



ROCKVILLE, MARYLAND

MEMORANDUM

March 13, 2012

TO: Roger Berliner, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget *JAH*
Joseph F. Beach, Director, Department of Finance *JFB*

SUBJECT: FY12 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. Several departments, as noted below, are experiencing difficulty in meeting attrition and lapse assumptions resulting in higher than anticipated overtime expenditures. The County Executive's recommended operating budget will incorporate the results of this analysis in its allocation of resources for FY13. We will continue to monitor department spending and may make revisions to this estimate to reflect more up-to-date information at the end of the third quarter. Significant expenditure variances are described below.

Second Quarter Expenditure Results

The Board of Elections is estimating an over-expenditure due to additional personnel costs associated with the Fraternal Order of Police's ballot petition.

The Community Engagement Cluster is projecting to be overspent due to hiring of a part-time African and Caribbean Community Liaison and higher than expected personnel costs from the transition to the new office's new organizational structure.

The Office of Consumer Protection is projecting to be overspent due to a filled position that was lapsed in the FY12 budget.

The Department of Correction and Rehabilitation is estimating an over-expenditure due to backfill overtime to cover employee absences and unmet lapse.

The Department of Environmental Protection's estimated over-expenditure is because of higher than budgeted motor pool expenses and less than expected attrition.

The Department of Police is projecting to be overspent due to higher than budgeted automated traffic enforcement contract costs, which are offset by additional citation revenues, and increased fuel costs.

The Department of Public Libraries is projecting to be overspent because its current number of vacancies is insufficient to meet the budgeted lapse assumption.

The Sheriff's Office is projecting to be overspent because of excess compensatory leave payments and overtime.

The State's Attorney is estimating an over-expenditure related to higher than budgeted transcript and translation costs.

The Department of Technology Services' estimated over-expenditure is due to less than expected attrition.

The Department of Transportation's projected over-expenditure is because of unanticipated emergency storm drain system repairs already incurred during FY12.

Transit Services is projecting to be overspent primarily because of higher overtime costs related to backfilling vacant bus operator positions and higher than budgeted fuel costs.

Fire and Rescue Services is projected to be overspent because of higher than budgeted overtime and costs associated with backfilling employee absences in order to meet minimum staffing requirements.

The Department of Recreation is estimated to be overspent because of less than budgeted attrition.

Cable Television's projected over-expenditure is due to increased required pass-through payments.

The following non-departmental accounts are projected to be overspent: Compensation and Employee Benefits because of unemployment insurance payments, State Positions Supplement because of higher than anticipated personnel costs, and the Working Families Income Supplement because of a higher number of beneficiaries.

Second Quarter Revenue Update

Attached is an update on tax revenue collections through the end of the second quarter.

Reserves

The County's FY12 total ending reserves are estimated to be \$294.2 million, or 7.2 percent of adjusted governmental revenues. As discussed with the Council last December, the increase in projected income tax revenues and required contribution to the Revenue Stabilization Fund are the primary reasons for the higher reserve levels compared to the original budget. Additional details on the County's reserves will be included in the Executive's recommended budget on March 15.

Roger Berliner, President, County Council

March 13, 2012

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JAH/JFB:ae

c: Isiah Leggett, County Executive
Timothy L. Firestine, Chief Administrative Officer
Kathleen Boucher, Assistant Chief Administrative Officer
All County Government Department Heads and Merit Directors

Attachments: Second Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 12/31/11

