



FY2021 POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2021



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A Message From The County

Dear Residents and Businesses of Howard County:

We are pleased to present Howard County's first edition of its Popular Annual Financial Report (PAFR) for the fiscal year which ended on June 30, 2021. The County focuses on transparency and providing accurate and timely financial data to its residents. The Government Finance Officers Association's (GFOA) has recognized this commitment to quality. In July 2021, the County was awarded with the Certificate of Achievement for Excellence in Financial Reporting award for the fiscal year ended June 30, 2020. This is the 45th straight year that Howard County has held that distinction.

This report is a condensed and simplified version of the County's Annual Comprehensive Financial Report (ACFR), specifically prepared to be more accessible and understandable to the public. The financial statements and supplemental information reported on the ACFR are in accordance with the Generally Accepted Accounting Principles (GAAP) promoted by the Governmental Accounting Standards Board (GASB). The 2021 fiscal year ACFR was audited by CliftonLarsonAllen LLP and received an unmodified or "clean" audit opinion.

The PAFR is designed to provide local residents and interested parties with a better understanding about the county government's operations, programs and financial condition. This PAFR will detail focuses of investment, trends relating to capital spending, and the positive impact of federal stimulus relief following COVID-19. Thanks to the County's leveraging of federal relief and fiscally responsible spending, HoCo ended FY21 with a surplus of \$122 million, which was then put into the already-robust General Fund. This, along with a top bond-rating and growing Rainy Day Fund, demonstrates how Howard County is on track to emerge from the pandemic stronger and more resilient than ever.

We hope that each of these reports reinforce the County's commitment to financial integrity. The 2021 ACFR and 2021 PAFR may be accessed through the Howard County Finance Department's website [HERE](#).

Sincerely,

Awards



Lonnie R. Robbins
Chief Administrative Officer

Lonnie R. Robbins



Rafiu O. Ighile
Director of Finance

Rafiu O. Ighile



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Howard County
Maryland**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended
June 30, 2020

Christophr P. Marcell
Executive Director/CEO

Howard County System of Government and Leadership

Howard County officially became an independent jurisdiction in 1851. Originally part of Anne Arundel County, it was designated the Howard District in 1839, in honor of John Eager Howard, statesman, soldier, and fifth governor of Maryland. Howard County Government consists of two branches, Executive and Legislative, and a State-operated Judicial Branch. Power for all three branches comes from the residents and voters of Howard County (HoCo).

The Executive Branch of the County government consists of the County Executive and all its officers, agents and employees. The County Executive is the Chief Executive Officer of the County and the official head of the County Government, serving four-year terms. The executive branch proposes and administers the operating and

capital budgets, carries out policies established by legislation, interacts with the state and other local governments, helps residents resolve concerns, and delivers services to residents.

The County Council serves as the County's legislative branch; it adopts ordinances and resolutions and has all of the County's legislative powers. It consists of five members representing the five electoral districts in the County. The council members are elected to a four-year term. Their duties include enacting laws for the county, authorizing the operating and capital budgets, referring residents to appropriate agencies and helping residents solve problems.

The Judicial Branch is administered by the state and is composed of five main court and public safety systems that enforce the law and investigate illegal activity. The five systems are comprised of the Circuit Court, District Court, Orphans Court, Sheriff's Office and State's Attorney.

