



**SPENDING AFFORDABILITY  
ADVISORY COMMITTEE  
REPORT**

**Fiscal Year 2009**

# Spending Affordability Advisory Committee

Fiscal Year 2009



## **Citizen Committee Members**

Frank Aquino, Chairman, Board of Education

Kevin Bell

Surender Dhawan, CPA

J. P. Grant

Mary Jane Grauso, PTA Council

Arnold Holz, CPA

Chris Myers

Sang Oh, Esquire

Mary Ann Scully

Edward Waddell, CPA

Jonathan S. Weinstein, PMP

## **Government Officials**

Haskell Arnold, CPA, County Auditor

Gale Benson, Assistant Budget Administrator

Raymond Brown, Chief Operating Officer, Department of Education

Lynn Coleman, CPA, Dean of Administration, Howard Community College

Sharon Greisz, CPA, Director of Finance

Lonnie R. Robbins, Chief Administrative Office

Raymond S Wacks, Budget Administrator, Chair of Committee

**Howard County Maryland  
Spending Affordability  
Advisory Committee  
Report for Fiscal Year 2009**

**February 2008**

**I. Purpose**

County Executive Ken Ulman renewed the Spending Advisory Committee in December 2007. His charge to the committee was to:

1. Review in detail the status and projections of revenues and expenditures for the county, not only for fiscal year 2009, but also for fiscal years 2010 through 2013
2. Evaluate future county revenue levels and consider the impact of economic indicators such as changes in personal income, assessable base growth, and other data which the committee considers applicable.
3. Evaluate expenditure levels with consideration of the long-term obligations facing the county, and the best way to pay for them.
4. The committee shall present to the County Executive, on or before March 1, 2008 a report including:
  - a. Projections of revenue for the upcoming fiscal year
  - b. A recommended level of new county debt authorization.
  - c. The anticipated effect of the committee's budget recommendations on future budgets.
  - d. Other findings and/or recommendations that the committee deems appropriate.

**II. The Challenges Facing the County**

Over the past ten years there have been two extraordinary economic bubbles that have affected county revenues. They are the "dot com capital gains bubble" in the stock market in the early part of this decade, and the real estate bubble that has just recently ended. Both generated large revenue gains and allowed the county to accumulate surpluses while maintaining or expanding service levels. When the "dot com bubble" burst the county faced a severe downturn in income tax revenues that strained the County's finances and led one bond rating agency to cite the county for one year with a negative outlook on its bond rating. The county has recovered from that difficult fiscal period, but now must face the consequences of the end of the real estate bubble. Transfer and Recordation tax revenues have already fallen by nearly 40% from their high points in FY 2006. In addition, the county is anticipating a reduction in real estate capital gains revenue in the local income tax and

slower growth in the property tax.

As a result of the end of the real estate bubble and the crises in the sub-prime mortgage industry, the country appears to be heading into a period of economic slow down or recession. This unstable economic situation will continue to cause challenging budget times for state and local governments, and Howard County is no exception. The demands for additional spending, particularly in education and public safety, have not slowed. In addition, there is an added requirement to begin funding the county's "Other Post Employment Benefits" (OPEB) liability.

The challenge the capital budget poses is also daunting. Despite the efforts of the county government to slow the pace of new development, the county continues to face pressures to fund needed schools, school renovations, community college enhancements, parks, facilities for fire and other county services, transportation improvements, storm drains and infrastructure maintenance. The level of funding requested for capital expenditures is likely to translate into future debt service payments in the operating budget far beyond what the county can afford. This leaves the question; -- what level of service can the county provide to county residents and still maintain a level of taxes and fees citizens will pay? How many bonds can the county afford to include in the budget without jeopardizing its bond ratings or impacting the ability to afford other services? These are the issues the committee discussed during its deliberations.

### **III. Background and Forecasts**

#### **A. Background**

In Howard County, spending affordability committees have been presenting reports to county executives since the late 1980's. During that time the Howard County economy has gone through several economic cycles. The changing fortunes of the local and national economy have made it clear: that the county must carefully monitor the use of tax dollars and attempt to accurately project future revenue growth. This committee's task has been to assess the county's ability to repay bond debt and gauge overall expenditure levels without compromising its ability to maintain a balanced budget within available revenues. This year the committee also paid close attention to overall spending levels in the operating budget.

In past reports, the county has examined four statistical measures often used by rating agencies to determine debt capacity. However, these measures are no longer the only focus of the report. The measures have been retained as guidelines for comparison purposes, but are not the central focus of the report. Those measures, which are listed in Appendix I of this report, indicate that the county can afford a certain level of debt, but they do not take into account other spending needs of the county, and what impact increased debt service payments would have on other services. Instead, the committee reviewed a computer model, developed by the Budget Office that made projections of general fund revenue growth and future levels of spending for county agencies based on certain assumptions. The committee looked at different growth scenarios to determine what different levels of debt and different funding levels of spending in the operating budget would have on the ability of the county to balance the budget within those parameters and maintain a reasonable fund balance. The committee used this model to reach its conclusions and recommendations for this report. The complete model is included in Appendix II.

**B. How the Committee approached its task**

The committee examined the current economic conditions and projections about growth in the county to determine future revenue growth. In particular the committee considered the impact of personal income growth, real and personal property taxes, and the impact of the national, state, and local economies. As part of its task, the committee met with representatives of the Regional Economic Studies Institute (RESI) at Towson University. RESI presented information relating to the labor force, housing statistics, unemployment, and other economic data for Howard County and the State of Maryland. Dick Story, CEO of the Howard County Economic Development Authority presented information regarding Howard County's current and future economy and the anticipated impact of the BRAC base relocation process on Howard County. The committee also heard a presentation by Howard Levenson, Supervisor of Assessments for Howard County, and his staff in which he discussed the process for assessments and property taxation as well as trends in assessments for the county and statewide. Jeff Bronow from the Department of Planning and Zoning presented information on the county's demographics and planned growth. Raymond Brown from the Board of Education presented information on the

needs for school construction and James Irvin, the Director of Public Works, discussed the backlog in the County's infrastructure needs.

### **C. The National and Local Economy**

Most economists agree that the national economy is heading for challenging times and the latest news appears to be getting worse. However whether there will be a recession or just sluggish growth is not clear. It is also not clear how this change in the economy will affect Howard County. Real estate sales and development continue to be a major driver of the Howard County economy, but as the county matures as a regional business center it is also affected by what happens in the regional and national economies. The questions the committee had to consider were how these changes affect the Howard County economy, and how will they affect the revenues the county collects?

Eighty five percent of the county's general fund revenues come from local property and income taxes. These two revenues largely determine the level of budget expenditures. Because of the way the assessment process works in Maryland and because of the five percent assessment growth cap the county has implemented, property tax revenues are not as sensitive to short term fluctuations in the economy. This leaves the income tax and growth in personal income, a factor that largely determines income tax growth, as the primary revenue affected by short-term economic changes.

