



WASHINGTON COUNTY, MARYLAND

FISCAL & ECONOMIC UPDATE

QUARTERLY REPORT

December 2022



Washington County

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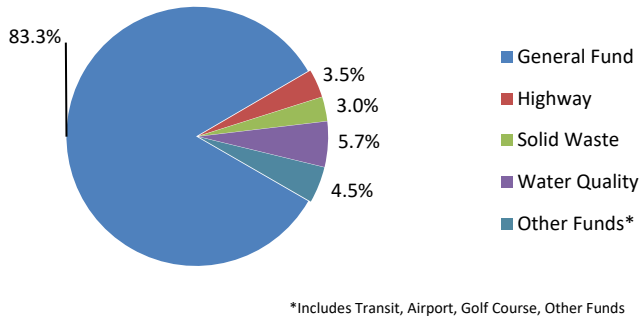
Washington County is located in northwestern Maryland, bordered by Pennsylvania to the north and West Virginia to the south. It is bordered on the east by Frederick County, Maryland and on the west by Allegany County, Maryland. Washington County is approximately 70 miles from Washington, D.C. and Baltimore, Maryland. Two major highways, Interstate 81 – running north and south, and Interstate 70 – running east and west, cross within Washington County's borders. The County is a body corporate and politic and is a mid-size, multi-service local government serving the needs of approximately 154,937 residents with nine incorporated municipalities. Under public local law both the executive and legislative functions of the County are vested in the elected, five member Board of County Commissioners of Washington County. The County Commissioners are elected on a county-wide basis and serve four-year terms. Other elected County funded positions include County Sheriff, Treasurer, and State's Attorney.

Information provided below indicates where Washington County ranks within Maryland Counties for the services and statistics provided among 23 counties and Baltimore City for FY2021, the most recent available year.

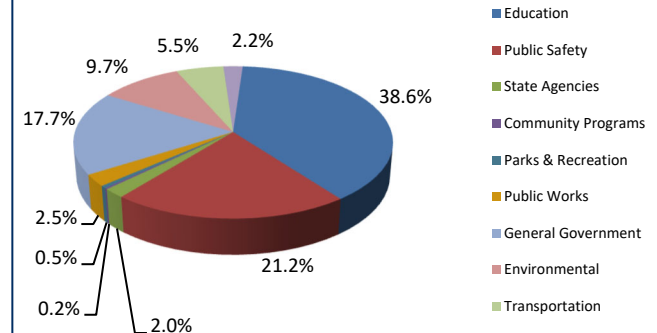
Population Rank	11th
Property Tax per capita	20th
Per pupil local funding	18th
Expenditure per capita	24th
Revenue per capita	22nd

FINANCIAL STATS

Total Operating Funds, \$334M



Operating Expenditures by Category



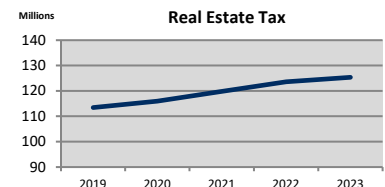
Washington County will spend approximately \$334 million annually on public services in FY2023. The General Fund budget represents the County's largest fund at \$278 million, or 83.3%. Major revenues that make up the General Fund budget are Property Tax, Local Income Tax, and Other Local Taxes including Recordation Tax, Service Fees, and Intergovernmental Grants. General Fund dollars are spent on Education, Public Safety, Debt Service, General Government, Courts, State Agencies, Community Programs, Public Works, Parks & Recreation, and sometimes support other funds through an intergovernmental transfer.

MAJOR REVENUE TRENDS

The following information summarizes key revenue sources that affect the County's overall financial condition. External economic factors such as the unemployment rate, inflation and interest rates, and real property sales impact County revenues. Amounts reported reflect distributions received as of the reported date. The revenue graphs to the right reflect total actual revenues collected for each of the prior fiscal years and the projected total annual revenue based on existing trends for the current year.

