



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

To: Councilmembers, Anne Arundel County Council
From: Michelle Bohlayer, County Auditor
Date: November 15, 2024
Subject: Auditor's Review of Legislation for the November 18, 2024 Council Meeting

**Bill 83-24: Approval of
the First Amendment to
Farm Rental Lease
between Anne Arundel
County and Shady Oaks
Turf Farm, Inc.**

Summary of Legislation

This bill approves the First Amendment to Farm Rental Lease (amendment) between the County and Shady Oaks Turf Farm, Inc. for a portion of County-owned property known as Rockhold Creek Farm in West River. The amendment extends the lease term by ten years through September 30, 2034.

Review of Fiscal Impact

We agree with the Administration's fiscal note that this amendment maintains the current rent amount and will result in County general fund revenues of \$1,800 annually for the next ten years.

**Bill 84-24: Public Works
– Watershed Protection
and Restoration
Program – Waiver of
Interest on Overdue
Fees**

Summary of Legislation

This bill authorizes the County Controller, with the approval of the Director of the Department of Public Works (DPW), to authorize a one-time waiver of interest and penalties accrued on an overdue stormwater remediation fee between 2013 and the date of the waiver. This bill is limited to overdue stormwater remediation fees imposed on property owned by a nonprofit entity that is exempt from specified County real property tax and that no County real property taxes were assessed against between June 15, 2013 and the date of the waiver.

The waiver authority in this bill applies principally to homeowners' associations, civic or community associations, and similar entities. The stormwater remediation fee for nonresidential property owned by a nonprofit organization that is exempt from

Bill 84-24 (continued)

taxation under specified state law is \$1.00 (County Code §13-7-103(m)).

Review of Fiscal Impact

This bill's fiscal impact is based on the value of interest and penalties payments associated with overdue stormwater remediation fees that are waived. DPW identified 363 nonprofit entity accounts with a total unpaid stormwater remediation fee balance of \$646,700 and with \$231,700 in unpaid interest and penalty for the fiscal year 2014 through fiscal year 2025 (FY25) period. Thus, this bill could result in a loss of up to \$231,700 in interest and penalty revenue to the general fund. This bill's fiscal impact will likely be less as some delinquent FY25 bills are expected to be paid and some of these accounts already qualify for a waiver.

According to DPW and the Office of Finance, over the fiscal year 2017 through FY25 period, waivers were already provided to 31 tax accounts associated with nonprofit entities, reflecting 196 bills, and \$37,100 in interest/penalty funding.

**Bill 85-24: Pensions –
General Provisions –
Purchased Service
Credits – Fire Service
Retirement Plan and
Police Service
Retirement Plan****Summary of Legislation**

This bill authorizes participants in the Fire Service Retirement Plan (FSRP) and Police Service Retirement Plan (PSRP) hired on or after the effective date of this bill to purchase service credits from prior employment if:

- the service credits are from the employer immediately prior to the County;
- any break in service with the immediately prior employer does not exceed 30 days;
- the participant participated in a fire or police defined benefit retirement plan with the immediately prior employer; and
- the immediately prior employer was the State of Maryland or a political subdivision of the State of Maryland.

This bill establishes methods of purchasing service credits that:

- authorize the purchase of service credits for up to five years of prior service at the rate of two times the contribution rate for the participant's County fire or police plan, as applicable, multiplied by the participant's annual basic pay at the time of hire multiplied by the number of years of service credits to be purchased;

Bill 85-24 (continued)

- require that the participant must request to purchase the prior service credits within 45 days of the date of hire and obtain approval of the Personnel Officer;
- authorize the participant to select among specified service credit purchase payment schedules; and
- require payments toward prior service credits to be treated as employee contributions to the plan.

This bill also clarifies that prior service credits are not actual plan service or transferred service, not used to calculate a participant's vesting in a plan or retirement date, and calculated as an additional retirement benefit at the rate of 2% per year even if the resulting pension benefit exceeds 70% of the final average basic pay.

Review of Fiscal Impact

An actuarial study evaluated adding a service transfer provision to the FSRP and PSRP for Bill 93-23 and concluded that this provision would gradually increase the maximum pension payable, as lateral transfer provisions would only apply to future employees. The actual fiscal impact would depend on how many lateral employees exercise this option as well as salary increases and the number of years they transfer. An updated actuarial study for this bill was also provided with similar conclusions.

The Office of the Budget and the Office of Personnel advised there have been 29 lateral hires within the Police Department since 2022. An estimated increase in normal pension costs due to this bill was provided based on these 29 lateral police officers and assumes they were hired under the current police pay scale and received a 5% salary increase annually over a 20-year period. With the addition of transferred service, estimated pension cost would increase \$3,250,000, from \$18,440,000 to \$21,700,000. This \$3,250,000 increase would be amortized over 20 years.

The purpose of this bill is to enhance recruitment of lateral hires, and to help illustrate the potential impact, we've provided an example of how this legislation would affect costs for a single employee using typical assumptions if this bill were in place. The County's average additional cost for one Police Officer would be approximately \$113,000 over a 20-year career, assuming the employee remains employed by the County long enough to vest in the retirement program and that all other details, including salary, remain constant. The County uses the normal cost method for pension funding, which funds the benefit gradually over the employee's 20-year period of service. Based on the provisions of this bill, the employee's share of this additional benefit would be approximately \$39,000.

Bill 85-24 (continued)

There are additional potential costs and savings associated with this bill. These include a reduction in training costs and overtime costs for coverage during training and an increase in salary costs for the higher-level salaries provided due to the level of experience of the transferred employee. These details will vary by employee; however, this bill results in an increased benefit that will have an associated cost to provide that benefit. As noted in the paragraph above, a portion of that cost is borne by the employee and the remaining amount is borne by the County.
