



ROCKVILLE, MARYLAND

MEMORANDUM

May 15, 2013

TO: Nancy Navarro, President, County Council

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

SUBJECT: FY13 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. Third quarter results are consistent with the results reported at second quarter and in line with the reserve assumptions in the Executive's recommended budget. The Executive's supplemental appropriation request for snow removal/wind and rain storm cleanup costs is reflected in the third quarter estimates for the Department of Transportation and the Department of General Services. In addition, the expenditure estimate for Montgomery County Fire and Rescue Service reflects reduced expectation of Emergency Medical Services Transport Reimbursement revenue in FY13 (\$3 million compared to \$6.9 million at second quarter). Significant expenditure variances are described below.

Third Quarter Expenditure Results

The Board of Elections overspent because of Hurricane Sandy, the requirement to add more election judges at Early Voting Centers, and problems related to the absentee ballot.

The Department of Correction and Rehabilitation's projected overage is due to higher than budgeted retirement costs, increased facility and equipment repair costs, and higher food costs.

While the Department of Economic Development has experienced savings from vacant positions, the department has incurred unbudgeted costs related to Federal and State lobbying contracts, a business incubator study, and a cyber security requirements study.

The Office of Human Resources' projected overage is due to difficulty meeting the budgeted lapse assumption and the need to increase temporary personnel to support the deployment of Oracle Workforce Performance Management.

The Office of Human Rights' projected overage is due to filling a position at a higher salary cost than funded in the budget.

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

The State's Attorney's projected overage is due to the expiration of the Gang Grant (replaced with general operating budget funds) and higher than budgeted transcript and translation costs.

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

Transit Services' projected overage is due to backfill overtime, holiday premium pay, higher than budgeted fuel and motor pool costs, and increased reimbursements to WMATA for Kids Ride Free and Seniors Ride Free.

Fire and Rescue Service is projected to be overspent because of increased emergency and holiday pay and backfill overtime to meet minimum staffing requirements.

Cable Television's projected overage is due to increased required municipal pass-through payments.

The following non-departmental accounts are projected to be overspent: Rockville Parking District because of higher employee parking costs and the Working Families Income Supplement because of increased beneficiary payments.

Third Quarter Revenue Update

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

Reserves

The County's FY13 total ending reserves are estimated to be \$390.1 million, or 9.1 percent of adjusted governmental revenues. This is in line with the reserves reported at second quarter. The set aside included in the County Executive's March 15 Recommended Budget has been reduced, as anticipated, to fund his recommended budget adjustments of April 25 and the snow removal supplemental appropriation request transmitted to the County Council on May 1.

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: Third Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 3/31/13