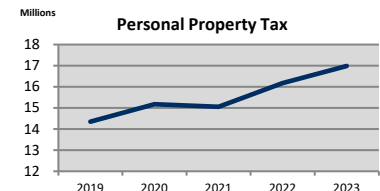
Real Estate Tax

Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
121,990,216	125,579,929	3,589,713	2.9%	1.7%



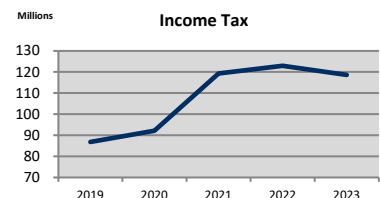
Personal Property Tax

Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
9,404,811	10,939,503	1,534,692	16.3%	4.1%



Income Tax

Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
32,562,536	28,657,640	(3,904,896)	(12.0%)	(18.7%)

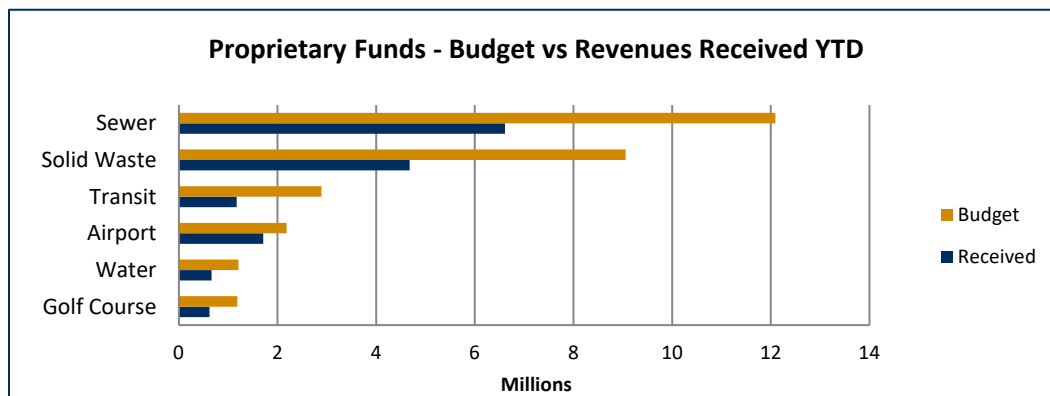
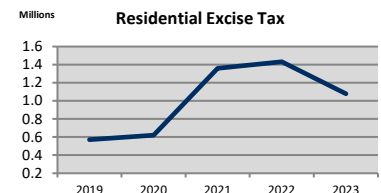
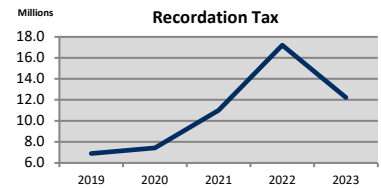


MAJOR REVENUE TRENDS (CONTINUED)

Recordation Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
3,167,489	5,527,281	2,359,792	74.5%	(19.8%)

Residential Excise Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
284,198	805,775	521,577	183.5%	66.0%

Transfer Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
1,202,427	2,071,365	868,938	72.3%	(36.6%)



SUMMARY OF MAJOR EXPENDITURE ACTIVITY

Expenditure Activity by Major Fund (in millions)					
Fund	Budget	Spent	Encumbered	Unexpended	% Expended
General	278.3	134.9	5.4	138.0	48%
Highway	11.8	5.3	6.3	0.2	45%
Solid Waste	10.1	4.7	3.3	2.1	47%
Water	1.2	0.5	0.0	0.7	39%
Sewer	12.1	5.5	0.3	6.3	45%
Transit	2.9	1.3	0.3	1.3	44%
Airport	2.2	1.0	0.1	1.1	43%
Golf Course	1.2	0.6	0.1	0.5	52%
Total	319.8	153.8	15.8	150.2	48%

The table to the left compares major year-to-date expenditure activity to budgeted funding. It incorporates the variance by dollar and percentage, along with total expenditure activity. Funds expended and encumbered should average around 50% if not subject to seasonal fluctuation.