Residents of Howard County

Executive



Calvin Ball
County Executive

Legislative

County Council



Liz Walsh
District 1



Opel Jones
District 2



Christiana Rigby
District 3



Deb Jung
District 4



David Yungmann
District 5

Judicial



Marcus Harris
Sheriff



Rich H. Gibson
State's Attorney



Hon. Pamela Brown
Administrative Judge
for the District Court



Hon. William V. Tucker
County Administrative Judge
for the Circuit Courts



Hon. Anne Dodd
Chief Judge for the Orphan's Court



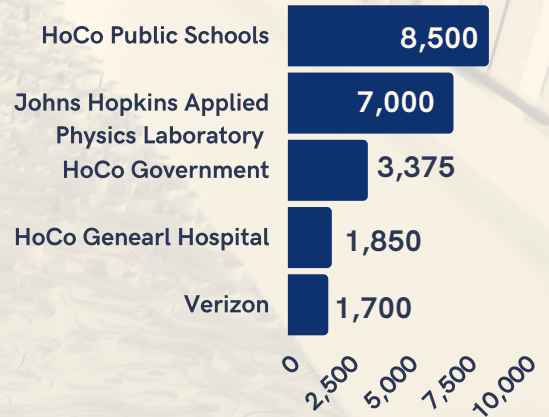
What are HoCo's Duties?

It is important to note that since there are no incorporated cities or towns in Howard County, HoCo government provides all local government services, including: police, fire and rescue, sheriff, corrections, public works, planning and zoning, landfill, water and sewer, public housing, and recreation and parks. The governing body of HoCo also has a substantial financial responsibility for the well-being of the HoCo Public School System, Howard Community College, HoCo Libraries, and the HoCo Housing Commission. For more information go to [Howard County Government's website](#).

Howard County At A Glance

Conveniently located in the heart of central Maryland between Baltimore and Washington, Howard County offers the charm of a historic past mixed with the excitement of a cosmopolitan community. The County is continually ranked among the most affluent, advanced and educated communities in the United States. There is immediate access to leading educational and health care institutions, upscale retail, and outstanding recreation and entertainment. It is currently home to 116,457 households and boasts a thriving, vibrant economy and welcoming business environment, with proximity to 50 federal agencies, universities, Fortune 500 companies, technology, defense and health care companies.

Top Employers of Howard County



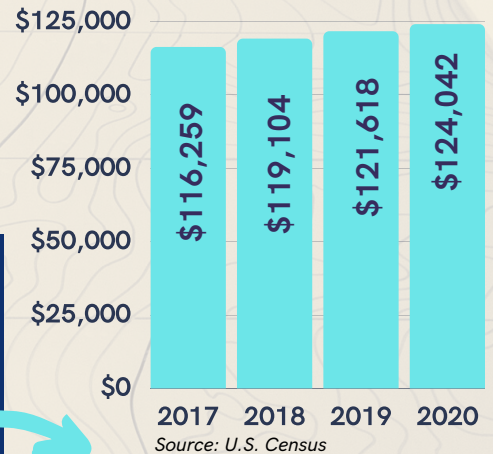
Quick Facts About Howard County

Households	116,457
Residents with a Bachelor's Degree or Higher	62.7%
Median Age	38.7 years old
Veterans	7.2%
High School Degree or Higher	95.5%

Did You Know?
HoCo has one full-time county employee for every 100 residents.

We see a steady growth in income and population due to the County's business-friendly and resident-centric policies.

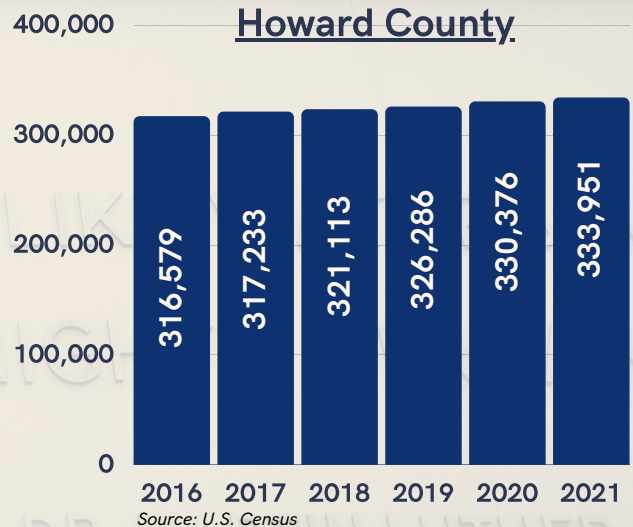
Median Household Income in Howard County



