



Legislation Review

Review of the Fiscal Year 2025 Proposed Current Expense Budget Office of Personnel

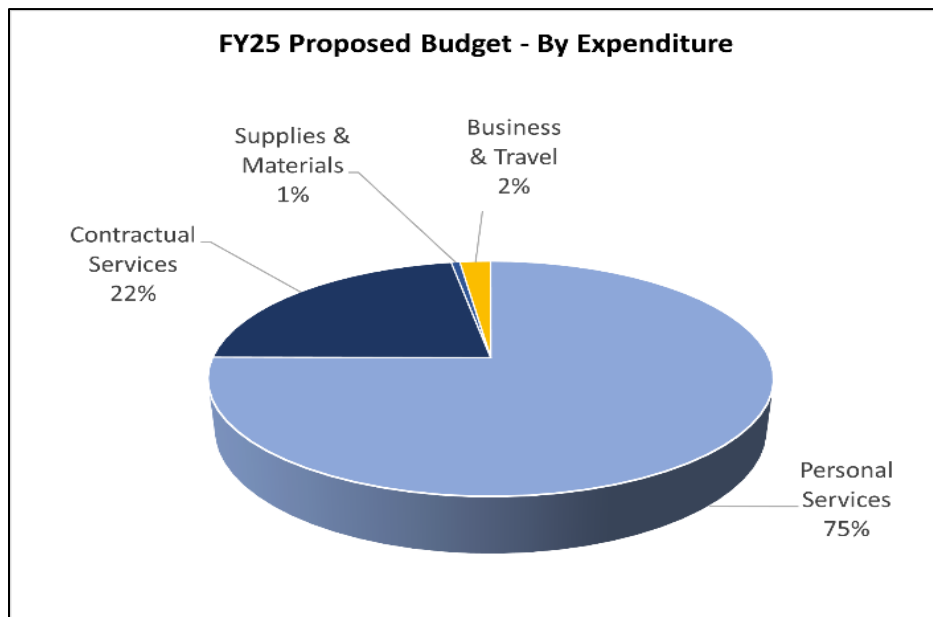
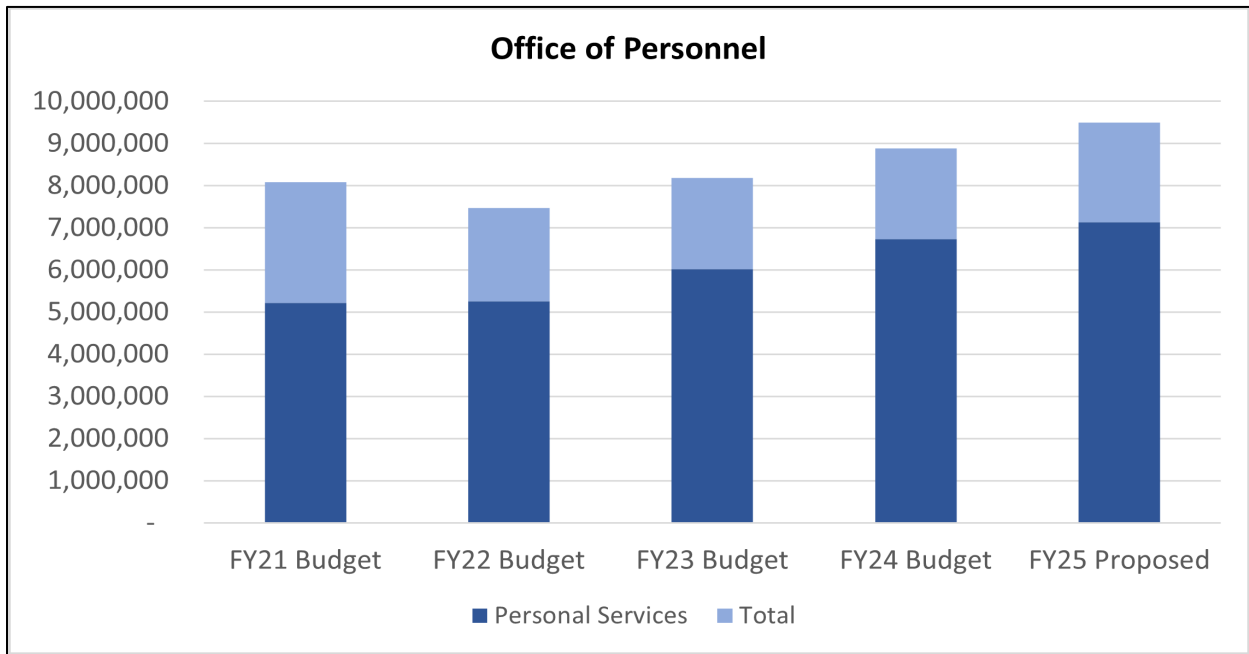
Report Date: May 20, 2024
Hearing Date: May 21, 2024