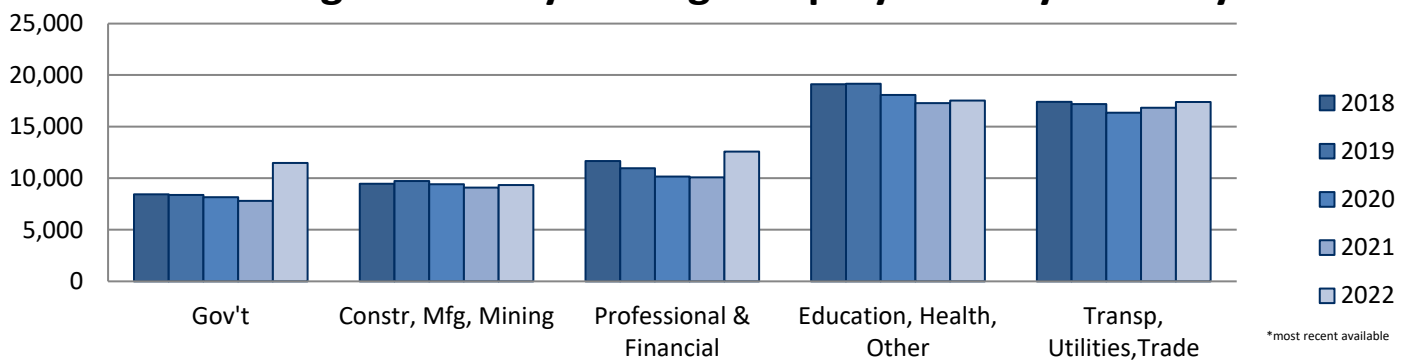
Income tax revenue at the end of the second quarter of FY23 totaled \$28.7M and compared to the same time last fiscal year (\$35.2M) is an overall decrease of (18.7%) or \$6.7M. The County did not receive prior tax year reconciliation distributions from the state during the first half of FY23 and this expected distribution accounted for \$7.2M of the FY23 budget. That prior tax year reconciliation was completed by the state in December 2022 and \$9.4M was distributed to the County in January 2023. The current year income tax component (\$28.7M) is trending \$3.4M higher than originally budgeted (\$25.3M). Tax years 2020 and 2021 were unusually complex years due to the mid-year additions of Federal and state tax benefits, COVID related benefits through loans, grants, etc., and subsequent program guidance which altered the taxability of certain benefits. Tax year 2022 withholding grew by 9.7% and estimated payments grew 5.1% over the prior tax year. Growth is expected to slow as the labor market recovery nears completion and as tighter monetary policy slows overall economic growth.

Due to unprecedented inflation being experienced in the County and across the nation (15.4% from FY20 to FY23), the Commission approved a mid-year FY23 Cost of Living Adjustment (COLA) of 9.5% for all employees at an estimated cost of \$3.0M (\$2.5M Tax Supported and \$0.5M Self-Supported). The COLA was carried forward into the County Salary Scales and is anticipated to reduce employee turnover and make Washington County positions more attractive to potential candidates.

The unemployment rate in Washington County at the end of December was 3.2% and has steadily decreased since the pandemic resulting in increases in withholdings (9.7%) for earned wages. Permits issued for new residential homes in Washington County have decreased year over year by -14.4% (111 to 95). Home price growth across the nation is slowing down after a surge that sent home prices well above the peak hit during the housing bubble and that trend is being realized in Washington County. The total number of homes sold has decreased year over year by -27.3% (from 1,269 to 923). Although the average price (\$305,084) of homes sold in Washington County has increased by 6.1% over the prior year, it has decreased from an average of \$308,610 at the end of September 2022. Real home prices are still more than 20% above what economists think are a healthy level and over 40% higher than at the start of the pandemic.

EMPLOYMENT DATA

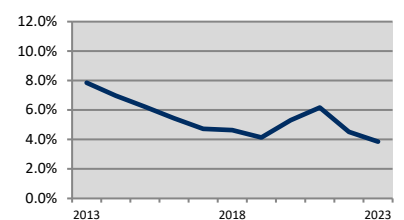
Washington County Average Employment by Industry



Employment Statistics - December

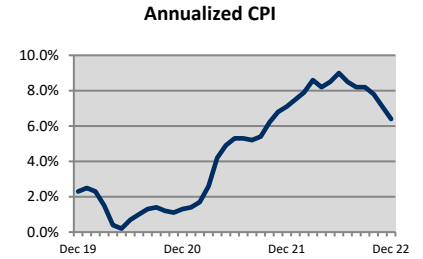
Fiscal Year	County			State	National
	Number of Employed	Number of Unemployed	Unemployment	Unemployment	Unemployment
2022	70,711	3,170	4.3%	5.4%	3.9%
2023	70,743	2,347	3.2%	4.0%	3.5%