The committee met with a representative of RESI at Towson University who presented the projections of the Institute for the national, state and local economy. Based on the County's historical performance relative to the state, RESI estimates that Howard County's personal income grew by 1.4 percent in the third quarter of 2007. RESI's estimate of the personal income rate of expansion during fiscal year 2007 is 6.4 percent which is nearly a full percentage point higher than the State rate of 5.5 percent. For fiscal year 2008 RESI concluded that the county rate of expansion (6.3 percent) would expect to continue to outpace the state rate (5.0 percent). Other sources are not as optimistic. The Bureau of Revenue Estimates in the Maryland Comptroller's Office projects personal income growth in the state of 5.1% in 2008 and 5.5% in 2009. The County also receives projections of state and local personal income growth from Moody's

Economy.com econometric forecasting service. They have projected personal income growth in Howard County of 4.1% in 2008 and 5.3% in 2009

The other revenue source that had provided General Fund revenue growth over the past few years is the recordation tax, a tax levied on instruments transferring title to real or personal property recorded with the Clerk of the Circuit Court. This revenue source is sensitive to the level of housing activity. Since reaching a peak in FY 2006 this revenue has declined each of the past two years and current projections for FY 2008 project revenues to be down 37% from the peak. Some economists forecast that the housing slump has not yet reached the bottom and will not begin recovery until well into calendar year 2009.

In general, based on discussions with economists, business leaders and representatives of the real estate industry, the next twelve months will be a difficult time for the economy and the county must remain sensitive to the possible consequences of this uncertainty.

#### **IV. Revenue Estimates**

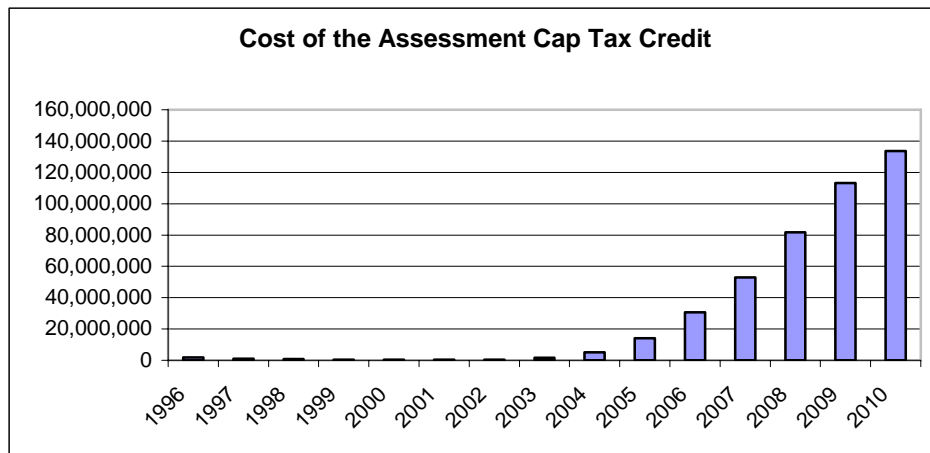
##### **A. Property Tax - Real Property**

Property tax growth is governed by growth in the assessable base of the county.

Maryland uses a triennial assessment process. In that process one third of the county is reassessed each year and the assessment adjustment increase is phased in over a three-year period. This means any change in the base occurs in a predictable manner. For the upcoming fiscal year, the properties were assessed in the second assessment area covering the western section of the county west of Columbia and south to Laurel. The county has in place a five percent annual growth cap on assessment increases that can be taxed in any one year for homeowner occupied properties. If a triennial reassessment increase on a property is more than 15 percent, it will take more than three years to fully phase in the increase. This year the residential portion of the assessable base in the first reassessment area grew by an average of 25 percent from reassessments. This growth will be phased in at 5 percent a year. If these properties remain with the same owner, it will take five years for most of those properties to be fully phased in. During this same time those properties will be assessed one more time before this assessment increase is fully implemented. When coupled with prior year assessments that have not been fully

phased in, this means the county can expect about a 5 percent increase in the assessable base of this area for at least the next five fiscal years and probably longer.

Because the reassessments of existing property for Fiscal 2009 are already complete, most of the real property assessable base has already been determined. The only unknown factor is the amount of new construction that will be added to the base between now and July 1, 2008. Based on a projection of that new growth, the reassessments of existing property, the phase in of reassessed property from previous years, and the new construction that has been added to the base during the past year, the County Budget Office is projecting a full value real property assessable base of \$45.4 billion. This is a 15.3 percent increase over last year's base. However, because of the five percent cap on assessment increases the county's revenue growth will not reach these levels. The chart below shows the effect of the five percent cap. It shows how much revenue is being deferred into a future fiscal year as a result of taxes paid at the lower cap adjusted level rather than the full phased in value. The amounts shown for Fiscal Years 2009 and 2010 are estimates.



**B. Corporate Personal Property**

Corporate Personal Property is the depreciated value of equipment owned by businesses in the county and the value of property and equipment for railroads and public utilities such as telephone and energy. Corporate spending for new equipment is the largest driving factor of this revenue. Past history indicates this to be a volatile revenue source with large spikes in growth followed by a more normal growth pattern. Because of the present economic uncertainty, we are anticipating that corporate spending for new

equipment will be deferred. This will result in lower personal property assessments as older equipment continues to depreciate. Personal property growth for utilities, particularly those associated with telecommunications and long distance markets, has in fact shown declining values. Consequently the Budget Office is projecting that revenue from personal property taxes will grow by approximately 2 percent in Fiscal Year 2009.

### **Summary- Property Taxes**

Overall the total assessable base is projected to increase by 14.8 percent – from \$40.9 billion to \$46.9 billion. However, because of the phase in of the 5 percent cap, revenues from property taxes are projected to grow by 9.5 percent. A one-cent increase in the tax rate on real property with an equivalent increase in the corporate rate of 2.5 cents will generate an additional \$4,934,000 in revenue.

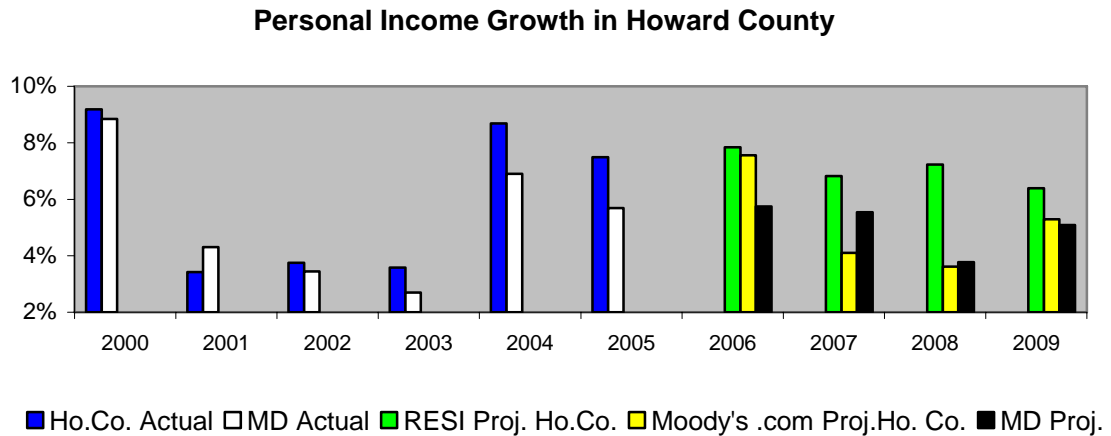
### **C. Local Income Tax**

The local income tax is the most difficult revenue to project and, at the same time, the most important. This tax is the second largest revenue source in the county and the most economically sensitive. Most of the surpluses the county has generated have come from the income tax. Conversely, the revenue shortfalls the county has experienced have occurred because of shortfalls in income tax collections.