FY13 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Tax Supported					
General Fund					
Board of Appeals	577,686	577,686	562,870	14,816	2.6 %
Board of Elections	6,175,309	6,175,309	6,540,825	-365,516	-5.9 %
Circuit Court	10,330,453	10,330,453	10,330,453	0	0.0 %
Community Engagement Cluster	3,253,049	3,253,049	2,984,787	268,262	8.2 %
Consumer Protection	2,182,612	2,182,612	2,153,451	29,161	1.3 %
Correction and Rehabilitation	65,181,902	65,181,902	66,115,996	-934,094	-1.4 %
County Attorney	5,736,881	5,736,881	5,631,586	105,295	1.8 %
County Council	9,333,290	9,333,290	9,333,290	0	0.0 %
County Executive	4,421,467	4,421,467	4,315,223	106,244	2.4 %
Economic Development	9,197,933	9,197,933	9,400,614	-202,681	-2.2 %
Emergency Management and Homeland Security	1,283,188	1,283,188	1,142,141	141,047	11.0 %
Environmental Protection	1,510,982	1,510,982	1,492,910	18,072	1.2 %
Ethics Commission	307,776	307,776	303,924	3,852	1.3 %
Finance	10,791,460	10,791,460	10,758,021	33,439	0.3 %
General Services	24,726,123	28,280,573	28,280,573	0	0.0 %
Health and Human Services	181,733,135	181,833,135	180,496,532	1,336,603	0.7 %
Housing and Community Affairs	4,468,267	4,468,267	4,465,491	2,776	0.1 %
Human Resources	7,136,988	7,136,988	7,187,944	-50,956	-0.7 %
Human Rights	896,948	896,948	921,102	-24,154	-2.7 %
Inspector General	687,373	687,373	685,592	1,781	0.3 %
Intergovernmental Relations	848,028	848,028	691,564	156,464	18.5 %
Legislative Oversight	1,331,137	1,331,137	1,324,576	6,561	0.5 %
Management and Budget	3,697,949	3,697,949	3,373,570	324,379	8.8 %
Merit System Protection Board	159,097	159,097	116,980	42,117	26.5 %
Non-Departmental Accounts	238,975,664	233,090,674	232,777,347	313,327	0.1 %
Police	250,350,841	250,254,558	250,102,279	152,279	0.1 %
Public Information	5,016,769	5,016,769	5,016,539	230	0.0 %
Public Libraries	31,362,801	31,362,801	30,931,210	431,591	1.4 %
Sheriff	20,972,895	20,931,995	21,465,997	-534,002	-2.6 %
State's Attorney	12,729,550	12,729,550	13,236,451	-506,901	-4.0 %
Technology Services	26,259,783	26,259,783	26,243,749	16,034	0.1 %
Transportation	41,128,342	59,788,407	60,171,881	-383,474	-0.6 %
Utilities	26,109,860	26,109,860	26,109,860	0	0.0 %
Zoning and Administrative Hearings	592,188	592,188	481,277	110,911	18.7 %
General Fund Total	1,009,467,726	1,025,760,068	1,025,146,604	613,464	0.1 %
Special Funds					
<u>Bethesda Urban District</u>					
Urban Districts	3,416,886	3,416,886	3,416,886	0	0.0 %
<u>Silver Spring Urban District</u>					
Urban Districts	2,702,477	2,702,477	2,433,521	268,956	10.0 %

FY13 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Wheaton Urban District</u>					
Urban Districts	1,525,489	1,517,819	1,408,793	109,026	7.2 %
<u>Mass Transit</u>					
Transit Services	113,854,693	113,854,693	115,567,023	-1,712,330	-1.5 %
<u>Fire</u>					
Fire and Rescue Service	204,946,888	204,276,327	204,366,878	-90,551	0.0 %
<u>Recreation</u>					
Recreation	25,979,636	25,979,636	25,911,638	67,998	0.3 %
<u>Economic Development Fund</u>					
Economic Development Fund	5,090,020	11,600,409	11,600,409	0	0.0 %
Special Funds Total	357,516,089	363,348,247	364,705,148	-1,356,901	-0.4 %
TAX SUPPORTED TOTAL	1,366,983,815	1,389,108,315	1,389,851,752	-743,437	-0.1 %

Non-Tax Supported

Special Funds

Grant Fund MCG

Circuit Court	2,381,482	248,910	248,910	0	0.0 %
Community Engagement Cluster	60,190	60,190	60,190	0	0.0 %
County Executive	126,620	257,852	257,852	0	0.0 %
Economic Development	2,742,854	2,999,516	2,999,516	0	0.0 %
Emergency Management and Homeland Security	171,707	2,176,148	2,176,148	0	0.0 %
Fire and Rescue Service	130,200	7,680,332	7,680,332	0	0.0 %
Health and Human Services	70,570,027	75,658,824	75,658,824	0	0.0 %
Housing and Community Affairs	5,355,360	7,958,916	7,958,916	0	0.0 %
Intergovernmental Relations	30,670	46,003	46,003	0	0.0 %
Non-Departmental Accounts	20,000,000	2,283,323	2,283,323	0	0.0 %
Police	248,630	1,549,587	1,549,587	0	0.0 %
Public Libraries	52,290	52,290	52,290	0	0.0 %
Recreation	71,195	152,173	152,173	0	0.0 %
Sheriff	663,000	783,034	783,034	0	0.0 %
State's Attorney	195,691	314,711	314,711	0	0.0 %
Technology Services	0	691,000	691,000	0	0.0 %
Transit Services	4,688,174	4,688,174	4,688,174	0	0.0 %
Transportation	35,510	35,510	35,510	0	0.0 %
Grant Fund MCG subtotal	107,523,600	107,636,493	107,636,493	0	0.0 %

