Presentation for the
Prince George's County Council Winter Retreat

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"Prince George's Proud"

PRINCE GEORGE'S COUNTY FINANCIAL OVERVIEW

January 6, 2021

AGENDA

- Executive Summary
- Economic Outlook
- Long-Term Fiscal Outlook
- General Fund Outlook

EXECUTIVE SUMMARY

- The Coronavirus pandemic has had a significant impact on businesses and employment levels nationwide
- In the short-term, federal aid has helped to mitigate the loss of income for residents and businesses but there are revenue losses in the personal property tax, business licenses, transfer & recordation taxes, and energy taxes in the current year
- Since it will take time to recover full employment, income tax revenue will decrease in FY 2022 and 2023
- Revenues are projected to be essentially flat for 3 years. This financial stress is expected to leave little available funding for operating expenses and debt capacity

ECONOMIC OUTLOOK

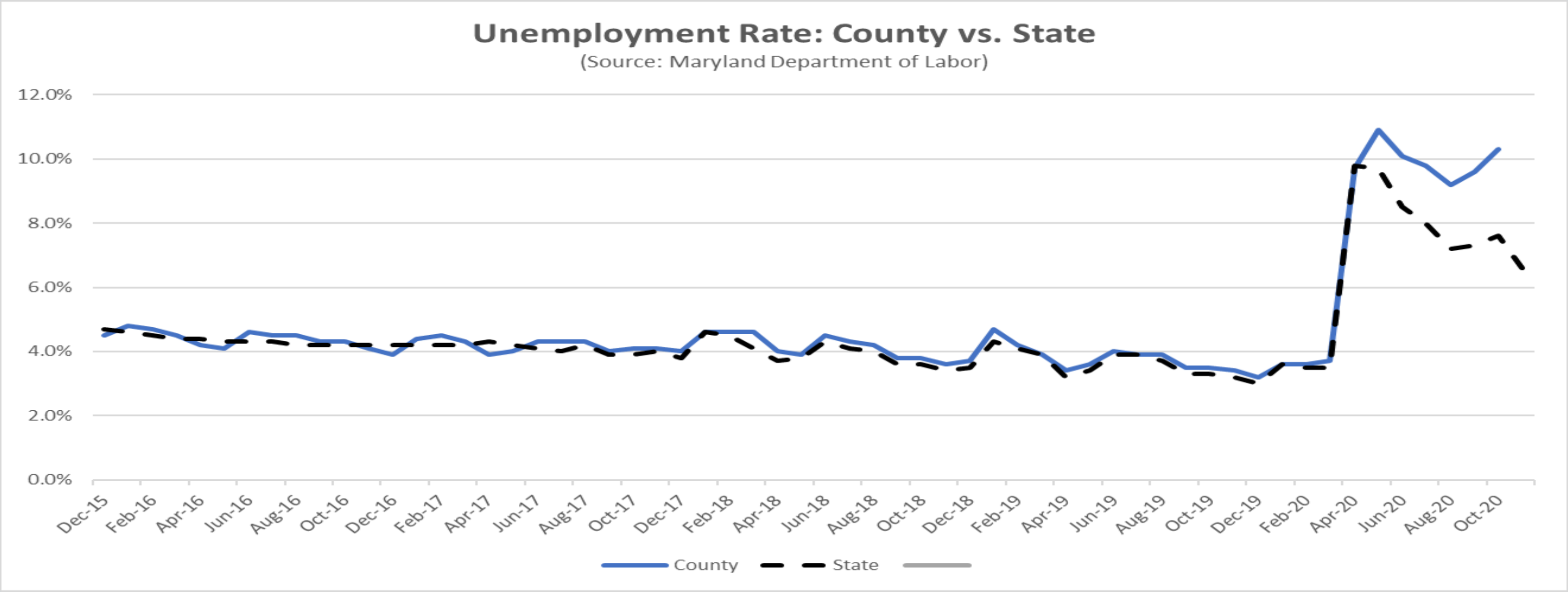
AVERAGE ANNUAL COUNTY EMPLOYMENT BY SECTOR

