



Legislation Review

Review of the Fiscal Year 2025 Proposed Current Expense Budget Office of Finance and Office of Finance (Non-Departmental)

Report Date: May 20, 2024

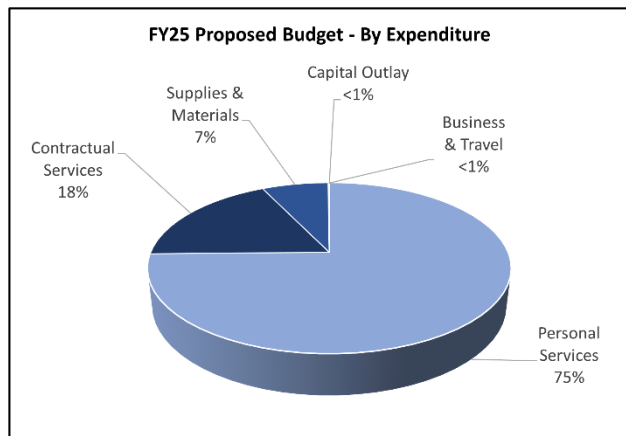
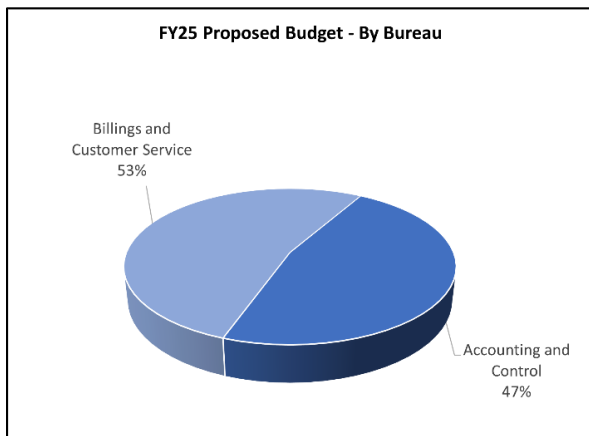
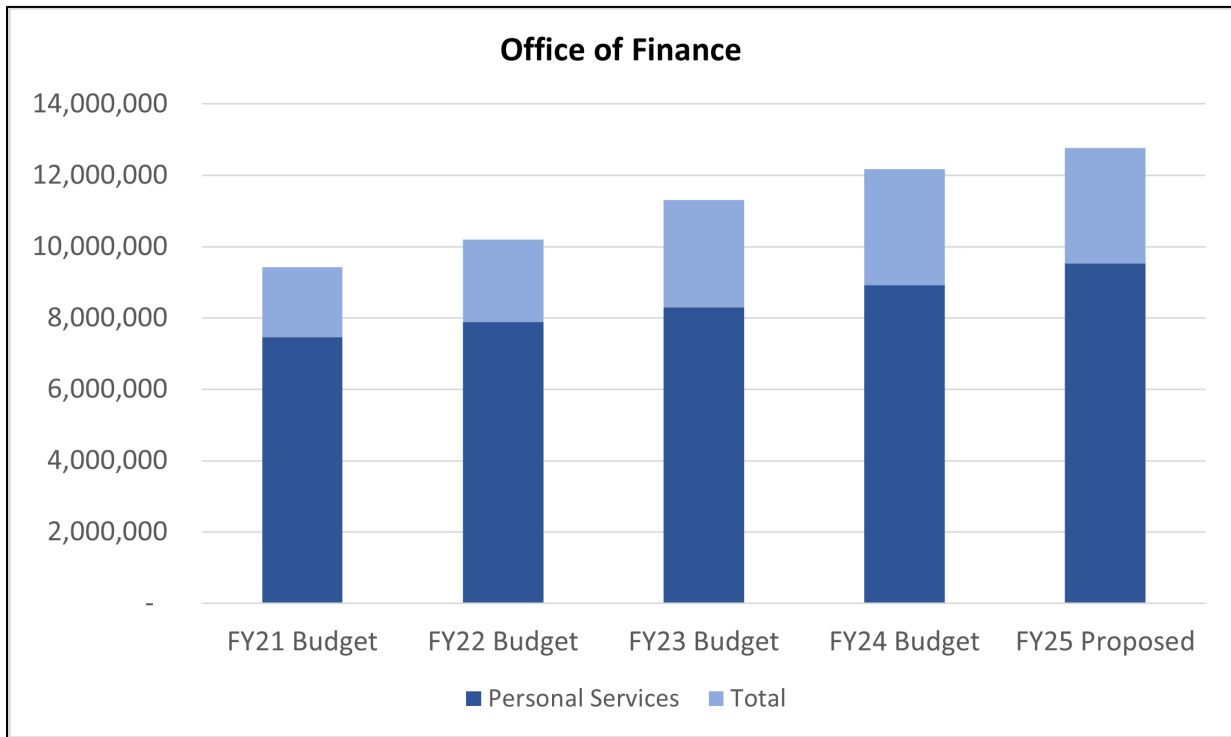
Hearing Date: May 21, 2024

Questions Sent to the Agency:	May 4, 2024; May 12, 2024
Responses Received from the Agency:	May 7, 2024 & May 8, 2024; May 16, 2024

This analysis considers all agency responses.

