

*BALTIMORE COUNTY COUNCIL
NOTES TO THE AGENDA
LEGISLATIVE SESSION 2016*

Issued: May 25, 2016

Legislative Day No. 10: May 26, 2016 - BUDGET

*The accompanying notes are
compiled from unaudited
information provided by
the Administration and
other sources.*



OFFICE OF THE COUNTY AUDITOR

BALTIMORE COUNTY COUNCIL

May 26, 2016

BUDGET

NOTES TO THE AGENDA

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Bill 22-16

Council District(s) All

 Mrs. Almond (By Req.)

 Office of Budget and Finance

 Bond Ordinance

The Administration is requesting approval of an ordinance that authorizes the issuance, sale, and delivery of up to \$400 million in General Obligation (G.O.) bonds for Consolidated Public Improvements and Metropolitan District projects, \$400 million in bond anticipation notes (BANs), \$150 million in Pension Obligation Bonds (POBs), and \$1,573,026,000 in refunding bonds. This ordinance also authorizes the County to purchase development rights (Installment Purchase Agreement Program) and to pursue the use of tax advantaged bond status. In addition, this ordinance sets a \$500 million limit on the aggregate principal amount of BANs outstanding.

Fiscal Summary

Proposed Debt Issuance	Maximum Amount
Consolidated Public Improvement (CPI) (2016 Series)	\$ 135,000,000
Metropolitan District (79 th Issue)	265,000,000
Total – General Obligation Bonds	<u>\$ 400,000,000</u> ⁽¹⁾
CPI Bond Anticipation Notes (BANs)	\$ 135,000,000
Metropolitan District BANs	265,000,000
Total – BANs	<u>\$ 400,000,000</u> ⁽²⁾
Pension Obligation Bonds (POBs)	<u>\$ 150,000,000</u> ⁽³⁾
CPI/Metro District Bonds (Refunding Series)	<u>\$1,573,026,000</u> ⁽⁴⁾

⁽¹⁾ Authorization for issuance expires on the latter of June 30, 2017 or the expiration of any outstanding BANs.

⁽²⁾ BANs are limited to no more than \$500 million outstanding at one time.

⁽³⁾ Authorization for issuance expires on June 30, 2017.

⁽⁴⁾ Represents 130% of outstanding bonds totaling \$1,210,020,000. Amount to be issued depends on interest rates, issuance costs, and other variables at the time of refunding.

Analysis

General Obligation (G.O.) Bonds: This bill authorizes the County to issue up to \$400 million of G.O. bonds consisting of \$135 million in Consolidated Public Improvement (CPI) bonds and \$265 million in Metropolitan District bonds. The Office advised that the bonds must be sold at competitive bid per State law, except for \$5 million in Agricultural Preservation bonds designated for agricultural property owners according to the Installment Purchase Agreement (IPA) Program (explained later) and any bonds designated as financed from the Maryland Water Quality Financing Administration (MWQFA) as authorized in the bill. In addition, this bill authorizes the County to issue G.O. refunding bonds and to pursue the use of tax advantaged obligations. The authority to issue the G.O. bonds expires on the latter of June 30, 2017 or upon expiration of any outstanding BANs.

Consolidated Public Improvement (CPI) Bonds:

This bill authorizes the issuance of CPI bonds up to the following amounts, for the following types of capital improvements:

Type of Improvement	Maximum Amount
Schools	\$ 52,000,000
Public Works (roads, bridges, sidewalks, storm drains)	37,000,000
Community College	18,000,000
Parks, Preservation, Greenways	13,000,000
Refuse Disposal	10,000,000
Agricultural Land Preservation	5,000,000
Total	<u>\$ 135,000,000</u>

This borrowing was approved by voters on prior-year referenda, as required by the Baltimore County Charter, Section 718.

Repayment of the principal and interest (collectively known as debt service) on the CPI bonds is guaranteed by the irrevocable pledge of the full faith and credit – and unlimited taxing powers – of the County. This debt service cost is financed by General Fund revenues and is subject to the Spending Affordability Committee’s (SAC) debt service guideline, which states that County debt service, including non-general obligation debt, should not exceed 9.5% of General Fund revenues. In addition, the County’s debt policy states that the County will maintain a Debt Service to General Fund Revenues ratio in the range of 8.5% to 9.5%.

Agricultural Preservation Bonds/Installment Purchase Agreement (IPA) Program: In lieu of issuing all or any of the CPI bonds under the Agricultural Land Preservation Borrowing Plan Ordinance, the Administration is requesting authority to issue IPAs to purchase development rights in accordance with Section 12-902 of the Local Government Article. The Office advised that the \$5 million bond authorization for Agricultural Preservation projects may be used for IPAs.

The IPA option was established in June 2007 to encourage agricultural landowners to sell land or land preservation easements to the County. Many landowners would have to pay high capital gains tax when selling land or easements for cash. Through the IPA Program, the purchase price is paid in a lump sum after a period of up to 30 years, thus deferring capital gains tax, and the seller receives tax-exempt interest at a pre-established rate on the purchase price in the interim. The interest paid by the County is exempt both from Federal income taxes under Federal tax law and from State income taxes in the State of Maryland. The Office advised that other benefits of IPA bonds for landowners include better estate planning since heirs can use cash from the sale to pay estate taxes. Landowners can also sell IPAs to bond investors for cash prior to their maturities. An IPA has two payment components, interest paid semi-annually and a balloon principal paid after a period of up to 30 years.

Metropolitan District Bonds: The purpose of the Metropolitan District bonds is to finance the construction of improvements to the Metropolitan District sewer and water system. The debt service on these bonds is financed by sewer and water assessments and charges levied against all users in the Metropolitan District. If the sewer and water revenues are insufficient to finance the debt service, the County may levy a tax on all properties in the Metropolitan District or in the County to finance any deficiency. Metropolitan District debt does not require voter approval. The Office advised that the total outstanding balance of Metropolitan District debt as of January 31, 2016, plus the net of additional Metropolitan District debt authorized by this bill, totals \$1,609,758,509. This level of Metropolitan District debt is compliant with the County Charter limitation.

