



OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Jennifer A. Hughes
Director

MEMORANDUM

March 14, 2014

TO: Craig Rice, President, County Council

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

SUBJECT: FY14 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. The County Executive's recommended operating budget incorporates the results of this analysis in its allocation of resources for FY15. 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' projected overage is due to additional unbudgeted costs for overtime, postage, sample ballot printing, and other expenses related to the expansion of early voting.

The Office of Consumer Protection expects an overage due to an unbudgeted salary adjustment for one of its employees.

The Department of Correction and Rehabilitation's projected overage is because of medical expenses, food, and higher than budgeted retirement costs.

The Department of Economic Development has incurred unbudgeted costs related to Federal and State lobbying contracts, sponsorships, consultant work, and other expenses.

The Department of General Services has experienced significant unbudgeted expenditures for emergency maintenance services to repair critical equipment and systems.

The Office of Human Resources' projected overage is from filling lapsed positions to handle an increased workload.

The Department of Police's estimated overage results from the opening of the new animal shelter.

Office of the Director

101 Monroe Street, 14th Floor • Rockville, Maryland 20850 • 240-777-2800
www.montgomerycountymd.gov



UNITED STATES DEPARTMENT OF THE INTERIOR

Washington, D.C.

OFFICE OF THE SECRETARY

Washington, D.C.

Dear Sir:

Reference is made to your letter of the 10th instant, regarding the proposed...

Very truly yours,

The enclosed report of the Geological Survey, Department of the Interior, is being...

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

Very truly yours,

The Sheriff's Office is projecting to be overspent because of higher than budgeted compensatory leave payments, overtime, extradition and security costs, and absorbing the cost of terminated federal grants.

The State's Attorney's projected overage is due to the expiration of the Arrest Grant (replaced with general operating budget funds) and increased costs for expert witnesses, translation services, and transportation.

The Department of Technology Services does not expect to meet its budgeted lapse assumption.

Fire and Rescue Services is projected to be overspent because of higher than expected retirement costs and backfill overtime to meet minimum staffing requirements.

DOT-Vacuum Leaf Collection's projected overage is due to increased motor pool charges for replacement leafing equipment and additional contract costs due to the extended leaf collection season.

The following non-departmental accounts are projected to be overspent: Takoma Park Library Annual Payment and Takoma Park Police Rebate because of increased formula payments and Snow Removal and Storm Cleanup due to multiple winter mobilizations, including the snow events that closed the County government for two days in February and one day in March. The projection assumes total snow removal/storm cleanup expenditures of \$36.2 million, while the budget for such events is about \$9.1 million. This estimate will be reassessed and may be revised at the end of the third quarter.

Second Quarter Revenue Update

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

Reserves

The County's FY14 total ending reserves are estimated to be \$427.3 million, or 9.6 percent of adjusted governmental revenues. As discussed with the Council last December, the increase in projected income tax revenues and the legally 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 17.

JAH/JFB:ae

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

Attachments: Second Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 12/31/13

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FY14 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	592,558	597,937	558,482	39,455	6.6 %
Board of Elections	6,026,413	6,034,389	6,443,679	-409,290	-6.8 %
Circuit Court	10,999,995	10,999,995	10,960,139	39,856	0.4 %
Community Engagement Cluster	3,302,582	3,313,363	3,313,363	0	0.0 %
Consumer Protection	2,148,716	2,150,048	2,168,278	-18,230	-0.8 %
Correction and Rehabilitation	66,598,101	66,749,096	68,634,323	-1,885,227	-2.8 %
County Attorney	5,351,793	5,373,100	5,210,638	162,462	3.0 %
County Council	9,841,525	9,913,815	9,876,441	37,374	0.4 %
County Executive	4,769,707	4,792,156	4,687,329	104,827	2.2 %
Economic Development	8,769,515	8,793,670	9,751,177	-957,507	-10.9 %
Emergency Management and Homeland Security	1,317,312	1,326,403	1,322,533	3,870	0.3 %
Environmental Protection	1,568,831	1,580,659	1,479,104	101,555	6.4 %
Ethics Commission	337,007	343,183	273,474	69,709	20.3 %
Finance	12,299,265	12,382,755	12,382,755	0	0.0 %
General Services	26,647,551	26,693,876	29,610,250	-2,916,374	-10.9 %
Health and Human Services	193,225,217	193,464,510	192,617,101	847,409	0.4 %
Housing and Community Affairs	4,797,178	4,813,073	4,755,384	57,689	1.2 %
Human Resources	7,656,440	7,691,955	8,007,467	-315,512	-4.1 %
Human Rights	942,673	950,413	926,836	23,577	2.5 %
Inspector General	830,100	834,955	834,955	0	0.0 %
Intergovernmental Relations	864,912	864,912	759,168	105,744	12.2 %
Legislative Oversight	1,354,602	1,381,427	1,325,109	56,318	4.1 %
Management and Budget	3,870,467	3,880,874	3,762,190	118,684	3.1 %
Merit System Protection Board	174,737	174,737	142,404	32,333	18.5 %
Non-Departmental Accounts	280,507,642	279,721,231	305,330,716	-25,609,485	-9.2 %
Police	260,429,650	260,488,752	261,081,920	-593,168	-0.2 %
Public Information	4,660,061	4,670,982	4,656,074	14,908	0.3 %
Public Libraries	34,769,584	34,842,372	34,376,959	465,413	1.3 %
Sheriff	21,933,890	21,937,961	22,573,754	-635,793	-2.9 %
State's Attorney	13,790,836	13,790,836	14,037,905	-247,069	-1.8 %
Technology Services	28,754,504	28,822,802	29,133,611	-310,809	-1.1 %
Transportation	42,132,940	42,194,241	42,194,241	0	0.0 %
Utilities	25,696,647	25,696,647	25,676,960	19,687	0.1 %
Zoning and Administrative Hearings	611,779	611,779	542,265	69,514	11.4 %
General Fund Total	1,087,574,730	1,087,878,904	1,119,406,984	-31,528,080	-2.9 %
Special Funds					
<u>Bethesda Urban District</u>					
Urban Districts	3,513,396	3,513,396	3,513,396	0	0.0 %
<u>Silver Spring Urban District</u>					
Urban Districts	2,880,043	2,880,043	2,850,451	29,592	1.0 %