Questions Sent to the Agency:	May 4, 2024; May 8, 2024
Responses Received from the Agency:	May 7, 2024; May 8, 2024; May 9, 2024

This analysis considers all agency responses.

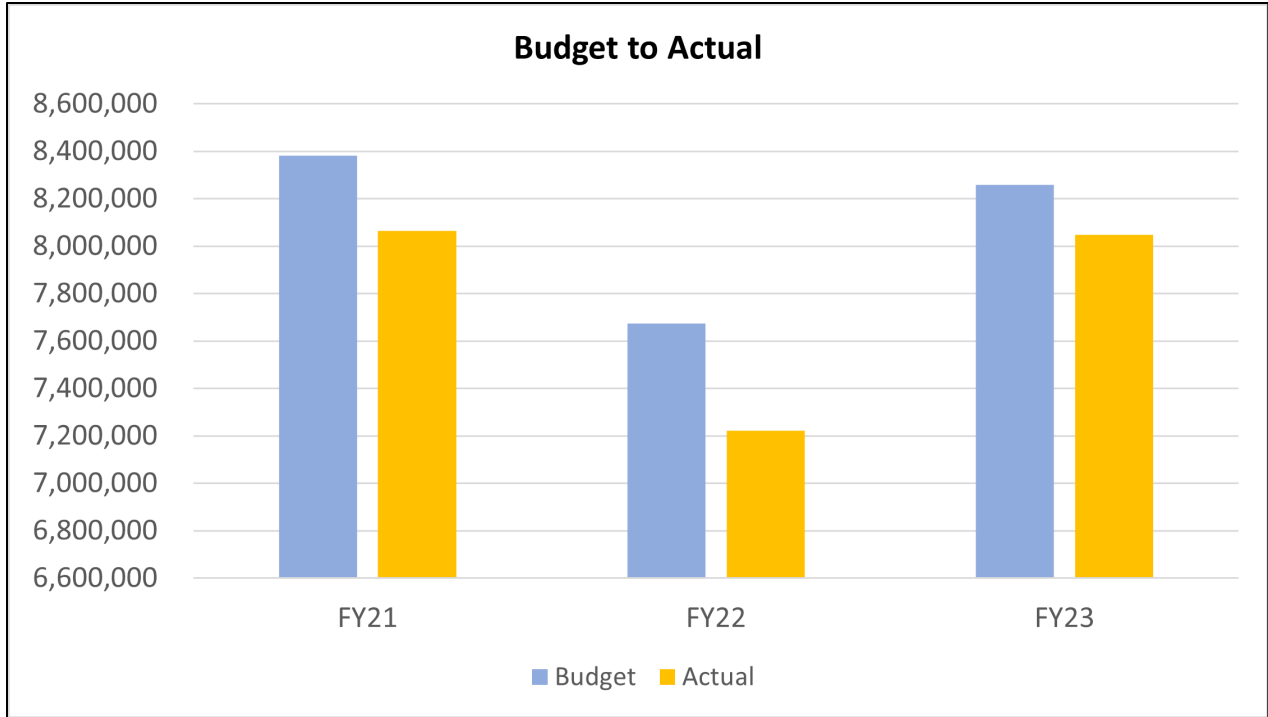
Office of Personnel

Operating Budget Summary



Note: Chart data provided in Appendix 1

Analysis of the FY25 Proposed Current Expense Budget



Note: Chart data provided in Appendix 1. Adjusted Budget includes supplemental appropriations of \$300,000 for FY21, \$200,000 for FY22, and \$75,000 for FY23 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	41	44	45	45	0
Filled	38	37	41		
Vacant	3	7	4		

