

# FY16 Operating Budget Forum Briefing

January 2015

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





## 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





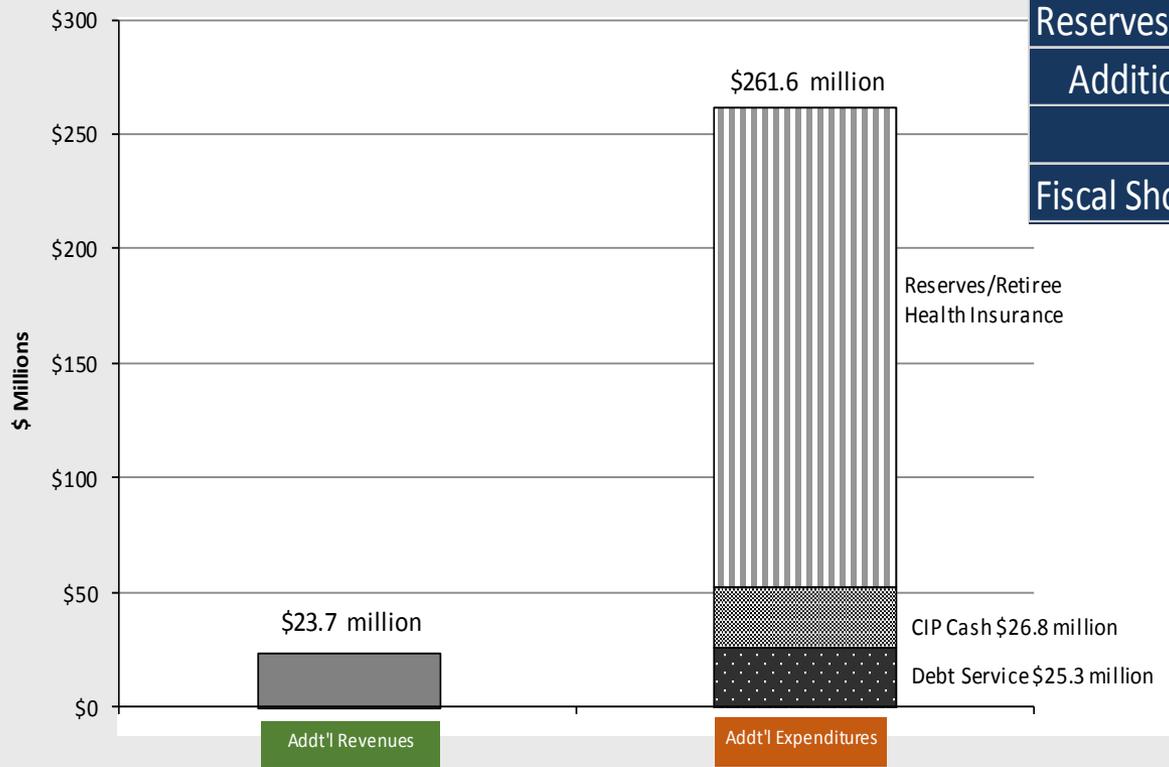
## FY15 Tax Supported Expenditures by Function

<b>Tax Supported Expenditures Only</b>	<b>Appropriation</b>	<b>% of Total</b>	<b>Cum %</b>	<b>FTEs</b>
1. MCPS	\$ 2,138,069,401	49.1%	49.1%	20,391.9
2. Public Safety	\$ 595,942,954	13.7%	62.8%	3,846.8
3. Debt Service	\$ 338,694,190	7.8%	70.5%	-
4. General Govt. & Other Functions	\$ 298,596,176	6.9%	77.4%	1,036.6
5. College	\$ 244,520,455	5.6%	83.0%	1,785.1
6. Health and Human Services	\$ 208,197,960	4.8%	87.8%	1,161.7
7. Transportation	\$ 166,703,990	3.8%	91.6%	1,064.7
8. Retiree Health Insurance	\$ 158,520,930	3.6%	95.2%	-
9. M-NCPPC (Park and Planning)	\$ 119,162,784	2.7%	98.0%	836.5
10. Libraries, Culture, & Recreation	\$ 68,539,796	1.6%	99.6%	793.9
11. Community Dev. and Housing	\$ 17,691,680	0.4%	100.0%	73.0
12. Environment	\$ 1,850,070	0.0%	100.0%	13.1
	<b>\$ 4,356,490,386</b>			<b>31,003.2</b>
				4



