

Montgomery County Government

Capital Budget Forums

Fall 2020

Montgomery County Office of Management & Budget



Agenda



- **Welcome & Introduction – Regional Services Director**
- **Welcome Remarks – Chair, Citizens Advisory Board**
- **Presentation – Office of Management and Budget**
- **Remarks – County Executive Marc Elrich**
- **Community Engagement – Breakout Rooms**
- **Closing Remarks**

OMB Presentation



- **Purpose of Citizens Advisory Boards (CABs) Meetings**
- **Capital Improvements Program (CIP)**
- **FY22-27 Fiscal Outlook**
- **CIP Process Time Frame**
- **Open Budget**
- **County Executive (CE) Capital Budget Priorities**
- **Questions**

Purpose of CIP CAB Meetings

- I. Provide residents with information about the Capital Budget and Capital Improvements Program (CIP)**
- II. Provide residents with an opportunity to express their views and priorities for future capital improvement projects – particularly for the next Full Year CIP (FY23-28).**
- III. Provide information to the County Executive and Departments concerning capital improvement projects.**

Two Budgets - One County



Operating Budget: Services

- K-12 Education
- Community College Education
- Public Safety: Police, Fire, Courts, Corrections and Sheriff
- Transportation: Roads, Traffic and Bus
- Social Services: Health, Income Maintenance and Other
- Environmental Protection
- Parks, Recreation and Libraries
- Land-Use Planning and Regulation
- Trash Collection and Disposal
- Economic Development
- Debt Service

Capital Budget: Facilities

- Schools and College Facilities
- Roads and Bridges
- Water and Sewer Facilities
- Information Technology Infrastructure
- Library Buildings
- Police and Fire Stations
- General Government Facilities
- Funded Primarily Through the Issuance of Bonds

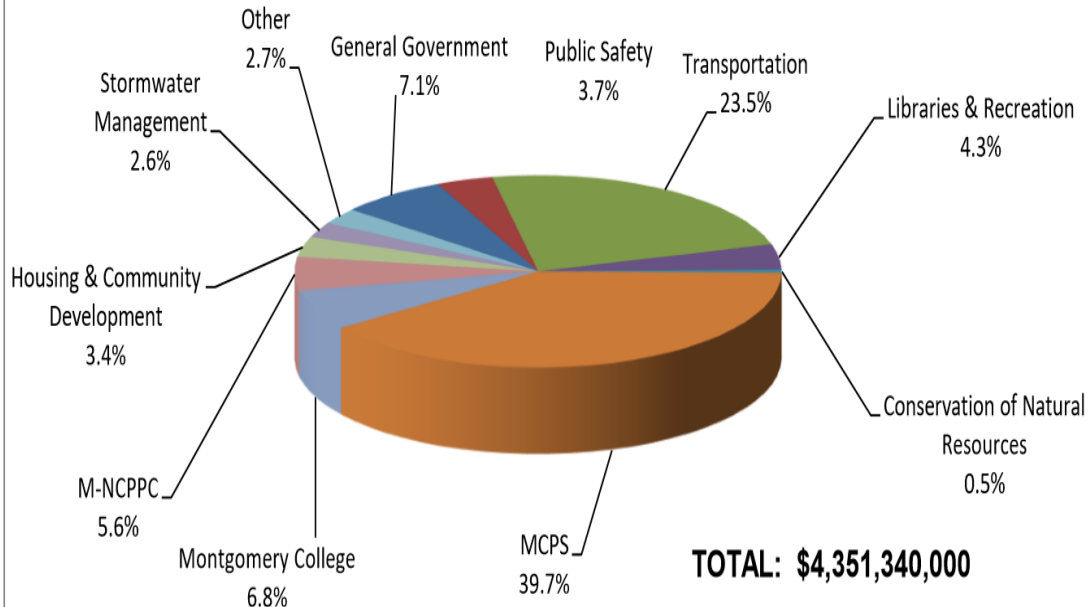
Capital Improvements Program (CIP)

- Capital Improvements **have long-term usefulness and require large expenditures** of capital funds usually programmed over more than one year and result in a durable capital asset.
- **Six-year plan** with a capital budget. New projects are usually added in the last years of the CIP since prior approved projects have used up funds in the early years of the CIP.
- Includes capital expenditure estimates, funding requirements, capital budget requests and program data.
- The County uses a biennial capital budget process.
- Annual capital budget resolution provides the appropriation authority for spending with unused appropriation carried over to later years.
- Each project is described on the **Project Description Form (PDF)**.