General Obligation Bond Anticipation Notes (BANs): This bill authorizes the County to issue up to \$400 million in BANs. BANs are short-term notes sold in anticipation of issuing long-term bonds at a later date when more favorable market conditions may occur. When issued, long-term bond proceeds are used to retire the BANs. The bill limits the aggregate principal amount of BANs outstanding to no more than \$500 million outstanding at one time, an increase from the \$425 million limit set by the County's prior bond ordinance, Bill 68-14, approved by the Council on January 20, 2014. The bill further provides that the face value of all BANs outstanding may from time to time exceed the limit. BANs may be issued at a private sale in the nature of commercial paper or other variable rate demand notes, which are more flexible than issuing fixed-rate notes.

Proceeds from the sale of BANs are reinvested until the funds are needed thereby creating a legal arbitrage profit (i.e., interest earnings from investments exceeding interest cost on BANs). Issuing BANs also allows capital projects to proceed while awaiting more favorable market conditions for issuing long-term bonds.

The Office advised that by issuing Variable Rate Debt (VRD) – i.e., fixed rate BANs and/or commercial paper, when applicable, for a portion of its debt program - and by issuing bonds through the MWQFA, the County is able to obtain a lower cost of borrowing.

General Obligation Refunding Bonds: This bill also authorizes the County to sell \$1,573,026,000 of refunding bonds to refinance the callable amounts of outstanding CPI and Metropolitan District bonds issued between 2006 and 2015, which total \$1,210,020,000. The callable bonds by issuance date for CPI bonds (\$664,040,000) and Metropolitan District bonds (\$545,980,000) are listed in Exhibits A and B, respectively. The refunding bond authority totals 130% of the outstanding principal amount.

Under a refunding, the outstanding debt is “defeased” (nullified) by the issuance of new debt, the proceeds of which are placed in a trust fund. The amount of proceeds required depends on factors such as current interest rates, the remaining term of the original bonds, bid discount, and costs of issuance. The trust fund invests the proceeds in U.S. Government obligations and guarantees the debt service (interest and redemption payments) on the original debt. The County is then obligated to make debt service payments only on the new issue. The County is permitted to issue the refunding bonds in one or more series, subject to the determination of the County Executive. Approval of the refunding is requested without an expiration date so that the Office can access the credit market as favorable market conditions occur. The benefit to the County is derived from the difference between the interest rate paid on the original debt, and the related costs and the rate to be paid on the issuance of the refunding bonds. The debt service savings to be realized due to this refinancing authorization are dependent upon the timing of the refunding and the applicable interest rates and, therefore, cannot be determined at this time.

The refunding bonds may be sold at such times and in such manner as shall be determined by the County Executive; the Executive must give the County Council prior notice of such issuance. The refunding bonds may be sold at a private, negotiated sale unless the County Executive determines that it is in the best interest of the County to sell the bonds through a competitive bid process. The County’s most recent refunding, authorizing the refinancing of outstanding Metropolitan District callable bonds totaling \$65,705,000, settled on March 8, 2016.

Pension Obligation Bonds: This bill authorizes the County to issue up to \$150 million of Pension Obligation Bonds (POBs) for the purpose of funding all or any portion of the unfunded present or contingent liability of the portion of the Employees' Retirement System (ERS) closed to new membership effective as of July 1, 2007. The Office advised that it would use the proceeds of the issuance to lower the assumed rate of return from the current rate of 6.75% and deposit the proceeds into the County's pension system to be invested alongside other funds in the ERS. The Office advised that there are no definite plans to issue the POBs at this time; however, this option is included in the Ordinance in the event such a determination is made. Repayment of the principal and interest (collectively known as debt service) on the POBs is guaranteed by the irrevocable pledge of the full faith and credit – and unlimited taxing powers – of the County. This debt service cost is financed by General Fund revenues and is not subject to the Spending Affordability Committee's (SAC) debt service guideline. The authority to issue the POBs expires June 30, 2017.

Tax Advantaged Obligations: The Administration is requesting authority to take necessary action, when entitled, to ensure bonds and notes authorized by this ordinance are afforded a tax advantaged status. The necessary actions may include, but are not limited to, covenants or agreements relating to proceeds and earnings and elections and designations as required under the Internal Revenue Code (IRC) to assure proper entitlement to a subsidy or tax credit benefit for both the issuer and holder. The County has previously issued tax advantaged obligations (e.g., Qualified School Construction Bonds and Build America Bonds); these programs expired on December 31, 2010. However, the Office advised that retaining the authority to issue tax advantaged obligations is in the best interest of the County in the event that Congress should choose to renew these provisions.

Administrative Costs: The Office advised that estimated administrative costs associated with this borrowing ordinance are as follows:

Annual Costs

Liquidity provider	\$ 558,000
Commercial paper dealer	100,000
Rating agency (commercial paper)	29,000
Total Annual Fees	\$ 687,000

One-Time Costs:

Rating agency	\$ 500,000
Financial Advisor Fees	112,500
Bond counsel	100,000
Financial printing and advertising	5,000
Total One-Time Costs	\$ 717,500

The Office further advised that expenses for the G.O. bonds will be paid from the General Public Facilities and Metropolitan District Debt Service budgets, while expenses from the Pension Obligation Bonds will be paid from the proceeds of the transaction.

Other: The bill states that any premium funds received from the sale of bonds and BANs shall be set apart in a separate account and can be used for the first interest payments on those bonds and BANs or allocated for other expenditure purposes permitted under Federal income tax law. The bill also states that any earnings from the investment of proceeds of CPI bonds and BANs and Metropolitan District bonds and BANs may be treated as general revenues and applied to the general purposes of the County and Baltimore County Metropolitan District, respectively. The bill further states that the County Executive or County Administrative Officer may designate specific expenditures to be paid from such earnings. The Office previously advised that such language regarding the use of premium funds and earnings constitutes appropriation authority, despite its lack of specificity as to the amount(s), program(s), and fiscal year(s) of the expenditure authorization.