# FY16 Fiscal Projection

	<u>\$ millions</u>
Additional Revenues	\$23.7
Debt Service	25.3
Cash for the Capital Budget	26.8
Reserves/Retiree Health Insurance	<u>209.5</u>
Additional Fixed Obligations	\$261.6
Fiscal Shortfall or Gap	-\$237.9





## FY16 Fiscal Outlook – Continuing Challenges

- ➔ **Federal budget uncertainty – sequestration**
- ➔ **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**



## FY16 Fiscal Outlook – County is on the right path to sustainability



**Closed \$2.9 billion in budget gaps over the past 8 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**

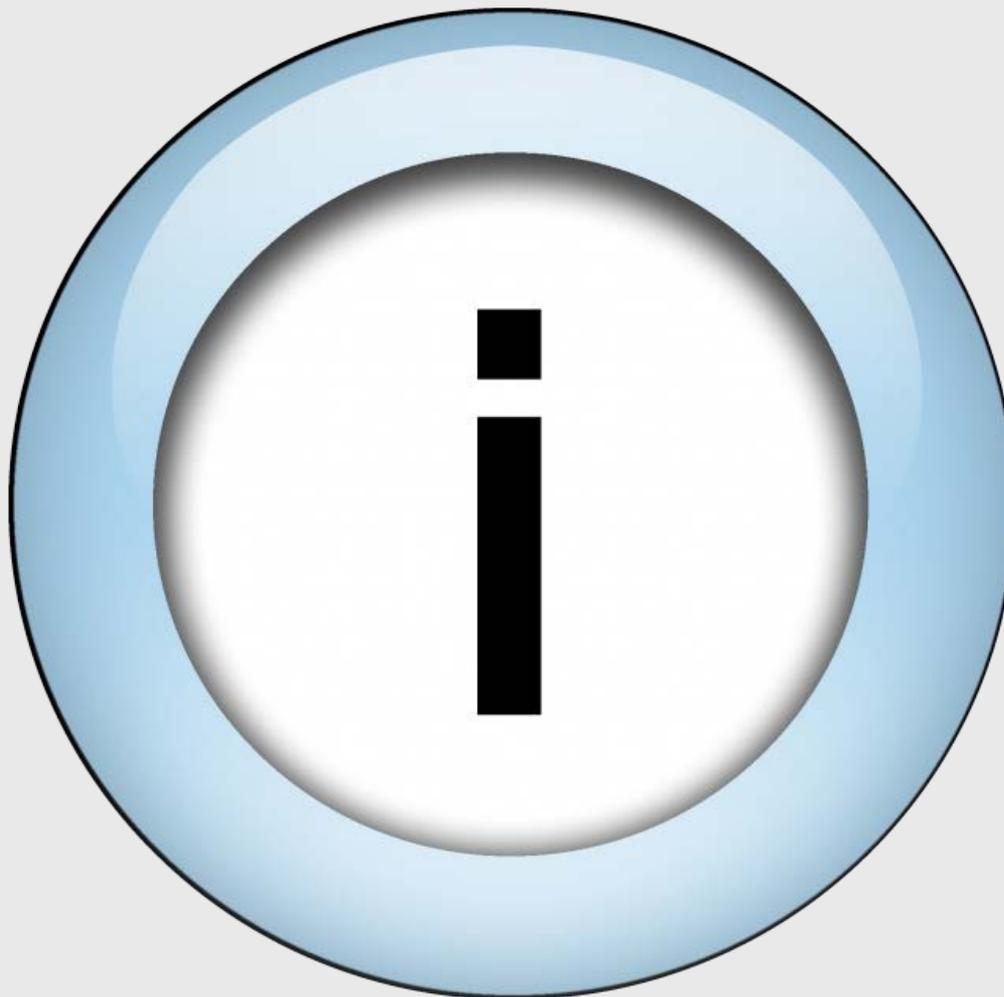


**Permanent long-term cost reductions for:**

- Employee compensation, group insurance, retiree health insurance, and pensions
- Reduced over 1200 positions in the FY08-12 period