CIP Expenditure Summary

**FY21-26 Approved CIP - Six-Year Expenditures (excl WSSC):
\$4.35 Billion**

FY21-26 Approved Six-Year Expenditures Excludes WSSC



FY22-27 Fiscal Outlook



Fiscally Responsible Government

Montgomery County is **focused on financial sustainability**

- ❖ Requirement of a balanced budget in spite of revenue volatility
- ❖ Slow down new debt to reduce the rate of growth in expenditures
- ❖ The adopted FY20 and FY21 budgets met the Reserve contribution target goal of 10% of adjusted governmental revenues. The 10% reserve levels provides a buffer to COVID-19 related revenue volatility.
- ❖ Prefunding for pensions and Retiree Health Insurance (OPEB)

Fiscally Responsible Government

COVID-19 IMPACT SUMMARY

- ❖ **The impact of the COVID-19 virus only began to be known very late in the County's FY21 budget process. There are still many unknown factors – particularly the duration and severity of shut down orders, changes in behavior impacting the economy and resident needs, as well as the complete extent of federal aid to assist residents, businesses and the County.**

Fiscally Responsible Government

COVID-19 IMPACT SUMMARY

- ❖ Existing labor agreements were successfully renegotiated to minimize the financial impact of COVID-19-related differential pay.
- ❖ The FY21 total tax supported budget for all agencies grew 0.8% over the FY20 approved budget.
- ❖ In late July, the County Executive and County Council agreed to a FY21 tax supported operating budget Savings Plan of \$43.7 million. The approved CIP Savings Plan included \$23.4 million in PAYGO savings and \$4.9 million in CIP cash savings.

Fiscally Responsible Government

COVID-19 IMPACT SUMMARY

- ❖ **Revenues and expenditures were trending close to budget through the end of the third quarter, but the Covid-19 crisis led to increased expenditures and revenue reductions in the fourth quarter. Year-end FY20 results are pending but preliminary information seems to indicate that federal support for individuals and businesses has cushioned some of the COVID revenue impacts.**
- ❖ **The County has received \$222.6 million in federal aid that can be used for COVID-19 expenses, and the federal money likely will be spread across FY20 and FY21. Even with significant federal aid, a “continuity of services budget”, and an approved FY21 Savings Plan, it is possible that fund balance and reserves may need to be drawn down.**

FY22-27 Fiscal Outlook

COVID – 19

- ❖ **Pursuing federal assistance – maximum FEMA reimbursements and the County has received \$222.6 million in Coronavirus Aid, Relief and Economic Security Act (CARES) and other federal funding.**
- ❖ **With federal funds (FEMA and CARES), the County is providing grants and assistance programs to the local community. Examples of these programs include: COVID-19 testing, direct financial assistance, rental assistance, food assistance, Public Health Emergency Grants for small businesses, personal protective equipment, unemployment eligibility outreach campaign and telework assistance.**

