne Arundel County the enactment of special tax laws and the dedication of State received funds has completely destroyed the budget making process as it is known in modern municipal government. A dedication of receipts to specific functions from the State in advance of receipts thereof and the establishment of special taxes for specific purposes do not take into consideration the work program needs of that particular function."*

Timely advice today as it was 50 years ago!

Thank you for the opportunity to comment on your findings. Mr. Mannion was very thorough in his research and was most accommodating to the Budget Office schedule during his review.

Sincerely,



John R. Hammond  
Budget Officer

Attachments: Exhibit A  
Exhibit B

**Exhibit A - Response to VLT Report**

**ANNE ARUNDEL COUNTY  
LOCAL DEVELOPMENT COUNCIL**

**MEETING**

**Arundel Center  
March 22, 2012**

- 1. Call to Order -- Chairman Michael Caruthers**
- 2. Introductions**
  - a. Members of the Council - Attachment**
  - b. Alan R. Friedman - Council Staff**
- 3. Review of State Law and Council Overview and Mission -- Attachment**

**Alan Friedman -- Council Staff**
- 4. Fiscal Briefing and Discussion of Draft Multiyear Plan**

**County Administrative Officer John Hammond**
- 5. Council discussion - schedule of meetings and future agendas**
- 6. Adjournment**

## Exhibit B – Response to VLT Report

### Anne Arundel County, Maryland VLT Impact Area Multiyear Plan

		Year #1	Year#2	Year #3	
<b>Education K-12</b>		<b>11,577,700</b>	<b>11,867,200</b>	<b>12,163,900</b>	
<b>Anne Arundel Library</b>	Library Operations	516,200	529,200	542,500	
	<i>Upgrade Library Technology</i>		150,000	300,000	#1
<b>Anne Arundel Community College</b>		<b>3,129,000</b>	<b>3,207,300</b>	<b>3,287,500</b>	
<b>Anne Arundel Economic Development</b>	<i>Increase Small Business Loans</i>	150,000	153,800	157,700	#2
<b>Workforce Development</b>	Operating Subsidy	270,000	276,800	283,800	
<b>Arundel Community Development</b>	Operating Subsidy	100,000	102,500	105,100	
<b>Recreation</b>	Park Operations	178,000	182,500	187,100	
	<i>Additions to Park Renovation</i>		100,000	200,000	#3
<b>Transportation</b>	Operating Subsidy	602,500	617,600	633,100	
	<i>Additional Equipment</i>			100,000	#4
<b>Public Works</b>	Street Lighting and repairs	1,585,000	1,624,700	1,665,400	
	<i>Increased road repairs</i>		800,000	820,000	#5
	<i>Equipment Replacement</i>	800,000			
<b>Fire &amp; Rescue</b>	Existing Staffing	6,026,100	6,176,800	6,331,300	
	<i>Added Staff</i>	698,000	715,500	733,400	#6
	<i>Replace Apparatus</i>	100,000	475,000	486,900	
<b>Police</b>	Existing Patrols	1,576,800	1,616,300	1,656,800	
	<i>Added Patrols</i>	1,596,000	1,635,900	1,676,800	#7
	<i>Added Vehicles</i>	375,000			
<b>VLT Impact funding for new initiatives</b>		<b>\$3,719,000</b>	<b>\$3,880,200</b>	<b>\$4,174,800</b>	
<b>Services preserved with help from Impact funding</b>		<b>\$25,561,300</b>	<b>\$26,200,900</b>	<b>\$26,856,500</b>	
		<b>\$29,280,300</b>	<b>\$34,111,300</b>	<b>\$35,506,100</b>	

#1 Libraries - technology in all branches of the County library system are at least 5 year behind a normal replacement schedule. \$500,000 is normal replacement

#2 Increase funding to the Economic Development Agency to make small business loans

#3 Community Parks - are significantly behind routine maintenance and replacement throughout the County. \$200,000 brings funds to \$600,000 or 2/3 of FY2008 spending

#4 Public Transportation - services expected to increase. \$100,000 would leverage funds to purchase shuttle buses.

#5 Roads - \$800,000 would double the estimated rate of resurfacing in the area. DPW has a fairly significant equipment backlog of all types.

#6 New 24/7 staffing for the Harman's - Dorsey Fire station for ambulance services

After initial purchase of an ambulance for Harman's, the department needs to reduce its backlog (\$400,000 is one pumper or 4 ambulances), 9 EMTS

#7 New patrols in the Mill area to provide 24/7 coverage. 15 police officers includes equipment

Police vehicle purchases for Arundel Mills area would be purchased in the initial year; while in backlog AACoPD is in better shape than Fire.