

MINUTES  
BALTIMORE COUNTY SPENDING AFFORDABILITY COMMITTEE MEETING  
February 2, 2023

The third meeting of the Spending Affordability Committee (SAC) for FY 2024 was held at 3:30 p.m. on Thursday, February 2, 2023. Committee members, staff, and other County government officials in attendance were:

Chairman:	Honorable Julian E. Jones, Jr.
Members:	Honorable David Marks Honorable Pat Young Edwin Crawford
Committee Staff:	Lauren Smelkinson Elizabeth Irwin Carrie Vivian (virtual) Rayven Vinson
Other Participants:	Honorable Izzy Patoka Stacy Rodgers Kevin Reed

Chairman Jones called the meeting to order and welcomed members and attendees.

Discussion and Adoption of the FY 2024 Spending Guideline

Ms. Smelkinson stated that in light of the Administration's concerns regarding the salary adjustments necessary for attracting and retaining County employees, Chairman Jones requested that the Office of the County Auditor (OCA) prepare a fiscally responsible alternative to utilizing Sage Policy Group's 4-year average personal income growth factor as the basis for the FY 2024 spending guideline. The OCA requested that the Office of Budget and Finance (OBF) provide the Moody's forecast that its staff consulted, and the OCA averaged Sage and Moody's fiscal-year forecasts to yield a blended 5-year average growth factor of 4.79%. Applying this personal income growth factor to FY 2023 base spending yields an FY 2024 spending guideline of approximately \$2.494 billion and maximum spending growth of approximately \$114 million. Ms. Smelkinson stated that the OCA is comfortable with utilizing this approach and noted that the OCA forecasts sufficient FY 2024 revenues to cover both ongoing spending up to the guideline amount plus the OCA's estimate of off-budget recurring obligations.

Ms. Smelkinson stated that since the last SAC meeting, the OCA received notice of the State's monthly income tax distribution to the County; although the January 2023 distribution was much higher than expected, the OCA was conservative in its adjustment to the revenue forecast. Ms. Smelkinson also noted that the forecast reflects the State budget. She further stated that in the event that revenues do not materialize as forecasted, the County has a large fund balance cushion.

Ms. Smelkinson explained that while the FY 2023 spending guideline calculation included an exclusion amount for certain contributions to the Pension Trust Fund, the Committee had also approved an exclusion opportunity for certain OPEB Trust Fund contributions, which the Administration opted not to utilize. Such guideline exclusions are limited to contributions above planned funding levels, and they help to reduce long-term cost pressures by ensuring the financial stability of the respective Trust Funds.

Ms. Smelkinson turned the meeting over to the Committee to discuss the proposed FY 2024 spending guideline and the continuation of the exclusion opportunities. Mr. Crawford stated that several factors showed a promising turnaround in the global economy, including the IMF's growth outlooks, which were raised to reflect China's reopening and GDP growth in Brazil. In the U.S., Freddie Mac has reported that mortgage rates are inching down as well. While this presents good news overall, the looming crisis in Congress regarding the debt ceiling remains a threat, and a failure to address (i.e., raise) the debt ceiling will be a serious issue for the economy for at least six months. Chairman Jones thanked Mr. Crawford for his comments and the experience he brings to the Committee. Chairman Jones noted that the County's projections for personal income are more conservative than other local jurisdictions' projections, which provides a level of comfort; Ms. Irwin noted that some of the other jurisdictions have greater population growth but that there is a comfort level with this personal income forecast because it represents a blended rate specific to the County and results in a FY 2024 spending guideline lower than projected revenues.

Councilman Marks noted that there are compelling reasons to remember the public employee unions and ensure that the County is attracting and retaining employees; he stated that he believes the Committee should provide the Administration with flexibility.

Mr. Crawford stated that as the Council and Administration consider potential changes to its compensation for employees, the Committee should refer to Bill 43-22 – Employees’ Retirement System as a template for measuring the long-term fiscal impact. Councilman Marks noted that a “mid-course correction” is possible during FY 2024 if the County’s finances should warrant. Chairman Jones noted that the economy is currently performing well.

Chairman Jones motioned to approve the proposed FY 2024 spending guideline of \$2,494,702,734 utilizing the 4.79% growth factor and allowing for maximum spending growth of \$114,034,031. Councilman Marks seconded the motion, and the Committee approved the motion unanimously.

#### Adoption of the FY 2024 Debt Guidelines

Ms. Smelkinson presented the FY 2024 debt guidelines for the Committee’s consideration. First, total debt outstanding should not exceed 2.5% of total assessed property value of \$102.6 billion, resulting in a guideline of \$2,563,903,500. Chairman Jones motioned to approve the debt outstanding guideline, Councilman Young seconded the motion, and the Committee unanimously approved the motion. Second, debt service should not exceed 9.5% of General Fund revenues; accordingly, debt service expenditures should not exceed approximately \$243 million based on projected FY 2024 revenues of \$2.56 billion. Chairman Jones motioned to approve the debt service guideline, Councilman Young seconded the motion, and the Committee unanimously approved the motion.

#### Adjournment

Ms. Smelkinson reminded the Committee that the statutory report deadline is Wednesday, February 15, 2023; the OCA will issue a draft report to the Committee members by February 9, 2023 and request a quick turnaround for feedback.

The Committee thanked the OCA staff for their work and also thanked the OBF staff for their cooperation. Chairman Jones thanked the Committee members for their participation and the meeting was adjourned.