- **A classification change is proposed.** The Human Resource Records Manager classification is being upgraded from a NR-16 to NR-18. The Office of Personnel (Personnel) advised that a study of the duties and responsibilities of the position determined that a grade reallocation was warranted. There is currently one position with the Human Resource Records Manager classification and it is currently filled.
- **Two reclassifications, both vacant positions, are proposed.** The following reclassifications proposed are to implement changes recommended by a consultant and by the Administration’s Personnel Workgroup.
 - One vacant Office Support Assistant II position to an Assistant Personnel Officer position, reclassifying the position from a NR-7 to NR-22. This reclassification will be part of an office reorganization, which will add a third Assistant Personnel Officer to oversee the Class and Compensation Unit; whereas, currently one Assistant Personnel Officer is overseeing both the Class and Compensation Unit and the Employee Development and Evaluation Services Unit.
 - One vacant Office Support Specialist position to a Management Assistant I position, reclassifying the position from a NR-9 to NR-15. This reclassification is due to the duties changing to increased payroll processing responsibilities in order to support upgrades to the payroll system.

Key Observations

- 1. Contractual Services (Financial/Audit Services)** – The FY25 Proposed Current Expense Budget includes \$1,060,800 for the County payroll system, a \$103,100 (11%) increase over the FY24 Approved Current Expense Budget. The increase is attributed to the significant system upgrades that will enhance the operation and performance of the payroll system.
- 2. Contractual Services (Medical Services)** – The FY25 Proposed Current Expense Budget includes \$254,400 for certain medical testing of County employees (mainly in public safety departments) due to the increase in hiring and turnover, a \$43,400 (21%) increase over the FY24 Approved Current Expense Budget. These medical services cover the pre-employment medical, controlled substance, and psychological testing for new hires as well as additional controlled substance and fit-for-duty testing for existing employees. Since FY23, the hiring numbers are returning to pre-COVID levels, which is attributed to the increase in costs.
- 3. Contractual Services (Other Professional Services)** – The FY25 Proposed Current Expense Budget includes \$330,000 consisting of flexible spending account administrative costs (\$45,400) and arbitration and negotiation costs (\$284,600), a \$80,000 (32%) increase from the FY24 Approved Current Expense Budget. The increase reflects the historical spend of the arbitration and negotiation cost which, according to Personnel, has never been fully budgeted. Personnel advised that this increase is expected to aide in eliminating the need for future supplemental appropriations for these expenses.

Office of Personnel (Non-Departmental)

Employee Salary Changes

- The salary increases for County groups vary and below is a summary of the salary increases or average increase provided to County employee groups, the Department of Public Libraries (Library), Anne Arundel Community College (Community College), and Board of Education (BOE) teachers. Based on our review, the salary increases included in the FY25 Proposed Current Expense Budget follow all union agreements and include a 3% cost of living adjustment (COLA) and 3% merit for non-represented classified employees and exempt employees. For component unit increases, the Library's salary increase includes a 3% COLA and a market rate adjustment to be provided based on the determination of the Library. A portion of the Library's market rate adjustment was provided in FY24. The Community College increase includes a 6% average increase based on a salary pool methodology. The BOE teachers increase includes a 3% COLA and a step increase. We are still working with BOE to determine the average increase for one step increase for teachers and only the COLA of 3% is currently included in this salary increase chart.