The Office advised that it expects to issue up to \$130 million in CPI BANs and up to \$135 million in Metropolitan District BANs in July 2016 at an anticipated interest rate of 0.5%. (The County will issue bonds by August 2017 to pay off the BANs.) In addition, the Office expects to finance up to \$130 million in Metropolitan Water Quality bonds and notes at an anticipated interest rate of 2.0%, with issuances to occur at various times throughout the year. On March 8, 2016, the County issued \$112 million in CPI bonds and \$88 million in Metropolitan District bonds at true interest costs of 2.6% and 3.2%, respectively. For the CPI bonds, the first interest payments will begin in

FY 2017 and the first principal payments will begin in FY 2018; for the Metropolitan District bonds, the first principal and interest payments will begin in FY 2017. The Office expects that the July 2016 BANs issuance will generate FY 2017 debt service costs of \$662,500 (\$325,000 CPI and \$337,500 Metro).

The bill indicates that the outstanding balance of County G.O. debt as of January 31, 2016, plus the net balance of additional G.O. debt authorized by this bill, totals \$2,152,780,000. This level of outstanding debt (including pension obligation debt) is compliant with the County Charter limitation (4% of assessed property value). The Office provided a detailed breakdown of the estimated outstanding debt balance as of June 30, 2017. Projected debt subject to the guidelines adopted by the Spending Affordability Committee (excluding pension obligation debt) is within maximum recommended levels (9.5% of General Fund revenues for debt service, and 2.5% of assessed property value for outstanding debt). See Exhibit C.

With the affirmative vote of five members of the County Council, the borrowing ordinance will take effect 45 days from the date of enactment.

CHART II

Outstanding Issues	Dated Date	Callable Maturities	Aggregate Principal Amount of Callable Bonds
Baltimore County Consolidated Public Improvement Bonds – 2009 Series B (BABs)	11/10/09	11/1/20-11/1/29	\$63,000,000
Baltimore County Consolidated Public Improvement Bonds – 2009 Series C (RZEDBs)	11/10/09	11/1/14-11/1/29	\$27,200,000
Baltimore County Consolidated Public Improvement Bonds – 2010 Refunding Series	8/10/10	8/1/21-8/1/22	\$13,315,000
Baltimore County Consolidated Public Improvement Bonds – 2010 Series B (QSCBs)	11/9/10	11/1/29	\$19,950,000
Baltimore County Consolidated Public Improvement Bonds – 2010 Series C (BABs)	11/9/10	11/1/18-11/1/30	\$177,000,000
Baltimore County Consolidated Public Improvement Bonds – 2011 Series	11/30/11	2/1/23-2/1/32	\$90,000,000
Baltimore County Consolidated Public Improvement Bonds – 2012 Series	12/12/12	8/1/23-8/1/32	\$103,000,000
Baltimore County Consolidated Public Improvement Bonds – 2012 Refunding Series	12/12/12	8/1/23-8/1/24	\$15,110,000
Baltimore County Consolidated Public Improvement Bonds – 2014 Series	2/20/14	2/1/25-2/1/34	\$75,000,000
Baltimore County Consolidated Public Improvement Bonds – 2014B Refunding Series	7/15/14	9/1/25	\$4,730,000
Baltimore County Consolidated Public Improvement Bonds – 2014B Series	12/23/14	8/1/25-8/1/34	\$58,000,000
Baltimore County Consolidated Public Improvement Bonds – 2015 Refunding Series	6/30/15	8/1/26-8/1/27	\$17,735,000
Total			\$664,040,000

CHART III

Outstanding Issues	Dated Date	Callable Maturities	Aggregate Principal Amount of Callable Bonds
Baltimore County Metropolitan District Bonds (70 th Issue)	9/27/06	9/1/31-9/1/36	\$17,400,000
Baltimore County Metropolitan District Bonds (71 st Issue)	1/3/08	2/1/32-2/1/38	\$45,000,000
Baltimore County Metropolitan District Bonds (72 nd Issue – Series B – BABs)	11/10/09	11/1/20-11/1/39	\$70,600,000
Baltimore County Metropolitan District Bonds - 2010 Refunding Series	8/10/10	8/1/21-8/1/30	\$50,730,000
Baltimore County Metropolitan District Bonds (73 rd Issue – Series B – BABs)	11/9/10	11/1/19-11/1/40	\$93,900,000
Baltimore County Metropolitan District Bonds (74 th Issue)	11/30/11	2/1/23-2/1/42	\$56,000,000
Baltimore County Metropolitan District Bonds (75 th Issue)	12/12/12	8/1/23-8/1/42	\$40,000,000
Baltimore County Metropolitan District Bonds - 2012 Refunding Series	12/12/12	8/1/28-8/1/32	\$8,250,000
Baltimore County Metropolitan District Bonds (76 th Issue)	2/20/14	2/1/25-2/1/44	\$41,100,000
Baltimore County Metropolitan District Bonds - 2014 Refunding Series	2/20/14	8/1/24-8/1/34	\$16,260,000
Baltimore County Metropolitan District Bonds - 2014C Refunding Series	7/15/14	9/1/25	\$2,875,000
Baltimore County Metropolitan District Bonds (77 th Issue)	12/23/14	8/1/25-8/1/44	\$56,000,000
Baltimore County Metropolitan District Bonds - 2015 Refunding Series	6/30/15	8/1/26-8/1/30	\$47,865,000
Total			\$545,980,000

CAPITAL BUDGET - DEBT AFFORDABILITY GUIDELINES

Debt Service⁽¹⁾ as % of General Fund Revenue

Guideline - 9.5% of General Fund Revenue	\$	186,883,666
FY 2017 Budget		<u>(160,879,662)</u>
Under (Over) Guideline	\$	<u>26,004,004</u>