FY22-27 Fiscal Outlook

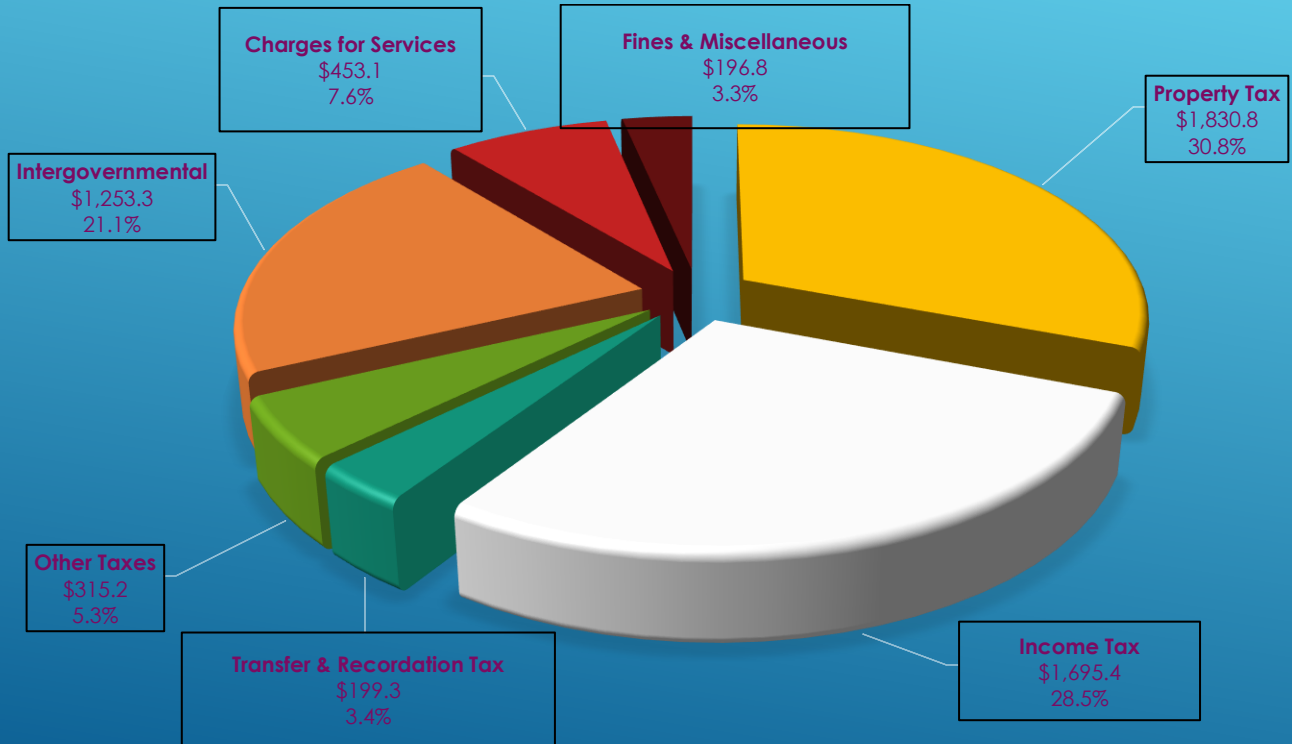
COVID – 19

- ❖ **Differential pay for County employees for work in direct response to the COVID-19 emergency.**
- ❖ **Significant pressure on the commercial real estate market sector.**
- ❖ **Uncertainty as to when the crisis will end.**

FY21 Approved Operating Budget Revenues (millions)

WHERE THE MONEY COMES FROM

TOTAL Revenues - \$5,943.9



* Total approved expenditures in the Operating Budget are \$5,841.3 million. Total revenues support the full Operating Budget, cash funding in the CIP and contributions to reserves.

FY22-27 Fiscal Outlook

Revenues – Mixed Signals

- ❖ Implementation of Master/Sector Plans: White Flint; Shady Grove; Great Seneca; Wheaton; East County Science Center will ultimately increase revenues
- ❖ County revenues will be significantly impacted by the MD State Comptroller v. Wynne income tax case. Quarterly payments to the State for refunds associated with Wynne:
 - **\$3.7 million in FY21 and \$7.3M annually beginning in FY22 and continuing through the first half of FY41**
 - **Total impact is \$145.6 million**

FY22-27 Fiscal Outlook

Revenues – Mixed Signals

- ❖ **Property tax assessments increased 2.3 percent in FY2020**
- ❖ **Energy Tax increase has been reduced by 27 percent since FY12**
- ❖ **Due to COVID-19, homes sales have decreased 2.2% through July 2020 compared to January - July 2019**
- ❖ **Because of the COVID-19 crisis, the County's unemployment rate was 7.4% in July 2020 compared to 3.2% in July 2019**