Average % Increase to Salary by Group						
	Employee Group	FY21	FY22	FY23	FY24	FY25
County	Non-represented	0.0%	4.5%	7.5%	8.0%	6.0%
County	AFSCME 2563	5.0%	4.5%	8.0%	8.0%	6.0%
County	AFSCME 582	5.0%	4.5%	8.0%	8.0%	6.0%
County	Correctional Program Specialists	8.0%	4.5%	7.0%	8.0%	6.0%
County	Detention Officers & Corporals	6.0%	4.5%	7.5%	8.0%	7.0%
County	Detention Sergeants	7.0%	4.5%	7.0%	8.0%	6.0%
County	Fire	9.0%	8.0%	8.5%	9.0%	7.0%
County	Fire Battalion Chief	5.0%	5.0%	8.0%	8.5%	7.0%
County	Park Rangers	5.0%	4.5%	7.5%	8.0%	6.0%
County	Police (FOP)	13.0%	5.0%	8.0%	9.5%	8.5%
County	Police Sergeants	13.0%	5.0%	8.0%	9.5%	8.5%
County	Police Lieutenants	8.0%	5.0%	8.0%	9.5%	8.5%
County	Police Captains	0.0%	5.0%	8.0%	9.5%	8.5%
County	Sheriff Deputies	6.0%	4.5%	7.5%	8.0%	7.4%
County	Sheriff Sergeants	6.0%	6.0%	7.5%	8.0%	6.0%
Library	Library	0.0%	4.5%	7.5%	8.0%	3.0%
AACC	AACC (Community College)	0.0%	5.0%	5.0%	10.0%	6.0%
BOE	Unit 1 - TAAAC (Teachers)	3.0%	3.0%	6.0%	8.0%	3.0%

New Positions

- The FY25 Proposed Current Expense Budget includes 12 new general fund positions in 5 County departments. Below is a summary of these new general fund positions and the estimated costs of these positions, including recurring costs (such as, salary and benefits) and one-time costs (such as, computers, desks, uniforms, and vehicles). There is also one new position in the Garage Working Capital Fund (not shown in the summary of new general fund positions below).

Note: This summary does not include positions that are being transferred to the General Fund from other funds. We are still in the process of reviewing these transferred positions to understand the full number of positions being funded by the General Fund.

Summary of New General Fund Positions								
DEPT	Job Title	Salary Plan	Grade	Position Control #	Salary, FICA, Insurance, Pension	Ancillary Costs	Vehicle Costs	Grand Total
AGE	Program Specialist I	NR	15	90002	\$ 81,821	\$ -	\$ -	\$ 81,821
POL	Info System Support Specialist	NR	14	90003	\$ 78,237	\$ 5,000	\$ -	\$ 83,237
POL	Public Safety Analyst I	LM	11	90004	\$ 74,903	\$ 5,000	\$ -	\$ 79,903
POL	Public Safety Analyst I	LM	11	90005	\$ 74,903	\$ 5,000	\$ -	\$ 79,903
POL	Public Safety Analyst I	LM	11	90006	\$ 74,903	\$ 5,000	\$ -	\$ 79,903
POL	Senior Forensic Examiner	NR	18	90008	\$ 100,313	\$ 5,000	\$ -	\$ 105,313
POL	Police Sergeant	P	02	90007	\$ 130,658	\$ 21,800	\$ 62,600	\$ 215,058
CAO	Exec Budget and Mgmt Analyst*	EX	17	90012	\$ 85,090	\$ -	\$ -	\$ 85,090
RCP	Management Assistant I**	NR	15	90010	\$ 81,821	\$ 400	\$ -	\$ 82,221
RCP	Park Ranger**	R	1	90009	\$ 77,449	\$ 400	\$ 55,520	\$ 133,369
RCP	Assistant Facilities Superintendent	NR	16	90001	\$ 87,529	\$ -	\$ -	\$ 87,529
LEG	Legislative Chief of Staff	E	6	90013	\$ 159,593	\$ -	\$ -	\$ 159,593
					\$ 1,107,221	\$ 47,600	\$ 118,120	\$ 1,272,941

*Although the salary and benefit costs for this position per the FY25 projected payroll is \$85,090 (as noted above), the Administration advised that there is currently a filled contractual position that will be converted to this full-time position and the anticipated salary and benefit costs will be \$102,700.

**While these positions are anticipated to be filled in January 2025, the related costs above are full year costs and a portion of these full year costs were offset with an increased turnover reduction to the applicable department.