Industry	2Q 2019 Jobs	F2Q 2020 Jobs	Avg. Quarterly Change Jobs	% Change Jobs
Federal Government	26,826	26,924	98	0.4%
Information	2,827	2,262	-565	-20.0%
Professional & Business Services	39,897	35,841	-4,056	-10.2%
Construction	28,154	25,919	-2,235	-7.9%
Local Government	42,550	39,497	-3,053	-7.2%
Manufacturing	7,615	6,934	-681	-8.9%
Financial Activities	11,773	10,208	-1,565	-13.3%
Education & Health Services	35,119	29,930	-5,189	-14.8%
State Government	22,301	22,048	-253	-1.1%
Natural Resources & Mining	111	94	-17	-15.3%
Trade, Transportation & Utilities	59,665	50,475	-9,190	-15.4%
Other Services	12,170	6,518	-5,652	-46.4%
Unclassified	0	21	21	NA
Leisure & Hospitality	37,057	20,435	-16,622	-44.9%
Total:	**326,065**	**277,106**	**-48,959**	**-15.0%**

- The County lost an average of 49,000 jobs(-15%) between the 2nd quarters of CY 2019 and CY 2020.
- The Leisure and Hospitality sector lost over 16,000 jobs, equal to a 45.0% decline.
- The Trade, Transportation, & Utilities sector also lost over 9,000 jobs.

UNEMPLOYMENT RATE: COUNTY VS. STATE

- The County had the highest unemployment rate in the State in October 2020 at 10.3% compared to 7.6% statewide
- The statewide unemployment rate fell to 6.6% in November 2020. County level data is not available yet.
- Income taxes have been supported by federal stimulus funding.