Debt Outstanding⁽¹⁾ as % of Total Property Value

Guideline - 2.5% of Assessed Property Value	\$	2,048,856,275
Estimated Debt Outstanding as of 6/30/2017		<u>(1,584,516,941)</u>
Under (Over) Guideline	\$	<u>464,339,334</u>

Legal Debt Limit⁽²⁾

Estimated Assessable Base	\$	81,954,251,000
	x	4%
Debt Limit Equal to 4% of Assessable Base	\$	<u>3,278,170,040</u>
Estimated Debt Outstanding as of 6/30/2017		
Public Facility Bonds	\$	664,577,000
Public School Bonds		459,539,000
Pension Liability Funding Bonds		232,741,000
Bond Anticipation Notes		229,700,000
Community College Bonds		<u>99,439,000</u>
		<u>(1,685,996,000)</u>
Under (Over) Legal Debt Limit	\$	<u>1,592,174,040</u>

(1) Excludes pension funding and Metropolitan District bonds.

(2) Excludes certificates of participation, capital leases, and Metropolitan District bonds.

Bill 23-16 (Annual Appropriation)

Council District(s) All

Mrs. Almond (By Req.)

Office of Budget and Finance

Annual Budget and Appropriation Ordinance

The Administration is requesting approval of annual appropriations to the FY 2017 Operating and Capital Budgets totaling \$2,167,810,892 and \$293,263,623, respectively. In addition, the Administration requests approval of the 5-year Capital Program for fiscal years 2018 through 2022 totaling \$1,068,353,811. The proposed Operating Budget consists of appropriations to the following funds:

General Fund	\$ 1,986,516,077
Gifts and Grants Fund	173,828,797
Economic Development Revolving Financing Fund	6,000,000
Stormwater Management Fund	735,118
Liquor License Fund	730,900
Total Proposed Operating Budget	<u>\$ 2,167,810,892</u> *

* Includes \$6,531,335 of appropriations in both the General Fund and other operating funds (i.e., local share match in the Gifts and Grants Fund). Excludes \$960,964,388 of non-County funds (grants, tuition, fees) as authorized spending for the Departments of Education, Community College, Libraries, and Social Services.

Fiscal Summary

Funding Source	Appropriation	Notes
County	\$ 1,986,516,077 (1)	(1) General Fund Operating Budget.
Special Funds	181,294,815 (2)	(2) Excludes \$961.0 million of non-County special funds not subject to Council appropriation; includes \$6,531,335 also appropriated in the General Fund as a Local Share match.
Total Operating	2,167,810,892 (3)	(3) Includes \$97,378,023 also appropriated in the General Fund (PAYGO).
Capital Budget	293,263,623 (4)	(4) Includes \$103,909,358 in appropriation transfers for Local Share and PAYGO; net expenditures total \$2,357,165,157.
Total	<u>\$ 2,461,074,515</u>	

Analysis

The proposed appropriations for the FY 2017 Operating Budget total \$2.17 billion, an increase of \$39.2 million, or 1.8%, over the total FY 2016 adjusted appropriations. (FY 2016 supplemental appropriations total approximately \$2.2 million and include approximately \$1.8 million of supplemental appropriations not reflected in the Executive’s FY 2017 budget documents.) The General Fund portion of the budget increases by \$34.7 million (1.8%), and the Special Fund portion increases by \$5.7 million (3.4%). The proposed FY 2017 appropriations to the Capital Budget of \$293.3 million (for the “off-year” of the biennial Capital budgeting process) represent a decrease of \$81.7 million from the FY 2016 adjusted appropriations of \$375.0 million.

Appropriations to the General Fund Operating Budget for FY 2017 include \$97.4 million for PAYGO contributions to the Capital Budget, \$6.5 million for local share contributions to the Gifts and Grants Fund Budget, and \$1 million of un-earmarked funds to the Reserve for Contingencies Program. The \$1.99 billion FY 2017 General Fund Operating Budget is supported by \$1.97 billion of estimated ongoing revenues; the balance of the budget is funded by \$19.3 million of surplus funds (Unassigned General Fund Balance). The proposed FY 2017 General Fund budget complies with the spending and debt guidelines recommended by the Spending Affordability Committee.

The bill includes approval of planned spending for the 5-year Capital Program for FY 2018 to FY 2022, which totals \$1,068.4 million as follows:

Fiscal Year	Planned Spending (\$ Thousands)
2018	\$ 347,105 ⁽¹⁾
2019	38,002
2020	360,404 ⁽¹⁾
2021	21,632
2022	301,211 ⁽¹⁾
Total	<u>\$ 1,068,354</u>

⁽¹⁾ FY 2019 and FY 2021 are the “off-years” of the biennial Capital budgeting process.

The bill excludes non-County funds (federal and state grants, tuition, and fees received directly by certain agencies) totaling \$960,964,388. Such non-County funds are reflected in the Executive’s proposed budget as spending authorizations for Education, Community College, Libraries, and Social Services as follows:

Education	\$ 765,500,161
Community College	187,409,146
Libraries	7,779,209
Social Services	275,872
Total Non-County Funds	<u>\$ 960,964,388</u>

Together with the non-County funds, the Executive’s combined proposed operating budget totals \$3,128,775,280.

The bill excludes \$218,008,726 of Metropolitan District Operating Funds and \$89,796,965 of Metropolitan District Capital Funds. In addition, the amount indicated above for the 5-year Capital Program for FYs 2018 through 2022 excludes \$1,456,575,000 of planned spending for Metropolitan District sewerage and water projects. Metropolitan District Operating and Capital Fund amounts are excluded because generally accepted accounting standards require this Fund to be classified as an enterprise fund (i.e., a self-supporting business-type activity), which is not

subject to annual appropriation authority. Other enterprise funds excluded from the bill total \$56.0 million, consisting of \$47.6 million for Education’s Food and Nutrition Services Fund and \$8.4 million for the Community College’s Auxiliary Enterprise Fund (bookstore).