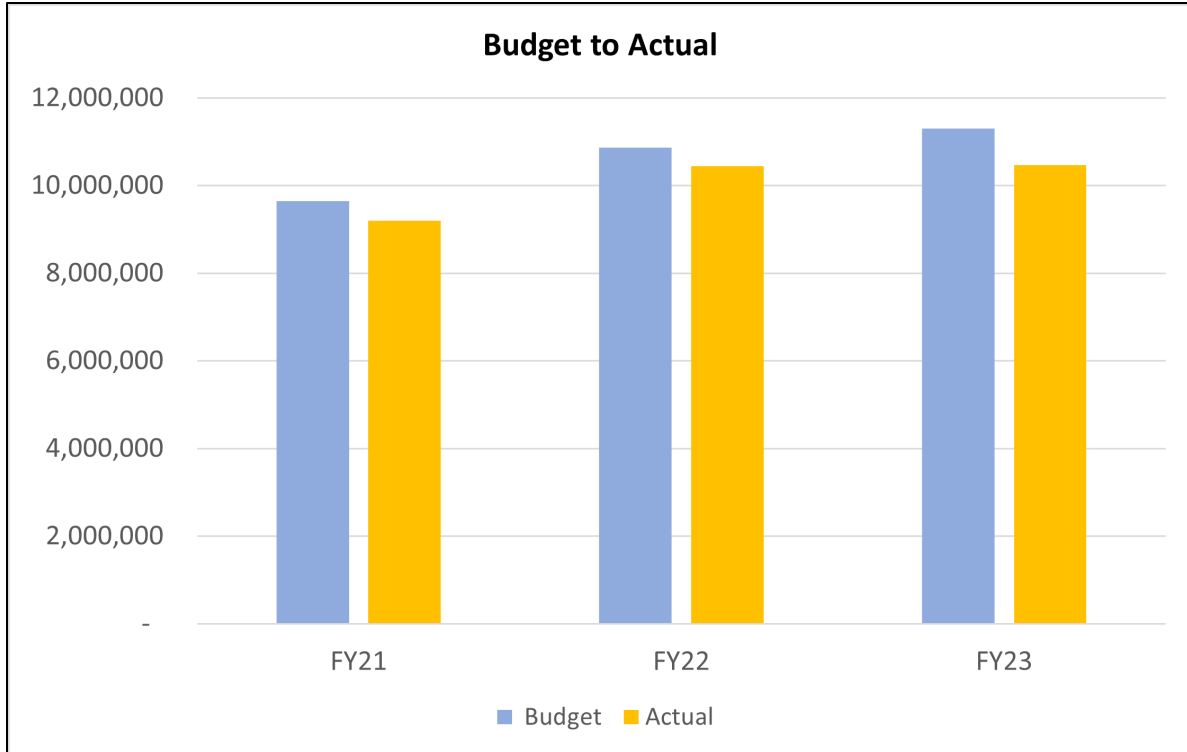
Office of Finance

Operating Budget Summary



Note: Chart data provided in the Appendix

Analysis of the FY25 Proposed Current Expense Budget



Note: Chart data provided in the Appendix. Adjusted Budget includes supplemental appropriations of \$225,000 for FY21 and \$663,000 for FY22 and, therefore, does not match the Original Budget used in Chart 1.

Personnel Data

Full-Time Equivalent Positions as of April 10, 2024					
Positions	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Proposed	FY24 v. FY25
General Fund	78	78	81	81	0
Filled	71	65	71		
Vacant	7	13	10		