Revenue from income tax is derived primarily from two different sources. The first is wages, salaries and commissions paid to Howard County residents, including transfer payments such as social security and pension payments. These types of income are included in the calculation of personal income and are more predictable and easier to project than the other sources. Other sources include interest income, business profits, and capital gains from the sale of property and stocks. These are not included in the calculation of personal income and are more volatile.

In large measure, the budget challenges the county faced during several recent fiscal years were caused by the large decrease in capital gains. The “dot.com capital gains bubble” of the 1990’s is finally gone, but it has been replaced by the real estate bubble of the past few years. It is not clear if this bubble will have as great an impact on the income tax as did the dot.com bubble.

Presented below are two projections for personal income growth in Howard County. The first projection was developed by RESI, and the second by Moody's Economy.com. This data includes the last few years of personal income growth in the county and the state. The following chart shows the actual and projected growth in personal income by these two firms.



Based on the available data, the estimate is that personal income in Howard County will continue to grow an average of between 5 percent and 7 percent per year. The revenue model presented to the committee assumes income tax growth of 6% in FY09.

**D. Other Revenues**

Property and income taxes make up about 85 percent of the county's general fund revenues. Other local taxes, state revenues, licenses, permits, charges for services, and investment income account for most of the remaining revenues. Over the past several years these other revenues have been relatively stable, and they generally grow as the county expands and with the rate of inflation. There are two exceptions to this rule in recent years - recordation tax and interest income. However, with the slowdown in the housing market recordation tax revenue has declined. In addition, the Federal Reserve Bank has begun to reduce short term interest rates. This will have an impact on investment income. These changes were included in the estimates for these other revenues and the county is projecting this category of Other Revenues will grow at about

3 percent a year.

## Revenue Summary

Following is a summary of revenues projected for both Fiscal Year 2008 and Fiscal Year 2009. The long-term projections for revenue are shown on the summary page of the model listed in Appendix II.

### Summary of Revenue Projections

(Numbers are shown in thousands)

	<b>FY 2008 Budget</b>	<b>FY 2008 Estimated</b>	<b>FY 2009 Projected</b>	<b>Percent Change*</b>
Property Tax	\$353,983	\$368,887	\$387,459	5.03%
Income Tax	314,191	318,607	334,537	5.00%
Other Local Taxes	28,060	23,703	29,183	23.11%
State Share Tax	16,318	16,162	16,700	3.32%
Other – see below	28,970	28,827	28,733	-0.33%
Investment Income	9,750	7,750	5,500	-29.0%
Inter-fund	23,522	22,913	26,686	16.46%
Subtotal	774,794	786,849	828,798	4.73%
Prior Years	37,740	37,740	22,641	-40.01%
<b>Total</b>	<b>\$812,534</b>	<b>\$824,589</b>	<b>851,439</b>	<b>3.26%</b>

\*FY 2008 Estimate to FY 2009 Projected Other includes Licenses & Permits, Funds from Other Agencies, Charges, Fines, and miscellaneous.

## V. Projected Operating Budget Expenditures

The committee did not consider specific budget requests or requests to fund unmet operating budget needs from agencies. The committee understands that inflationary and growth pressures for increases in employee salaries and for increases in operating costs will impact on next year's budget. However, the committee realizes the decision on how to allocate available resources is not its mission. That is the role the County Executive and County Council play in the budget process.

Instead, the committee reviewed the Budget Office's growth assumptions and projections

for operating budget spending through Fiscal Year 2016 with the understanding that they should be realistic based on the growth patterns of the past few years. These assumptions were used in a model to project expenditures. Those assumptions are as follows:

1. Education spending would grow at an average pace of seven percent a year.
2. Non-education employee costs would increase at an average pace of five percent per year including cost of living, annual step increase and benefit costs.
3. Costs other than salary and debt service would grow at 4.0 percent a year.
4. Debt Service costs based on a 4.0% interest rate will grow depending on the amount of bonds included in the budget as projected in the model shown in Appendix II. Costs include a bond sale of \$100 million in FY09.
5. The County maintains a fund balance sufficient to fill the Rainy Day Fund to mandated levels.

The model also assumes that the county will begin to fund its actuarial projected obligation for Other Post Employment Benefits (OPEB) with an eight year phase in using current revenues. Using current estimates of the annual required contribution (ARC) assumes the county will fund \$5.1 million with that number growing to \$40 million by FY 2016.

The projection of expenditures and revenues appears on Appendix II. The Committee understands these projections are based on broad assumptions and the actual amount included in the budget for these purposes in any year may be different.

## **VI. Conclusions and Recommendations**

The economy of the last three years has been very good for Howard County. The strong real estate market resulted in robust revenue growth and has allowed the county to fund healthy budget increases while at the same time maintaining the required balance in its Rainy Day Fund and reasonable fund balances. The county has a strong, well-balanced economy that plays a leadership role in the State of Maryland. Factors such as location, wealth, a low crime rate, and a robust quality of life should help to maintain that position. Individuals and families move to the county and pay premium house prices because of the schools and quality of life in Howard

County. The Committee believes that the long term outlook for Howard County remains good. Howard County has a strong and vibrant economy and BRAC related development should begin in the next few years. All of this economic activity should translate into continued long term economic expansion and revenue growth for the county.

However, this upcoming year will be an unsettled time for both the national, state and Howard County economies. The collapse of the real estate bubble and the resulting crises in the mortgage industry seems to be pointing the economy towards at worst a recession or at best towards sluggish growth for the next year. The committee is especially concerned that because of revenue collection patterns primarily in income tax, the impact of this economic uncertainty will not be reflected in revenue collections until a year from now. The committee received conflicting information on the projections for personal income, but there are strong indications that there will be a slowdown in personal income growth next year. This means that the county will have to be vigilant and wary in projecting revenues and setting spending limits in the upcoming fiscal year. Many on the committee suggested the County use the less optimistic growth in personal income in Howard County of 4.1% in 2008 projected by Moody's. The 5.3% growth projected in 2009 seemed overly optimistic given the worsening economic environment and the uncertain fiscal picture over the next twelve months. Using a lower growth project may be prudent to consider in the County's spending plans for the next couple years.