Cable Television

Cable Television	13,146,951	13,146,951	13,277,438	-130,487	-1.0 %
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Montgomery Housing Initiative

Housing and Community Affairs	19,671,748	19,671,748	19,652,922	18,826	0.1 %
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Water Quality Protection Fund

Environmental Protection	17,714,898	17,714,898	17,479,169	235,729	1.3 %
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Special Funds Total	158,057,197	158,170,090	158,046,022	124,068	0.1 %
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FY13 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd 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	10,106,050	10,106,050	9,916,343	189,707	1.9 %
<u>Bethesda Parking District</u>					
Parking District Services	13,033,228	13,033,228	12,704,240	328,988	2.5 %
<u>Montgomery Hills Parking District</u>					
Parking District Services	132,367	132,367	139,323	-6,956	-5.3 %
<u>Silver Spring Parking District</u>					
Parking District Services	10,947,342	10,947,342	10,477,731	469,611	4.3 %
<u>Wheaton Parking District</u>					
Parking District Services	1,317,820	1,317,820	1,314,775	3,045	0.2 %
<u>Permitting Services</u>					
Permitting Services	27,619,194	27,619,194	27,580,926	38,268	0.1 %
<u>Solid Waste Collection</u>					
Solid Waste Services	6,166,291	6,166,291	6,109,291	57,000	0.9 %
<u>Solid Waste Disposal</u>					
Solid Waste Services	102,246,595	102,246,595	99,752,385	2,494,210	2.4 %
<u>Vacuum Leaf Collection</u>					
Transportation	5,444,337	5,044,337	5,031,430	12,907	0.3 %
<u>Liquor Control</u>					
Liquor Control	50,696,632	50,696,632	50,696,632	0	0.0 %
Enterprise Fund Total	227,709,856	227,309,856	223,723,076	3,586,780	1.6 %
NON-TAX SUPPORTED TOTAL	385,767,053	385,479,946	381,769,097	3,710,849	1.0 %
TAX AND NON-TAX SUPPORTED TOTAL	1,752,750,868	1,774,588,261	1,771,620,849	2,967,412	0.9 %
Internal Service Funds					
<u>Employee Health Benefit Self Insurance Fund</u>					
Human Resources	195,258,582	195,258,582	182,669,965	12,588,617	6.4 %
<u>Motor Pool Internal Service Fund</u>					
Fleet Management Services	70,786,846	71,331,699	75,115,635	-3,783,935	-5.3 %
<u>Printing and Mail Internal Service Fund</u>					
General Services	8,503,416	8,503,416	8,135,054	368,362	4.3 %
<u>Self Insurance Internal Service Fund</u>					
Finance	50,456,282	50,456,282	50,456,282	0	0.0 %
INTERNAL SERVICE FUNDS TOTAL	325,005,126	325,549,979	316,376,935	9,173,044	2.8 %