FY14 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	1,800,402	1,800,402	1,499,670	300,732	16.7 %
<u>Mass Transit</u>					
Transit Services	116,665,732	116,715,233	116,176,352	538,881	0.5 %
<u>Fire</u>					
Fire and Rescue Service	217,018,693	218,363,366	223,207,805	-4,844,439	-2.2 %
<u>Recreation</u>					
Recreation	28,008,455	28,039,132	27,890,915	148,217	0.5 %
<u>Economic Development Fund</u>					
Economic Development Fund	3,396,828	10,026,508	10,026,508	0	0.0 %
Special Funds Total	373,283,549	381,338,080	385,165,097	-3,827,017	-1.0 %
TAX SUPPORTED TOTAL	1,460,858,279	1,469,216,984	1,504,572,081	-35,355,097	-2.4 %

Non-Tax Supported

Special Funds

Water Quality Protection Fund

Environmental Protection	18,992,327	19,013,414	18,762,553	250,861	1.3 %
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Cable Television

Cable Television	13,622,905	13,637,170	13,264,893	372,277	2.7 %
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Montgomery Housing Initiative

Housing and Community Affairs	28,641,730	36,472,685	31,480,166	4,992,519	13.7 %
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Special Funds Total	61,256,962	69,123,269	63,507,612	5,615,657	8.1 %
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Enterprise Fund

Community Use of Public Facilities

Community Use of Public Facilities	9,896,271	9,912,513	9,324,948	587,565	5.9 %
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Bethesda Parking District

Parking District Services	13,299,181	13,309,232	13,304,622	4,610	0.0 %
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Montgomery Hills Parking District

Parking District Services	136,899	136,985	133,048	3,937	2.9 %
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Silver Spring Parking District

Parking District Services	11,097,834	11,108,133	11,046,485	61,648	0.6 %
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Wheaton Parking District

Parking District Services	1,322,481	1,324,873	1,310,675	14,198	1.1 %
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Permitting Services

Permitting Services	29,642,071	29,735,360	29,580,324	155,036	0.5 %
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Solid Waste Collection

Solid Waste Services	6,179,974	6,183,621	6,163,621	20,000	0.3 %
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Solid Waste Disposal

Solid Waste Services	95,182,597	95,212,701	92,338,321	2,874,380	3.0 %
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Vacuum Leaf Collection

Transportation	5,155,303	5,155,303	5,415,498	-260,195	-5.0 %
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FY14 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>Liquor Control</u>					
Liquor Control	55,324,556	55,324,556	53,853,656	1,470,900	2.7 %
Enterprise Fund Total	227,237,167	227,403,277	222,471,198	4,932,079	2.2 %
NON-TAX SUPPORTED TOTAL	288,494,129	296,526,546	285,978,810	10,547,736	3.6 %
TAX AND NON-TAX SUPPORTED TOTAL	1,749,352,408	1,765,743,530	1,790,550,891	-24,807,361	1.2 %