Over the long-term the county must make assumptions on what revenue growth is likely to be and then keep spending within those bounds. The Committee needs to provide an accurate picture about the consequences of projected spending levels. It is incumbent upon the Committee to explain the ramifications and the consequences of such decisions and the fact that this is the most important factor dictating the health of the County's financial picture.

There still are limited resources available to fund the county's needs. The two extraordinary economic bubbles over the past decade have obscured the long term growth potential of the county's revenue base. It is not likely that revenue growth over the next ten years will be as strong as it has been over the past decade. The committee understands tough choices and decisions must be made about the capital and operating budgets so affordable levels are maintained. The county has real needs to build, renovate and expand schools and to maintain its

infrastructure of roads, storm drains, buildings, facilities and parks. At the same time the county needs to fund operating costs of schools, libraries, parks, public safety services, and public transportation and to pay county employees reasonable and competitive wages. The added costs to fund the county's OPEB liability will continue for the foreseeable future.

During its review of past and projected spending patterns it became clear to the committee that with reasonable projections of revenue growth and the inclusion of funding for the OPEB liability that the county will have to be careful in setting spending limits. If the county does not slow the rate of spending increases, it will not be able to balance the budget in future years.

Thus the questions remain of how to continue the balance between resources and demands, what level of debt can the county afford and how does that translate into bonds authorized in the budget? Using the model in Appendix II, the committee looked at several different scenarios for future debt levels.

After looking at several levels of bond authorizations in the model, it became clear that because bond costs are amortized over a 20 year period that relatively small changes in levels of bond authorization does not have a substantial impact on total spending levels. The committee believes that one hundred million dollars of new bonds each year supported by general fund revenues continues to be an affordable level given the needs and priorities of the county.

The expenditure model is especially sensitive to changes in the level of spending for the Board of Education, the biggest component (54%) of the county budget. The model is based on 7% increases in the Board of Education budget each year and the amount of OPEB funding from FY2009-2016. This level of spending will lead to deficits in the future. County leaders must confront this issue and adjust spending to projected revenue levels that are more in line with the expected growth in Maryland.

The Spending Affordability Committee makes the following recommendations for Fiscal Year

2009:

- **Based on reasonable economic projections, the county's revenues will continue to grow in the long term by between five and seven percent a year. However, based on current economic trends and outlooks, this needs to be monitored on a continuing basis with appropriate changes being made as conditions warrant. The committee wishes to make a strong statement that the county needs to keep average overall spending increases within the parameters of these revenues. Members also expressed a compelling desire to be much more explicit regarding future spending levels. The committee recommends a bond level funding of \$100 million to meet outstanding capital needs. This is based on keeping overall spending within the five to seven percent target. County leaders will have to make some difficult decisions to keep spending within realistic and reasonable levels.**

- **The county must continue to carefully monitor expenditures to ensure that the spending stays within budgeted levels, and must continuously monitor revenues to identify any variations from projected levels. Increased inflation is often one of the outcomes of a recession. This may have a significant impact on spending, and inflationary pressures, need to be carefully monitored. While committee members in past reports were primarily concerned with recommending a level of borrowing for capital projects, this year the Committee members made it clear that they are concerned about the operating expenses facing the county. Among the most critical are the county's OPEB liability and the level of education funding. Committee members feel that county officials should be mindful of these significant expenses and therefore make pragmatic future spending projections.**

- **To the extent there are changes in economic conditions, the assumptions underlying the committee's recommendations also may change. Consequently, the county must continue to closely monitor economic conditions and to evaluate revenue and expenditures on an ongoing basis.**

- **These recommendations need to be re-evaluated each year. As the economy cycles through periods of growth and recession, these levels of funding will have to be re-**

**evaluated. The committee believes that next year we will again want to reconsider the assumptions and potentially the recommendations.**

## Appendix I – Howard County Debt Measures

# Appendix I: Howard County Debt Measures

In order to determine Howard County's relative debt position, the Committee in past years has evaluated Howard County's debt based on measures used and data published by Moody's Investors Service and International City/County Management Association publications. The measures used by the County are as follows:

1. Debt measured as a percent of the County's assessable base. The County Charter limit currently is at 12% of assessed value. Since the State of Maryland has moved from the 40% cash value assessment of real property, to full cash value assessment, to remain consistent with the Charter limitation, County debt should not exceed 4.8% of the full value assessment.
2. Debt measured against the population on a per-capita basis. Per-capita debt of \$1,200 (unadjusted for inflation over the past 10 years), which may be considered excessive by rating agencies.
3. Per-capita debt measured as a percent of the jurisdiction's per-capita personal income. This measure should not exceed 10% in the view of many analysts.
4. Debt Service as a percent of current revenues. Ten percent or below is considered an appropriate level, with 15% and above as a danger point

Following is the County's position as of June 30, 2007. [The comparable position for FY 2006 is shown in brackets]

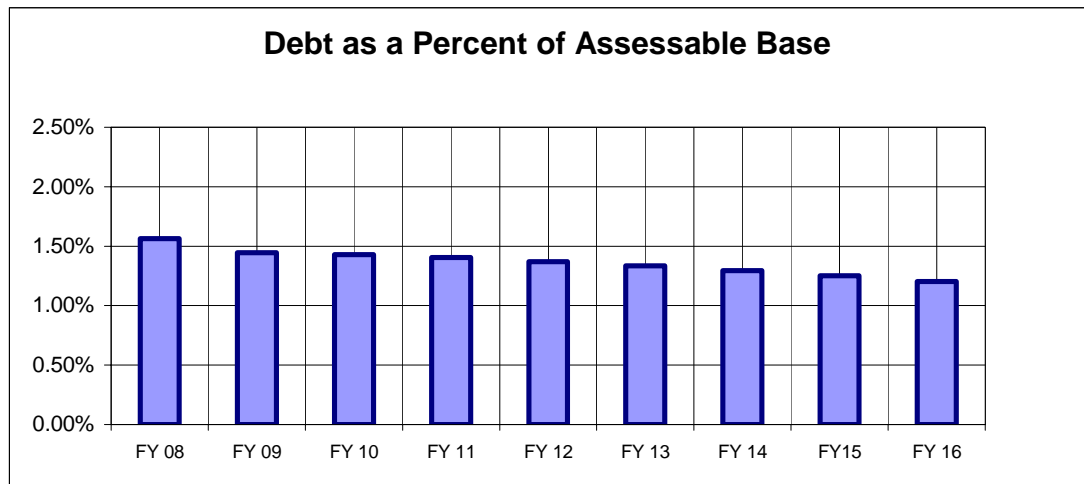
## Update of the Bond Affordability Measures

1. **The County's general obligation debt as a percent of the assessable base.**  
As of June 30, 2007[2006], Howard County had an assessable base of **\$36,395,166,030** [\$31,244,707,400] and a General Obligation Debt of **\$600,340,000** [\$541,324,000] not including excise tax funded debt. This meant that the ratio of debt to base was **1.65%** [1.73%] of assessed value versus the 4.8% limit.
2. **Debt measured against the population on a per-capita basis.**  
As of June 30, 2007[06], Howard County had a population of **278,900** [276,287] and a General Obligation Debt of **\$600,340,000** [\$541,324,000] generating a per-capita debt of **\$2,152.53** [\$1,959.28]
3. **Per-capita debt measured as a percent of per-capita income.**  
For 2007[06], Howard County residents had an estimated per-capita personal income of **\$55,734** [\$53,182] and a per-capita debt of **\$2,152.53** [\$1,959.28] equaling a per-capita debt of **3.86%** [3.68%] of per-capita income
4. **Debt Service as a percent of current revenues.**  
In FY 2007 [06], the County received **\$819,980,659** [\$768,492,757] in current revenues from the General Fund, Fire and Rescue Fund, and Environmental Fund, and paid debt service of **\$67,797,553** [\$62,775,803]. Thus, debt service equaled **8.27%** [8.17%] of current revenues.