FY13 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDA: Tax Supported - County General Fund					
NDA - Arts and Humanities Council	3,372,700	3,372,700	3,372,700	0	0.0 %
NDA - Boards, Committees and Commissions	22,950	22,950	22,906	44	0.2 %
NDA - Charter Review Commission	150	150	150	0	0.0 %
NDA - Community Grants	5,888,827	5,888,827	5,888,827	0	0.0 %
NDA - Compensation and Employee Benefits Adjustment	721,071	721,071	691,138	29,933	4.2 %
NDA - Conference and Visitors Bureau	666,806	666,806	666,806	0	0.0 %
NDA - Conference Center	565,040	565,040	447,686	117,354	20.8 %
NDA - Consolidated Retiree Health Benefits Trust (MCPS)	58,853,092	58,853,092	58,853,092	0	0.0 %
NDA - Consolidated Retiree Health Benefits Trust (Montgom	1,779,914	1,779,914	1,779,914	0	0.0 %
NDA - Council of Governments	770,500	770,500	767,173	3,327	0.4 %
NDA - County Associations	72,710	72,710	72,709	1	0.0 %
NDA - Desktop Modernization	5,315,030	5,315,030	5,315,030	0	0.0 %
NDA - Grants to Municipalities in Lieu of Shares Tax	28,020	28,020	28,012	8	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	49,250	49,250	49,250	0	0.0 %
NDA - Housing Opportunities Commission	5,583,230	5,583,230	5,583,230	0	0.0 %
NDA - Independent Audit	420,820	420,820	420,820	0	0.0 %
NDA - Interagency Technology Policy and Coordination Com	4,250	4,250	4,250	0	0.0 %
NDA - Leases	23,650,520	23,650,520	23,650,520	0	0.0 %
NDA - Legislative Branch Communications Outreach	580,000	580,000	580,000	0	0.0 %
NDA - Montgomery Coalition for Adult English Literacy (MCA	716,058	716,058	716,058	0	0.0 %
NDA - Montgomery County Employee Retirement Plans	0	0	0	0	0.0 %
NDA - Motor Pool Fund Contribution	1,466,225	1,466,225	1,466,225	0	0.0 %
NDA - Municipal Tax Duplication	8,174,160	8,174,160	8,144,804	29,356	0.4 %
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	41,386,568	41,386,568	41,386,568	0	0.0 %
NDA - Risk Management	17,282,930	17,282,930	17,282,930	0	0.0 %
NDA - Rockville Parking District	375,000	375,000	378,016	-3,016	-0.8 %
NDA - Snow Removal and Storm Cleanup	5,884,990	0	0	0	0.0 %
NDA - State Positions Supplement	85,113	85,113	64,702	20,411	24.0 %
NDA - State Property Tax Services	5,339,430	5,339,430	5,266,220	73,210	1.4 %
NDA - State Retirement Contribution	1,135,590	1,135,590	1,135,590	0	0.0 %
NDA - Takoma Park Library Annual Payment	151,320	151,320	127,618	23,702	15.7 %
NDA - Takoma Park Police Rebate	949,860	949,860	927,664	22,197	2.3 %
NDA - Working Families Income Supplement	14,867,000	14,867,000	14,870,200	-3,200	0.0 %
NDA: Tax Supported - County General Fund Total	238,975,664	233,090,674	232,777,347	313,327	0.1 %

NDA: Non-Tax Supported - Grant Fund MCG

NDA - Future Fed/State/Other Grants	20,000,000	2,283,323	2,283,323	0	0.0 %
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FY13 3RD QUARTERLY ANALYSIS

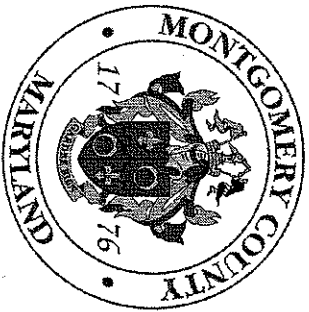
Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDAs: Non-Tax Supported - Grant Fund MCG Total	20,000,000	2,283,323	2,283,323	0	0.0 %

Montgomery County, Maryland

**FY2013 THIRD QUARTER REVENUE
UPDATE**

Presentation to the Montgomery County Council

Department of Finance



Revenue Update

Three Quarter Fiscal Year Results

Total tax revenues, including investment income, totaled \$2.093 billion and were 4.3% above the same period in FY12 due primarily to revenues from the recordation tax (↑38.3%) and the fuel energy tax (↑34.9%). Beginning February 2013, fuel and energy tax revenues include monthly payments from electricity and natural gas revenues rather than the previous policy of quarterly payments. This change in collections makes the mid-year comparison from FY12 to FY13 not meaningful. Excluding the fuel and energy revenues, tax revenues totaled \$1.941 billion and 2.5% above FY12.

- **Income Taxes:**

- Income tax revenues through March stood at \$787.4 million and approximately \$56.2 million above revenues for the same period in FY12. The increase was partly attributed to higher final payments from taxpayers filing for an extension, the reconciliation for tax year 2011, and the increase in estimated payments for the second quarter of this fiscal year.