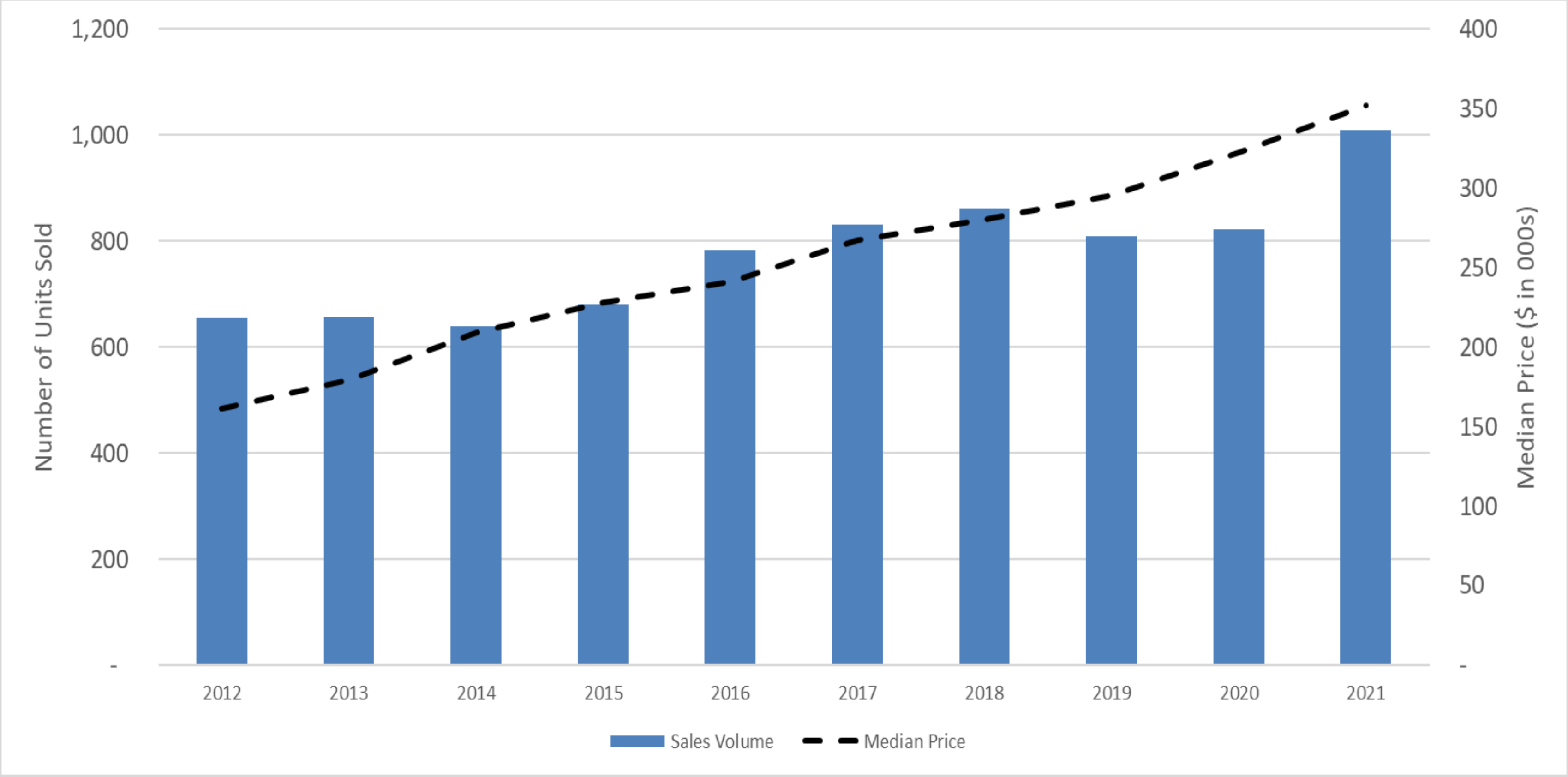
COUNTY JOB TRENDS

- The County lost nearly 49,000 jobs on average (-15%), between the 2nd quarter of CY 2019 and the 2nd quarter of CY 2020.
- Statewide jobs fell 12%. The other large jurisdictions saw similar job loss.

Name	2Q 2019	2Q 2020	Avg Change	% Change
Harford County	95,064	83,382	(11,682)	-12%
Howard County	175,137	151,397	(23,740)	-14%
Prince George's County	326,065	277,105	(48,960)	-15%
Frederick County	106,415	91,217	(15,198)	-14%
Montgomery County	476,532	423,380	(53,152)	-11%
Baltimore County	381,182	331,305	(49,877)	-13%
Anne Arundel County	274,867	237,183	(37,684)	-14%
Baltimore City	344,159	316,719	(27,440)	-8%
Maryland	2,716,693	2,380,832	(335,861)	-12%