Average Unemployment Rate



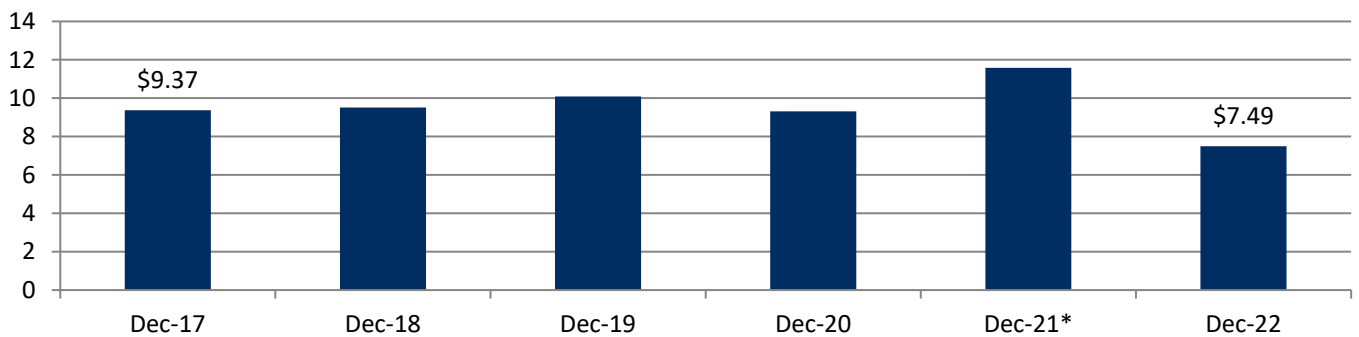
SPENDING DATA

Consumer Price Index (CPI)			
Current Period		Prior Period	
Index	Annual Change	Index	Annual Change
298.1	-0.7%	280.1	5.8%



Consumer Spending Patterns - Washington County Sales & Use Tax Collections

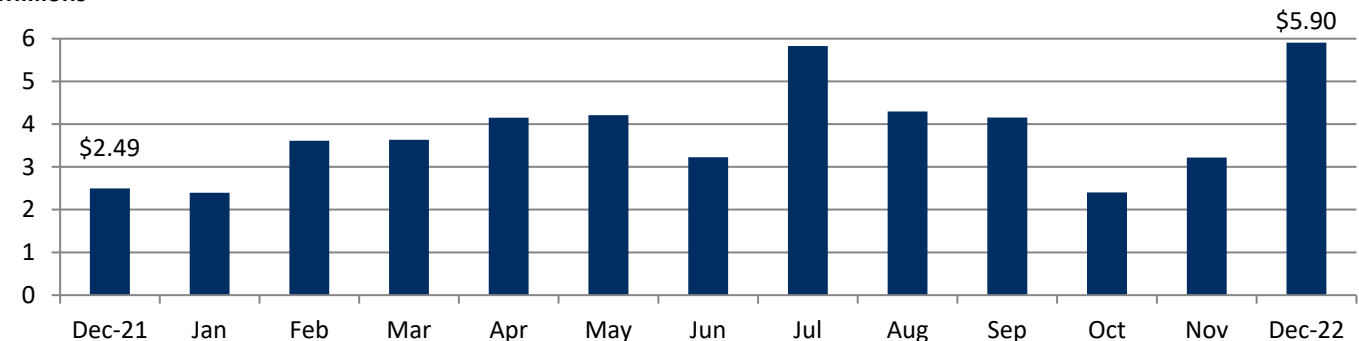
Millions



* Due to Legislative changes, report is not available and has been estimated.