- **Five reclassifications, three filled and two vacant positions, are proposed –**
 - One vacant Customer Service Representative position to a Financial Clerk I position, which is a lateral reclassification (OS-7). The Office of Finance (Finance) advised that this reclassification will alleviate some of the paperwork burden that customer service representatives face in handling customer complaints.
 - One vacant Customer Service Representative position to a Senior Customer Service Representative position, which is reclassifying the position from an OS-7 to OS-9. Finance advised that this reclassification is to provide a manager whose focus will be on customer service issues and supervising the employees who face those issues as well as providing opportunity for growth within the department for this position.
 - One filled Financial Clerk II position to a Management Aide position, which is reclassifying the position from a NR-11 to NR-12. Finance advised this reclassification is to better align the current duties of this position. These duties include training new accounts payable staff, customer service for vendors, and troubleshooting and testing system updates to allow the accounts payable team to focus on more complex issues.
 - One filled Budget and Management Analyst III position to a Manager, Financial Services position, which is a lateral reclassification (NR-20). Finance advised this reclassification is to better align the fiscal nature of this position with responsibilities such as, program administration, financial planning and reporting, fiscal analysis, and legislative liaison, and that this position was transferred from the Office of the Budget in FY24.
 - One filled Accountant III position to a Finance Systems Analyst position, which is reclassifying the position from a NR-19 to NR-20. Finance advised this reclassification is to better align the current duties of this position with a more accurate job description. These duties include similar duties as the System Analyst position in the Office of Information Technology, such as system support for the County’s billing and collection systems and working with software vendors.

Key Observations

- 1. Contractual Services (Legal Notices)** – The FY25 Proposed Current Expense Budget includes \$123,200 for advertising costs of the annual tax sale, a \$92,200 (43%) decrease from the FY24 Approved Current Expense Budget. The FY24 Approved Current Expense Budget was based on the anticipated tax sale of 4,000 parcels; however, the May 2023 tax sale consisted of 2,287 parcels. Finance advised the FY25 Proposed Current Expense Budget for these advertising costs reflected the decrease of parcels advertised for the annual tax sale.
- 2. Contractual Services (Other Professional Services – Ambulance Services)** – The FY25 Proposed Current Expense Budget includes \$1,467,100 for ambulance service costs, a \$187,700 (11%) decrease from the FY24 Approved Current Expense Budget. This decrease is offset by a \$75,000 increase to the ambulance billing program in a different object. The decrease is generally attributed to ambulance service costs, including the payments for the ambulance billing consultant related to Medicaid reimbursement for ambulance transports (\$897,003) and traditional ambulance billing program payments (\$604,700). Finance advised that the budget decreased due to many factors, known and unknown (such as, number of residents that are Medicaid recipients, level of care required, distance of each transport, and number of annual transports).
- 3. Supplies and Materials (Printing – Commercial)** – The FY25 Proposed Current Expense Budget includes \$126,800 for commercial printing costs, a \$63,300 (100%) increase from the FY24 Approved Current Expense Budget. The increase is attributed to the increase costs for envelopes used in County billings and that a FY24 fourth quarter supplemental appropriation will be requested for approximately \$125,000 related to the significant cost increases of envelopes.
- 4. Supplies and Materials (General Office Mailing)** – The FY25 Proposed Current Expense Budget includes \$698,300 for general office mailing, a \$68,500 (11%) increase over the FY24 Approved Current Expense Budget. The increase is attributed to the anticipated postage cost increase in July 2024 as well as the postage cost increase that occurred in January 2024, which has also caused an increase in the estimated FY24 expenditures. Postage costs have typically been increasing in January and July each year since 2011. Finance advised that a FY24 fourth quarter supplemental appropriation will be requested for approximately \$70,000 related to the increase in postage costs.

Office of Finance (Non-Departmental)

Key Observations

Office of Finance (Non-Departmental) represents costs that are not readily tied to any particular County department. Below summarizes certain costs included in this category:

- 1. Revenue Reserve Fund** – The FY25 Proposed Current Expense Budget includes a contribution of \$7,800,000 to the Revenue Reserve Fund (Fund). The current balance limit of this fund is 8% of general fund revenues (Bill 41-23 increased the balance limit of this fund from 7% to 8% of general fund revenues). Estimated revenues for FY25 are \$2,130,230,000; therefore, the reserve maximum is \$170,418,400 at the 8% limit. The FY25 beginning budgetary fund balance of \$159,903,638, the FY25 contribution of \$7,800,000, and projected interest of \$2,700,000 totals the estimated ending balance of \$170,403,638, less than \$14,762 under the 8% cap.

Note: The balance of the Fund above refers to the budgetary fund balance per the County's Debt Management Policy. This amount plus the appropriation and the estimated investment income are used to calculate the not to exceed amount.

- 2. Contributions to Other Funds** – The FY25 Proposed Current Expense Budget includes \$22,027,000 in contributions from the General Fund to other funds. These transfers consist of the annual contribution to the Reserve Fund for Permanent Public Improvements (\$21,000,000) related to capital project funding, a one-time contribution to the Public Campaign Financing Fund (\$1,000,000), and administrative expenses for the 401(a) plan (\$27,000). The Office of the Budget advised that the \$1,000,000 contribution to the Public Campaign Financing Fund is one-time start-up funding related to Bill 25-23.
- 3. Debt Service Payments** – Debt service payments are partially budgeted in the Office of Finance (Non-Departmental). The FY25 Proposed Current Expense Budget includes \$146,547,700 for debt service payments for the following:
 - General County – \$59,534,300,
 - Board of Education – \$77,603,000,
 - Community College – \$7,258,900, and
 - Compass Pointe Golf Course – \$1,676,500.