Pension

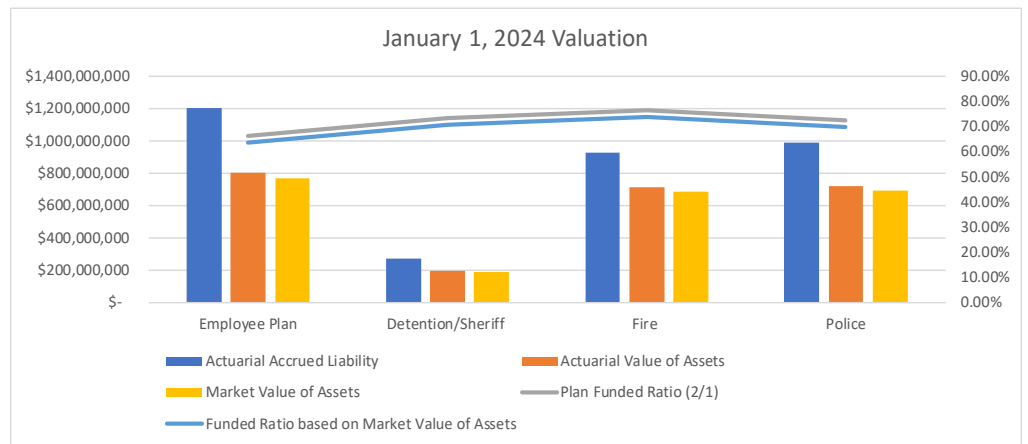
- The funding method and actuarial assumptions were updated pursuant to the recommendations in the Experience Study Report dated November 14, 2022. Experience studies are performed every five years to review the assumptions and make change recommendations. These assumptions are used to determine pension plan costs based on long-term future outlook. Below is a summary of the updates that increased the actuarial accrued liability as of January 1, 2024 for each plan. There were no method or assumption changes since the prior valuation.

Anne Arundel County Pension Valuation- By Plan January 1, 2024

	Employee Plan	Detention/Sheriff	Fire	Police
Actuarial Accrued Liability	\$ 1,204,249,573	\$ 270,676,268	\$ 929,818,889	\$ 990,271,537
Actuarial Value of Assets	\$ 802,410,416	\$ 199,246,105	\$ 713,457,437	\$ 719,446,566
Plan Funded Ratio (2/1)	66.60%	73.60%	76.70%	72.70%
Market Value of Assets	\$ 768,217,898	\$ 191,259,963	\$ 686,216,748	\$ 691,098,519
Funded Ratio based on Market Value of Assets	63.80%	70.70%	73.80%	69.80%
Market Value Percent change over last year	9.10%	11.20%	10.80%	11.40%

Methods & Assumptions:

- 7% discount/long term investment return rates
- 3% payroll growth
- 3% inflation
- 3% Retiree COLA
- 5-year smoothing



Note: A comprehensive overview of all assumptions may be found in each Plan's valuation

Other Post-Employment Benefits

1. Current and historic funding levels for the County’s Other Post-Employment Benefits (OPEB) Trust for the General County Government (does not include the component units) are listed in the chart below. This follows the OPEB policy and uses the same methods and assumptions as last year to determine the Actuarial Determined Contribution. Based on the OPEB FY23 Annual report, the County’s total OPEB liability is \$692,399,000 and the asset was \$458,065,000. This leaves a net OPEB liability of approximately \$234,334,000. The decrease in the total liability for FY23 (Actual) and FY24 (Projected) from FY22 is due to a significant decrease in the total premium for Medicare-eligible retirees due to a change in Medicare coverage and a new claims processing vendor. The projected total liability for FY24 is \$655,503,000 and the \$466,355,000 funded portion estimate would bring the estimated funding to 71%.