On May 19, 2016, the Council deliberated on the proposed FY 2017 budget and developed an amendment to reduce the budget as follows:

<u>Program</u>	<u>Proposed Budget</u>	<u>Reduction</u>	<u>Amended Budget</u>
<u>Property Management</u>			
Building Operations & Management	\$ 16,720,206	\$ 81,893	\$ 16,638,313
Maintenance of Grounds & Recreation Sites	7,716,492	25,000	7,691,492
<u>Department of Health</u>			
Animal Services	4,161,065	<u>88,816</u>	4,072,249
Total Reductions		<u>\$ 195,709</u>	

With the affirmative vote of five members of the County Council, Bill 23-16 will take effect July 1, 2016.

Bill 24-16

Council District(s) All

Mrs. Almond (By Req.)

Office of Human Resources

Personnel Law of Baltimore County

Bill 24-16 provides for certain changes to the Baltimore County Code and Baltimore County Classification and Compensation Plans by amending certain Pay Schedules; adding certain new class titles, codes, and grades; changing certain job classifications, class titles, codes, and grades; abolishing a certain job classification, code, and grade; and amending certain personnel rules and regulations, and altering certain salaries.

The Baltimore County Personnel and Salary Advisory Board has recommended amendments to “Baltimore County Classification and Compensation Plans” as adopted by Bill 27-76, as amended, and the recommended amendments have been approved by the County Executive and are set forth in Bill 24-16.

A summary of the legislation, which details the recommended amendments to pay schedules, classifications and grades, and compensation plan rules and regulations is attached as Exhibit A.

The Office of Budget and Finance estimates the cost of these changes to total approximately \$10.2 million for FY 2017 and is included in the proposed FY 2017 operating budget. See Exhibit B.

With the affirmative vote of five members of the County Council, Bill 24-16 will take effect July 1, 2016.

This legislation will amend the Classification and Compensation Plans as recommended by the Personnel and Salary Advisory Board and implement changes as agreed to as part of labor negotiations and as a result of an arbitration award for the Fraternal Order of Police, Lodge #4. Funds have been included in the General Fund Budget for FY2017.

The legislation provides the following amendments to the Classification and Compensation Plans:

Section I – Pay Schedules

Pay Schedule I has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule I-C has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule I-E has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule II has been amended to add two grades and adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule III has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule IV has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule V has been amended to add 1 grade and adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule VI has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule VII has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule VIII has been amended to add 1 grade and adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule IX has been amended to add a stipend for the CID Major effective July 1, 2016.

Pay Schedule X has been amended to adjust the supplement amounts on July 1, 2016. In addition, medic certification supplements will be adjusted on November 1, 2016.

Pay Schedule XI has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule XII has been amended to adjust the pay schedule by 2% on July 1, 2016.

Pay Schedule XIII has been amended to adjust the pay schedule by 2% on July 1, 2016.

Section II – Classifications and Grades

Section II will be amended to establish 2 new classes, repeal and reenact with amendments 7 classes, 1 class will repealed and reenacted with amendments to provide a grade reallocation, 18 classes will be repealed and reenacted to provide a grade reallocation, and abolish 1 class, effective July 1, 2016.

Section IV – Compensation Plan Rules and Regulations

Rule 6: Regulation 6.04 Promotions - will be amended to provide that Pay Schedule V employees shall be provided four (4) steps over the rate received immediately prior to the promotion.

Rule 10: Regulation 10.01 E Overtime – will be amended so that Pay Schedule II employees have the option of selecting payment or compensatory time up to 240 hours.

Rule 10: Regulation 10.01 I Stand-by – will be amended to change the class title of Animal Control Officer to Animal Services Field Officer. Also, Pay Schedule IV employees will be paid at one-fourth (1/4) the minimum hourly rate of a Police Officer for each hour spent on regularly scheduled stand-by assignment.

Rule 10: Regulation 10.01 J Call-back – will be amended to change the class title of Animal Control Officer to Animal Services Field Officer.

Rule 11: Regulation 11.02 C, Shift Differential – will be amended to provide Pay Schedule IV employees working shift 1 with 4% of the maximum hourly rate of a Police Officer First Class for actual hours worked during said shift. Pay Schedule IV employees working shifts 3 or 4 will continue to receive 3.15% of the maximum hourly rate of a Police Officer First Class for actual hours worked during the said shift.

**FY17 PERSONNEL ANNUAL REVIEW
 General Fund Budget Impact**

PAY SCHEDULES		FY17 Budget Impact
All Pay Schedules	2% increase effective July 1, 2016	\$ 9,118,042
Pay Schedule II	add two grades effective July 1, 2016	See Title Change
Pay Schedule V	add one grade effective July 1, 2016	See Reallocation of Pay Grade
Pay Schedule VIII	add one grade effective July 1, 2016	See Reallocation of Pay Grade
Pay Schedule IX	add stipend for CID Major effective July 1, 2016	\$ 520
Pay Schedule X	amend to adjust supplement amounts July 1, 2016 and amend medic certifications November 1, 2016	\$ 107,640

CLASSIFICATIONS AND GRADES

ESTABLISH	Pay Schedule	Proposed Pay Grade	FY17 Budget Impact
04.441 Epidemiologist	XII	3M	No Impact
08.270 Communications Equipment Technician II	II	H26	No Impact

TITLE CHANGE	Pay Schedule	Proposed Pay Grade	FY17 Budget Impact
08.269 Communications Equipment Technician I <i>Plus 6 other Animal Control Services positions</i>	II	H24	No Impact <i>No Impact</i>

TITLE CHANGES WITH REVISIONS AND REALLOCATION OF PAY GRADE	Pay Schedule	Current Pay Grade	Proposed Pay Grade	FY17 Budget Impact
06.122 <u>Chief of Code Inspection and Enforcement Supervisor</u>	XII	1M	3M	No Impact

