



ROCKVILLE, MARYLAND

**MEMORANDUM**

May 15, 2017

TO: Roger Berliner, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget  
Alexandre A. Espinosa, Director, Department of Finance

SUBJECT: FY17 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. Approved and pending supplemental appropriations, including the appropriation request for snow removal and storm cleanup, are reflected in the results reported below. All other expenditure results are consistent with estimates reported at second quarter. Significant expenditure variances are described below.

**Third Quarter Expenditure Results**

The Board of Elections anticipates higher than budgeted costs due to overtime, printing, signage, mailing, scanner leasing costs, and election judge stipends needed to support Early voting and Election Day activities. The estimate reflects the most recent information and estimated invoices from the State Board of Elections.

The County Attorney's Office expects higher than budgeted child welfare contract attorney costs and additional costs for outside counsel for legal advice on immigration matters.

The Department of General Services' projected overspending results from staffing costs higher than the budgeted lapse rate and unbudgeted emergency maintenance services to repair critical equipment and systems.

The Office of Human Resources' projected overage is due to unbudgeted employee separation and leave payouts and increased contractual costs. The department is managing cost overruns by holding several positions vacant during the fiscal year.

The Public Information Office has experienced higher than anticipated costs for emergency response events and experienced some one-time unbudgeted costs for MC311s move to 1401 Rockville Pike.

The State's Attorney Office expects to exceed its budgeted lapse because of increased demands and increased personnel costs due to a grant shortfall. The projected overage also reflects higher than budgeted costs for translation services, expert witnesses, and other operating expenses.

Roger Berliner, President  
May 15, 2017  
Page 2

Fire and Rescue Service is estimated to be overspent because of overtime costs due to high number of vacancies pending the graduation of the June recruit class and emergency pay for the March snowstorm.

The Sheriff's Office is estimated to overspend due to higher than expected overtime and leave payouts. Expenditures for the Circuit Court security were also higher than budgeted.

The Department of Liquor Control projects increased costs due to investments in the warehouse, including software, hardware, racking, and the purchase of ten replacement delivery vehicles. These additional costs are supported in part using \$1.7 million in remaining 2013 Liquor Bond Series bond proceeds to cover FY17 debt service payments as allowed under IRS regulations. These proceeds are no longer needed for liquor construction purposes.

Risk Management will exceed their budget due to unanticipated overtime and general liability claims.

The following non-departmental accounts are projected to be overspent: Takoma Park Library Payments due to increased formula payments, and Public Elections Fund due to additional contractor costs to implement the Public Election Funding Program.

### **Third Quarter Revenue Update**

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

### **Reserves**

The County's FY17 total ending reserves are estimated to be \$423.2 million, or 8.5 percent of adjusted governmental revenues. This is \$3.7 million less than reported at second quarter because of higher snow removal and storm cleanup costs and additional legal costs for the Silver Spring Transit Center. FY17 savings in the NDA Working Families Income Supplement and NDA State Property Tax Service as well as the County Executive's April 24 and May 2 operating budget amendments, which included savings in these two NDAs, fund these additional expenditures. We expect revenue growth to remain moderate and reserves are at the minimum policy level. For these reasons, it is important as the Council makes its final FY18 budget decisions to remain within the parameters recommended by the County Executive.

JAH/AE:cmm

Attachments: Third Quarterly Analysis of Expenditures  
Tax Revenue Collections: Through 3/31/17

cc: Isiah Leggett, County Executive  
Timothy L. Firestine, Chief Administrative Officer  
Steve Farber, Council Administrator  
Bonnie Kirkland, Assistant Chief Administrative Officer  
All County Government Department Heads and Merit Directors