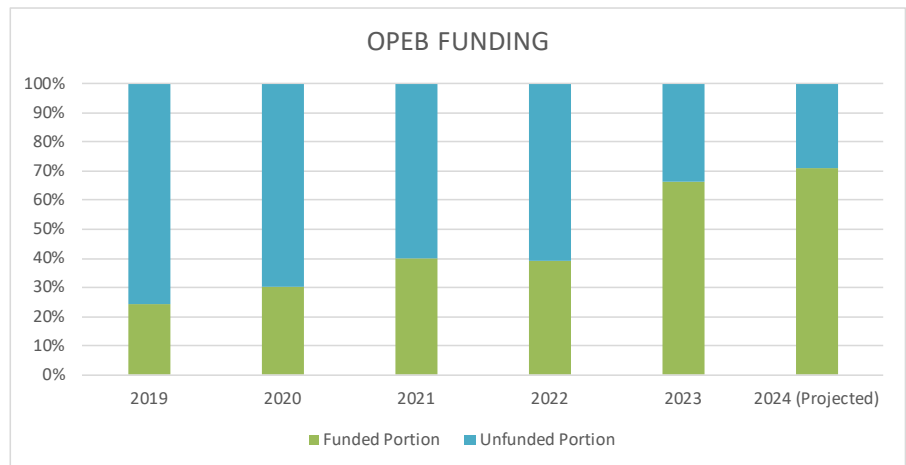
Other Post-Employment Benefits (OPEB)

	2019	2020	2021	2022	2023	2024 (Projected)
Total OPEB Liability	\$ 746,099	\$ 826,141	\$ 922,824	\$ 968,645	\$ 692,399	\$ 655,503
Funded Portion	\$ 180,303	\$ 249,106	\$ 370,969	\$ 378,345	\$ 458,065	\$ 466,355
Unfunded Portion	\$ 565,796	\$ 577,035	\$ 551,855	\$ 590,300	\$ 234,334	\$ 189,148
Funded %	24%	30%	40%	39%	66%	71%
Unfunded %	76%	70%	60%	61%	34%	29%

Figures provided in thousands

Methods & Assumptions:

- 6.30% discount/long term investment return rates
- 90% target funding levels
- 20-year target period to reach the goal level (7/1/2040)
- Open group valuation (including future hires)
- 3% payroll growth



2. FY25 assumptions and proposed changes – This is a list of FY25 assumptions and proposed changes for the County Health Trust (Trust).