Source: U.S. Census & HoCo Dashboard

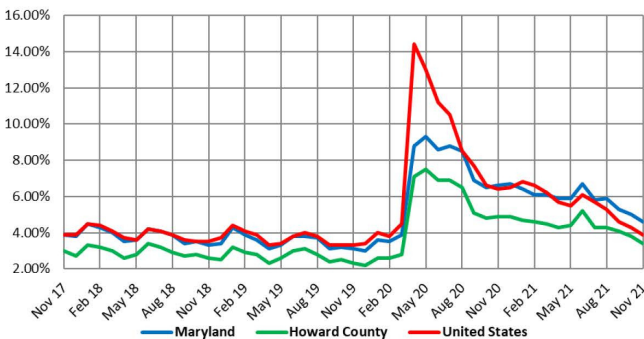
The high rate of high-school degree attainment demonstrates the County's commitment to the education of its residents. It then comes as no surprise that education was HoCo's top government-wide expense in FY21.

Population Growth in Howard County



Unemployment Trends in Howard County

Unemployment Rate Comparison



Howard County's unemployment rate saw a drastic reduction since April 2020, and is now below 4.0%. The County continues to outperform the State and the nation.

Source: U.S. Bureau of Labor Statistics

INITIATIVES & ACCOMPLISHMENTS

These achievements are split into the seven main themes that drive our mission of helping us to better serve you, the community.

READY AND SUCCESSFUL STUDENTS

The County worked with Head Start to move one of its locations to Long Reach Village Center, more than doubling its student capacity. Additionally, nearly \$6 million was allotted to Howard County Public Schools to support effective virtual schooling during the pandemic.



SAFE AND ENGAGED COMMUNITIES

The 3rd Phase of Blandair Regional Park was completed, offering accessible and thoughtful opportunities for play to children of all ability levels. Many projects to better trails and parks were executed to provide enjoyable ways for residents to engage with the outdoors.



CLEAN AND SUSTAINABLE ENVIRONMENT

Solar power opportunities for commercial and agricultural land were boosted through legislation, and HoCo saw huge growth in sales at the Alpha Ridge Landfill Compositing Facility, selling more than 3,100 cubic yards of HoCoGrow compost in March of 2021.



THRIVING AND HEALTHY RESIDENTS

Local leaders broke ground on the United Way Family Center in the Columbia Gateway District to support proper care for up to 76 infants and children. The RecZone Child Care Program was also launched to support childcare needs for working families during the pandemic.



STRONG AND PROSPEROUS BUSINESS

Four different phases of RISE Business Grants were administered to provide struggling hotels, restaurants, and local business approximately \$20 million as the pandemic affected their revenue flows.



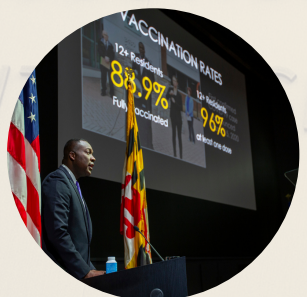
RELIABLE AND ACCESSIBLE INFRASTRUCTURE

The County detailed its plans to combat flooding through mitigation efforts like the extension of the North Tunnel in Ellicott City as part of the Ellicott City Safe & Sound Plan.



