

County Executive's

FY17 Operating Budget Forum Briefing

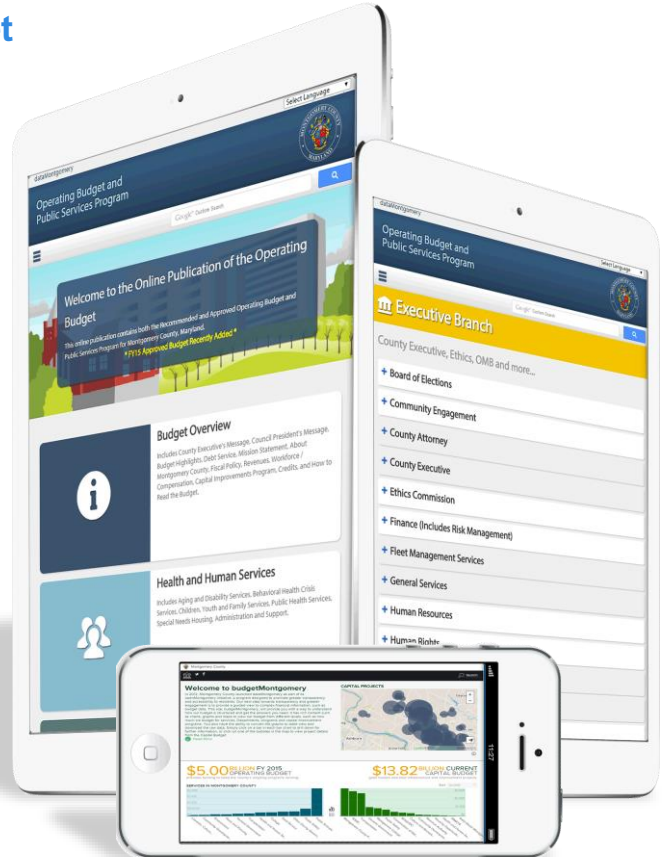
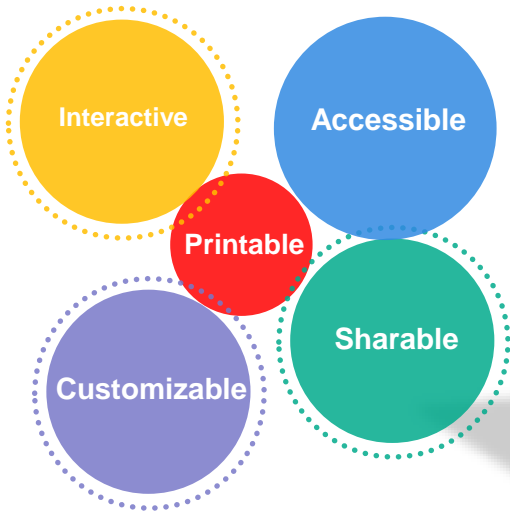
January 2016



Prepared by Montgomery County Office of Management & Budget and Department of Finance

Open Budget – there is something for **everyone!**

montgomerycountymd.gov/openbudget



County Executive priorities



1

**A Responsive and Accountable
County Government**

2

**Affordable Housing in an
Inclusive Community**

3

**An Effective and Efficient
Transportation Network**

4

**Children Prepared to
Live and Learn**

5

**Healthy and Sustainable
Communities**

6

**Safe Streets and
Secure Neighborhoods**

7

**A Strong and Vibrant
Economy**

8

**Vital Living for
All of Our Residents**

Fiscal Update



FY16 Tax Supported Expenditures by Function

Tax Supported Expenditures Only	Appropriation	% of Total	% Sum	FTEs
1. MCPS	\$ 2,176,525,543	49.2%	49.2%	20,602.50
2. Public Safety	\$ 590,314,439	13.4%	62.6%	3,896.76
3. Debt Service	\$ 354,007,970	8.0%	70.6%	-
4. General Govt. & Other Functions	\$ 315,550,731	7.1%	77.7%	1,094.70
5. College	\$ 252,218,195	5.7%	83.4%	1,793.10
6. Health and Human Services	\$ 209,253,900	4.7%	88.2%	1,168.70
7. Transportation	\$ 167,591,725	3.8%	92.0%	1,069.38
8. Retiree Health Insurance	\$ 143,449,060	3.2%	95.2%	-
9. M-NCPPC (Park and Planning)	\$ 117,373,399	2.7%	97.9%	873.24
10. Libraries, Culture, & Recreation	\$ 73,047,169	1.7%	99.5%	801.34
11. Community Dev. and Housing	\$ 18,695,709	0.4%	100.0%	75.00
12. Environment	\$ 2,200,860	0.0%	100.0%	15.09
	\$ 4,420,228,700			31,389.81