Internal Service Funds

Employee Health Benefit Self Insurance Fund

Human Resources	198,690,600	198,690,600	186,727,130	11,963,470	6.0 %
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Motor Pool Internal Service Fund

Fleet Management Services	79,639,041	79,639,041	79,372,721	266,320	0.3 %
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Printing and Mail Internal Service Fund

General Services	8,340,516	8,340,516	8,334,251	6,265	0.1 %
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Self Insurance Internal Service Fund

Finance	56,843,190	56,843,190	56,843,190	0	0.0 %
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INTERNAL SERVICE FUNDS TOTAL	343,513,347	343,513,347	331,277,292	12,236,055	3.6 %
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FY14 2ND QUARTERLY ANALYSIS

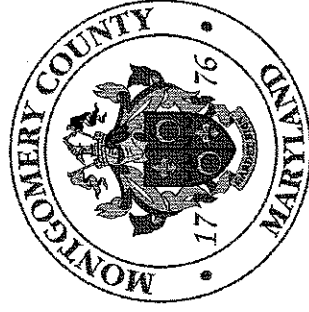
Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	-Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDA: Tax Supported - County General Fund					
NDA - Arts and Humanities Council	3,792,700	3,792,700	3,792,700	0	0.0 %
NDA - Boards, Committees and Commissions	22,950	22,950	22,943	7	0.0 %
NDA - Charter Review Commission	1,150	1,150	1,150	0	0.0 %
NDA - Community Grants	7,198,997	7,198,997	7,198,997	0	0.0 %
NDA - Compensation and Employee Benefits Adjustment	1,985,456	1,199,045	800,504	398,541	33.2 %
NDA - Conference and Visitors Bureau	1,242,696	1,242,696	1,242,696	0	0.0 %
NDA - Conference Center	606,256	606,256	506,739	99,517	16.4 %
NDA - Consolidated Retiree Health Benefits Trust (MCPS)	83,700,000	83,700,000	83,700,000	0	0.0 %
NDA - Consolidated Retiree Health Benefits Trust (Montgom)	2,372,000	2,372,000	2,372,000	0	0.0 %
NDA - Council of Governments	796,668	796,668	796,196	472	0.1 %
NDA - County Associations	72,710	72,710	72,710	0	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	28,020	0	0.0 %
NDA - Group Insurance-Retirees	32,462,450	32,462,450	32,462,450	0	0.0 %
NDA - Historical Activities	77,250	77,250	77,250	0	0.0 %
NDA - Homeowners' Association-Roads	49,250	49,250	49,250	0	0.0 %
NDA - Housing Opportunities Commission	6,093,310	6,093,310	6,093,310	0	0.0 %
NDA - Independent Audit	420,820	420,820	352,777	68,043	16.2 %
NDA - Interagency Technology Policy and Coordination Com	5,850	5,850	5,850	0	0.0 %
NDA - Leases	23,546,404	23,546,404	23,546,404	0	0.0 %
NDA - Legislative Branch Communications Outreach	400,000	400,000	364,852	35,148	8.8 %
NDA - Montgomery Coalition for Adult English Literacy (MCA)	927,058	927,058	927,058	0	0.0 %
NDA - Motor Pool Fund Contribution	2,184,191	2,184,191	2,184,191	0	0.0 %
NDA - Municipal Tax Duplication	8,149,310	8,149,310	8,036,354	112,956	1.4 %
NDA - Prisoner Medical Services	50,000	50,000	50,000	0	0.0 %
NDA - Public Technology, Inc.	20,000	20,000	20,000	0	0.0 %
NDA - Retiree Health Benefits Trust	48,902,589	48,902,589	48,902,589	0	0.0 %
NDA - Risk Management	20,564,342	20,564,342	20,564,342	0	0.0 %
NDA - Rockville Parking District	382,250	382,250	374,000	8,250	2.2 %
NDA - Snow Removal and Storm Cleanup	5,884,990	5,884,990	33,018,390	-27,133,400	-461.1 %
NDA - State Positions Supplement	44,662	44,662	44,662	0	0.0 %
NDA - State Property Tax Services	3,333,398	3,333,398	3,153,850	179,548	5.4 %
NDA - State Retirement Contribution	1,192,180	1,192,180	1,192,180	0	0.0 %
NDA - Takoma Park Library Annual Payment	108,810	108,810	133,959	-25,149	-23.1 %
NDA - Takoma Park Police Rebate	916,295	916,295	952,413	-36,118	-3.9 %
NDA - Working Families Income Supplement	17,657,600	17,657,600	16,974,900	682,700	3.9 %
NDA: Tax Supported - County General Fund Total	280,507,642	279,721,231	305,330,716	-25,609,485	-9.2 %

Montgomery County, Maryland

**FY2014 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 \$1.701 billion and up 10.1 percent compared to the same period in FY13 due primarily to revenues from the income tax (↑10.6%), property tax (↑7.4%), the transfer and recordation tax (↑22.9%). However, because of the change in the collection cycle for the fuel-energy tax from quarterly collections in FY13 to monthly collections in FY14 during the first half of the fiscal year, the year-over-year comparison will overstate the percent change. Excluding fuel-energy collections, total tax revenues totaled \$1.621 billion and up 8.8 percent compared to FY13.