REALLOCATION OF PAY GRADE	Pay Schedule	Current Pay Grade	Proposed Pay Grade	FY17 Budget Impact
03.124 Accountant III - Certified	XII	2M	3M	\$ 2,316
03.125 Accountant IV - Certified	XII	3M	4M	\$ 626
03.127 Chief Accountant	XII	5M	6M	\$ 2,546
03.139 Investment and Debt Management Administrator	XII	4M	6M	\$ 1,714
04.253 Audiologist	I	28	30	\$ 5,541
07.219 Chief, Purchasing Services	XII	4M	6M	No Impact
07.220 Minority & Small Business Marketing Manager	XII	1M	2M	\$ 1,849
10.421 Fire Lieutenant	V	15F	16F	\$ 158,089
10.422 Fire Captain	V	18F	19F	\$ 228,179
10.423 Battalion Fire Chief	VIII	22F	23F	\$ 17,528
10.424 Fire Director	VIII	22F	23F	\$ 11,417
10.425 Division Fire Chief	VIII	23F	24F	\$ 20,110
10.427 Fire Apparatus Driver/Operator	V	11F	12F	\$ 202,084
10.428 Fire Specialist	V	11F	12F	\$ 165,447
10.429 Director of Emergency Management	VIII	25F	26F	No Impact
10.430 Emergency Medical Services Lieutenant	V	15F	16F	\$ 44,226

REALLOCATION OF PAY GRADE		Current Pay	Proposed	FY17 Budget
	Pay Schedule	Grade	Pay Grade	Impact
10.431	Emergency Medical Services Captain	V	18F	\$ 7,748
10.470	Assistant Chief, Fire Department	VIII	25F	\$ 4,829

ABOLISH		Current Pay	FY17 Budget	
	Pay Schedule	Grade	Impact	
03.381	Information Systems Manager	XII	3M	No Impact

COMPENSATION PLANS RULES AND REGULATIONS

Repeal and reenact with amendments:

Rule 10: Premium Pay Regulations

Regulation 10.01 E, Overtime Compensation for Employees in Positions on Pay Schedule II

Regulation 10.01 I, Stand-by Pay for Employees in Positions on Pay Schedule IV

FY17 Budget
 Impact

No Impact

No Impact

Rule 11: Supplementary Compensation

Regulation 11.02 C, Shift Differential for Employees in Positions on Pay Schedule IV

\$ 65,231

TOTAL: \$ 10,165,682

Bill 25-16

Council District(s) All

Mrs. Almond (By Req.)

Office of Budget and Finance

Property Tax

This bill proposes to levy a property tax rate of \$1.10 per \$100 of assessed real property value and \$2.75 per \$100 of assessed personal property value for FY 2017. In addition, the bill proposes not to impose a semi-annual fee on the second semi-annual property tax bill as authorized by Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland.

Fiscal Summary

Funding Source	Estimated Revenue	Notes
County	\$ 911,338,700	(1) Estimated FY 2017 property tax revenues, excluding the estimated State reimbursement for the Homeowners' tax credit totaling \$8.5 million and collections of prior year taxes, penalties and interest, and PILOTs.
State	--	
Federal	--	
Other	--	
Total	\$ 911,338,700	

Analysis

The proposed property tax rate of \$1.10 per \$100 of assessed real property value and \$2.75 per \$100 of assessed personal property value will generate estimated revenue totaling \$911,338,700 in FY 2017 according to the Office of Budget and Finance. This revenue estimate is net of discounts, credits (e.g., homeowners' and homestead tax credits), and other adjustments totaling \$45,257,478. The total amount of discounts, credits, and other adjustments is increasing in FY 2017 by \$360,412 (i.e., from \$44.9 million in FY 2016), which is primarily attributable to the decrease in the Homestead Tax Credit (4% cap on annual assessment increases) offset by the

increase in the County Special Credits (e.g., enterprise zone, solar energy, high performance building).

FY 2017 estimated property tax revenues, combined with estimated prior year delinquent taxes to be collected (including penalties and interest) and payments in lieu of taxes, total \$916,282,901, which represents 46.6% of total estimated General Fund revenues (excluding surplus funds used). This total property tax revenue represents an increase of 2.6% over FY 2016 estimated property tax revenues totaling \$893.3 million.

The proposed tax rate of \$1.10 for FY 2017 is \$0.0198 higher than the constant yield tax rate of \$1.0802. The constant yield tax rate is the rate that would offset the effect of increasing assessments to maintain the same revenues from year to year. Each penny (\$0.01) of the tax rate yields approximately \$7.9 million in estimated property tax revenues (net of discounts and credits) for FY 2017.

According to State law, property owners are permitted to pay real property taxes for a principal residence in semi-annual installments. However, homeowners may choose to pay in one installment on or before September 30 of each year to avoid a semi-annual service charge, if any, which may equal up to 1.5% of the second installment plus an additional 0.15% to cover the administrative costs of the semi-annual payment program. Specifically, Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland allows a service charge to be imposed on the second installment of any property tax bill paid semi-annually, provided that the service charge is reasonably equivalent to the administrative cost of the program, and requires that any such service charge be adopted by the governing body as a part of the adoption of the property tax rate. For FY 2017, no service charge is being proposed. FY 2017 marks the 17th consecutive year the County has elected not to impose a semi-annual service charge. The Office of Budget and Finance advised that the additional revenue that would be generated by assessing the maximum fee would total approximately \$263,000.

With the affirmative vote of at least five members of the County Council, Bill 25-16 will take effect July 1, 2016.

Bills 26-16 through 34-16

Council District(s) All

Mrs. Almond (By Req.)

Office of Budget and Finance

Borrowing Ordinances

The Administration is requesting approval of nine borrowing ordinances totaling approximately \$292.2 million to finance capital projects planned for the FY 2018 – 2019 biennial period. These ordinances will be subject to voter approval in the November 2016 election.