Revenue Uncertainty

- **MD State Comptroller v. Wynne** – Supreme Court upheld Maryland Court of Appeals ruling that the State’s practice of not allowing credit for income taxes paid to other states for the county income tax violates the Commerce Clause of the U.S. Constitution. Projection assumes losses of **\$183M through FY19 and \$16M annually after FY19** due to the Wynne case.
- November income tax distribution was **much lower than expected** – forecast has been revised down by a **total of \$135.1M**

FY16 Savings Plan

- County Executive established **significant \$50 million savings** plan goal
- Timing was expedited to ensure maximum effect
- **County Council approved \$54 million savings** plan on July 28

FY17 Fiscal Projection

\$179 million in new resources are needed to balance budget at FY16 spending level

High structural cost increases for:

- **Debt Service**, Reserves, Retiree Health Insurance
- **Maintenance-of-Effort** requirement for MCPS and College








Cost pressure is actually higher because other factors must be accounted for including:

- **Labor agreements** – negotiations underway with the County unions
- **Cost increases** for group insurance, pensions, workers compensation, and general inflation
- **Operating cost** of new facilities and infrastructure
- State Aid or Federal grant and other **revenue shortfalls**
- Demand for **service enhancements**

FY17 Fiscal Projection

Source	\$Millions
Revenues	-\$4.3
Debt Service	\$45.4
CIP Current Revenue / PAY GO	\$12.2
Retiree Health Insurance	\$1.4
Reserves / Set Asides	\$115.2
Total Additional Fixed Costs	\$174.2
Available for Agency Operating Budget	-\$178.5
Available for MCG and MNCPPC	-\$175.7
% Reduction from FY16 Budget	-11.5%

FY17 Fiscal Outlook – Continuing Challenges

-  **Disappointing revenue growth**
-  **State budget uncertainty** – budget reductions, cuts to State Aid
-  **High structural cost increases** – debt service, retiree health, reserves, compensation and benefits
-  State-mandated **Maintenance-of-Effort spending requirements (MOE)** for MCPS and Montgomery College
-  Deferred infrastructure maintenance
-  **Operating impact of new facilities** – libraries, schools, college, recreation centers, and fire stations
-  Unavoidable cost increases related to **energy costs, snow removal, and inflation**

FY17 Fiscal Outlook

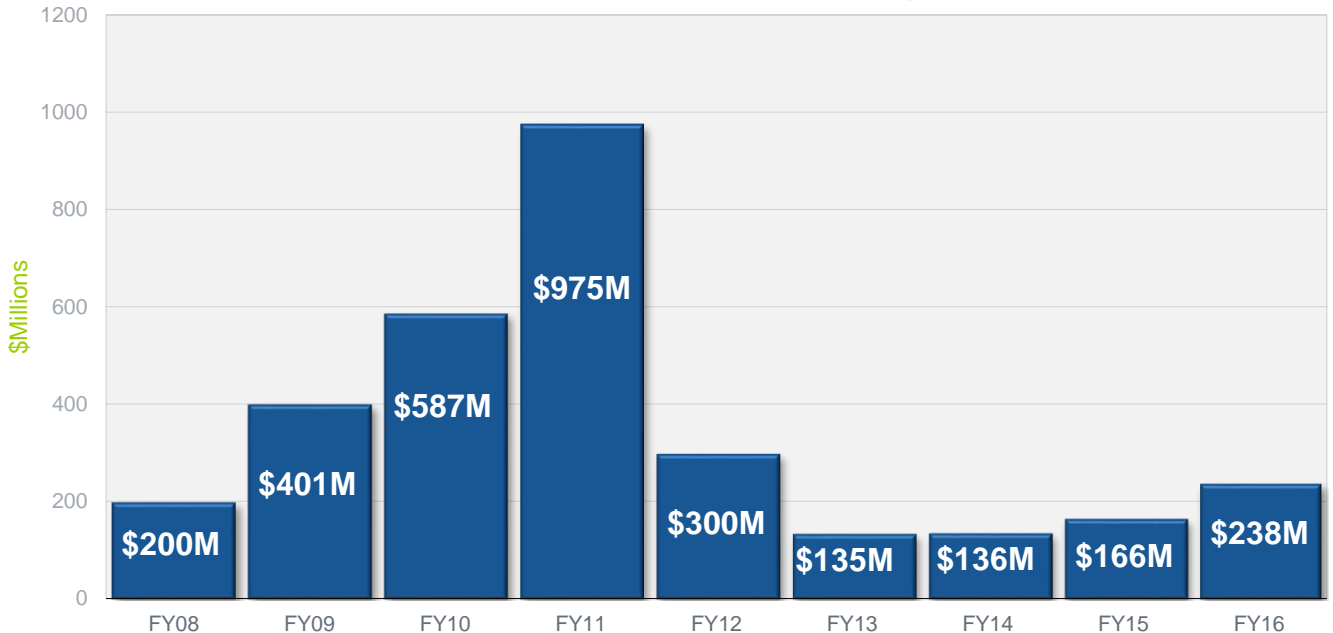
Montgomery County is on the right path to **sustainability**