INNOVATIVE AND EFFICIENT GOVERNMENT

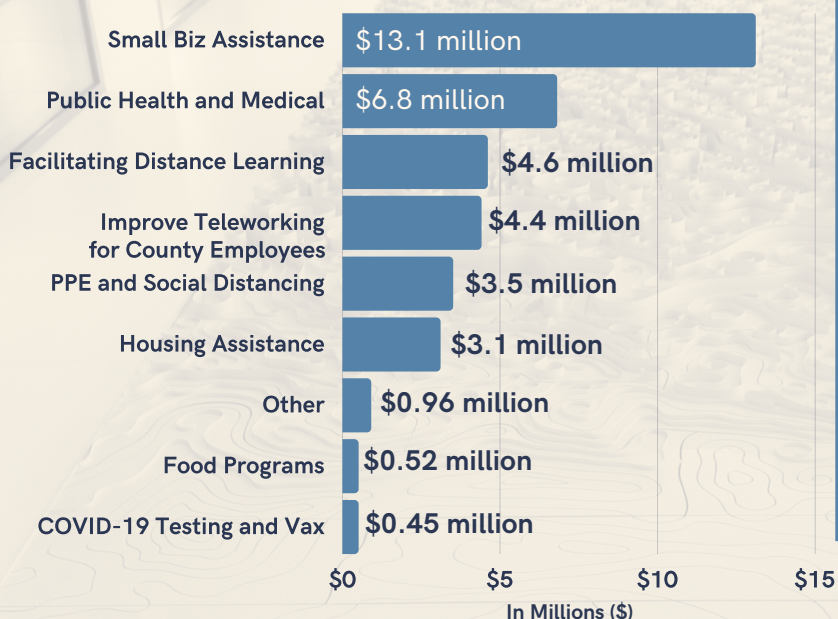
In June of 2021, HoCo was awarded a record-breaking 27 National Association of Counties (NACo) Awards which honored the ways in which the County responded to COVID, supported homeownership, engaged its residents, and provided services for those in need.



COVID-19 Relief and Support

CARES Funding - Actual Spending

Through June 30, 2021

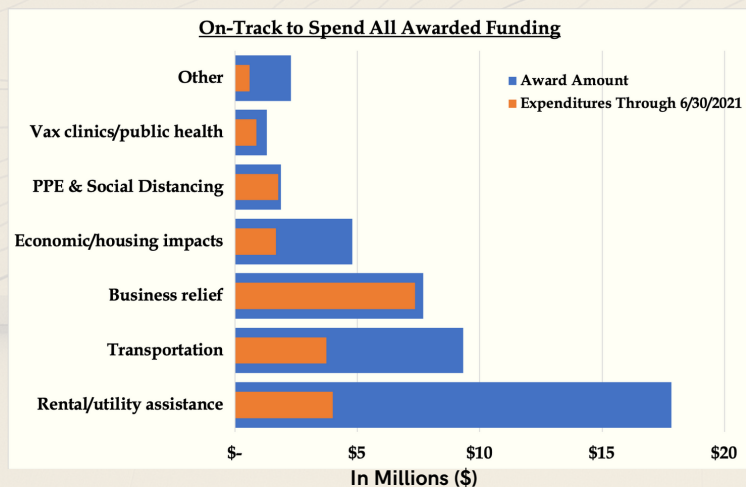


Howard County received a total of \$56.8 million from the Federal Coronavirus Aid Relief and Economic Security Act (CARES Act).

- The County Government received \$28.4 million directly while another \$28.4 million was provided to the Howard County Health Department, of which \$14.6 million was made available to the County Government to cover health-related expenses during the pandemic.
- The County spent a total of \$37.3 million in FY20 and FY21 on a variety of initiatives, including those listed on the graph to the left.
- The CARES Act funding expires on December 31, 2021 and must be used before then.

Other COVID-19 Funding

In addition to the CARES Act & ARPA funds, the County was also awarded \$45.1 million of Federal and State funding in FY20 and FY21, of which the County has spent \$19.9 million.



American Rescue Plan Act (ARPA)

Under the American Rescue Plan Act of 2021 (ARPA), the County will receive a total of \$63.2 million in aid. The County received \$31.6 million in June 2021 and the remaining half will be received in FY 2022. ARPA fund expenditures must be assigned between March 3, 2021, and December 31, 2024, with all work completed and funding spent by December 31, 2026.

HoCo is focused on leveraging ARPA funds to emerge from the pandemic stronger than before by making improvements to County-wide infrastructure. Investments can be made in water, sewer and broadband infrastructure, and the County plans to look closely at stormwater management investments and improvements to County-wide flood mitigation infrastructure. Howard County continues to engage the public to gain feedback and direction as to how to spend the ARPA funds, with overarching goal of a strong and equitable recovery from the COVID-19 pandemic.