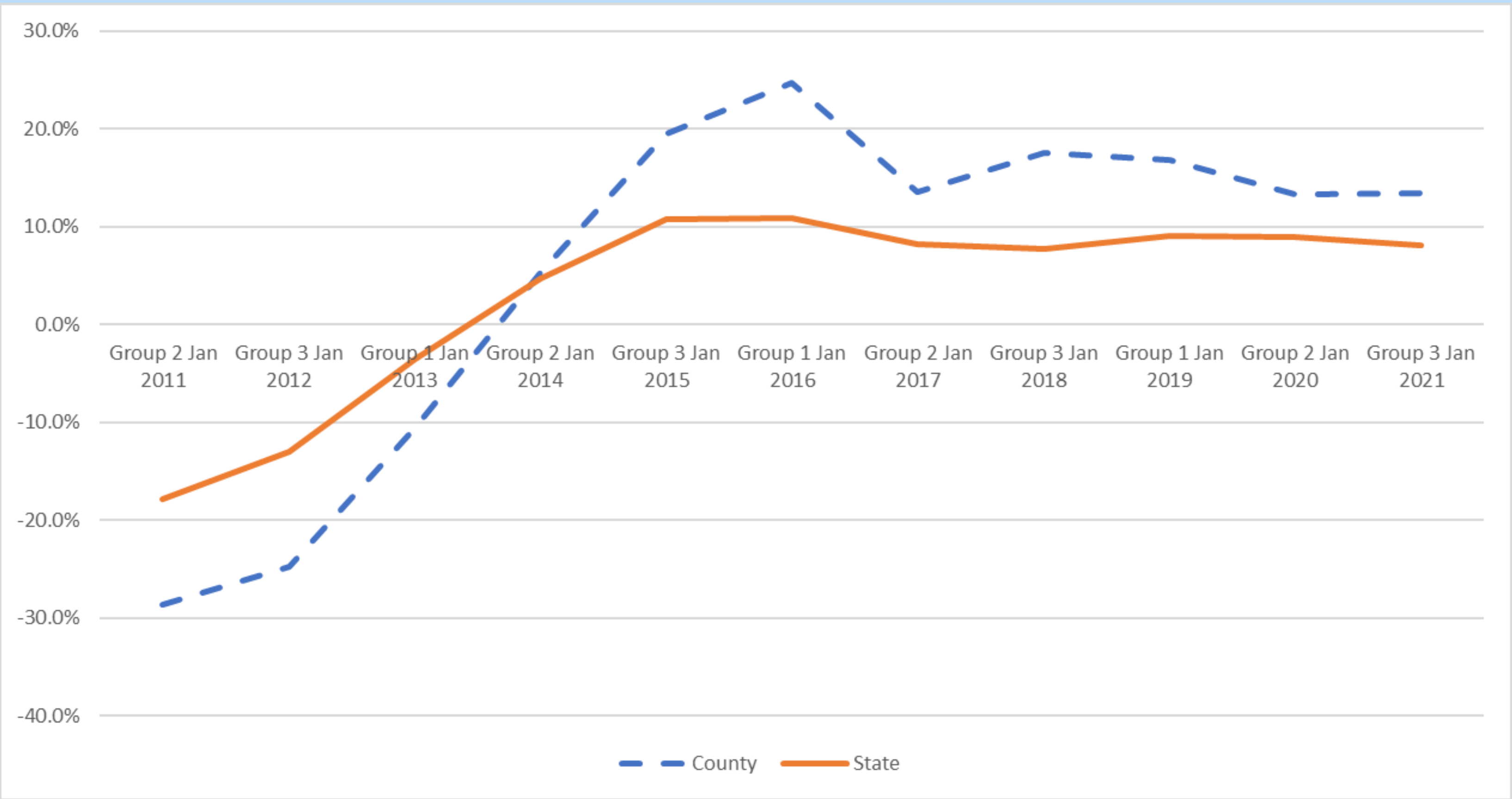
HOUSING TRENDS- MEDIAN SALES PRICE & VOLUME

- Through the first 5 months of the fiscal year home sales have averaged 1,000 units sold per month and a median price of $350,000.
- Transfer and Recordation tax revenue however is lagging the approved budget.



CHANGE IN STATEWIDE ASSESSMENT VALUES FY 2012 – FY 2021

- Since 2014 County home values have outpaced the State each year through January 2021.



FY2021 PROPERTY TAX CREDITS

AS OF 12/31/2020

	FY20		FY21	
Business	$6,297,637	7%	$4,902,855	5%
Residential	$78,084,550	93%	$86,714,898	95%
Total	$84,382,187	100%	$91,617,753	100%

8.5% increase in tax credits from FY20 to FY21

PROPERTY TAX CREDITS
BUSINESS TAX CREDITS
AS OF 12/31/2020

- 20 credits available
- 5 not utilized
- 5% of all FY21 credits

Credit Program	FY20	FY21
Revitalization - Enterprise Zone	$2,986,774	$2,231,033
Revitalization - Commercial	2,126,347	1,584,313
Brownfields	501,263	525,008
High Performance	329,207	260,745
Religious Organization	147,105	120,059
Airparks	63,272	64,607
Swim Clubs	51,524	54,052
Boys and Girls Clubs	14,939	15,374
Lake Arbor Foundation	14,369	14,445
Green Business	45,116	11,813
Landfill Rebate	9,935	9,935
New Jobs	1,953	6,539
Municipal Leased Prop	2,704	2,689
Free State Riding	1,357	1,357
Revitalization - High Tech	1,772	886
Accessibility Features	-	-
Arts & Entertainment District	-	-
Business Incubator	-	-
Grocery Store	-	-
Manufacturing, R&D, Etc.	-	-
	$6,297,637	**$4,902,855**