Fiscal Summary

Funding Source	Amount	Notes
County	\$ 292,211,986 (1)	(1) Included as a planned funding source for FY 2018, the first year of the FY 2018 to 2019 biennial capital budget period.
State	--	
Federal	--	
Other	--	
Total	<u>\$ 292,211,986</u>	

Analysis

The bonds will be issued as cash is needed to meet capital spending requirements. Current debt limits and projections through FY 2017 are within the debt guidelines recommended by the County’s Spending Affordability Committee. Exhibit A outlines the bonds authorized and unissued to date. Annual debt service costs (principal and interest) will be incurred after the bonds authorized by these borrowing ordinances are issued; the bonds cannot be issued until after the Council appropriates the bond funding to the Capital Budget.

Based on a 3.0% effective interest rate (the estimated rate of current triple-A bond sales over a 20-year repayment term), the total estimated interest cost over the life of the bonds for the \$292.2 million of borrowing authority would total approximately \$92.0 million. However, actual interest rates and repayment periods may vary depending on market conditions at the time the bonds are sold. The County's last bond sale totaling \$265.7 million occurred on March 8, 2016. The General Obligation (G.O.) bonds issued consisted of \$112.0 million in Consolidated Public Improvement (CPI) bonds at a true interest cost of 2.6%, \$88.0 million in Metropolitan District bonds, and \$65.7 million in Metropolitan District Refunding Bonds at a true interest cost of 3.2%. (General Obligation Bonds are generally repaid over a period of 20 years, and Metropolitan District Bonds are generally repaid over a period of 30 years.)

The nine borrowing ordinances are intended to finance capital projects planned for the FY 2018-2019 biennial period; however, the Office of Budget and Finance advised that the School borrowing ordinance (Bill 33-16) may be needed during FY 2017 for public school projects such as the construction of additional elementary school seats.

The nine bills propose borrowing for the following general purposes; details of proposed projects are included in the FY 2018-2022 Capital Program.

Bill 26-16 – Refuse Disposal - \$7,626,000

Refuse disposal projects include the construction, reconstruction, extension, acquisition, improvement, enlargement, alteration, closing and capping, repair or modernization of County refuse disposal facilities, including the acquisition and development of related sites, the related architectural and engineering services, and the acquisition and installation of necessary equipment and facilities.

Bill 27-16 – Operational Buildings - \$22,211,986

Operational buildings projects include the construction, reconstruction, extension, acquisition, improvement, enlargement, alteration, repair or modernization of operational buildings for general government, senior centers, health, recreation, police, fire, library, and jail buildings. Projects also include related architectural, engineering, and other services; the acquisition of interests in and to land, easements, rights-of-way, and any and all other rights and privileges; and related furnishings and equipment.

Bill 28-16 – Parks, Preservation and Greenways - \$4,000,000

Parks, preservation, and greenways projects include the acquisition, construction, improvement, alteration, repair, maintenance, and equipping of all playgrounds, public parks, community centers, and recreational facilities. Projects also include the acquisition and development of the sites for such projects; related engineering, architectural, and other services; and the acquisition, installation, maintenance, and repair of related equipment.

Bill 29-16 – Agricultural and Rural Land Preservation - \$2,000,000

Agricultural and rural land preservation projects include the purchase of land, development rights, conservation easements, and other real property approved by the Baltimore County Council pursuant to the Maryland Agricultural Land Preservation Program and the Rural Legacy Program (or other similar federal or state programs).

Bill 30-16 – Waterway Improvement Program - \$11,000,000

Waterway improvement projects include the acquisition of land, easements, rights-of-way, and any other rights and privileges for the acquisition, construction, reconstruction, extension, alteration, repair, and modernization of waterway improvement projects. Projects include engineering and other services, shoreline stabilization, shore erosion control, wetland restoration, stream bank and riverbank restoration, stabilization and reconstruction, control and monitoring of nonpoint source pollutants, landscaping, dredging, planting of trees, and similar waterway improvement projects in residential, rural, and commercial areas. Funds may also be used for acquiring, installing, maintaining, and repairing equipment and for funding grants to accomplish waterway improvements.

Bill 31-16 – Community College - \$15,000,000

Community College projects include the acquisition, construction, reconstruction, extension, improvement, enlargement, alteration, maintenance, repair, modernization, and development of buildings and other improvements for the Community College; related architectural, engineering, and other services; and the acquisition of land, easements, rights-of-way, and any and all other related rights and privileges. Funds may also be used to study future needs and to acquire and install furnishings and necessary equipment.

Bill 32-16 – Public Works - \$63,374,000

Public Works projects include the construction, improvement, repair, opening, relocation, grading, resurfacing, widening, and extension of roads, streets, highways, alleys, sidewalks, storm drain

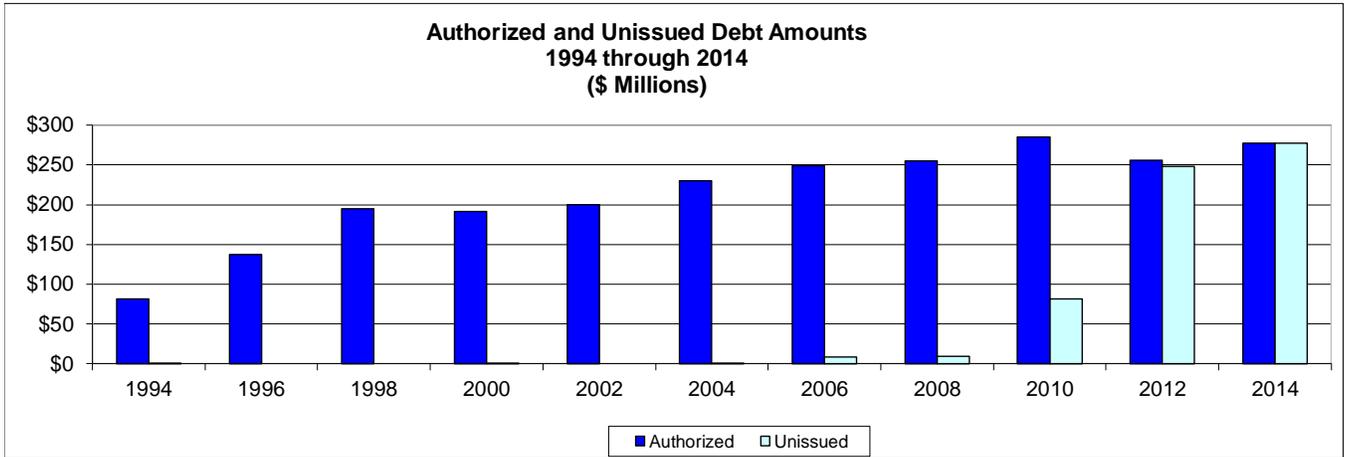
systems, bridges, sewer systems, refuse disposal systems, viaducts, environmental projects, grade crossings, and parking lots and structures. Projects also include the acquisition of land, easements, rights-of-way, and all other related rights and privileges; the acquisition of equipment for the construction, maintenance, and repair of projects; and the planning, architectural, engineering, and other services related to such projects.