One support program initiated during COVID-19 was the HoCo RISE Business Assistance Grant Program. At the end of FY21, \$11 million in CARES grants were issued to help keep more than 1,200 local businesses open during the tough pandemic years. For current information regarding additional programs & support in the fight against COVID-19, please visit HoCo's COVID-19 Dashboard located [HERE](#).

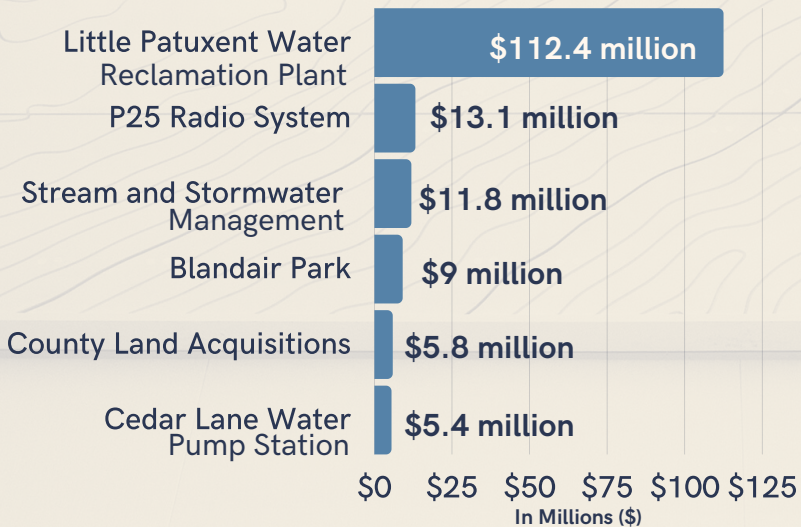


Assets & Liabilities

FY21 marked a strong recovery for Howard County following the onset of the COVID-19 pandemic in FY20. The total net position of the County increased from \$783 million to \$976 million, meaning that the County's assets (land, building, technology, etc.) and deferred outflows of resources (future consumption of these assets) exceed its liabilities (obligations that the County has little or no discretion to avoid) and deferred inflows of resources (future acquisition of resources). The increase in the net position is an indication of the County's continued commitment to building a solid net position to ensure its long-term financial health and fiscal sustainability. By taking in more money than is spent, HoCo can save for large projects, start new support programs for residents, and modernize County services.

	FY 2021	FY 2020
Total Assets & Deferred Outflows	\$3,979,075,268	\$3,628,342,640
Total Liabilities & Deferred Inflow	\$3,002,302,773	\$2,845,243,105
Total Net Position	\$976,772,495	\$783,099,535

Top FY21 Capital Asset Events



Capital Projects

In FY21, the County embarked on some important capital improvement projects related to land development, water treatment, and radio services. The total Capital assets for HoCo amount to some \$2.4 billion as of the end of FY21. Apart from the projects listed above, the County also includes the following in their valuation of Capital assets: land, easements, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges, water and sewer lines, and stormwater management systems.

The largest investment is clearly the Little Patuxent Water Reclamation Project, which allows the county to recycle Class A biosolids as organic matter, increasing the plant's efficiency and creating long-term operational savings.

Long-Term Liabilities

In FY21, the County's long-term debt increased by \$47.1 million, or 2.5% from last fiscal year. These bonds were issued to support the many construction and infrastructure improvements that are underway in the County, as shown by the capital asset event graph on the previous page. Even with this increase in debt, the total debt that the government has outstanding is still less than 5% of its total assessed valuation - or what the County is worth itself. The current legal limit of debt that the County may issue is \$2.7 billion, or 4.8% of its total valuation. As shown below, the County is far below this threshold. Such careful planning and fiscal responsibility has given the County the highest possible bond

rating from the three main credit rating agencies. Standard & Poor's and Fitch Ratings both bestow a "AAA" Rating upon the County, and Moody's Investor Service has assigned a "Aaa" Rating. This means that many creditors view Howard County as a safe, stable, and responsible investment. This is the **24th consecutive year** that Howard County has received top ratings from all 3 major agencies. Of the more than 3,100 counties in the U.S., HoCo was one of 49 counties to obtain the coveted AAA rating in FY21

from all three agencies, a notable accomplishment considering the financial impact that COVID-19 has had on the government's revenues and expenditures. By retaining this rating, the County is able to borrow money at lower interest rates, saving a significant amount of money in the long-run.