PROPERTY TAX CREDITS
RESIDENTIAL TAX CREDITS
AS OF 12/31/2020

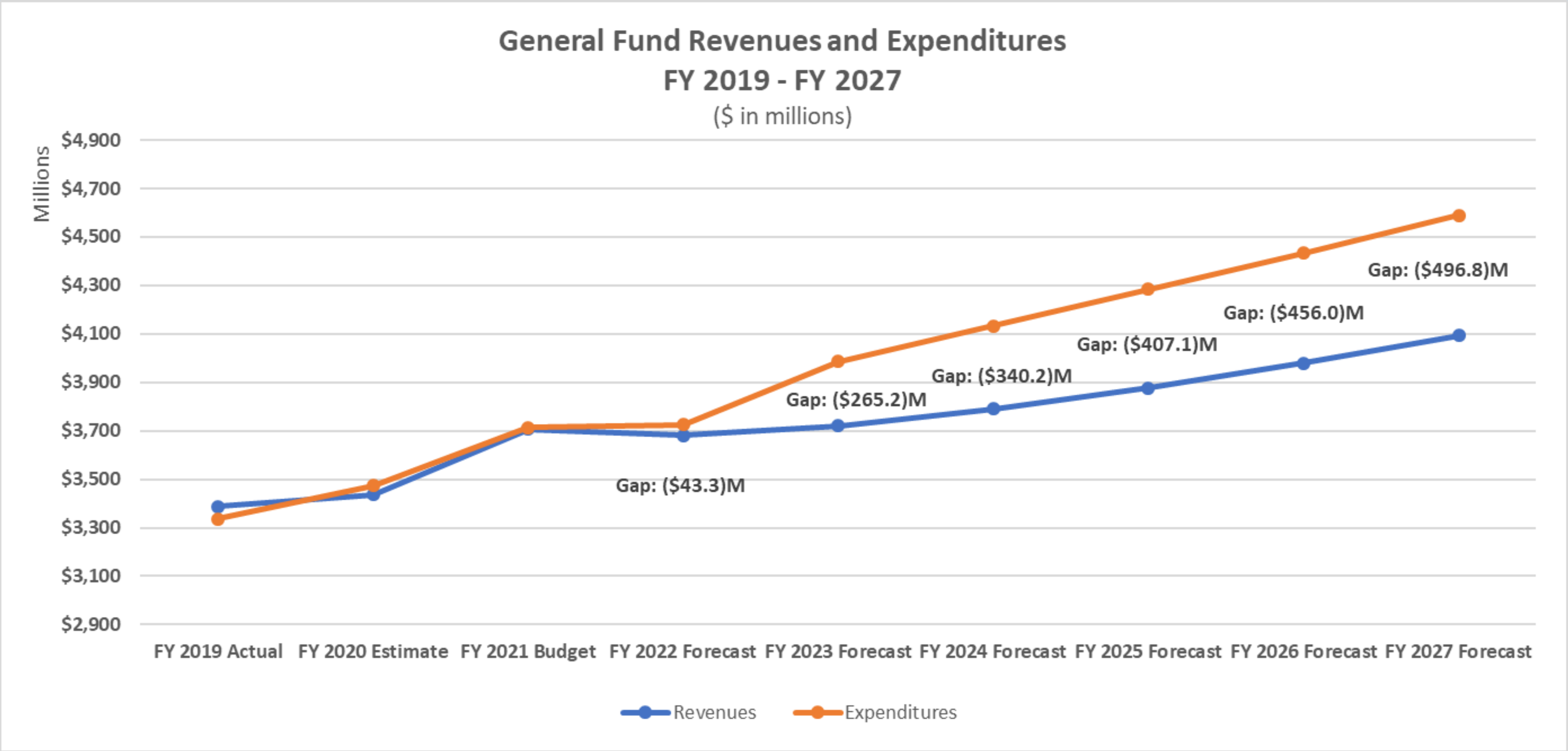
- 14 credits available
- 3 not utilized
- 95% of all FY21 credits

Credit Program	FY20	FY21
Homestead	69,963,997	78,716,362
Homeowners	6,893,241	6,636,267
Disabled Vet - Retro	432,024	600,196
Alternative Energy	500,000	436,159
Renters Tax Credit	164,783	186,044
Historic Preservation	43,128	65,993
Agricultural Land	30,363	33,331
Revitalization - Residential	39,838	23,817
Fallen Officer	14,933	15,223
Conservation Land	1,120	1,138
Tobacco Barn	692	368
Deferral for Elderly & Disabled	431	-
Urban Agriculture	-	-
Vacant Real Estate	-	-
	78,084,550	**86,714,898**

LONG-TERM FISCAL OUTLOOK

GENERAL FUND: SIX YEAR FORECAST

- In the absence of structural change, an annual budget gap of $43.3 – $496.8 million is projected between FY 2022 - FY 2027.



