

RESILIENCE AUTHORITY

Annapolis and Anne Arundel County

The Honorable Members of the Senate Budget and Taxation Committee
The Honorable Members of the Senate Education, Health, and Environmental Affairs Committee
Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401 - 1991

The Honorable Members of Members of the House Appropriations Committee
The Honorable Members of the House Environment and Transportation Committee
House Office Building
6 Bladen Street
Annapolis, MD 21401

The Honorable County Executive Steuart Pittman
The Honorable Members of the County Council
Anne Arundel County
44 Calvert Street
Annapolis, MD 21401

The Honorable Mayor Gavin Buckley
The Honorable Members of the City Council
City of Annapolis
160 Duke of Gloucester Street
Annapolis, MD 21401

RE: The Resilience Authority of Annapolis and Anne Arundel County, Inc. - FY2023 Annual Report

Dear Members of the Senate Budget and Taxation Committee; Members of the Senate Education, Health, and Environmental Affairs Committee; Members of the House Appropriations Committee; Members of the House Environment and Transportation Committee; County Executive Pittman, Members of the County Council, Mayor Buckley, and Members of the City Council:

Pursuant to the Code of Maryland, Local Government Article, § 22-113, the Anne Arundel County Code, § 3-8A-113(A), and the Annapolis, MD Code of Ordinances § 2.58.110, the Resilience Authority of Annapolis and Anne Arundel County, Inc. (the Resilience Authority) is required to provide to you an annual report on the activities and financial position of the Resilience Authority during the prior fiscal year. The annual report must include audited financial statements, a description of the resilience infrastructure projects funded, and the sources of revenue for the resilience infrastructure projects undertaken by the Resilience Authority. This report is provided to you pursuant to those requirements.

Matthew Fleming, Director
Resilience Authority of Annapolis and AACO

The Resilience Authority of Annapolis and Anne Arundel County

Annual Report

July 1, 2022 ~ June 30, 2023

RESILIENCE
AUTHORITY

Annapolis and Anne Arundel County

Matthew Fleming, Director
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COMBATING CLIMATE CHANGE THROUGH INVESTMENTS IN INFRASTRUCTURE

January 1, 2024

Combating climate change requires us to consider the systems that supply our housing, food, water, transportation and energy in a different way - reassessing how and where we make investments. It requires us to use the best available science, bring new voices into the conversation, and speed up the scale and pace of climate action. It is for these reasons that Senator Sarah Elfreth and the Maryland General Assembly passed Senate Bill 457 in 2020, authorizing local governments to establish Resilience Authorities. These are the same reasons our local, city and county elected officials created the Resilience Authority of Annapolis and Anne Arundel County (Resilience Authority), the first multi-jurisdictional resilience authority in the nation.

So what is resilience? It is more than just withstanding stresses or an impending threat - it also includes the capacity of a community to thrive under a wide range of circumstances. It presents an opportunity to shape thinking and practice. Resilience can offer a positive, engaging vision of the future. As we have seen in the reimagining of Annapolis City Dock - resilience challenges us to consider a community's assets - physical, environmental, and social and to build on those existing strengths.

Over the past 12 months we have secured nearly **\$23 million in federal, state, and local funding and are actively pursuing an additional \$52 million** to protect city and county shorelines, communities, and residents from climate threats. Our projects are aimed at addressing the effects of climate change, including sea-level rise, flooding, increased precipitation, erosion, and heatwaves. This includes flood barriers, shoreline restoration, stormwater infrastructure, elevating buildings, and investing in renewable energy projects.

With the expertise that exists within the City and the County and on the Resilience Authority's Board of Directors and the leadership across Maryland's state agencies, it is no surprise that we have had some early success. I look forward to building upon these successes as we continue our work with our partners who are working to build a strong, diverse field of practice to advance climate resilience in this region.



Matthew Fleming, Director

Resilience Authority of Annapolis and AACO

PURPOSE

Pursuant to the Code of Maryland, Local Government Article, § 22-113, the Anne Arundel County Code, § 3-8A-113(A), and the Annapolis, MD Code of Ordinances § 2.58.110, the Resilience Authority of Annapolis and Anne Arundel County, Inc. (the Resilience Authority) is required to provide the Members of the Senate Budget and Taxation Committee; Members of the Senate Education, Health, and Environmental Affairs Committee; Members of the House Appropriations Committee; Members of the House Environment and Transportation Committee; County Executive Pittman, Members of the County Council, Mayor Buckley, and Members of the City Council an annual report on the activities and financial position of the Resilience Authority during the prior fiscal year.