FY12 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Tax Supported					
General Fund					
Board of Appeals	549,090	551,846	551,846	0	0.0%
Board of Elections	4,891,160	4,925,417	4,957,363	-31,946	-0.6%
Circuit Court	9,319,730	9,439,712	9,439,688	24	0.0%
Community Engagement Cluster	2,626,960	2,660,039	2,703,440	-43,401	-1.6%
Consumer Protection	1,948,320	1,976,781	2,038,542	-61,761	-3.1%
Correction and Rehabilitation	61,264,450	62,153,796	63,804,618	-1,650,822	-2.7%
County Attorney	4,039,500	4,082,191	4,082,182	9	0.0%
County Council	8,673,670	8,778,805	8,629,316	149,489	1.7%
County Executive	4,051,120	4,089,312	3,904,647	184,665	4.5%
Economic Development	5,990,310	6,275,914	6,245,912	30,002	0.5%
Emergency Management and Homeland Security	1,247,900	1,260,708	1,021,502	239,206	19.0%
Environmental Protection	1,669,760	1,694,287	1,796,564	-102,277	-6.0%
Ethics Commission	191,430	193,350	193,345	5	0.0%
Finance	9,701,210	9,894,829	9,869,837	24,992	0.3%
General Services	21,354,150	21,632,584	21,600,493	32,091	0.1%
Health and Human Services	171,748,980	173,362,988	172,703,618	659,370	0.4%
Housing and Community Affairs	3,307,560	3,373,776	3,372,982	794	0.0%
Human Resources	5,996,540	6,060,022	6,060,019	3	0.0%
Human Rights	891,580	912,752	757,738	155,014	17.0%
Inspector General	665,510	672,460	545,271	127,189	18.9%
Intergovernmental Relations	815,480	820,499	820,499	0	0.0%
Legislative Oversight	1,228,860	1,251,188	1,242,407	8,781	0.7%
Management and Budget	3,381,500	3,413,145	3,407,514	5,631	0.2%
Merit System Protection Board	150,260	152,151	119,500	32,651	21.5%
Non-Departmental Accounts	189,840,350	177,266,428	177,511,718	-245,290	-0.1%
Police	232,153,140	235,461,719	238,101,706	-2,639,987	-1.1%
Public Information	4,719,510	4,816,992	4,816,992	0	0.0%
Public Libraries	28,353,010	28,776,412	29,214,660	-438,248	-1.5%
Sheriff	19,747,550	20,082,327	20,389,467	-307,140	-1.5%
State's Attorney	11,911,280	12,064,417	12,211,382	-146,965	-1.2%
Technology Services	25,649,440	25,834,783	26,092,194	-257,411	-1.0%
Transportation	36,059,030	36,514,892	37,292,813	-777,921	-2.1%
Utilities	28,526,380	28,526,380	28,355,024	171,356	0.6%
Zoning and Administrative Hearings	572,500	576,291	531,225	45,066	7.8%
General Fund Total	903,237,220	899,549,193	904,386,024	-4,836,831	-0.5%
Special Funds					
<u>Bethesda Urban District</u>					
Urban Districts	3,371,490	3,372,523	3,372,522	1	0.0%
<u>Silver Spring Urban District</u>					
Urban Districts	2,601,390	2,630,862	2,468,776	162,086	6.2%

FY12 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Wheaton Urban District</u>					
Urban Districts	1,426,440	1,439,394	1,405,112	34,282	2.4 %
<u>Mass Transit</u>					
Transit Services	102,750,000	104,079,340	108,353,994	-4,274,654	-4.1 %
<u>Fire</u>					
Fire and Rescue Service	179,769,870	183,510,967	191,168,151	-7,657,184	-4.2 %
<u>Recreation</u>					
Recreation	24,829,990	24,966,485	25,428,091	-461,606	-1.8 %
<u>Economic Development Fund</u>					
Economic Development Fund	4,922,280	6,522,486	6,522,486	0	0.0 %
Special Funds Total	319,671,460	326,522,057	338,719,132	-12,197,075	-3.7 %
TAX SUPPORTED TOTAL	1,222,908,680	1,226,071,250	1,243,105,156	-17,033,906	-1.4 %