This is the 24th consecutive year that Howard County has received top ratings from all 3 major agencies.

Long-Term Debt

	FY 2021	FY 2020	Change Year over Year
Total Outstanding Debt	\$1,933,625,600	\$1,886,507,599	+ 2.5%

HoCo's Long-Term Debt grew at a rate of 2.5% from FY20 into FY21. Of \$1.9 billion in total debt, \$1.8 billion comprises debt backed by the full faith and credit of the government. The remainder of the County's debt takes the form of revenue bonds. These revenue bonds are tied to specific single-stream sources like toll roads, industrial areas, or utilities.



Howard County Financial Flows - Revenue

Government-wide revenues, which are a combination of governmental & business-type activities, are split up into two main groups: General & Program. The general revenue bucket is mostly comprised of taxes, with the primary sources being income & property taxes. Program revenue encompasses all charges to customers for use of goods & services (water and sewage fees, etc.) as well as grants to assist with operational and capital work. Increases in General + Program Revenue came out to more than \$118 million Year over Year (YoY). Below is a break-down of revenue by group.

The County's general revenue increased by 5.6% in FY21. The main sources of this increase were property taxes and local income taxes. Rising property values within the county were the driving force behind the increase in property taxes. COVID-19 related federal stimulus monies were disbursed through programs like the Paycheck Protection Program and pandemic unemployment insurance, all of which helped raise income tax revenues.

General Revenue

	FY 2021	FY 2020	Year over Year Change
Property Taxes	\$738,646,472	\$708,947,753	+ 4.2%
Local Income Taxes	\$619,513,011	\$577,958,870	+ 7.2%
Other Taxes	\$95,715,172	\$77,803,643	+ 23.0%
Other	\$5,889,775	\$17,318,637	-66.0%
TOTAL REVENUE	\$1,459,764,430	\$1,382,028,903	+5.6%

Program Revenue

	FY 2021	FY 2020	Year over Year Change
Charges for Services	\$227,303,014	\$215,209,312	+ 5.6%
Operating & Capital Grants and Contributions	\$155,170,327	\$126,020,879	+23.1
TOTAL REVENUE	\$382,473,341	\$341,230,191	+ 12.1%

The program revenues also increased for the County Year over Year in FY21. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from County goods and services. Much of the increase in grants and contributions was due to federal COVID-19 relief.

Howard County Financial Flows - Expenses

The largest government-wide expense for the County this Fiscal Year was Education, with continued investment into the Howard County Public School System and Howard Community College. Many of these funds were directed towards operating costs and making sure the doors could stay open at our education sites.

The second and third most invested areas were public safety and public works respectively as Howard County revamped many utility-related sites and made sure police and fire departments were fully funded. Water & Sewer are also large focuses of funds as the County is main provider of clean water and safe sewage systems for all towns and villages in the County.

There was a large rise in General Government expenses as a result of CARES Act-related expenses, allowing HoCo to operate at full capacity to best serve residents during the pandemic's height.