**Measure #1: Howard County's General Fund Debt as a Percent of the Assessable Base.**

Warning Level is: The Charter limit of 4.8% of assessed value at 100%.  
(In thousands)

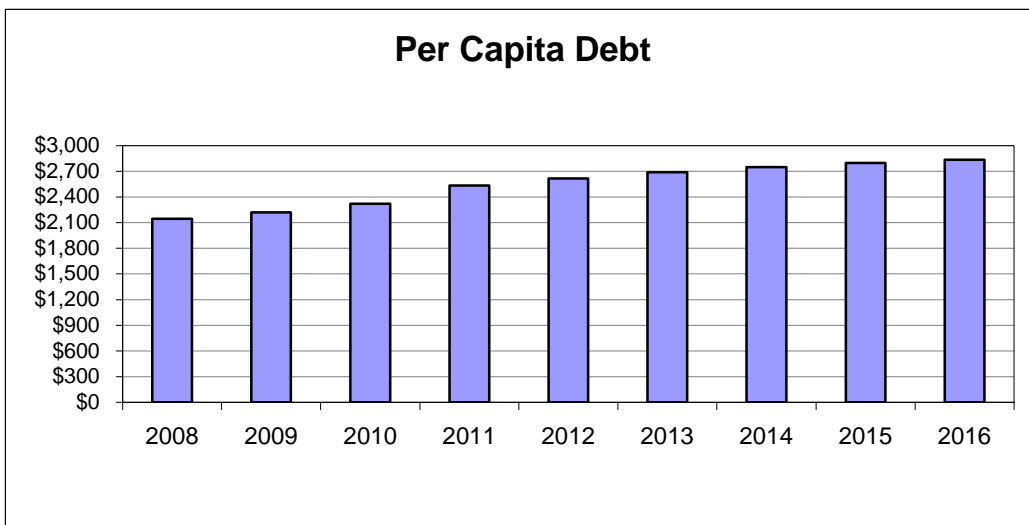
<b>Fiscal Year</b>	<b>County Assessable Base</b>	<b>G.O. Debt at Projected Bonds Sales</b>	<b>Debt as Percent of Base</b>
<b>2008</b>	\$40,912,612	\$639,819	1.56%
<b>2009</b>	46,858,193	677,053	1.44%
<b>2010</b>	49,903,975	713,280	1.43%
<b>2011</b>	53,147,734	746,055	1.40%
<b>2012</b>	56,602,337	776,010	1.37%
<b>2013</b>	60,281,489	804,025	1.33%
<b>2014</b>	64,199,785	831,165	1.29%
<b>2015</b>	68,372,771	856,220	1.25%
<b>2016</b>	72,817,002	876,325	1.20%



**Measure #2: Debt Measured Against the Population on a Per-Capita Basis**

A Warning Level: General Obligation Debt Per-Capita of greater than \$1,200.

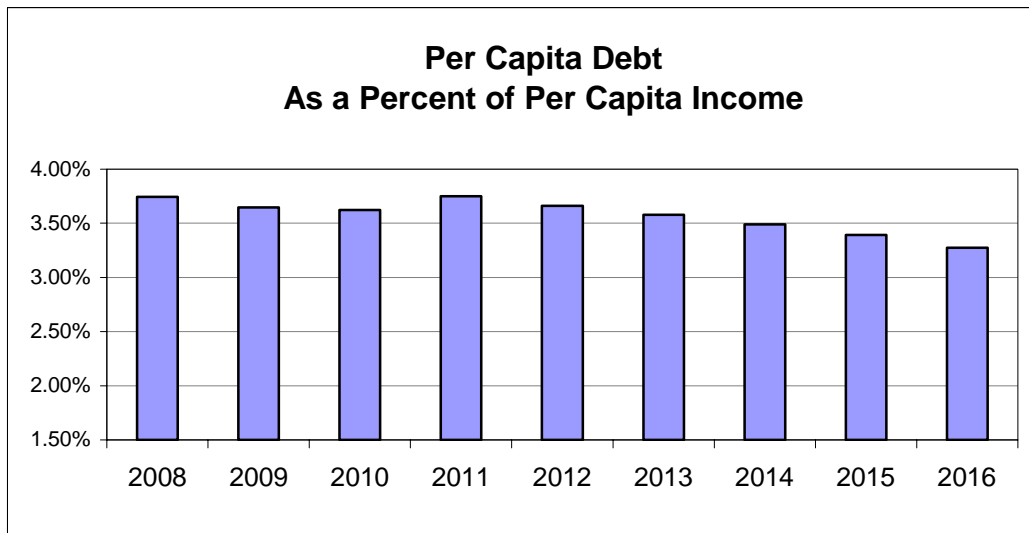
Fiscal Year	Population	Per Capita Debt
2008	284,314	\$2,147
2009	287,982	2,222
2010	291,650	2,321
2011	294,114	2,537
2012	296,578	2,617
2013	299,042	2,689
2014	302,442	2,748
2015	305,842	2,800
2016	309,242	2,834



**Measure # 3: Per-Capita General Obligation Debt Measured As a Percent of Per-Capita Personal Income**

A Warning Level Is: Per-Capita Debt that is equal to 10% of the per capita income for the County.