FY22-27 Fiscal Outlook

Revenues - Continued Risk and Uncertainty

- ❖ July revenue updates projected a \$190 million reduction in revenues in FY21 – and over a \$1 billion reduction during the next six years. This will have long-term financial consequences due to the charter limit.
- ❖ In July, revenues for FY21 and FY22 were estimated to be LESS than FY20, not recovering until FY23.
- ❖ The State of Maryland recently reported ending FY20 with a surplus.

FY22-27 Fiscal Outlook

Revenues - Continued Risk and Uncertainty

- ❖ **The County's August income tax distribution was above revised estimates.**
- ❖ **Additional federal COVID support for individuals, businesses and local governments is uncertain.**
- ❖ **Federal COVID unemployment and business assistance programs were critical in mitigating County and State revenues.**
- ❖ **Critical information needed to refine revenue estimates will not be known until late September (property taxes) and November (income taxes).**

FY22-27 Fiscal Outlook

Approved FY21 Operating Budget Fiscal Picture

- ❖ **A large portion of the General Fund expenditures are mandatory.** MCPS and College budgets are subject to future MOE requirements, Revenue Stabilization Fund and debt service payments constituted 64.2% of the FY21 approved general fund revenues.
- ❖ **The approved FY21 operating budget was a ‘continuity of services’ budget and assumed revenues as of March 2020.**