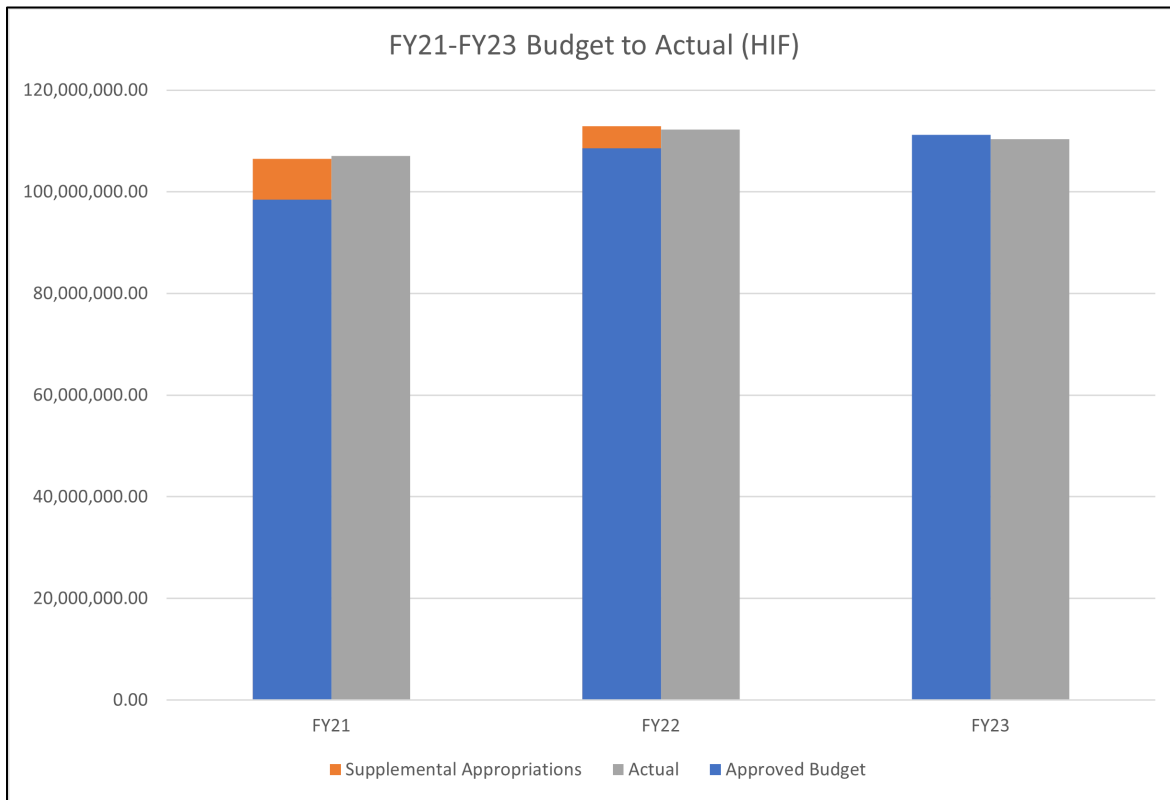
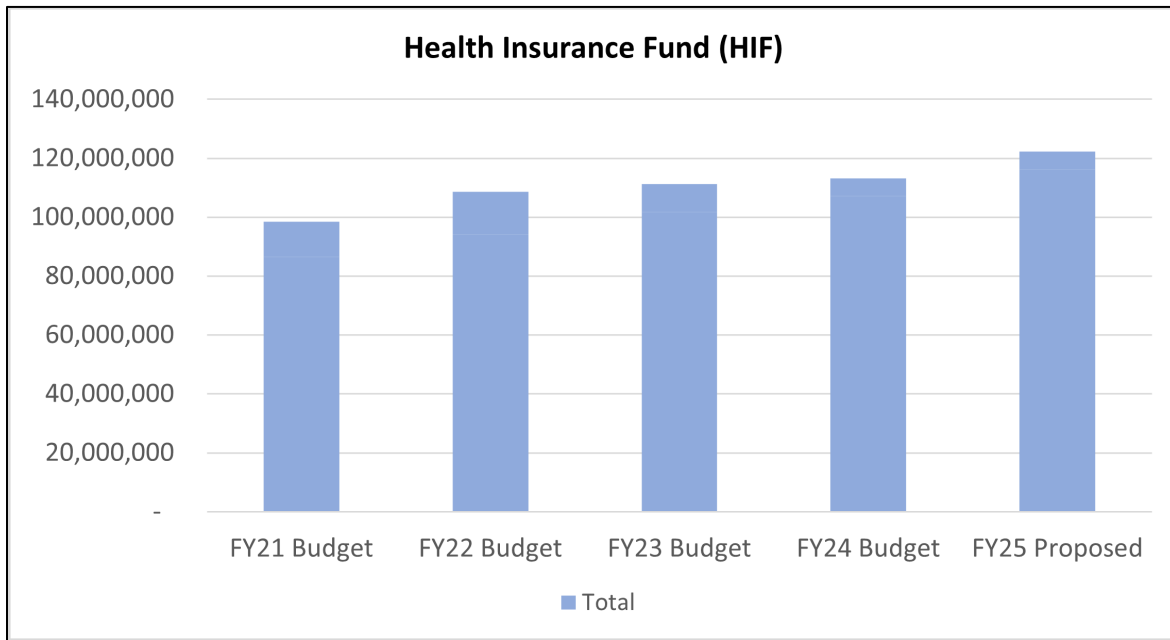
- The Trust will continue to pay the past service liabilities for Library and Community College. Past service liabilities are the cost of current employees who will receive benefits upon retirement.
- The Trust now also includes BOE employees as the County began paying their past service liabilities in FY24 when the County contributed \$19,230,000 to the Trust for BOE employees (see details below regarding the fiscal impact of adding BOE's past service liability to the Trust).
- These institutions will continue to fund the PAYGO amounts required to cover existing retirees.
- The Administration's plan is to still reach its 90% funding goal by 2040 for County employees.
- A new valuation of the Trust will be completed in January 2025 for FY26 and FY27.