INTRODUCTION

In May 2020, the Maryland General Assembly Session passed Senate Bill 457, which authorizes local governments to establish Resilience Authorities. The first of its kind, this enabling legislation allows local jurisdictions, individually or jointly, to establish resilience authorities to undertake, finance, manage, acquire, own, convey, or support resilience infrastructure projects to mitigate the effects of climate change. The bill outlines the powers of and requirements and limitations imposed on the local governments and the authorities they establish.

In July 2021, Anne Arundel County and the City of Annapolis passed legislation to establish the first multi-jurisdictional climate resilience financing authority in the United States, pursuant to the Code of Maryland, Local Government Article, Title 22; the Anne Arundel County Code, Article 3, Title 8A; and the Code of the City of Annapolis, Title 2, Chapter 2.58. The Resilience Authority of Annapolis and Anne Arundel County, Inc. was incorporated in the State of Maryland and began its operations on June 30, 2022.

So why a Resilience Authority? The anticipated impacts of climate change are well documented, and the implications for communities like Anne Arundel County and Annapolis are profound. Significant financial investments will be necessary to enable communities across the county and city to adapt and thrive in the face of these challenges. For example, the 2018 National Climate Assessment notes that coastal zone counties account for nearly half of the nation's population and economic activity and that cumulative damage to property in those areas could increase dramatically. The silver lining is that investing in adaptation and resilience can be highly cost-effective. That same National Climate Assessment estimates that such measures could significantly reduce the cumulative damage to coastal property to about \$800 billion instead of \$3.5 trillion. The region is feeling the effects of climate change more and more each year, and the Resilience Authority can make the process of planning, funding, and completing resiliency projects much quicker and efficient – designed to reduce burdens on taxpayers by bringing in outside investments to fund the region's critical infrastructure and community assets at risk from climate change. By providing an efficient and effective mechanism for financing projects, the authority will have the

singular purpose of investing in the infrastructure that drives the economy, protects the environment, and ensures a quality of life for generations to come.

AUDITED FINANCIAL STATEMENTS

The Resilience Authority retained SB & Company to audit the Resilience Authority's Basic Financial Statements. As originally required by § 3-8A-113(A) of the County Code and § 2.58.110 of the City Code, the Resilience Authority was required to provide by January 1 an audit of the prior calendar year's activity that ended only the day before on December 31. Additionally, as the Resilience Authority's mandated December 31 year end was out of sync with the City's and County's June 30 fiscal year end, the Resilience Authority worked with the County and City leadership to amend their respective codes to require the Resilience Authority to submit by January 1 of each year audited financial statements for the preceding fiscal year ending June 30. As this change occurred during this reporting period, provided below are the audited financial statements of the Resilience Authority as of and for the six-month period ending June 30, 2023. Future reports will include the audited financial statements for the full twelve-month period ending June 30. The reader is directed to pages 6-9 of the audited financial statements, Management's Discussion and Analysis, for a narrative overview and analysis of the financial activities of the Resilience Authority for the six-month period ended June 30, 2023.

Fiscal Year 2024 Budget

On April 27, 2023, the Board of Directors adopted a \$20,310,650 operating budget for fiscal year 2024 (FY2024), supported by a \$500,000 unrestricted operating grant from Anne Arundel County; \$19,310,650 of anticipated restricted grants; and the use of \$500,000 of general fund balance. On October 25, 2023, the Board of Directors amended the original FY2024 budget to increase appropriations to \$61,385,100, supported by a \$500,000 unrestricted operating grant from Anne Arundel County and \$64,460,761 of restricted grants with a budgeted surplus of \$3,575,581.

As of December 17, 2023, the Authority has formally been awarded \$21,700,296 of grants to manage, including:

- Jabez Floodplain Rehabilitation Project | Millersville, Maryland | (\$8,919,506)
- Chestnut Hill Community Infrastructure Project | Curtis Bay, Maryland | (\$3,356,790)
- Elktonia and Carrs Beach Restoration Project | Annapolis, Maryland | (\$1,605,000)
- Annapolis Maritime Resilience Initiative | Annapolis, Maryland (\$819,000)
- Anne Arundel County Electric Vehicle Infrastructure Project | Anne Arundel County | (\$7,000,000)

Of the grants awarded, the Authority has received \$2,585,637 from the State of Maryland Department of Natural Resources (DNR) to fund the cash flow needs on a restricted grant from DNR for a coastal floodplain rehabilitation project of the Jabez Branch, a tributary to Severn Run, and \$2,547,425 of this DNR grant has been expended.