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands) (estimates)</b>	<b>Per-Capita Debt as a Percent of Per Capita Income</b>
<b>2008</b>	284,314	\$16,308,460	3.74%
<b>2009</b>	287,982	17,547,903	3.65%
<b>2010</b>	291,650	18,688,517	3.62%
<b>2011</b>	294,114	19,903,270	3.75%
<b>2012</b>	296,578	21,196,983	3.66%
<b>2013</b>	299,042	22,468,802	3.58%
<b>2014</b>	302,442	23,816,930	3.49%
<b>2015</b>	305,842	25,245,946	3.39%
<b>2016</b>	309,242	26,760,702	3.27%

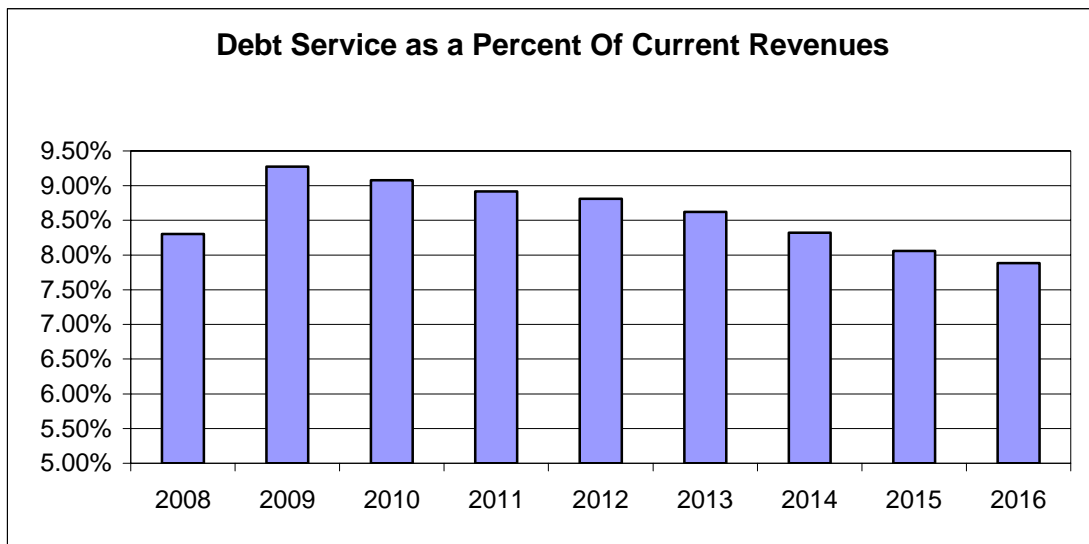


**Measure #4: General Obligation Debt Service as a Percent of Current Revenue**

A Warning Level is: Debt service as a percent of current revenues more than 15%. In the past reports, Howard County has used 12% as a target level.

(Numbers are in thousands.)

<b>Fiscal Year</b>	<b>Projected Current Revenue</b>	<b>Projected Debt Service</b>	<b>Percent of Revenue</b>
<b>2008</b>	\$774,794	\$67,466	8.30%
<b>2009</b>	828,797	76,850	9.27%
<b>2010</b>	881,133	80,013	9.08%
<b>2011</b>	936,949	83,536	8.92%
<b>2012</b>	996,483	87,813	8.81%
<b>2013</b>	1,059,991	91,382	8.62%
<b>2014</b>	1,127,746	93,864	8.32%
<b>2015</b>	1,200,040	96,728	8.06%
<b>2016</b>	1,277,186	100,686,406	7.88%



Appendix II  
Howard County Revenue/Expenditure Growth  
Projection Model

Appendix II:

Assumptions for Howard County Revenue/Expenditure Growth Projection Model

Education Growth Rate	7.00%
Property Tax Growth Rate	7.50%
Income Tax Growth Rate	6.00%
Other Taxes Growth Rate	3.00%
	3%
Bond Interest Rate	4.00%

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Bond Sale	74,000,000	90,000,000	93,000,000	95,000,000	97,000,000	98,000,000	98,000,000	99,000,000	99,000,000
<b>Bonds in Budget</b>	<b>96,206,000</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>
Debt Service	70,466,238	76,850,982	80,013,835	83,536,017	87,813,948	91,382,403	93,864,329	96,728,368	100,686,406
TOTAL General Fund BUDGET	812,533,705	834,433,491	888,537,124	947,004,556	1,008,196,993	1,072,874,862	1,139,132,053	1,210,055,562	1,286,029,123
Revenue	812,533,705	828,797,872	881,133,581	936,949,204	996,483,341	1,059,991,279	1,127,746,166	1,200,040,279	1,277,186,387
Difference	0	(5,635,619)	(7,403,542)	(10,055,353)	(11,713,652)	(12,883,583)	(11,385,888)	(10,015,283)	(8,842,736)
Expenditure Percentage Increase	11.37%	2.70%	6.48%	6.58%	6.46%	6.42%	6.18%	6.23%	6.28%
Revenue Percentage Increase	7.47%	2.00%	6.31%	6.33%	6.35%	6.37%	6.39%	6.41%	6.43%

Date Revised:

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Revenue Estimates--Summary

Revenue	Audited FY07	Approved FY08	Estimated FY09	Projected FY10	Projected FY11	Projected FY12	Projected FY13	Projected FY14	Projected FY15	Projected FY16
Property Taxes	\$ 337,533,066	353,982,814	387,459,185	416,518,624	447,757,521	481,339,335	517,439,785	556,247,769	597,966,351	642,813,828
Income Tax	293,306,900	314,191,055	334,537,000	354,609,220	375,885,773	398,438,920	422,345,255	447,685,970	474,547,128	503,019,956
Other Local Taxes	28,635,048	28,060,355	29,183,378	30,058,879	30,960,646	31,889,465	32,846,149	33,831,534	34,846,480	35,891,874
State Shared Taxes	15,955,176	16,317,496	16,699,666	17,200,656	17,716,676	18,248,176	18,795,621	19,359,490	19,940,275	20,538,483
Other--See Below	31,001,424	28,970,467	28,733,083	29,595,075	30,482,928	31,397,416	32,339,338	33,309,518	34,308,804	35,338,068
Investment Income	10,646,720	9,750,000	5,500,000	5,665,000	5,834,950	6,009,999	6,190,298	6,376,007	6,567,288	6,764,306
Interfund Reimbursements	17,710,053	23,521,924	26,685,560	27,486,127	28,310,711	29,160,032	30,034,833	30,935,878	31,863,954	32,819,873
<b>SubTotal</b>	734,788,387	774,794,111	828,797,872	881,133,581	936,949,204	996,483,341	1,059,991,279	1,127,746,166	1,200,040,279	1,277,186,387
Prior Years Funds	21,282,000	37,739,594								
<b>General Fund Revenue</b>	<b>\$ 756,070,387</b>	<b>\$ 812,533,705</b>	<b>\$ 828,797,872</b>	<b>\$ 881,133,581</b>	<b>\$ 936,949,204</b>	<b>\$ 996,483,341</b>	<b>\$ 1,059,991,279</b>	<b>\$ 1,127,746,166</b>	<b>\$ 1,200,040,279</b>	<b>\$ 1,277,186,387</b>

Notes:

1. Other includes Licenses & Permits, Funds Other Agencies, Charges for Services, Fines/Forfeitures, Money & Property.
2. Property tax revenue growth rate is estimated at 6.50%.
3. Income tax revenue growth rate is estimated at 6.0%.
4. All other revenues grow at a rate of 3.00%.