In addition, debt service issuance costs and consultant fees of \$475,000 are included in the FY25 Proposed Current Expense Budget. Other debt service payments in the FY25 Proposed Current Expense Budget include Water and Wastewater (\$79,200,300), Permanent Public Improvements (\$10,714,030), and installment purchase agreements for the purchase of real property easements to preserve agriculture and woodland (\$736,100).

We are waiting on additional support to review these amounts.

- 4. Tax Increment Districts/Special Tax Districts** – The FY25 Proposed Current Expense Budget request for Tax Increment Districts and Special Tax Districts are \$55,271,000 and \$4,631,300, respectively. Based on the provided annual special tax reports for each of these districts, we were able to verify these funding requests.

- 5. Contributions to Retiree Health Insurance** – The FY25 Proposed Current Expense Budget includes contributions to retiree health insurance of \$60,394,000 to pay for retirees of County government to continue to receive health benefits and consists of the following:
 - \$1,119,000 represents the contribution for Anne Arundel Community College’s Retiree Health Benefits;
 - \$583,300 represents the contribution for Anne Arundel County Public Library’s Retiree Health Benefits;
 - \$24,963,600 represents the contribution for Anne Arundel County Board of Education’s Retiree Health Benefits; and
 - \$33,728,100 represents the contribution for Anne Arundel County’s Retiree Health Benefits, consisting of a general fund contribution to the County’s Retiree Health Benefits Fund (\$29,190,300) and to the reserve fund for retiree health benefits (\$4,537,800).

Further explanation regarding the General Fund contribution to the County’s Retiree Health Benefits Fund and the contribution for the Board of Education’s Retiree Health Benefits can be found in the Office of the County Auditor’s (OCA) Office of Personnel Operating Budget Analysis report.

- 6. Contributions to Self-Insurance Fund** – The FY25 Proposed Current Expense Budget includes contributions to the Self-Insurance Fund of \$16,442,000. Further explanation regarding the Self-Insurance Fund can be found in the OCA’s Office of Central Services Operating Budget Analysis report.

- 7. Mandated Grants** – The FY25 Proposed Current Expense Budget includes \$3,481,600 for various mandated grants, a \$117,800 (4%) increase over the FY24 Approved Current Expense Budget. The increase in funding is generally attributed to the payment to the City of Annapolis for their share of the state 9-1-1 Trust Fund payments and Fire Protection Aid, which we were able to verify.

- 8. PAYGO and Impact Fee Special Revenue Fund** – The recommendations for an amendment to Pay-as-you-Go (PAYGO) and the Impact Fee Special Revenue Fund are reconciliation items that will update based on any future amendments to the FY25 Proposed Capital Budget and Program, including the supplemental budget request, and will be provided at that time.

Analysis of the FY25 Proposed Current Expense Budget

Appendix: Chart Data

Personal Services to Total

	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Proposed
Personal Services	7,472,200	7,895,400	8,298,800	8,919,900	9,534,300
Contractual Services	1,282,300	1,643,800	2,291,400	2,457,500	2,313,200
Supplies & Materials	643,800	637,400	689,400	767,500	898,900
Business & Travel	20,800	19,800	19,200	17,200	14,200
Capital Outlay	5,000	4,000	3,200	5,400	2,000
Grants, Contr. & Other	-	-	-	-	-
Total	9,424,100	10,200,400	11,302,000	12,167,500	12,762,600

Proposed FY25 Budget by Expenditure Type

Object	FY25 Proposed
Personal Services	9,534,300
Contractual Services	2,313,200
Supplies & Materials	898,900
Business & Travel	14,200
Capital Outlay	2,000
Grants, Contr. & Other	-
Total	12,762,600

Proposed FY25 Budget by Bureau

Name	FY25 Proposed
Accounting and Control	\$ 6,020,900
Billings and Customer Service	\$ 6,741,700
Total	\$ 12,762,600

FY21-FY23 Budget to Actual

	FY21	FY22	FY23
Budget	9,649,100	\$ 10,863,400	\$ 11,302,000
Actual	9,194,310	\$ 10,444,214	\$ 10,464,613

Budget includes supplemental appropriations of \$225,000 for FY21 and \$663,000 for FY22 and, therefore, does not match the Original Budget used in Chart 1.