3. Fiscal impact of adding BOE to the trust – At the time Bill 10-24 was adopted by the County Council in March 2024, which allowed for BOE to be added to the Trust, the fiscal impact was unknown. The Administration had indicated that an actuarial study to determine the long-term impact of a pooling agreement with BOE would be completed. The Administration subsequently obtained an actuarial study based on July 1, 2022 BOE participant data, which indicates that the long-term impact is an additional \$751,106,748 in County contributions during the 30-year target period (FY25 to FY54). The FY25 Proposed Current Expense Budget includes a County contribution of \$24,963,600 to the Trust on behalf of BOE and in agreement with the actuarial study. The actuarial study generally used similar methods and assumptions as the County for its employees, including:

- 90% target funding levels,
- 30-year target period (rather than the 20-year target period used for County employees),
- 3% payroll growth,
- 6% discount/long-term investment return rates, and
- Open group valuation (including future hires).

Office of Personnel - Health Insurance Fund (HIF)

Operating Budget Summary



Note: Chart data provided in Appendix 2. Chart shows supplemental appropriations of \$8,000,000 for FY21 and \$4,300,000 for FY22.

Key Observations

- 1. Personal Services (Insurance)** – The Administration advised that the FY25 Proposed Current Expense Budget includes a placeholder for a 6% health insurance rate increase on January 1, 2025. The consulting report recommends a rate increase of 8.5%; however, this report assumed fully budgeting rebate revenue. The Administration has historically over-achieved in rebate revenue, due to the practice of underbudgeting revenue, therefore, the Administration advised that it anticipates the Health Insurance Fund will be able to implement a smaller increase in rates due to additional rebate revenue. The proposed budget includes \$116,305,000 for health insurance claim costs, a \$9,121,400 (9%) increase from the FY24 Approved Current Expense Budget.

The Administration advised that a FY24 fourth quarter supplemental appropriation will be requested for approximately \$1,900,000 related to additional health claims expenditures.

Appendix 1: Chart Data

Office of Personnel Budget

	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Proposed
Personal Services	5,220,600	5,253,300	6,015,600	6,729,400	7,129,300
Contractual Services	2,564,900	1,909,400	1,892,400	1,894,300	2,112,900
Supplies & Materials	83,200	83,200	64,700	56,000	56,000
Business & Travel	211,900	226,900	210,600	203,000	198,600
Total	8,080,600	7,472,800	8,183,300	8,882,700	9,496,800

Proposed FY25 Budget by Expenditure Type

Object	FY25 Proposed
Personal Services	7,129,300
Contractual Services	2,112,900
Supplies & Materials	56,000
Business & Travel	198,600
Capital Outlay	-
Grants, Contr. & Other	-
Total	9,496,800

FY21-FY23 Budget to Actual

	FY21	FY22	FY23
Budget	8,380,600	\$ 7,672,800	\$ 8,258,300
Actual	8,064,763	\$ 7,222,326	\$ 8,047,707

Budget includes supplemental appropriations of \$300,000 for FY21, \$200,000 for FY22, and \$75,000 for FY23 and, therefore, does not match the Original Budget used in Chart 1.

Appendix 2: Chart Data

Health Insurance Fund (HIF) Budget (Expenditures)

	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Proposed
Personal Services	86,512,600	94,160,700	101,864,600	107,183,600	116,305,000
Contractual Services	987,300	912,300	866,900	911,900	971,100
Supplies & Materials	46,900	46,900	19,600	20,100	17,900
Business & Travel	4,100	4,100	3,800	2,800	2,600
Capital Outlay	-	-	-	-	-
Grants, Contr. & Other	10,945,400	13,453,400	8,430,000	4,997,900	5,066,000
Total	98,496,300	108,577,400	111,184,900	113,116,300	122,362,600

FY21-FY23 Budget to Actual – HIF (Expenditures)

	FY21	FY22	FY23
Approved Budget	98,496,300	108,577,400	111,184,900
Supplemental Appropriations	8,000,000	4,300,000	-
Actual	107,080,884	112,256,257	110,351,149

Chart shows supplemental appropriations of \$8,000,000 for FY21 and \$4,300,000 for FY22.