Non-Tax Supported

Special Funds

Grant Fund MCG

Circuit Court	2,412,990	2,387,146	2,387,146	0	0.0 %
Community Engagement Cluster	126,560	126,560	126,560	0	0.0 %
Correction and Rehabilitation	0	105,000	105,000	0	0.0 %
County Executive	126,620	126,620	126,620	0	0.0 %
Economic Development	2,344,020	2,344,020	2,344,020	0	0.0 %
Emergency Management and Homeland Security	168,800	168,800	168,800	0	0.0 %
Fire and Rescue Service	243,590	253,590	253,590	0	0.0 %
Health and Human Services	70,325,300	72,515,181	72,515,181	0	0.0 %
Housing and Community Affairs	7,185,590	7,185,590	7,185,590	0	0.0 %
Intergovernmental Relations	30,670	30,670	30,670	0	0.0 %
Non-Departmental Accounts	22,341,360	17,220,685	17,220,685	0	0.0 %
Police	248,630	2,407,014	2,407,014	0	0.0 %
Public Libraries	122,290	122,290	122,290	0	0.0 %
Recreation	64,010	0	0	0	0.0 %
Sheriff	626,620	656,098	656,098	0	0.0 %
State's Attorney	214,310	527,530	527,530	0	0.0 %
Transit Services	4,643,830	4,643,830	4,643,830	0	0.0 %
Transportation	35,510	116,100	116,100	0	0.0 %
Grant Fund MCG subtotal	111,260,700	110,936,724	110,936,724	0	0.0 %

Cable Television

Cable Television	11,813,340	11,837,042	11,878,245	-41,203	-0.3 %
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Montgomery Housing Initiative

Housing and Community Affairs	15,365,760	15,381,987	15,365,500	16,487	0.1 %
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Water Quality Protection Fund

Environmental Protection	15,944,160	15,997,020	15,907,733	89,287	0.6 %
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Special Funds Total	154,383,960	154,152,773	154,088,202	64,571	0.0 %
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FY12 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Enterprise Fund					
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	9,641,460	9,677,033	9,661,724	15,309	0.2%
<u>Bethesda Parking District</u>					
Parking District Services	13,162,250	13,188,847	11,980,030	1,208,817	9.2%
<u>Montgomery Hills Parking District</u>					
Parking District Services	128,970	129,479	129,479	0	0.0%
<u>Silver Spring Parking District</u>					
Parking District Services	11,319,120	11,347,554	11,347,550	4	0.0%
<u>Wheaton Parking District</u>					
Parking District Services	1,295,240	1,299,866	1,299,866	0	0.0%
<u>Permitting Services</u>					
Permitting Services	25,028,630	25,314,593	24,828,904	485,689	1.9%
<u>Solid Waste Collection</u>					
Solid Waste Services	6,281,820	6,294,973	6,294,973	0	0.0%
<u>Solid Waste Disposal</u>					
Solid Waste Services	100,608,190	100,732,520	95,128,520	5,604,000	5.6%
<u>Vacuum Leaf Collection</u>					
Transportation	5,272,920	5,323,685	5,161,689	161,996	3.0%
<u>Liquor Control</u>					
Liquor Control	46,953,280	48,706,965	48,706,965	0	0.0%
Enterprise Fund Total	219,691,880	222,015,515	214,539,700	7,475,815	3.4%
NON-TAX SUPPORTED TOTAL	374,075,840	376,168,288	368,627,902	7,540,386	2.0%
TAX AND NON-TAX SUPPORTED TOTAL	1,596,984,520	1,602,239,538	1,611,733,058	-9,493,520	0.6%
Internal Service Funds					
<u>Employee Health Benefit Self Insurance Fund</u>					
Human Resources	191,567,580	191,583,858	187,803,606	3,780,252	2.0%
<u>Motor Pool Internal Service Fund</u>					
Fleet Management Services	61,113,450	66,177,404	66,177,404	0	0.0%
<u>Printing and Mail Internal Service Fund</u>					
General Services	8,184,150	8,220,468	8,215,045	5,423	0.1%
<u>Self Insurance Internal Service Fund</u>					
Finance	49,264,680	49,323,775	48,994,216	329,559	0.7%
INTERNAL SERVICE FUNDS TOTAL	310,129,860	315,305,505	311,190,271	4,115,234	1.3%