ACTIONS TAKEN TO DATE

This section presents an overview and analysis of the activities of the Authority for the twelve-month beginning July 1, 2022 and ending June 30, 2023. The summary of activities is organized around the core components of the Resilience Authority's administrative and programmatic processes: 1) Institutional and governance processes; 2) Initial project portfolio and action plan; and 3) revenue portfolio and strategy.

Highlights for the Twelve-Month Period Ended June 30, 2023

- Established the institution and the structure necessary for ensuring sound governance and implementation.
- Conducted a comprehensive planning review to identify primary hazards, assets, project categories, activities, and actions within each of the jurisdictions.
- Created a Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA) database to understand where the opportunities are and the timing of application deadlines, matching requirements, etc. Collectively they represent almost 400 distinct funded programs for local governments.
- Secured nearly \$23 million in federal, state, and local funding to protect Anne Arundel County's shorelines, communities, and residents from climate threats.
- Seeking an additional \$52 million for projects that are aimed at addressing the effects of climate change, including sea-level rise, flooding, increased precipitation, erosion, and heatwaves.

Institutional and Governance Processes

Since incorporation, the organization has established the administrative, governance, and financial systems and processes necessary to achieve its mission. This includes seating a permanent board of directors appointed by the Anne Arundel County Executive and the Mayor of Annapolis; the County Executive appointing the Authority's first Resilience Authority Director; adopting the organization's bylaws; establishing banking and accounting capacity and processes; and adopting standard operating procedures for procurement. Summary of activities include:

- Established permanent Board of Directors (see below).
- Adopted bylaws and articles of incorporations.
- Updated county and city legislation governing the Resilience Authority to clarify board member terms and the roles and responsibilities of the Authority, the County, and the City.
- Approved debit financing and public-private partnership (P3) standard operating procedures.
- Established a conflict or duality of interest policy.
- Approved budget and procurements standard operating procedures.

- Established accounting processes and internal controls.
- Received a clean audit opinion on the financial statements as of and for the six-months ended December 31, 2022 and as of and for the six-months ended June 30, 2023
- Developed umbrella funding agreements with both the City and County.
- Developed a unifying vision and “decision-making” framework for the Resilience Authority.
- Developed a project portfolio and action plan for the Resilience Authority.

Resilience Authority Board of Directors:

The Resilience Authority’s Board of Directors is a diverse group of nine Anne Arundel residents appointed by the County Executive and three City of Annapolis residents appointed by the Mayor. The Board’s diverse background of experience and knowledge helps the Resilience Authority secure funding opportunities, work with the community, and implement meaningful projects to prepare the city and county for sea level rise, increased flooding, heat waves, and other extreme weather events.

Anne Arundel	Occupation
Jamie Benoit	Chairman and CEO, Wavedancer
Veronique Bugnion	CEO of Clearly Energy, Inc.
Emily Clifton	Associate Executive Director, Low Impact Development Center
Vincent O. Leggett, <i>Secretary</i>	Founder of the Blacks of the Chesapeake Foundation Inc.
Stacy Schaeffer	Director, Resilience Authority of Charles County
Mike Sewell	Safety Director at Ernest Maier, Inc.
Teresa Sutherland, <i>Chair</i>	Certified Public Accountant, Self Employed
Annapolis	Occupation
Nathan Betnun, <i>Vice Chair</i>	Public Finance Banker, Financial Consultant
Mariah Davis	Deputy Director, Choose Clean Water
Jared Littmann, <i>Treasurer</i>	Owner, K&B True Value

* Currently two vacant Anne Arundel County Board Positions

Initial Project Portfolio and Action Plan:

The first and most important step was to establish an initial project portfolio that is focused on quickly moving projects to the “shovel ready” stage of development. Ultimately it is the on-the-ground projects that the Resilience Authority will finance and implement that will determine its success moving forward. Therefore, its initial action plan

prioritized implementing and constructing capital projects quickly. Over time the project portfolio will evolve into a continuously evolving system where projects are identified, designed, installed, and financed based on changing local conditions, needs, and priorities. Over the past year the Resilience Authority focused on interviews with leaders within the county and city governments to identify profile projects that have the potential to move to shovel-ready status within the next 12-24 months. Based on those conversations, the Resilience Authority established an initial project portfolio that would enable the Resilience Authority to take advantage of immediate funding opportunities. The next step in this process was to link each project included in the initial project portfolio with a potential grant program (e.g. BIL or IRA legislation or local grant programs) as presented in the table below.