## Background





## Two Budgets

### Operating Budget: Services

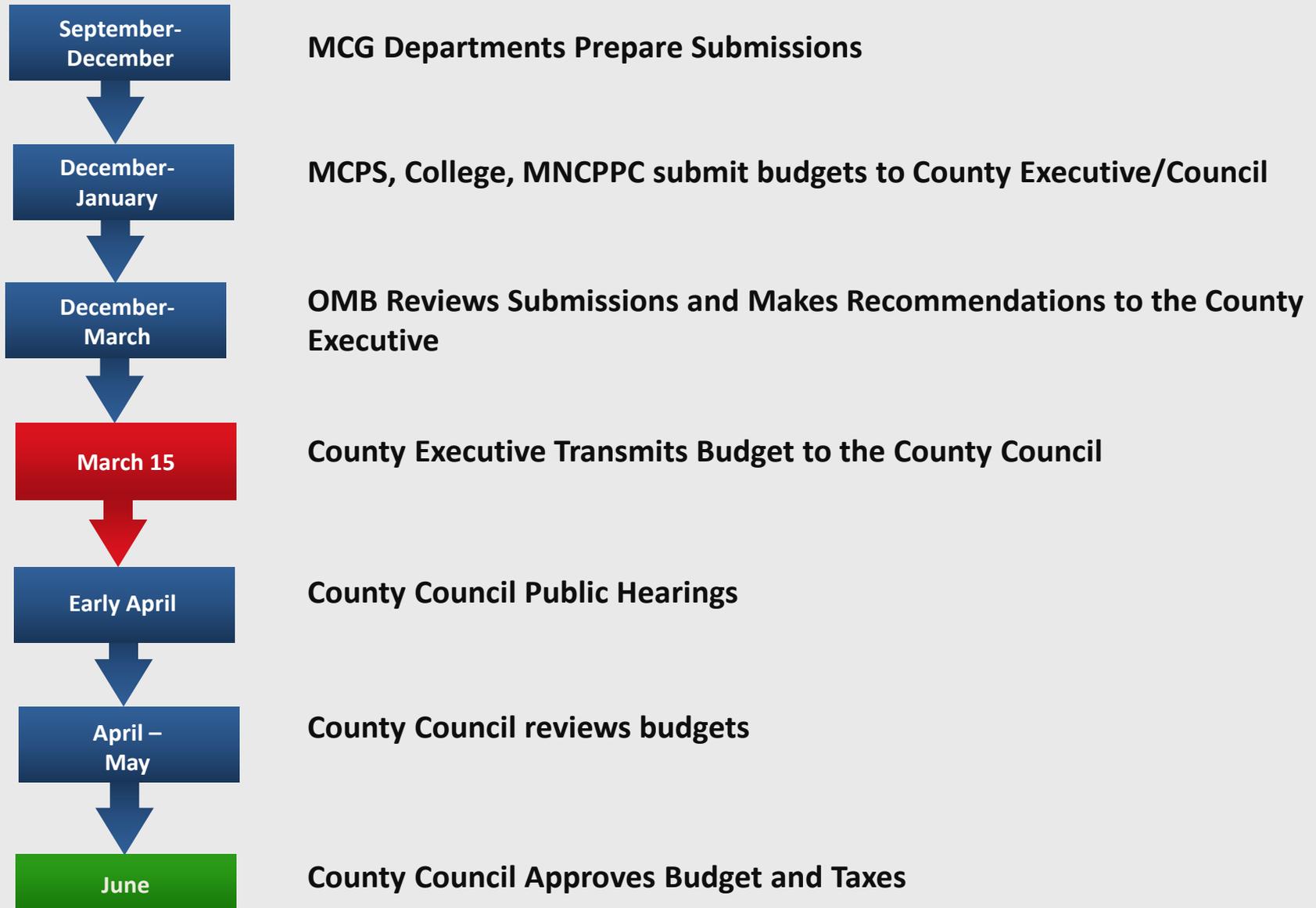
- ✔ K-12 education
- ✔ Community College education
- ✔ Public safety: Police, Fire, Courts, Corrections
- ✔ Transportation: Roads, Traffic, Bus
- ✔ Social Services: Health, Income Maintenance, other
- ✔ Environmental protection
- ✔ Parks, recreation, and libraries
- ✔ Land use planning and regulation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