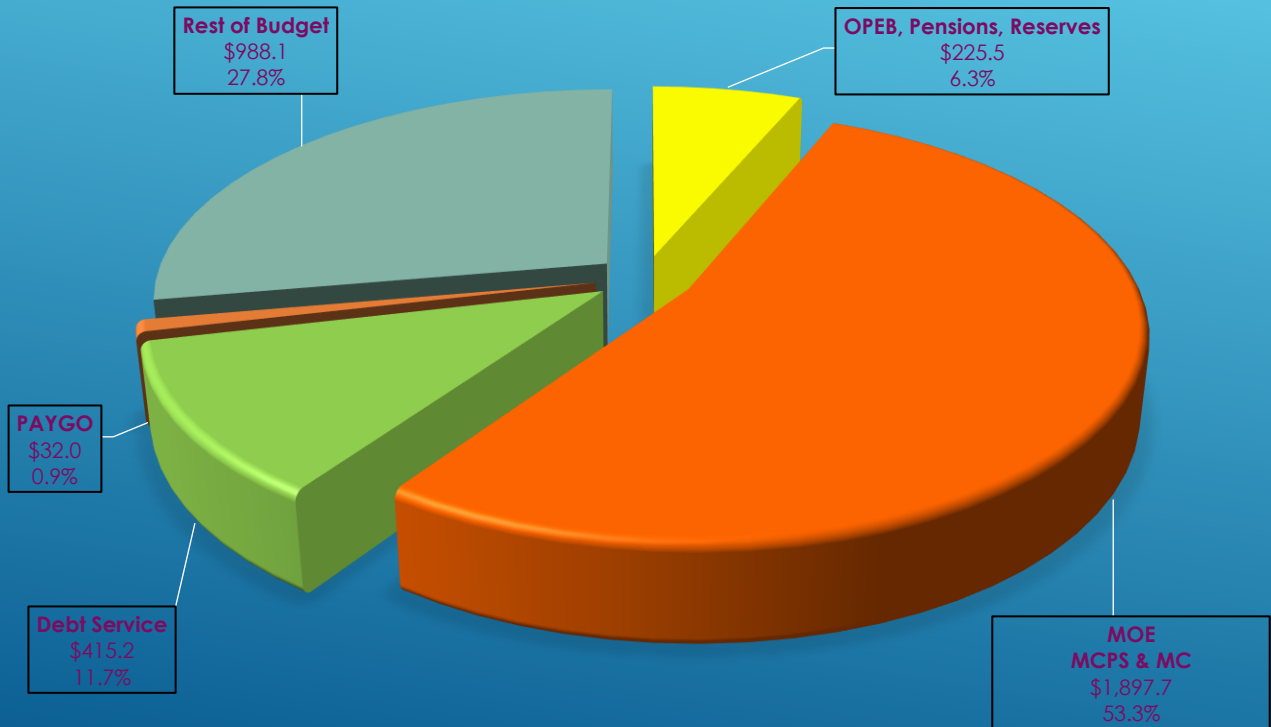
FY22-27 Fiscal Outlook

Approved FY21 Operating Budget Fiscal Picture

- ❖ **FY21 fees, bus fares, licenses, permits, fines and other revenue are likely to be significantly impacted in the General, Mass Transit and Recreation Funds by COVID. A 25 percent decline in these revenue sources would equal approximately \$35.9 million in reduced revenues compared to the FY21 approved budget**

FY21 Fixed & Other Commitments as a % of General Fund revenue (millions)

TOTAL GENERAL FUND REVENUE - \$3,558.5



FY22-27 Fiscal Outlook



Operating Expenditures: Growing Needs and Challenges

- ❖ **COVID-19 crisis**
- ❖ **Student Enrollment Increasing**
- ❖ **Operating impact of new facilities**
- ❖ **Cost and Price Spikes: Weather/Snow Removal; fuel and energy prices; food prices; etc.**
- ❖ **Debt Service**

FY22-27 Fiscal Outlook



CIP Fiscal Challenges

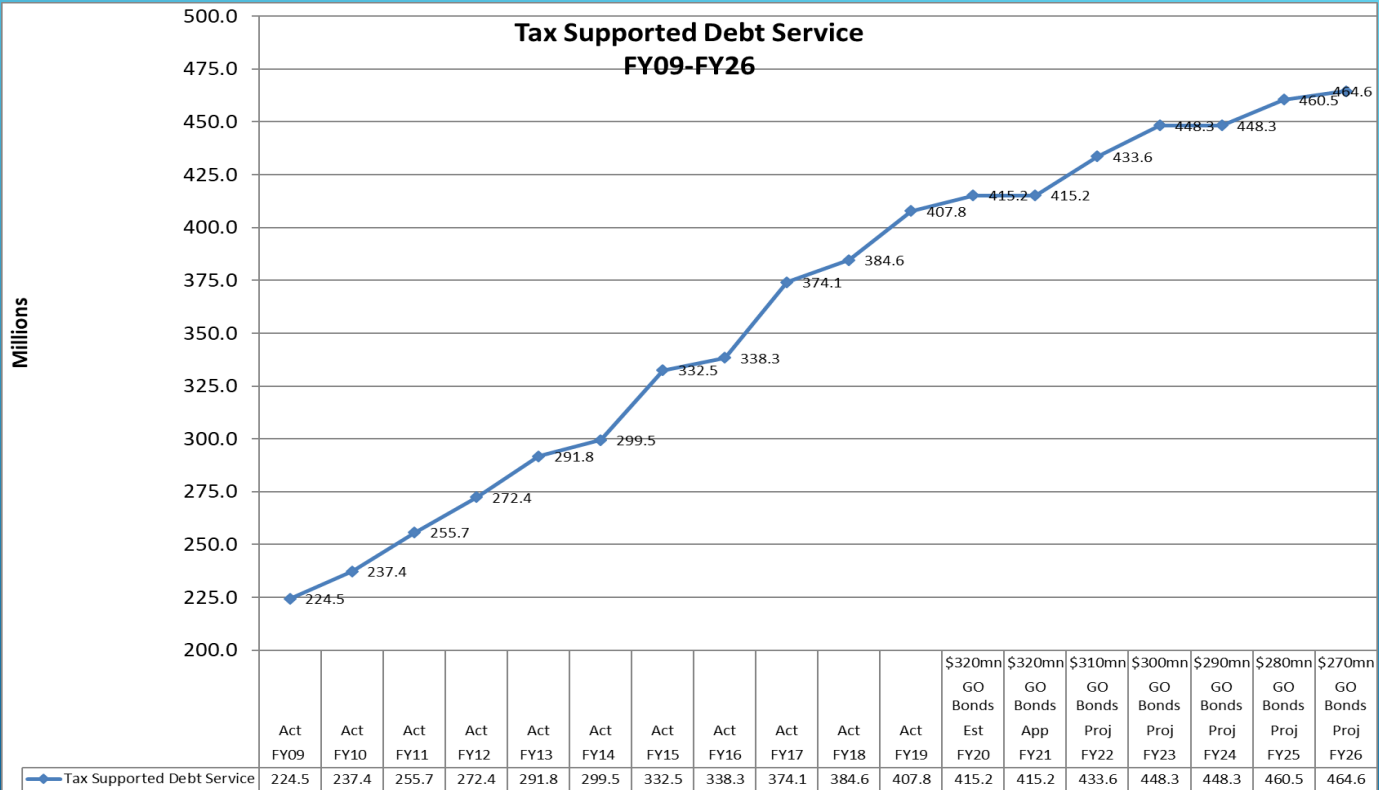
- ❖ MCPS enrollment growth is expected to require significant funding for new schools and additions to avoid significant increases in the use of relocatable classrooms and putting areas of the county into moratorium.
- ❖ Construction costs have been increasing
- ❖ More funding is needed for HVAC, Roof Replacement, Road Resurfacing and other level of effort projects to protect our infrastructure – particularly as renovations and modernizations are delayed.
- ❖ Community expectations (i.e. master plans, etc.)
- ❖ Capital budget demands on the operating budget may be unaffordable.