Initial Project Portfolio/Action Plan	Location	Awarded	Source
Jabez III Floodplain Rehabilitation Project	Millersville, AACO	\$8,919,506.00	State Grant
Chestnut Hill Cove Community Infrastructure Project	Curtis Bay, AACO	\$3,356,790.00	Federal/State Grants
South County Resilience Initiative	Deale, AACO	Pending	Federal/State Grants
Marley Creek Stream & Wetland Restoration	Glen Burnie, AACO	Pending	Federal Grant
Glen Burnie Town Center	Glen Burnie, AACO	Pending	Federal/State Grants
Elktonia and Carrs Beach Rehabilitation Project	City of Annapolis	\$1,605,000.00	Federal Grant
Hawkins Cove Habitat Restoration Project	City of Annapolis	Pending	Federal Grant
Robert Eades Park Shoreline Restoration Project	City of Annapolis	Pending	Federal Grant
Whitehall Shoreline Restoration Project	Annapolis, AACO	Pending	Federal/State Grants
Baltimore MSA Resilience Road Map	Countywide	Pending	Federal Grant
Annapolis Maritime Resilience Initiative	City of Annapolis	\$819,000.00	Federal Grant
Putting Assets to Work Playbook	Countywide	\$85,000.00	Federal/County Grants
Anne Arundel County Electric Vehicle Infrastructure	Countywide	\$7,000,000.00	Federal/County Grants
Baltimore MSA Priority Climate Action Plan	Countywide	\$1,000,000.00	Federal Grant
Totals		\$22,785,296.00	

Revenue Portfolio and Strategy:

Of all the Resilience Authority's activities and functions, it will be its capacity to secure new, sustainable, and scalable revenue streams that will be foundational to its success. Actions taken to date include:

- Created a BIL and IRA Database. An important first step in developing a grant funding program was to understand where the opportunities are and the timing of application deadlines, matching requirements, etc. To that end, the Resilience Authority established funding databases associated with the BIL and IRA programs to identify all the potential funding opportunities associated with these two laws. Collectively they represent almost 400 distinct funded programs that can benefit state and local governments, resulting in an unprecedented amount of federal funding supporting a myriad of infrastructure priorities.
- Grants Funding Strategy. In the short-term, the focus has been on establishing a grant funding strategy that will enable the Resilience Authority to take advantage of immediate funding opportunities. The first step in this process is to link each project included in the initial project portfolio with a potential grant program linked to either the BIL or IRA legislation or state grant program (e.g. Grants Gateway). Once an actionable grant funding strategy is established, the next step will be to develop a more comprehensive long-term revenue plan.
- Putting Assets to Work Playbook. One of the first actions taken by the Resilience Authority was to participate in an innovative infrastructure financing project called the *Putting Assets to Work Incubator*. The Incubator launched on July 1, 2022 to explore the potential of unlocking underutilized publicly-owned real estate assets to generate new revenue and new opportunities. The PAW Incubator was led by the Government Finance Officers Association, the Sorenson Impact Center, and Urban 3, in collaboration with Atlanta, Georgia; the Resilience Authority of Annapolis and Anne Arundel County, Maryland; Chattanooga, Tennessee; Cleveland, Ohio; Harris County, Texas; and Lancaster, California. The PAW Incubator consisted of two phases of work. Phase I consisted of asset mapping to better understand the size and value of the jurisdiction's real estate portfolio. The Phase I work is summarized by the visualizations included in the Playbook. In Phase II, the team worked with experts to evaluate various approaches and structures to put the jurisdiction's assets to work and consulted with representatives of the Authority and the two communities to understand local priorities and preferences that would maximize both jurisdiction's ability to move this work from concept to implementation. The final product was a Playbook that comprises the implementation recommendations developed in Phase II.

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**RESILIENCE AUTHORITY OF ANNAPOLIS AND
ANNE ARUNDEL COUNTY, INC.**

**Financial Statements Together with
Reports of Independent Public Accountants**

For the Six-Month Period Ended June 30, 2023



S B & C O M P A N Y, L L C
KNOWLEDGE • QUALITY • CLIENT SERVICE