## Operating Budget

County Budget is divided into two parts: Tax Supported and Non-Tax Supported

### 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

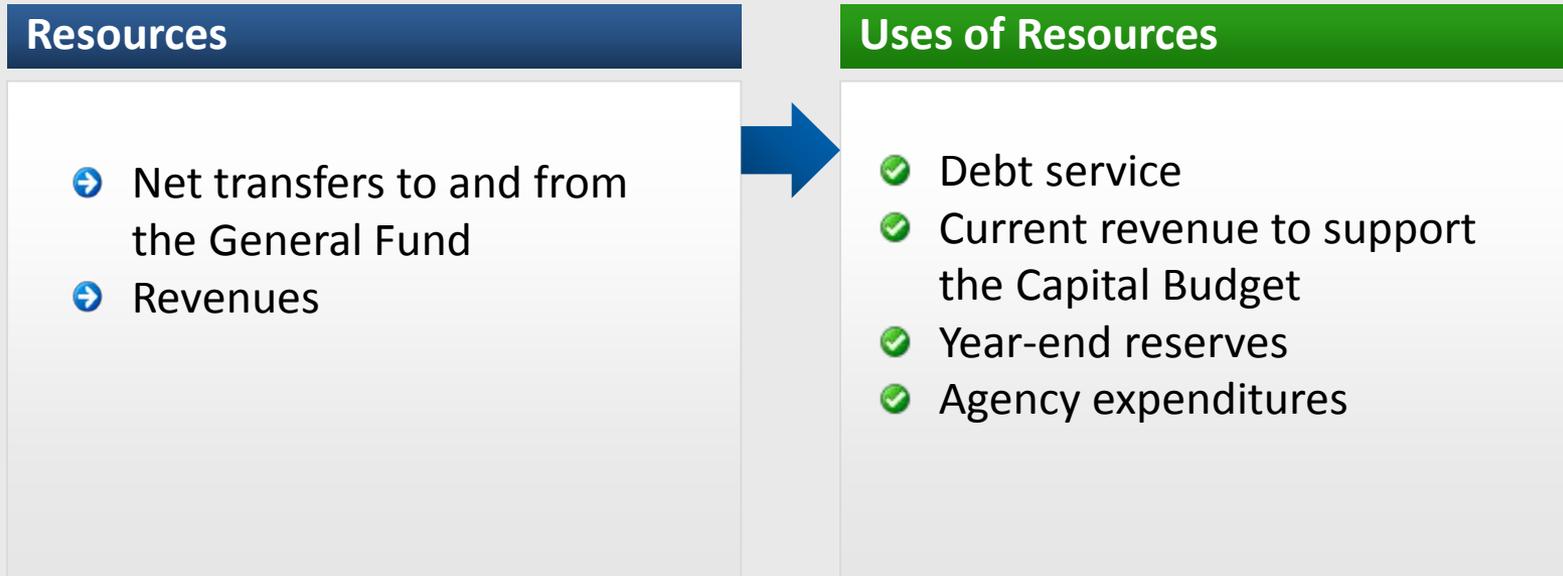
Total Non-Tax Supported Funds:  
**\$639.2 million**

Grants:  
**\$215.4 million**

Self-Supporting funds:  
**\$423.8 million**



## County Executive's Fiscal Plan



### Balanced Budget

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



## FY16-FY21 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 \$179.4 million (\$40.8 million in FY15 and \$138.6 million in FY16) compared to estimates assumed at the time the FY15 budget was approved
  - ➔ By law, the greater of 50% of excess revenue or 0.5% of revenues must be allocated to the reserves



## FY16-FY21 Fiscal Plan

### Selected Fiscal Assumptions: Expenditures

- ➔ Under these assumptions, total agency expenditures must be reduced 6.1% 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 15%.



## 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.)



# Open Budget – Comprehensible. Intuitive. Accessible.

 [montgomerycountymd.gov/openbudget](http://montgomerycountymd.gov/openbudget)

- ✔ **Interactive** (*maps, charts, spreadsheets, videos, tutorials...*)
- ✔ **Accessible** (*ADA, mobile, translatable, searchable, archiving, user friendly*)
- ✔ **Sharable** (*data, tables, visualizations*)
- ✔ **Customizable** (*create your own views, charts and graphs*)
- ✔ **Printable** (*but you only need to print the section you need...not the WHOLE book*)