CIP Impacts on the Operating Budget

- ❖ **Direct cash contributions in the FY21 approved budget**
 - ❑ PAYGO \$8.6M (after \$23.4M savings plan reduction)
 - ❑ Other Cash \$61.0M (after \$4.9M savings plan reduction)
- ❖ **Cost to Operate New/Expanded Facilities**
- ❖ **Debt Service – e.g. Every \$10 million in Debt increases annual debt service by \$1 million. Debt service payments continue for 20 years.**

FY22-27 Fiscal Outlook

Tax-Supported Debt Service, FY09-FY26



Debt Service Opportunity Costs

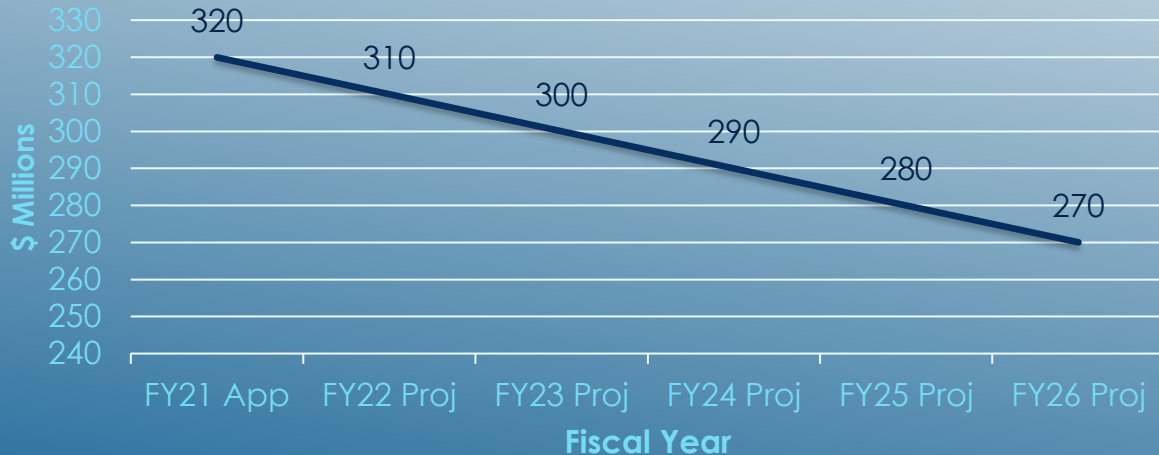
Every \$1 million used for debt service could also be used for:

- ❖ 14 public school teachers
- ❖ 9 fire fighters
- ❖ Operating 1 library for a year (except for large libraries such as Silver Spring and Rockville)
- ❖ Operating 8 Senior Centers
- ❖ Operating 5 Recreation Community centers
- ❖ Operating 3 Elementary School Excel Beyond the Bell Programs
- ❖ Rental assistance for 416 families
- ❖ Emergency shelter for 160 clients
- ❖ Respite care for 324 clients
- ❖ Childcare subsidies for 143 children for a year
- ❖ Services for 4,428 Montgomery Cares clients
- ❖ 1,274 County-funded Maternity Partnership program
- ❖ 1,594 Housing Stabilization grants
- ❖ Pruning 2,150 trees
- ❖ Purchasing 2 buses
- ❖ Renovations for 250 bus stops

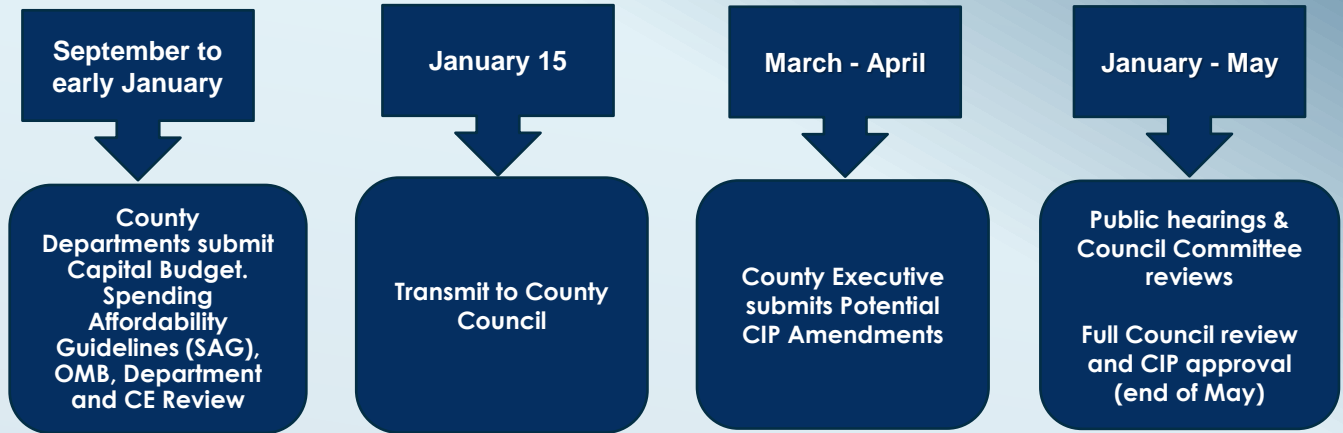
GO Bond Borrowing



FY21 Approved to FY26 Projection



CIP Budget Process Time Frame



Open Budget – there's something for everyone!