FY12 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDA: Tax Supported - County General Fund					
NDA - Arts and Humanities Council	3,716,890	3,716,890	3,716,885	5	0.0%
NDA - Boards, Committees and Commissions	22,950	22,950	20,650	2,300	10.0%
NDA - Charter Review Commission	1,150	1,150	1,150	0	0.0%
NDA - Community Grants	4,469,000	4,469,000	4,469,390	-390	0.0%
NDA - Compensation and Employee Benefits Adjustment	13,338,150	712,276	859,755	-147,479	-20.7%
NDA - Conference and Visitors Bureau	698,880	750,832	750,768	64	0.0%
NDA - Conference Center	617,510	617,510	617,510	0	0.0%
NDA - Consolidated Retiree Health Benefits Trust (MCPS)	20,000,000	20,000,000	20,000,000	0	0.0%
NDA - Consolidated Retiree Health Benefits Trust (Montgom)	1,000,000	1,000,000	1,000,000	0	0.0%
NDA - Council of Governments	742,940	742,940	742,928	12	0.0%
NDA - County Associations	72,710	72,710	72,710	0	0.0%
NDA - Desktop Modernization	4,815,470	4,815,470	4,815,469	1	0.0%
NDA - Grants to Municipalities in Lieu of Shares Tax	28,020	28,020	28,020	0	0.0%
NDA - Group Insurance-Retirees	32,462,450	32,462,450	32,462,450	0	0.0%
NDA - Historical Activities	287,090	287,090	287,090	0	0.0%
NDA - Homeowners' Association-Roads	25,600	25,600	25,600	0	0.0%
NDA - Housing Opportunities Commission	5,513,840	5,513,840	5,513,840	0	0.0%
NDA - Independent Audit	420,820	420,820	420,820	0	0.0%
NDA - ITPCC	4,250	4,250	4,250	0	0.0%
NDA - Judges Retirement Contribution	3,000	3,000	3,000	0	0.0%
NDA - Leases	23,373,010	23,373,010	23,373,008	2	0.0%
NDA - Montgomery Coalition for Adult English Literacy (MCA)	681,960	681,960	681,960	0	0.0%
NDA - Motor Pool Fund Contribution	817,770	817,770	817,770	0	0.0%
NDA - Municipal Tax Duplication	6,772,310	6,772,310	6,761,393	10,917	0.2%
NDA - Prisoner Medical Services	50,000	50,000	50,000	0	0.0%
NDA - Public Technology, Inc.	17,000	17,000	17,000	0	0.0%
NDA - Retiree Health Benefits Trust	26,075,000	26,075,000	26,075,000	0	0.0%
NDA - Risk Management	17,127,290	17,127,290	17,126,116	1,174	0.0%
NDA - Rockville Parking District	373,640	373,640	371,222	2,418	0.6%
NDA - Snow Removal and Storm Cleanup	5,884,990	5,884,990	5,884,990	0	0.0%
NDA - State Positions Supplement	77,270	77,270	90,455	-13,185	-17.1%
NDA - State Property Tax Services	5,339,430	5,339,430	5,337,359	2,071	0.0%
NDA - State Retirement Contribution	1,081,690	1,081,690	1,081,690	0	0.0%
NDA - Takoma Park Library Annual Payment	95,900	95,900	95,000	900	0.9%
NDA - Takoma Park Police Rebate	922,170	922,170	922,170	0	0.0%
NDA - Working Families Income Supplement	12,910,200	12,910,200	13,014,300	-104,100	-0.8%
NDA: Tax Supported - County General Fund Total	189,840,350	177,266,428	177,511,718	-245,290	-0.1%
NDA: Non-Tax Supported - Grant Fund MCG					
NDA - Compensation and Employee Benefits Adjustment	2,341,360	870,008	870,008	0	0.0%
NDA - Future Fed/State/Other Grants	20,000,000	16,350,677	16,350,677	0	0.0%

FY12 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDA: Non-Tax Supported - Grant Fund MCG Total	22,341,360	17,220,685	17,220,685	0	0.0%

Montgomery County, Maryland

**FY2012 SECOND QUARTERLY
REVENUE UPDATE**

Presentation to the Montgomery County Council

Department of Finance



Revenue Update

First Half Year Results

Total tax revenues, including investment income, totaled \$1.550 billion and were 8.4% above the same period in FY11 due primarily to revenues from the income tax (↑52.2%) and the fuel and energy tax (↑16.7%).