	FY 2021	FY 2020	Year Over Year Change
General Government	\$123,183,109	\$74,316,453	+ 65.8%
Public Safety	\$272,893,187	\$273,690,808	- 0.3%
Public Works	\$184,376,187	\$191,131,750	- 3.5%
Recreation & Parks	\$33,372,823	\$44,155,887	- 24.4%
Legislative & Judicial	\$34,562,766	\$33,526,457	+ 3.1%
Community Services	\$57,793,879	\$51,744,649	+ 11.7%
State Highways	\$1,381,137	\$4,140,382	- 66.7%
Education	\$753,121,391	\$703,269,393	+ 7.1%
Interest on Long-Term Debt	\$56,785,423	\$56,026,136	+ 1.4%
Water & Sewer	\$122,881,576	\$111,856,075	+ 9.9%
Other	\$8,213,268	\$8,262,267	- 0.6%
TOTAL EXPENSES	\$1,648,564,811	\$1,552,120,257	+ 6.2%

Total Change in Revenues & Expenses YoY

	FY 2021	FY 2020
Total Revenues	\$1,842,237,771	\$1,723,259,094
Total Expenses	\$1,648,564,811	\$1,552,120,257
Change in Net Position	+\$193,672,960	+\$171,138,837

The Governmental and Business-Type Activities increased the County's net position by \$193.7 million, which was an increase from last year and largely due to increased property tax and income tax revenues.

General Fund

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another specific fund. This is where most tax money goes and where most bills are paid from. The Health Department Fund is included for reporting purposes.

	Budgeted Amount	Actual Amount	Variance between Actual and Budgeted
Total Revenues	\$1,127,239	\$1,256,239	\$128,990
Total Expenditures	\$1,176,373	\$1,162,097	\$14,275
Other Financing Sources	\$49,124	\$28,095	(\$21,029)
Net Change in Fund Balance	-----	\$122,237	\$122,237

All Amounts in Thousands of \$

When looking at how money was spent in the General Fund compared to what was budgeted, the County spent \$14.3 million less than budgeted. This was due in large part to COVID-19 related stimulus relief in the form of federal grants. The County revenues exceeded the budget by \$129 million due in large part to an increase in local income tax distributions. This was a result of federal fiscal stimulus funds and an increase in capital gains that came out of a strong stock market. HoCo took in 10% more revenue and spent 1.2% less than it budgeted. This allowed the County to add the resulting \$122 million surplus to the fund, leaving the ending fund balance at \$316,205,081 at the close of FY21.

What is the Citizen's Election Fund?



The Citizens' Election Fund (CEF) issued its first funds to electoral campaigns in the FY21 year and is one example of the projects and programs funded with the General Fund. The CEF provides matching County funds to candidates for County Council and County Executive based on qualified contributions to participating candidates. The Fund was created to provide public campaign financing to any qualified candidate in a County office in an effort to reduce the role of large private contributions during the election process. By offering a public campaign finance option, this encourages and lifts up the role of small, private donations. By the end of FY21, over \$1 million had been added to the Fund to support grassroots campaigns. A detailed video explaining the Fund can be found [HERE](#).

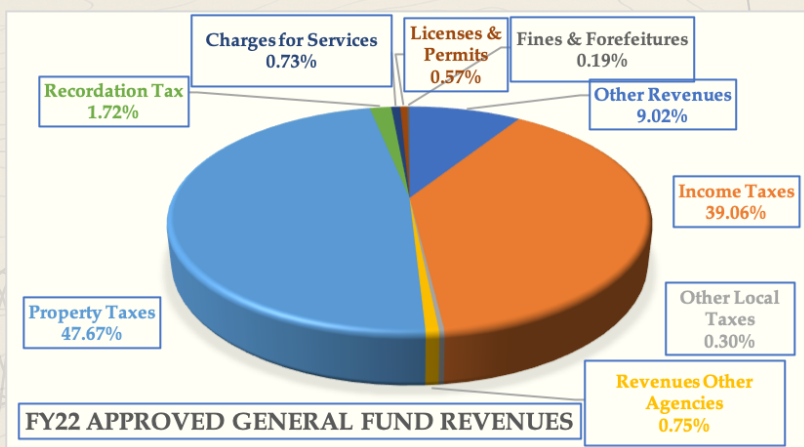


Howard County Rainy Day Fund

	As of 6/30/21	As of 6/30/20
Total Rainy Day Funds (to meet Charter target)	\$77,652,000	\$75,845,000
Additional funds deposited to meet future years' goals	\$3,335,000	\$4,345,000
Total Designated Rainy Day Funds	\$80,988,000	\$80,190,000
Policy Reserve	\$33,300,000	\$20,000,000
Policy Reserve + Rainy Day Funds	\$114,288,000	\$100,190,000