- **Property Taxes:**

- The General Fund (G.F.) portion of property tax collections (including penalties and interest) was \$1.010 billion (↓2.6%) through March compared to the same period in FY12. The decline is attributed to a decrease in the estimated taxable assessable base for real property from the prior year.

Revenue Update

Three Quarter Fiscal Year Results

- **Property Taxes (continued):**
 - Because the triennial reassessment rates for real property declined four years in a row, the real property taxable assessment is estimated to decline 2.5 percent in FY13 – the second consecutive decline.
- **Transfer and Recordation Taxes:**
 - Revenues from the transfer tax (excluding condominium conversions) through March of FY13 were \$57.8 million, or 12.2% above the same period last fiscal year.
 - Revenues from the recordation tax (excluding the CIP portion and the rate premium) were \$42.0 million, an increase of 38.3% over last fiscal year.
 - The increase in the transfer tax is due to an increase in revenues from residential transactions (↑16.2%) and non-residential transactions (↑11.2%). The total volume of transfers, not including condo conversions, was up 10.2% during the three quarters of FY13 compared to the same period last fiscal year. The total volume of recordation tax transactions (excluding CIP portion and rate premium) was up 15.5% compared to the three quarters of fiscal year 2012. The increases in the transfer and recordation tax transactions were attributed to a rebound in housing sales during the first three quarters of FY13 (↑10.4%) and to the volume of refinancing and the limited exemption for indemnity deed of trust – IDOT (↑15.8%).
 - The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$99.8 million compared to \$81.8 million for the same period last year (↑21.9%).

Revenue Update

Three Quarter Fiscal Year Results

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$195.1 million, which were 25.9% above the three quarters of FY12. The increase is attributed to the fuel/energy tax collections in which electricity and natural gas collections began on a monthly basis in February compared to the previous schedule of quarterly collections.
- Fuel/energy tax collections totaled \$151.8 million and 34.9% above the same period in FY12.
- Revenues from the telephone tax were \$29.8 million and 1.4% below the previous fiscal year. The decrease in total revenues is attributed to a decline in revenues from landlines and prepaid phone cards.
- Revenues from the hotel/motel tax were 6.0% above the same period last fiscal year. This increase is due to prior year, one time collections from a delinquent account and settlement of litigation with on-line brokers. Excluding these one-time collections, Finance estimates that tax collections increased 1.2 percent from FY12 to FY13..
- Revenues from the admissions tax were up 45.9% compared to the same period last fiscal year and largely attributed to receipts from movie theaters (↑49.7).

Revenue Summary Sheet

	MAJOR REVENUE COLLECTIONS			
	Fiscal Year 2013	Fiscal Year 2012	Variance FY13-FY12	Percent Change
TAXES:				
Income Tax	\$787,401,373	\$731,174,039	\$56,227,334	7.7%
Property Tax (General Fund only)	\$1,010,687,956	\$1,038,068,162	(\$27,380,206)	-2.6%
Transfer Tax (1)	\$57,755,541	\$51,455,275	\$6,300,266	12.2%
Recordation Tax (2)	\$41,998,201	\$30,372,970	\$11,625,231	38.3%
Fuel/Energy Tax (3)	\$151,781,253	\$112,481,364	\$39,299,889	34.9%
Telephone Tax	\$29,849,870	\$30,265,392	(\$415,522)	-1.4%
Hotel/Motel Tax	\$11,727,358	\$11,064,835	\$662,523	6.0%
Admissions Tax	\$1,775,232	\$1,216,808	\$558,425	45.9%
MISCELLANEOUS:				
Investment Income (4)	\$83,232	\$25,988	\$57,244	220.3%
TOTAL	\$2,093,060,015	\$2,006,124,831	\$86,935,184	4.3%

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

- NOTES: (1) Excludes revenue from condominium conversions
 (2) Excludes School CIP and tax premium allocation
 (3) Beginning in February 2013, fuel-energy revenues include monthly payments for electricity and natural gas rather than quarterly payments.
 Therefore comparison (percent change) between FY12 and FY13 is not meaningful (n.m.)
 (4) Pooled investment income only