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General Fund Forecast - FY08 thru FY16 as of 01/08

	FY07 Audit	FY08 Budget	Estimated FY09	OUT YEAR PROJECTIONS							
				FY10	FY11	FY12	FY13	FY14	FY15	FY16	
<b>EDUCATION</b>											
Board Of Education	393,710,890	427,176,316	462,576,316	494,956,658	530,356,658	567,481,624	607,205,338	649,709,712	695,189,391	743,852,649	
Community College	20,369,595	23,635,010	25,289,461	27,059,723	28,953,904	30,980,677	33,149,324	35,469,777	38,130,010	40,989,761	
<b>SUBTOTAL:</b>	<b>414,080,485</b>	<b>450,811,326</b>	<b>487,865,777</b>	<b>522,016,381</b>	<b>559,310,562</b>	<b>598,462,301</b>	<b>640,354,662</b>	<b>685,179,488</b>	<b>733,319,401</b>	<b>784,842,410</b>	

<b>PUBLIC SAFETY</b>										
Department of Police	68,354,716	76,645,170	81,445,170	86,243,302	91,043,302	95,982,624	101,189,915	106,679,715	112,467,350	118,568,978
Department of Corrections	11,856,975	12,869,209	13,409,145	13,971,734	14,557,927	15,168,714	15,805,127	16,468,241	17,159,177	17,879,101
<b>SUBTOTAL:</b>	<b>80,211,691</b>	<b>89,514,379</b>	<b>94,854,315</b>	<b>100,215,037</b>	<b>105,601,229</b>	<b>111,151,338</b>	<b>116,995,042</b>	<b>123,147,956</b>	<b>129,626,527</b>	<b>136,448,079</b>

<b>PUBLIC FACILITIES</b>										
Dept. Of Public Works	44,409,102	46,728,319	48,444,007	50,222,688	52,066,675	53,978,367	55,960,249	58,014,898	60,144,987	62,353,284
Insp. Licenses & Permits	6,291,978	7,035,406	7,326,054	7,628,709	7,943,867	8,272,045	8,613,781	8,969,634	9,340,189	9,726,052
Department of Planning & Zonin	5,709,080	6,482,315	6,758,489	7,046,428	7,346,636	7,659,633	7,985,965	8,326,201	8,680,932	9,050,775
Soil Conservation	671,084	730,555	761,996	794,790	828,996	864,674	901,887	940,701	981,187	1,023,414
<b>Subtotal</b>	<b>57,081,244</b>	<b>60,976,595</b>	<b>63,290,545</b>	<b>65,692,615</b>	<b>68,186,174</b>	<b>70,774,719</b>	<b>73,461,882</b>	<b>76,251,435</b>	<b>79,147,294</b>	<b>82,153,525</b>

<b>COMMUNITY SERVICES</b>										
Citizen Services	6,850,565	7,821,103	8,173,053	8,540,840	8,925,178	9,326,811	9,746,517	10,185,111	10,643,441	11,122,395
Health Department	7,427,036	8,296,382	8,794,165	9,321,815	9,881,124	10,473,991	11,102,431	11,768,576	12,474,691	13,223,172
Mental Health Authority	289,411	310,000	319,300	328,879	338,745	348,908	359,375	370,156	381,261	392,699
Transportation Svcs/Coordinat	5,419,435	7,325,325	7,545,085	7,771,437	8,004,580	8,244,718	8,492,059	8,746,821	9,009,226	9,279,503
Cooperative Extension	386,598	415,004	429,136	443,749	458,859	474,485	490,642	507,349	524,626	542,626
Dept. Of Library	12,907,935	14,374,121	15,092,827	15,847,468	16,639,842	17,471,834	18,345,426	19,262,697	20,225,832	21,237,123
Grants - in - Aid	4,002,980	5,345,562	5,505,929	5,671,107	5,841,240	6,016,477	6,196,971	6,382,881	6,574,367	6,771,598
Social Services	500,180	536,680	553,674	571,205	589,292	607,952	627,202	647,062	667,551	688,689
Recreation & Parks	12,656,264	12,788,350	13,305,992	13,844,587	14,404,984	14,988,063	15,594,745	16,225,983	16,882,773	17,566,148
<b>Subtotal</b>	<b>50,440,404</b>	<b>57,212,527</b>	<b>59,719,160</b>	<b>62,341,088</b>	<b>65,083,844</b>	<b>67,953,238</b>	<b>70,955,368</b>	<b>74,096,637</b>	<b>77,383,767</b>	<b>80,805,953</b>

<b>GENERAL GOVERNMENT</b>										
County Executive	874,973	1,048,633	1,093,900	1,141,122	1,190,382	1,241,768	1,295,373	1,351,291	1,409,624	1,470,474
County Administration	8,683,654	10,007,219	10,414,119	10,837,563	11,278,226	11,736,805	12,214,031	12,710,661	13,227,485	13,765,323
Dept. Of Finance	6,199,208	6,790,906	7,053,059	7,325,332	7,608,116	7,901,816	8,206,854	8,523,668	8,852,712	9,194,458
Office Of Law	2,750,316	2,965,041	3,094,598	3,229,816	3,370,943	3,518,236	3,671,965	3,832,411	3,999,868	4,174,641
Economic Development	1,024,608	1,266,869	1,325,145	1,386,102	1,449,862	1,516,556	1,586,318	1,659,288	1,735,615	1,815,454
Technology & Communication	600,609	802,788	835,373	869,280	904,563	941,278	979,484	1,019,241	1,060,611	1,103,660
Revenue Authority	200,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Performance Awards	500,000	500,000	0	0	0	0	0	0	0	0
Tuition Reimbursement	61,653	93,750	93,750	93,750	93,750	93,750	93,750	93,750	93,750	93,750
<b>Subtotal</b>	<b>20,895,021</b>	<b>23,575,206</b>	<b>24,009,944</b>	<b>24,982,965</b>	<b>25,995,841</b>	<b>27,050,210</b>	<b>28,147,775</b>	<b>29,290,310</b>	<b>30,479,664</b>	<b>31,717,760</b>

<b>CAPITAL / RESERVES</b>										
<b>Debt Service</b>	<b>67,797,553</b>	<b>70,466,238</b>	<b>76,850,982</b>	<b>80,013,835</b>	<b>83,536,017</b>	<b>87,813,948</b>	<b>91,382,403</b>	<b>93,864,329</b>	<b>96,728,368</b>	<b>100,686,406</b>
Contingency Reserves	0	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
<b>OPEB</b>	<b>0</b>	<b>0</b>	<b>5,100,000</b>	<b>10,000,000</b>	<b>15,000,000</b>	<b>20,000,000</b>	<b>25,000,000</b>	<b>30,000,000</b>	<b>35,000,000</b>	<b>40,000,000</b>
<b>Subtotal</b>	<b>67,797,553</b>	<b>72,216,238</b>	<b>83,700,982</b>	<b>91,763,835</b>	<b>100,286,017</b>	<b>109,563,948</b>	<b>118,132,403</b>	<b>125,614,329</b>	<b>133,478,368</b>	<b>142,436,406</b>