FISCAL CHALLENGES: A STRUCTURAL BUDGET GAP

- A structural gap between revenue growth and expenditure growth is expected to grow based on the factors below:
  - Revenue change of -\$25.4M~\$114.3 M per year.
  - Expenditure growth of \$9.8~261.7 M per year, primarily driven by:
    - Debt Service
    - Fringe Benefit Costs – pensions, healthcare, workers compensation, OPEB, etc.
    - COLA/Merits based on collective bargaining negotiation results
    - Public Safety personnel costs and new recruitment classes
    - Various operating expenses (gas/oil, utilities, contract cost increases, leases, equipment replacement costs, etc.)

FISCAL CHALLENGES: EDUCATION FUNDING AND LONG-TERM OBLIGATIONS

- Demands for additional funding for the Education sector (primarily the Board of Education) to support wage adjustments, pension costs and education initiatives.
- Under-funded pension plans — 60.6% funded (FY 2019 for all pension plan combined.
    - The funded ratio of the County's pension plans continue to improve and recover from the losses experienced in previous fiscal years.
    - Projected funded ratio of 100% reached by:
        - Deputy Sheriff's Supplemental – FY 2025
        - General Supplemental Plans – FY 2033
        - Police, Fire Service, Deputy Sheriff's Comprehensive and Correctional Officers' Plan – FY 2045.
- Other Post Employment Benefits – The County must adhere to a strict funding plan to maintain the status of this fund.
- Annual debt service payments will likely exceed the policy cap of 8% of General Fund revenues by FY 2022.
- Additional funding is also needed for the Risk Management Fund, which has a current deficit of approximately $144 million.

GENERAL FUND OUTLOOK

GENERAL FUND FISCAL SUMMARY

($ IN MILLIONS)

	FY 2020 Budget	FY 2020 Unaudited	% Change	FY 2021 Approved	FY 2021 Estimate	% Change	FY 2022 Estimate
Revenues	$ 3,632.0	$ 3,435.7	-5.4%	$3,650.8	$ 3,642.0	-0.2%	$ 3,680.9
Expenditures	3,632.0	3,474.6	-4.3%	3,714.4	3,714.4	0.0%	3,724.2
Surplus/(Deficit)		**$ (38.9)**		**$ (63.6)**	**$ (72.4)**		**$ (43.3)**
		FY 2020 Estimate			**FY 2021 Estimate**		**FY 2022 Estimate**
Fund Balance							
Restricted (5%)		$ 182.1			$ 182.1		$ 184.0
Committed (2%)		72.8			72.8		73.6
Unassigned		182.7			110.3		64.3
Total		**$ 437.6**			**$ 365.3**		**$ 322.0**
Fund Balance as % of General Fund Revenues		12.7%			10.0%		8.7%

- In FY 2020, the County anticipates a $38.9 million structural shortfall. Unaudited revenues decreased by $196.3 million or -5.4% below the budget. Expenditures are $157.4 million or 4.3% below the FY 2020 budget. The overall fund balance total for the three major components is expected to total $437.6 million.
- In FY 2021, revenues are estimated to be $8.8 million below the approved budget. The FY 2021 budget includes the planned use of $63.6 million in fund balance though the current estimate will require additional fund balance usage.
- The preliminary SAC FY 2022 forecast projects a $43.3 million deficit. Revenues are estimated to be $38.9 million or 1.1% over the FY 2021 budget. The expenditure forecast is $9.8 million above the FY 2021 estimated budget.

