



HARFORD COUNTY, MARYLAND

Office of the County Auditor

FISCAL IMPACT NOTE

Resolution Number 15-12

Smiths Detection Economic Development Loan

Sponsor: Council President Boniface at the request of the County Executive

Summary of Legislation

A RESOLUTION endorsing a loan in an amount of \$750,000 from the Maryland Department of Business and Economic Development to Smiths Detection Inc. (the "Loan") pursuant to the Maryland Economic Development Assistance Fund, Sections 5-301 through 5-349 of the Economic Development Article of the Annotated Code of Maryland, to assist Smiths Detection Inc. with the following "Project": the expansion of its current manufacturing operations and renovations to the existing facility located at 2202 Lakeside Boulevard, Edgewood, Maryland ("Facility A") and the leasing and renovation of a facility located at 2203 Lakeside Boulevard, Edgewood, Maryland ("Facility B"), including installation of new equipment purchases and upgrades; and authorizing a workplace training grant in the amount of \$100,000 from Harford County, Maryland to assist Smiths Detection Inc. with employee training at Facility A and Facility B.

The resolution will take 60 days after it becomes law.

Fiscal Impact Summary

We estimate that the 100 positions to be created through this project will generate \$3,700,000 in wages for County residents, annually. This would result in a three year income tax impact of \$154,745, after considering the County's \$100,000 investment.

Fiscal Analysis

Currently, State law requires formal resolution of the governing board's (the County Council) endorsement of the financial assistance and support of the related project. Support of the project can be demonstrated by providing security for the loan or by financing at least 10% of the project. In this case, the County is granting up to \$100,000 to the project over 3 years. The funds are part of the operating budget of the Office of Economic Development. The County does not have other financial obligations with regard to the Maryland Economic Development Loan.

Per the company website:

"Smiths Detection is one of five operating divisions of Smiths Group plc, a global technology company listed on the London Stock Exchange. A world leader in the practical application of advanced technologies, Smiths Group delivers products and services for the threat & contraband detection, medical devices, energy,

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communications and engineered components markets worldwide. Smiths employs 22,000 people and has facilities in 50 countries, developing and manufacturing products and services make the world safer, healthier and more productive.”

This resolution, if approved would provide authority for Smiths Detection to accept the loan funding and for the County to issue grants to Smiths Detection.

Per the Office of Economic Development, “The current average annual wage at the facility is approximately \$74,000. Smiths anticipate new hiring to be in that same average range.” To determine the impact of this bill, we assumed that at least half of the projected positions will be filled by Harford County residents and that those positions would earn a similar average wage as the facility’s current employees. Due to the complexity of corporate taxation for large international organizations, we only considered the impact of personal income and related taxes, not the corporation’s taxes.

	Annually			
Average Salary of positions	\$ 74,000			
x Number of Positions to be created	<u>100</u>			
Total Increased Wages for the project	\$ 7,400,000			
Percent of positions to County residents	<u>50%</u>			
x Increased Wages for County Employees	\$ 3,700,000			
Estimated Taxable Income (\$55,500**)	\$ 2,775,000			
x County Income Tax Rate	<u>3.06%</u>			
Estimated Personal Income Tax Revenue to the County	\$ 84,915			
	Total	Year 1	Year 2	Year 3
- County's Investment	<u>\$ 100,000</u>	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 25,000</u>
Estimated County Government Net Impact	\$ 154,745	\$ 47,415	\$ 47,415	\$ 59,915

**Per the Internal Revenue Service 2009 filing statistics, the average taxable income for households earning between \$75,000 and \$100,000 was \$55,635.

Data used in the analysis was provided by the Smiths Detection website, the Internal Revenue Service website and Tucker McNulty, Finance Manager, Office of Economic Development.

Additional Information

Previous Introductions: None

Fiscal Note History: Version 02 (July 9, 2012) based on resolution as of June 12, 2012.

Fiscal Analysis was prepared by Chrystal Moore, County Auditor.

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