The Howard County Charter requires the government to maintain a Rainy Day Fund at a rate of 7% of audited General Fund expenditures from the year prior. This Fund is a failsafe in case of a major catastrophe that would require the County to liquidate a lot of their assets or if a major revenue stream was temporarily paused. HoCo has never needed to tap into the Fund, which requires the approval of County Council. Even during the COVID-19 pandemic and major flooding events, the County has always deposited money into the Fund.

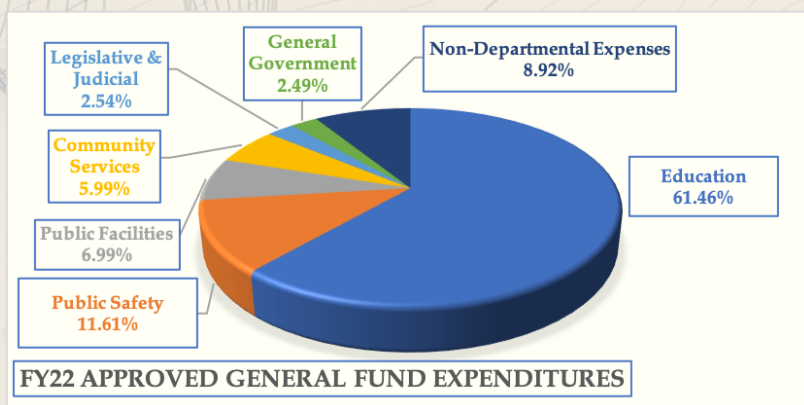
FY22 General Fund Budget Highlights



The Total Approved Revenues for the FY2022 General Fund equal \$1.26 billion. As the County Charter mandates, this balances with the Total Approved Expenditures for the FY2022 General Fund, which also equal \$1.26 billion.

Some key allocations of the FY22 budget include:

- Largest recipient of funds is Howard County Public School System with \$640.8 million.
- Howard Community College receives \$37.5 million and Howard County Library System receives \$22.4 million.
- The "Body Worn Camera" safety initiative will receive \$1 million in PAYGO funds.
- \$5 million will go towards establishing the Housing Opportunities Trust Fund.
- \$30.3 million in PAYGO funds will go towards improvements in infrastructure.
- \$1 million in small business funds & \$615,000 will go towards supporting Downtown Columbia's art & culture scene.



Definitions:

- PAYGO funds - Pay As You Go - are made up of current revenues for the indicated Fiscal Year.
- The County Budget is split into two main parts: capital and operating. More information can be found [HERE](#).

Acknowledgements & Resources

This Popular Annual Financial Report was prepared by:

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Angela M. Price

Deputy Director of Finance

Salomey Awuku

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Abdullahi Abdi

Division Chief, Reporting

Joel Gast

Fiscal Specialist II, Reporting

Special Thanks to:

GFOA/ELGL Fellow Alexander Hawley, Master of Public Policy Candidate at the University of Illinois at Chicago, for his significant efforts in the development and preparation of the County's first PAFR

Resources

Water & Sewer Bills	billing@howardcountymd.gov
Real Property Tax Credits	taxcredit@howardcountymd.gov
COVID-19 Information & Resources	https://www.howardcountymd.gov/health/covid-19
Report an Issue in Your Community	https://www.howardcountymd.gov/report-issue
Business Support Services	https://www.howardcountymd.gov/business-support
County Executive Ball's comprehensive resource guide for HoCo residents can be found HERE .	



Howard County

M A R Y L A N D

Finance Department

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Ellicott City, MD 21043



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