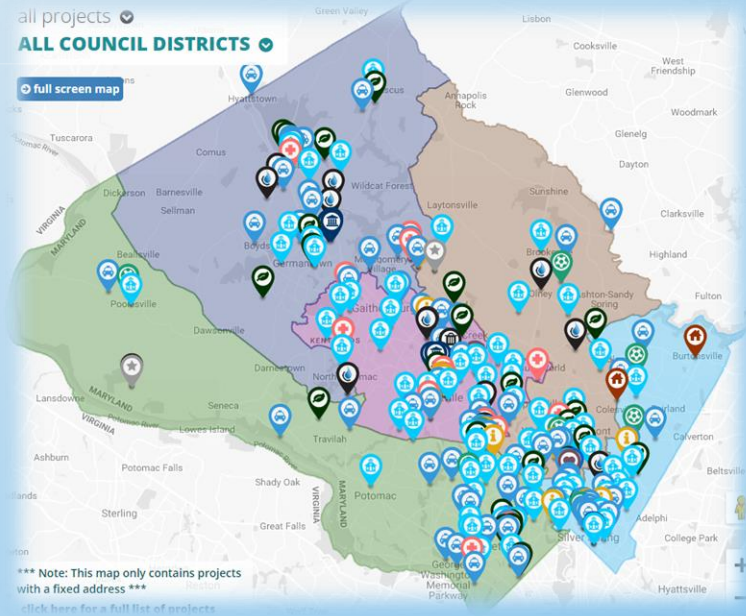
Interactive

Accessible

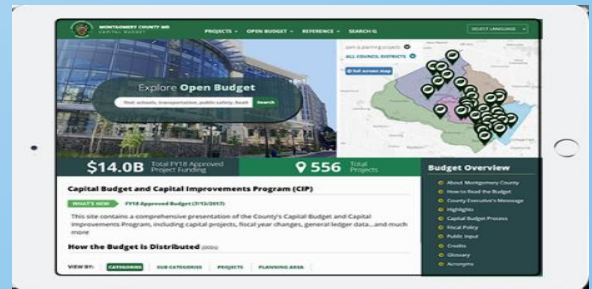
Printable

Customizable

Sharable



montgomerycountymd.gov/openbudget





County Executive Marc Elrich

County Executive Marc Elrich's Signature Initiatives



- **Expanding** Early Care and Education
- **Preserving & Increasing** Affordable Housing
- **Fighting** Climate Change
- **Building** Bus Rapid Transit
- **Improving** Economic and Community Development
- **Reimagining** Public Safety
- **Advancing** Racial Equity & Social Justice

County Executive Marc Elrich's Signature Initiatives



Capital Budget Efforts that Support Executive Initiatives

- Child Care Renovations
- Affordable Housing Initiatives to leverage private sector funding to preserve and increase the County's affordable housing stock
- Electrifying and increasing efficiency of new and existing buildings
- Increasing use of electric buses
- Investing in resource recovery and recycling facilities

County Executive Marc Elrich's Signature Initiatives



Capital Budget Efforts that Support Executive Initiatives

- Bus Rapid Transit
 - US29 FLASH Service opening in October runs from Burtonsville to Silver Spring
 - Design work progressing on the Viers Mill and MD355 lines, as well as additional dedicated lanes on US29
 - Planning will begin for New Hampshire Avenue and the North Bethesda Transitway

County Executive Marc Elrich's Signature Initiatives



Capital Budget Efforts that Support Executive Initiatives

- Maintain support for Wheaton, White Flint and White Oak economic redevelopment
- Replace a leased fire station and police station to better meet public safety needs and reduce long term costs
- Continue to explore collaborations for facilities that provide mental health and substance abuse treatment services to avoid incarceration

ADVANCING RACIAL EQUITY

- ▶ Racial Equity means ... Closing the gaps so that race does not predict one's success, while also improving outcomes for all.
- ▶ To close the gap... we focus on communities of color to target improvements for those most burdened by racial inequity
- ▶ Moving beyond “services” to transform policies, institutions, and structures (i.e. systems)

County Executive Remarks

– Charter Limit



MONTGOMERY COUNTY BALLOT QUESTIONS **PROTECT OUR FUTURE**



QUESTION A

Funds our essential and emergency services through the pandemic and future needs.



QUESTION B

Restricts funding for emergency and essential services, even during the ongoing public health emergency.

County Executive Remarks – Charter Limit



Limitations of Current Charter Limit

- New Construction value is not fully captured
- The County does not benefit from increased economic growth (increased assessments) but has to pay for the costs of that growth
- Inflationary limit bears no relationship to the growth in population or school enrollment

Questions?



BREAKOUT ROOM DISCUSSIONS IN SESSION:

- ❑ Transportation
- ❑ Education
- ❑ Recreation, Parks, and Libraries
- ❑ Environment
- ❑ Health and Human Services/Other CIP Topics