Bill 33-16 – School - \$166,000,000

School projects include the acquisition, construction, reconstruction, improvement, extension, alteration, repair, maintenance, conversion, and modernization of public school buildings and sites, other buildings and sites for school purposes, and buildings and sites that support school operations. Projects also include related drainage systems, architectural and engineering services, and recreational and educational equipment.

Bill 34-16 – Community Improvement - \$1,000,000

Community improvement projects include the construction, renovation, extension, alteration, repair, or modernization of community improvements, including street curb, gutter, water, sewer and other utilities, and sidewalk improvements, pedestrian system improvements, interior and rear access improvements, landscaping and lighting improvements, and building and other structural improvements. Funds may also be used for the acquisition of land, easements, rights-of-way, and other related rights and privileges; for related engineering and other services; for the acquisition, installation and maintenance of equipment; and for loans, grants, or guarantees to reduce unemployment, retain existing industry and commercial enterprises, attract new industry and commercial enterprises, and encourage economic development.



(\$ Millions)														
Classification	1994	1996	1998	2000	2002	2004	2006	2008	2010	2012	2014	Total	% Unissued	
Streets, Bridges, Drains														
Authorized	\$10.773	\$29.734	\$72.001	\$53.131	\$67.658	\$79.385	\$74.503	\$84.400	\$68.113	\$55.874	\$46.370	\$641.942		
Unissued	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	57.964	55.874	46.370	160.208	25.0%	
Refuse Disposal														
Authorized	9.550	0.000	0.000	0.000	2.250	1.710	5.360	0.360	6.114	0.760	11.930	38.034		
Unissued	0.000	0.000	0.000	0.000	0.000	0.000	2.115	0.360	6.114	0.760	11.930	21.279	55.9%	
Community College														
Authorized	6.620	3.331	8.236	5.018	14.520	22.352	17.216	30.136	32.694	15.000	15.000	170.123		
Unissued	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	13.940	15.000	28.940	17.0%	
Operational Buildings														
Authorized	0.000	4.070	16.869	41.138	29.106	27.122	54.929	13.400	37.787	23.148	28.500	276.069		
Unissued	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	23.064	28.500	51.564	18.7%	
Parks, Preserv, Greenways														
Authorized	1.519	1.902	3.088	10.029	5.550	5.550	8.320	5.000	5.000	2.000	4.000	51.958		
Unissued	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.815	5.000	2.000	4.000	13.815	26.6%	
Schools														
Authorized	48.217	89.625	85.000	71.579	71.675	78.661	72.543	105.204	104.528	148.875	157.899	1033.806		
Unissued	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	146.847	157.899	304.746	29.5%	
Agricultural Preservation														
Authorized	0.500	1.000	3.000	2.000	4.500	3.777	6.000	6.000	5.000	1.000	2.000	34.777		
Unissued	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4.102	1.000	2.000	7.102	20.4%	
Community Improvements														
Authorized	3.500	4.675	2.000	6.000	2.000	8.493	3.750	4.000	17.000	7.476	10.000	68.894		
Unissued	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.059	10.000	13.059	19.0%	
Waterway Improvements														
Authorized	0.000	3.198	4.950	2.625	2.530	2.950	6.750	6.500	8.664	1.295	2.000	41.462		
Unissued	0.000	0.000	0.000	0.000	0.000	0.805	6.750	6.500	8.664	1.295	2.000	26.014	62.7%	
Affordable/Elderly Housing														
Authorized	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000		
Unissued	0.150	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.150	15.0%	
TOTAL AUTHORIZED	\$81.679	\$137.535	\$195.144	\$191.520	\$199.789	\$230.000	\$249.371	\$255.000	\$284.900	\$255.428	\$277.699	\$2,358.065		
TOTAL UNISSUED	\$0.150	\$0.000	\$0.000	\$0.000	\$0.000	\$0.805	\$8.865	\$9.675	\$81.844	\$247.839	\$277.699	\$626.877	26.6%	

Prepared by: Office of the County Auditor

Bill 37-16**Council District(s) All**

Mrs. Almond (By Req.)

Office of Budget and Finance

Employees' Retirement System – Contribution Rates

Bill 37-16 makes changes to certain member contribution rates based on the outcomes of labor negotiations between the County and five labor unions for the following three fiscal years, FY 2017 – FY 2019. FOP Lodge 4 and the County submitted to interest arbitration, whereby the Arbitrator ordered a 1-year agreement with a specified contribution rate of 8.65%. Non-represented groups also agreed to certain changes in the member contribution rates over the next three fiscal years. The agreement flattens all member contribution rates by July 1, 2018, which provides injunctive relief in the EEOC case and generally increases overall member contribution rates to add stability to the retirement system. As a result of this legislation, member contributions are expected to increase by approximately \$3 million annually by July 1, 2018.

With the affirmative vote of five members of the County Council and signature by the County Executive, Bill 37-16 will take effect on July 1, 2016.