- ✓ **Closed \$3.1 billion** in budget gaps over the past 9 years
- ✓ **Slowed the rate of growth in expenditures**
- ✓ Successfully implemented plan to **increase reserves**, on track to **reaching 10% goal by 2020**
- ✓ **Increased funding for Retiree Health Insurance (OPEB)**, fully funded annual requirement in FY15
- ✓ **Permanent long-term cost reductions** for:
 - Employee compensation, group insurance, retiree health insurance, and pensions
 - **Reduced over 1200 positions** in the FY08-12 period

Budget Shortfalls Closed

by **County Executive Leggett**

\$3.1 billion over 9 years



Our Budget



Two Budgets **One County**

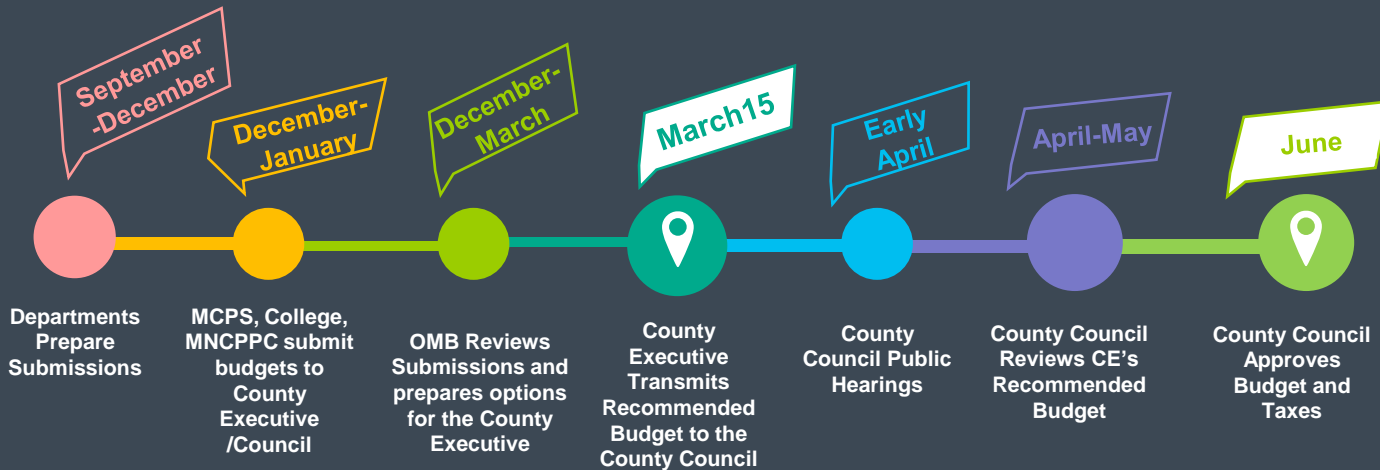
Operating Budget: **Services**

- ✔ K-12 education
- ✔ Community College education
- ✔ Public safety: Police, Fire, Courts, Corrections
- ✔ Transportation: Roads, Traffic, Bus
- ✔ Social Services: Health, Income Maintenance, other
- ✔ Environmental protection
- ✔ Parks, recreation, and libraries
- ✔ Land use planning and regulation
- ✔ Trash collection and disposal
- ✔ Economic development
- ✔ Debt Service

Capital Budget: **Facilities**

- ✔ Schools, College facilities
- ✔ Roads and bridges
- ✔ Water and sewer facilities
- ✔ Information technology infrastructure
- ✔ Libraries
- ✔ Police and fire stations
- ✔ General government facilities
- ✔ Funded primarily through the issuance of bonds (borrowing)