- **Income Taxes:**

- Income tax revenues through December stood at \$417.1 million and approximately \$143.0 million above revenues for the same period in FY11. The increase was attributed to a change in the distribution formula for the quarterly distribution in November, taxpayers filing for an extension, and reconciliation for tax year 2010.
- The change in the formula by the Maryland Comptroller yielded an increase of \$29.8 million (↑14.0%) above the November distribution in FY11. Revenues from extensions and reconciliation were \$117.8 million above last fiscal year or nearly 700 percent.

- **Property Taxes:**

- The General Fund (G.F.) portion of property tax collections (including penalties and interest) was \$991.4 million (↓2.7%) through December compared to the same period in FY11. The decline is attributed to a decrease in the taxable assessable base for real property from the prior year.

Revenue Update

First Half Year Results

- **Property Taxes (continued):**

- Because the triennial reassessment rates for real property declined three years in a row, the real property taxable assessment declined 3.4 percent – the first such decline in recent history

- **Transfer and Recordation Taxes:**

- Revenues from the transfer tax (excluding condominium conversions) through December of FY12 were \$35.0 million, or 2.7% below the same period last fiscal year.
- Revenues from the recordation tax (excluding the CIP portion and the rate premium) were \$20.1 million, a decrease of 7.6% over last fiscal year.
- The decrease in the transfer tax is due primarily to a decline in residential transactions (↓10.5%). The total volume of transfers, not including condo conversions, was down 10.2% during the first half of FY12 compared to last fiscal year. The total volume of recordation tax transactions (excluding CIP portion and rate premium) was down 14.7% compared to the first half of fiscal year 2011. The decrease in recordation tax transactions was attributed to a 11.5 percent decrease in residential activity and 15.9 percent decline in refinancing.
- The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$55.1 million compared to \$57.8 million for the same period last year (↓4.6%).

Revenue Update

First Half Year Results

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$86.3 million, which were 9.7% above the first half of FY11.
- Fuel/energy tax collections totaled \$58.5 million and 16.7% above the same period in FY11.
- Revenues from the telephone tax were \$19.0 million and 1.8% below the previous fiscal year. The decrease revenues is attributed to a significant decline in revenues from landlines.
- Revenues from the hotel/motel tax were 4.3% below the same period last year.
- Revenues from the admissions tax were up 1.8% compared to the same period last year.

Revenue Summary Sheet

	MAJOR REVENUE COLLECTIONS			
	Fiscal Year 2012	Fiscal Year 2011	Variance FY12-FY11	Percent Change
<u>TAXES:</u>				
Income Tax	\$417,114,800	\$274,102,565	\$143,012,236	52.2%
Property Tax (General Fund only)	\$991,371,618	\$1,018,689,706	(\$27,318,088)	-2.7%
Transfer Tax (1)	\$35,023,556	\$36,009,196	(\$985,640)	-2.7%
Recordation Tax (2)	\$20,124,904	\$21,773,271	(\$1,648,367)	-7.6%
Fuel/Energy Tax	\$58,461,976	\$50,109,496	\$8,352,480	16.7%
Telephone Tax	\$18,971,025	\$19,312,693	(\$341,668)	-1.8%
Hotel/Motel Tax	\$8,138,730	\$8,504,271	(\$365,541)	-4.3%
Admissions Tax	\$711,411	\$699,151	\$12,260	1.8%
<u>MISCELLANEOUS:</u>				
Investment Income (3)	\$14,176	\$136,114	(\$121,938)	-89.6%
<u>TOTAL</u>	\$1,549,932,198	\$1,429,336,463	\$120,595,735	8.4%

SOURCE: Revenue data from the County's Oracle eBusiness system.

NOTES: (1) Excludes revenue from condominium conversions
 (2) Excludes School CIP and tax premium allocation
 (3) Pooled investment income only