<b>LEGISLATIVE &amp; JUDICIAL</b>										
County Council	2,663,796	3,150,033	3,281,138	3,420,444	3,565,665	3,717,051	3,874,864	4,039,378	4,210,876	4,389,655
Circuit Court	1,982,861	2,482,060	2,590,568	2,698,388	2,810,695	2,927,677	3,049,528	3,176,451	3,308,655	3,446,363
State's Attorney	5,699,440	6,334,007	6,397,347	6,677,018	6,968,915	7,273,573	7,591,550	7,923,428	8,269,814	8,631,343
Orphans Court	50,000	47,485	49,461	49,956	50,455	50,960	51,469	51,984	52,502	53,021
Sheriff	5,005,764	5,931,094	6,131,094	6,386,237	6,651,997	6,928,817	7,217,157	7,517,496	7,830,333	8,156,189
Board of Elections	2,409,541	2,543,161	2,543,161	2,293,161	2,493,161	2,343,161	3,043,161	2,843,161	2,943,161	2,943,161
<b>Subtotal</b>	<b>17,811,402</b>	<b>20,487,840</b>	<b>20,992,769</b>	<b>21,525,204</b>	<b>22,540,889</b>	<b>23,241,240</b>	<b>24,827,730</b>	<b>25,551,897</b>	<b>26,620,542</b>	<b>27,624,991</b>
<b>Grand Subtotal</b>	<b>708,317,800</b>	<b>774,794,111</b>	<b>834,433,491</b>	<b>888,537,124</b>	<b>947,004,556</b>	<b>1,008,196,993</b>	<b>1,072,874,862</b>	<b>1,139,132,053</b>	<b>1,210,055,562</b>	<b>1,286,029,123</b>
Paygo Funds	21,278,292	37,739,594								

<b>TOTAL General Fund BUDGE</b>	<b>729,596,092</b>	<b>812,533,705</b>	<b>834,433,491</b>	<b>888,537,124</b>	<b>947,004,556</b>	<b>1,008,196,993</b>	<b>1,072,874,862</b>	<b>1,139,132,053</b>	<b>1,210,055,562</b>	<b>1,286,029,123</b>
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Revenue	756,070,387	812,533,705	828,797,872	881,133,581	936,949,204	996,483,341	1,059,991,279	1,127,746,166	1,200,040,279	1,277,186,387
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<b>Difference</b>	<b>26,474,295</b>	<b>0</b>	<b>-5,635,619</b>	<b>-7,403,542</b>	<b>-10,055,353</b>	<b>-11,713,652</b>	<b>-12,883,583</b>	<b>-11,385,888</b>	<b>-10,015,283</b>	<b>-8,842,736</b>
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Expenditure Percentage Increase	21.33%	11.37%	2.70%	6.48%	6.58%	6.46%	6.42%	6.18%	6.23%	6.28%
Revenue Percentage Increase	19.27%	7.47%	2.00%	6.31%	6.33%	6.35%	6.37%	6.39%	6.41%	6.43%

Notes: Education cost increases by 7% per year and debt service interest rate is 4.00%  
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BOND AFFORDABILITY COMMITTEE  
GENERAL COUNTY BONDS  
PROJECTED DEBT SERVICE  
Debt Measure #4 Debt as a Percent of Current Revenues

Interest rate 4.00%

		Fiscal Year	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	
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Current debt service:											
Principal		Principal	45,785,000	43,265,415	42,575,000	41,695,000	39,985,000	37,060,000	34,395,000	32,705,000	
Interest		Interest	24,120,390	23,222,793	20,636,021	18,848,360	17,035,000	15,277,000	13,568,000	11,978,000	
Total		Current Debt Service	69,905,390	66,488,208	63,211,021	60,543,360	57,020,000	52,337,000	47,963,000	44,683,000	
Projected debt service:											
Spring 08 Bond Sale	95,000,000		6,945,592	6,945,592	6,945,592	6,945,592	6,945,592	6,945,592	6,945,592	6,945,592	
Spring 09 Bond Sale	90,000,000			6,580,035	6,580,035	6,580,035	6,580,035	6,580,035	6,580,035	6,580,035	
Spring 10 Bond Sale	93,000,000				6,799,369	6,799,369	6,799,369	6,799,369	6,799,369	6,799,369	
Spring 11 Bond Sale	95,000,000					6,945,592	6,945,592	6,945,592	6,945,592	6,945,592	
Spring 12 Bond Sale	97,000,000						7,091,815	7,091,815	7,091,815	7,091,815	
Spring 13 Bond Sale	98,000,000							7,164,927	7,164,927	7,164,927	
Spring 14 Bond Sale	98,000,000								7,238,038	7,238,038	
Spring 15 Bond Sale	99,000,000									7,238,038	
Spring 16 Bond Sale	99,000,000										
	864,000,000		0								
<b>Subtotal New Debt</b>			0	6,945,592	13,525,627	20,324,996	27,270,588	34,362,403	41,527,329	48,765,368	56,003,406
<b>Total Projected Debt Service</b>			0	76,850,982	80,013,835	83,536,017	87,813,948	91,382,403	93,864,329	96,728,368	100,686,406
				9,384,753	3,162,853	3,522,182	4,277,931	3,568,455	2,481,927	2,864,038	3,958,038

Howard County, Maryland  
Projected Future Bond Sales

Fiscal Year	Authorized But UnSold Bonds	+	Current Year Budget	=	Total Unsold Bonds at Start of Fiscal Year	New Debt Sold (Excl Excise)	Sold as % of Total
2015-2016	217,580,678		100,000,000		317,580,678	99,247,209	31%
2014-2015	216,485,693		100,000,000		316,485,693	98,905,015	31%
2013-2014	214,892,964		100,000,000		314,892,964	98,407,271	31%
2012-2013	212,576,233		100,000,000		312,576,233	97,683,269	31%
2011-2012	209,206,392		100,000,000		309,206,392	96,630,159	31%
2010-2011	204,304,732		100,000,000		304,304,732	95,098,340	31%
2009-2010	197,174,939		100,000,000		297,174,939	92,870,207	31%
2008-2009	186,804,176		<u>100,000,000</u> 800,000,000		286,804,176	89,629,237	31%
<u>Actuals:</u>							
2007-2008	164,743,176		96,206,000		260,949,176	74,145,000	28%
2006-2007	139,258,176		90,485,000		229,743,176	65,000,000	28%
2005-2006	129,878,131		85,281,000		215,159,131	57,975,000	27%
2004-2005	108,030,131		78,068,000		186,098,131	56,220,000	30%
2003-2004	69,002,215		79,362,000		148,364,215	40,334,084	27%
2002-2003	76,140,215		47,862,000		124,002,215	55,000,000	44%
2001-2002	66,206,705		43,352,000		109,558,705	33,418,490	31%
2000-2001	61,687,705		27,039,000		88,726,705	22,520,000	25%
1999-2000	67,222,705		25,000,000		92,222,705	30,535,000	33%
1998-1999	62,855,705		29,367,000		92,222,705	25,000,000	27%
1997-1998	81,224,705		27,631,000		108,855,705	46,000,000	42%
						Average	31%

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