- **Income Taxes:**

- Income tax revenues through December stood at \$487.7 million and approximately \$46.7 million above revenues for the same period in FY13. 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 2012.
- The change in the formula by the Maryland Comptroller yielded an increase of \$7.7 million (↑3.1%) above the November distribution in FY13. Revenues from extensions and reconciliation were \$22.9 million above last fiscal year or 15.8 percent.

- **Property Taxes:**

- The General Fund (G.F.) portion of property tax collections (including penalties and interest, and storm drainage) was \$1,208.3 million (↑7.4%) through December compared to the same period in FY13. The increase is attributed to an increase in the taxable assessable base for real property for the prior year and an increase in the rate for the General Fund (excluding storm drainage) from \$0.724 per \$100 assessed value to \$0.759 per \$100 assessed value.

Revenue Update

First Half Year Results

- **Property Taxes (continued):**
 - After the triennial reassessment rates for real property declined three years in a row, the real property taxable assessment for FY14 is estimated to increase 1.0 percent. The first increase in four years.
- **Transfer and Recordation Taxes:**
 - Revenues from the transfer tax (excluding condominium conversions) through December of FY14 were \$47.4 million, or 27.0 percent above last fiscal year.
 - Revenues from the recordation tax (excluding the CIP portion and the rate premium) were \$30.8 million, an increase of 17.2 percent over the first half of last fiscal year.
 - The increase in the transfer tax is due primarily to an increase in the total number of transfers, not including condo conversions, which were up 21.0% during the first half of FY14 compared to last fiscal year. The volume of residential recordation tax transactions was up 19.5 percent compared to the first half of fiscal year 2013 and the volume of non-residential transactions was up 24.7 percent. However, the volume of other recordation tax transactions was down nearly 56 percent compared to last fiscal year
 - The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$78.2 million compared to \$63.6 million for the same period last year (↑22.9%).

Revenue Update

First Half Year Results

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$106.7 million, which were 29.0% above the first half of FY13. However, as stated earlier, because of the change in the collection cycle for the fuel/energy tax, the year-over-year comparison for consumption taxes overstate collections and the percent change.
- Fuel/energy tax collections totaled \$80.7 million during the first half of FY14 compared \$55.9 million in FY13. The dramatic increase is attributed to the collection cycle and overstates the true year-over-year comparison.
- Revenues from the telephone tax were \$18.5 million and the same compared the previous fiscal year. Revenues from the hotel/motel tax were 9.6 percent below the same period last year.
- Revenues from the admissions tax were down 5.0 percent compared to the same period last year and largely attributed to revenues from movie theaters (↓6.8%)

Revenue Summary Sheet

	MAJOR REVENUE COLLECTIONS			Percent Change
	Fiscal Year 2014	Fiscal Year 2013	Variance FY14-FY13	
<u>TAXES:</u>				
Income Tax	\$487,719,349	\$441,012,504	\$46,706,845	10.6%
Property Tax (General Fund only)	\$1,028,334,732	\$957,724,726	\$70,610,006	7.4%
Transfer Tax (1)	\$47,437,048	\$37,362,219	\$10,074,829	27.0%
Recordation Tax (2)	\$30,758,268	\$26,244,901	\$4,513,367	17.2%
Fuel/Energy Tax (3)	\$80,694,165	\$55,941,467	n.m.	n.m.
Telephone Tax	\$18,457,870	\$18,466,550	(\$8,680)	0.0%
Hotel/Motel Tax	\$6,568,900	\$7,263,598	(\$694,698)	-9.6%
Admissions Tax	\$1,010,889	\$1,063,564	(\$52,675)	-5.0%
<u>MISCELLANEOUS:</u>				
Investment Income (4)	\$257,271	\$33,459	\$223,812	668.9%
TOTAL (5)	\$1,701,238,492	\$1,545,112,988	\$156,125,504	10.1%

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) Comparison of fuel-energy tax is not meaningful (n.m.) because of change in collections from a quarterly collection cycle in FY13 to a monthly collection cycle in FY14.
 (4) Pooled investment income only
 (5) Total revenue collections for FY14 overstate the comparison with FY13 because of change in the collections cycles for the fuel-energy tax.