PRELIMINARY FY 2022 SAC RECOMMENDATIONS

($ in Millions)	FY 2020 Unaudited	FY 2021 Approved	FY 2021 Dec. Est.	FY20-FY21E % Change	FY 2022 Forecast	FY21E-FY22 % Change
County Sourced Revenues						
Real Property Tax	851.8	882.3	893.4	4.9%	911.3	2.0%
Personal Property Tax	77.8	85.4	76.0	-2.3%	68.0	-10.5%
Income Tax	644.9	598.6	647.4	0.4%	598.3	-7.6%
Disparity Grant	36.2	27.0	35.9	-0.7%	31.8	-11.5%
Transfer Tax	121.9	122.9	110.0	-9.7%	122.0	10.9%
Recordation Tax	50.7	51.6	42.0	-17.2%	49.0	16.7%
Energy Tax	71.7	93.3	71.0	-1.0%	72.4	2.0%
Telecommunications Tax	17.9	20.0	15.0	-16.2%	14.5	-3.4%
Other Local Taxes	23.2	21.3	6.2	-73.5%	21.7	252.3%
State-Shared Taxes	7.0	7.3	6.6	-5.5%	7.1	7.0%
Licenses and Permits	51.6	52.1	51.5	-0.2%	63.5	23.2%
Use of Money and Property	16.5	11.9	18.1	9.4%	18.3	1.3%
Charges for Services	54.1	62.8	56.9	5.2%	60.6	6.5%
Intergovernmental Revenue	33.0	43.2	38.6	17.1%	33.7	-12.9%
Miscellaneous Revenue	11.0	11.3	12.0	9.2%	14.7	22.7%
Other Financing Sources	0.6	63.6	64.3	9816.4%	20.0	-68.9%
Subtotal County Sources	**2,070.0**	**2,154.4**	**2,145.0**	**3.6%**	**2,106.9**	**-1.8%**
Subtotal Outside Aid	**1,413.3**	**1,560.0**	**1,561.3**	**10.5%**	**1,594.0**	**2.1%**
Grand Total General Fund	**3,483.3**	**3,714.4**	**3,706.3**	**6.4%**	**3,700.9**	**-0.1%**

GAMING REVENUE UPDATE

- The FY 2021 Approved Budget assume no revenue from Video Lottery Terminal (VLT) operations based on the uncertainty of gaming operations during the pandemic
- Although casinos began operating in June 2020, VLT revenue from June-November was applied toward the "hold harmless" provision to cover FY 2020 which hadn't been fully satisfied during the shutdown
- The current FY 2021 forecast assumes that $3.7 million in VLT revenue will be allocated to the County once the FY 2021 "hold harmless" withholding has ended, assuming no additional casino restrictions at the 3 large facilities.

PRELIMINARY FY 2022 PROJECTIONS

- The County's overall fiscal outlook remains cautious. Revenues are forecasted to remain essentially flat for FY 2022 - 2024. This will make it very challenging to provide funds beyond basic operating and debt service requirements.

	FY 2021 Estimate	FY 2022 Estimate	$ Change	% Change
Revenues	$ 3,642.0	$ 3,680.9	$ 38.9	1.1%
Expenditures	3,714.4	3,724.2	$ 9.8	0.3%
Surplus/(Deficit)	**$ (72.4)**	**$ (43.3)**	$ 29.1	-40.2%

Note: the FY 2022 forecast reflects preliminary projections before final comments from the County's Spending Affordability Committee

- FY 2022 projected revenues are estimated to increase by $38.9 million, or 1.1% above the FY 2021 budget. It will take several years to return to full employment and federal stimulus funding will no longer support income tax revenue in FY 2022 and beyond. Expenditures are expected to increase $9.8 million or 0.3% above the FY 2021 budget. The preliminary forecast estimates a projected budget gap of approximately $43.3 million. This shortfall is attributable to the fact that projected revenue growth lags behind required cost increases for county agencies, non-departmental expenditures (including an increase in debt service payments), the County's contribution to the Board of Education, Library and College and contributions to meet the County's requirements for pension plans.

AFFORDABILITY CHALLENGES

- Revenues are projected to be essentially flat for 3 fiscal years (2020-2022)
- Reserves have been drawn down from 14.1% of General Fund revenues in FY 2019, to an estimated 8.7% in FY 2022. This is a concerning trend.
- The County must be cautious about any new spending while dealing with unexpected costs related to the pandemic
- The Spending Affordability Committee is recommending holding the line on spending in FY 2022 while permitting a limited use of fund balance during this extraordinary period

Q & A