Operating Budget **Process**



Tax Supported

Excludes grants and services supported by fees and charges (non-tax supported funds)

Non-Tax Supported

Funds are **self-sustaining** and generally not subject to fluctuations in tax receipts

Total Non-Tax Supported Funds:
\$662.5 million

Grants:
\$220.1 million

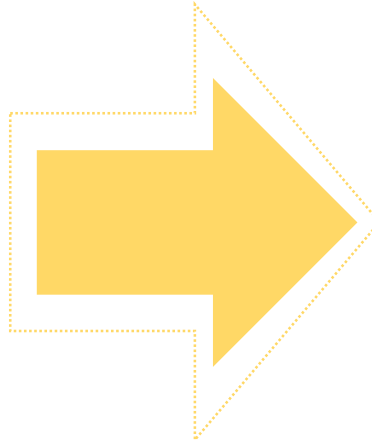
Self-Supporting funds:
\$442.4 million

County Executive's Fiscal Plan

Resources

Net transfers to and from
the General Fund

Revenues



Uses of Resources

Debt service

Current revenue to support
the Capital Budget

Year-end reserves

Agency expenditures

The **budget is balanced** when **projected resources are equal to projected uses**, including funding reserves to the policy level.

FY17-FY22 Fiscal Plan

Selected Fiscal Assumptions: Resources

- ➔ Property tax revenues are projected at the Charter Limit
- ➔ Other tax revenues and user fees are projected at their current rates
- ➔ Level (flat) funding of existing intergovernmental aid formulas, which could change after the Governor releases the State budget
- ➔ Latest revenue estimate: Net **decrease** in anticipated County revenues of **\$135.1 million** (**\$37.1 million in FY16** and **\$98 million in FY17**) compared to estimates assumed at the time the FY16 budget was approved

By law, the greater of 50% of excess revenue or 0.5% of revenues must be allocated to the reserves

FY17-FY22 Fiscal Plan

Selected Fiscal Assumptions: Expenditures

- ➔ Under these assumptions, total agency expenditures must be **reduced 4.5%** to produce a balanced budget in FY16.
- ➔ Because of State law requiring a certain level of funding for MCPS and Montgomery College, County Government and Park and Planning could sustain **reductions of nearly 11.5%**.

County Executive's Six Point Economic Plan

- 1 MOVE/Build Program
- 2 MC Squared
- 3 Montgomery County Transit Authority
- 4 Streamlining Development
- 5 Ultra Montgomery
- 6 Realigning the Countywide Workforce System



County Executive's Six Point Economic Plan

1 MOVE/Build Program

- ➔ A business attraction and retention tool that turns office space and vacant land into tax revenues.
- ➔ MOVE provides leasing subsidy for new office tenants. BUILD provides tax abatement for class A office building construction.

2 MC Squared

- ➔ A set of new incubator and accelerator programs that nurture tech entrepreneurship.
- ➔ Includes a health IT accelerator, a mentoring program and a partnership with DC's 1776 tech incubator.

3 Montgomery County Transit Authority

- ➔ A new public agency with dedicated attention and resources to oversee all aspects of transit matters in the County and move the planned transit projects forward.

County Executive's Six Point Economic Plan

4 Streamlining Development

- ➔ Continue streamlining development approval through a 30-day building permit turn-around and a new Development Ombudsperson position in the Office of the County Executive to facilitate problem-solving.

5 Ultra Montgomery

- ➔ Develops ultra fast (100 gigabit) fiber and WiFi networks to connect business, academic, and federal institutions along major corridors and transit-oriented smart-growth communities.

6 Realigning the Countywide Workforce System

- ➔ A private entity, WorkSource Montgomery, Inc., was established to consolidate and coordinate all workforce programs in the County.
- ➔ Develop innovative ways to address both community needs and market demands, such as creating additional vocational apprenticeship programs.

For further information visit: <http://montgomerycountymd.gov/ep/overview.html>

Community Participation



- ✓ Letters/emails to the County Executive and Councilmembers
- ✓ Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council
- ✓ **Executive Branch sponsored budget forums across the County, where residents and businesses provide input on their priorities**
- ✓ County Executive meets with business leaders, directors of non-profit organizations, and other advocacy groups
- ✓ County Charter requires the Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive
- ✓ Public hearings related to budgets, legislation, and regulations are advertised in local press
- ✓ County Council town hall meetings
- ✓ Letters to local press
- ✓ Citizen participation groups (Taxpayers' League, etc.)