Gross Lodging Revenues

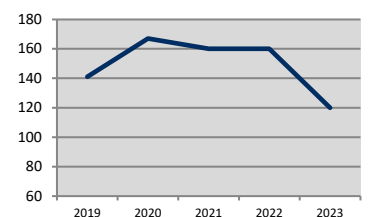
Millions



HOUSING DATA

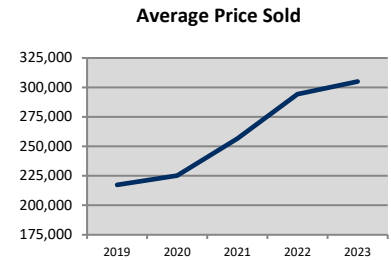
New Residential Housing Permits Issued				
Area	Prior YTD	Current YTD	Variance	
			# of Permits	% Change
Washington County	111	95	(16)	(14.4%)
City of Hagerstown	49	25	(24)	(49.0%)
Total	160	120	(40)	(25.0%)

New Housing Permit Activity



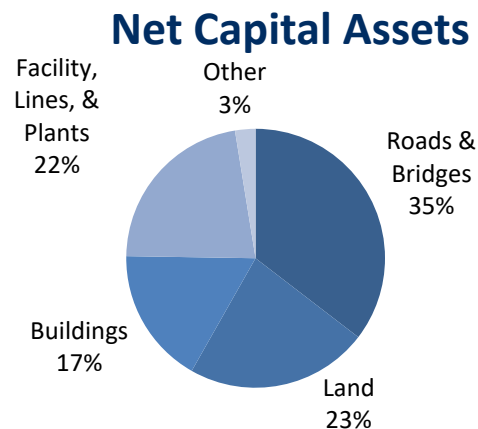
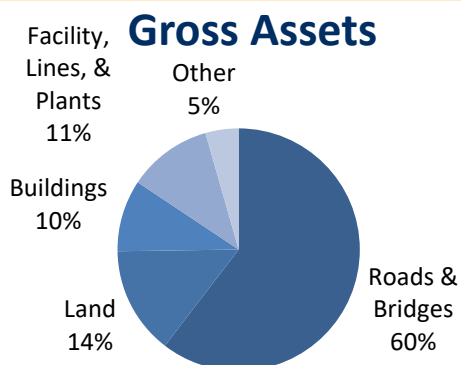
HOUSING DATA (continued)

Washington County Housing Statistics			
Housing Activity:	2022 YTD	2023 YTD	% Change
Average Price Sold	287,609	305,084	6.1%
Total Units Sold	1,269	923	(27.3%)
Average Inventory	273	251	(8.1%)



TOTAL FIXED ASSET BASE AS OF JUNE 30, 2022

Washington County Total Fixed Asset Base as of June 30, 2022		
	Total Cost	Net Capital Asset
Land & Improvements	289,884,886	156,191,581
Buildings & Improvements	193,515,765	116,657,470
Facilities, Lines, & Mains	126,212,153	85,085,794
Treatment Plants	100,615,360	66,953,191
Roads & Bridges	1,219,988,774	242,681,218
Machinery & Equipment	24,350,510	6,164,011
Vehicles	28,781,475	8,513,096
Office Furniture	1,161,020	18,124
Computer Equipment	34,969,099	2,777,048
	2,019,479,042	685,041,533



WASHINGTON COUNTY, MARYLAND



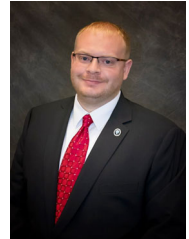
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STATEMENT OF PURPOSE

This report is designed to communicate the County's major financial trends for the indicated period since the issuance of the prior audited financial statements. The report is interim in nature and abbreviated in that it does not include details for all the various funds maintained by the County. Additionally, this report omits many of the required note disclosures typically found in a fiscal year-end financial statement report. The information contained here is intended to allow management to make limited assessments of near-term trends

that may have an impact on operations and financial results. Management views this interim period as an integral part of the annual period. This report includes information regarding some of the more notable recent developments that may impact County finances, along with summarized information relating to various operations within the County. This report is general in nature. The reader is cautioned that it does not provide the level of detail nor the comprehensive scope found in a fiscal year-end financial statement. Those desiring or needing such

information should contact the Office of Budget and Finance. We hope that you find this report informative and meaningful. If you have any questions regarding this report, please contact the Office of Budget and Finance at 240-313-2300.

This report is provided for general information use only. The information contained in the document speaks only as of its report date.