

MFP COMMITTEE #5
April 30, 2010

Worksession

MEMORANDUM

April 27, 2010

TO: Management and Fiscal Policy Committee
FROM: ^{CHS} Charles H. Sherer, Legislative Analyst
SUBJECT: Executive's April 22, 2010 Budget Adjustments for the Municipal Tax Duplication
NDA: 1) Allocate speed camera revenues to three municipalities; 2) Decrease the payments an additional 20%.

March 15 budget The Committee reviewed this NDA on April 12, 2010 and recommended approval of the Executive's March 15 recommended amount, \$7,113,830, which was 5% less than the FY10 approved amount of \$7,488,240, for fiscal reasons. OMB explained that they tried to recognize the fiscal difficulties facing the municipalities, including State reductions in highway user revenue, and also to recognize the County's fiscal difficulties.

The 5% reduction did not appear to Council staff to be unreasonable, compared to the 6.1% reduction for County Government. As the Executive stated on page 6 of his budget message to the Council,

"I am recommending to the County Council that tax-supported funding for Montgomery County Government decrease by \$76.5 million – a 6.1 percent decrease from the FY10 Approved budget."

The Executive reduced County Government 22% more than he reduced this payment (6.1% is 22% more than 5.0%).

April 22 budget On April 22, 2010, the Executive recommended a package of FY10 and FY11 budget adjustments in response to the \$168 million reduction in income tax revenue about which he told the Council on April 13. The entire package of resource increases and spending decreases totaled \$196.7 million, which included \$36.6 million to increase the reserve at the end of FY11 from 5% to 6% (©1). Two of the adjustments were to this NDA, one an increase and one a decrease.

1. Increase cost by \$297,110 for speed camera revenue that the County must pay to Chevy Chase View, Kensington, and Poolesville The rationale is explained below in the extract from the Executive’s April 22 memorandum, and Council staff recommends approval.

INCREASE COST: ALLOCATE SPEED CAMERA REVENUES TO MUNICIPALITIES 297,110

In order to efficiently and effectively deploy speed detection cameras within municipalities, the Executive has negotiated Memorandum of Agreements (MOA) with Chevy Chase View, Kensington, and Poolesville for sharing speed camera revenues collected in the municipalities. Under recently approved amendments to State Law, municipalities are authorized to deploy their own speed cameras. However, since the County has an existing program it was more efficient and served broader public safety purposes to deploy these cameras under the auspices of the County's speed camera program provided the municipalities received the same amount of revenues (net of expenses) they would be due as if they issued these cameras on their own. The following distributions would be made pursuant to the MOA: Chevy Chase View (\$104,010); Kensington (\$144,980); and Poolesville (\$48,120)

This is clearly not a payment for property tax duplication, but OMB decided to place this item in this NDA for convenience this year, and may place it elsewhere next year, such as in a separate NDA.

2. Decrease the municipal tax duplication payments by an additional 20% This is in addition to the 5% reduction in the March 15 budget, as explained above, for a total reduction from FY10 approved of 25%. The Executive’s April 22 memorandum includes the following:

DECREASE COST: MUNICIPAL TAX DUPLICATION PAYMENTS AN ADDITIONAL 20% -1,497,640

The Executive recommends an additional 20% reduction to the Municipal Tax Duplication payment. This is in addition to the 5% reduction including in the March 15 Recommended Budget.

The reductions are summarized below and shown in detail by municipality on ©2.

FY10 approved	7,488,235
March 15 CE, 5% reduction	(374,412)
March 15 CE budget	7,113,823
April 22 CE, additional 20% reduction	(1,497,647)
April 22 CE budget	5,616,176
Total reduction, 25%	(1,872,059)

As noted above, the Executive's April 22 entire package totaled \$196.7 million, which was spread between resource increases and spending decreases, and among various departments and agencies. The Executive's March 15 reduction to this NDA of 5% was small, less than the 6.1% reduction to County Government, and substantially less than his 15% reduction to Libraries and his 22% reduction to Recreation.

The Executive's April 22 additional 20% reduction to this NDA is large, and the municipalities make the reasonable point that they have already prepared their budgets based on the 5% reduction in the March 15 budget and should not be further reduced. See ©3 for a letter from Poolesville. However, the same is true for all departments and agencies in the County. If the County does not reduce its payment to the municipalities, then other departments and agencies in the County will have to be further reduced. Reductions should be spread as widely as possible, which should include the municipalities. **Therefore, Council staff recommends approval of the Executive's April 22 additional reduction.**

If the County finds additional resources or additional spending that can be reduced elsewhere, Council staff suggests that they be used for some of the following, rather than adding to the Executive's recommended payment for municipal tax duplication:

- Restore some of the County programs and some of the 246 filled County Government positions that will be abolished in the Executive's budget across all departments in County Government (such as in HHS, Libraries, Recreation, or the Working Families Income Supplement).
- Restore some of the \$15 million cut to the College's operating budget and the \$5.5 million cut to the College's IT projects.
- Restore some of the \$23 million cut to the MNCPPC's operating budget.
- Reduce the 100% increase in the energy tax.

County Executive's Recommended Revisions to the Fiscal Plan

(\$ in Millions)

(Negative numbers increase the gap; positive numbers close the gap)

1	Gap on December 1, 2009	\$ (608.291)
2		
3	Major resource changes since December:	
4	Non K-12 State Aid reduction	(32.922)
5	Less FFP and other HHS reimbursements	(22.134)
6	Less Speed Camera revenues	(25.172)
7	Additional snow removal	(44.359)
8	February revenue write-down	(52.964)
9	Other revenues (College tuition, inauguration reimp., other)	6.986
10		
11	Revised FY11 Gap as of March 1	(778.855)
12		
13	Major resource changes since March 15, 2010:	
14	Revised Income Tax Estimate (FY10 and FY11)	(168.470)
15	Net effect on reserves (at 5% level recommended on March 15)	8.423
16	Restore Reserves to 6%	(36.608)
17		
18	Revised FY11 Gap as of April 12	(975.510)
19	Measures recommended by the Executive in March 15 budget to close the gap	778.855
20	Gap Remaining to be Closed as of April 12, 2010	(196.655)
21		
22	Technical Budget Amendments	
23	Revised EMS Transport Fee Estimate	(0.557)
24	HHS Reimbursement Disallowances	(0.643)
25	K-12 State Aid	1.145
26	Police Motor Pool chargebacks for vehicle equipment	0.387
27	WFIS NDA -- Participant adjustment in Earned Income Tax Credit program	0.474
28	Allocate Speed Camera Revenues to municipalities	(0.297)
29		
30	Additional Measures to Close Remaining Gap:	
31	<u>Resources</u>	
32	Increase Energy Tax and implement May 1, sunset increase in FY13	101.264
33	Increase Telephone Tax on Wireless Telephones	11.853
35	Additional non-tax supported fund balance transfers	17.858
37	Unallocated Property Tax	5.600
38	MCPS Reimbursement for Educational Facility Officers	1.962
39	Redirect Recordation Tax for Montgomery College II CIP Projects to General Fund	5.000
40	Bethesda Library Parking Meter Revenue	0.120
41	Recreation Revenues -- Teen Center	(0.075)
42	Transit Fares -- Reduced Frequency	(0.085)
43		
44	<u>Expenditures</u>	
45	County Government CIP Current Revenue	2.509
46	MNCPPC CIP Current Revenue	0.350
47	Montgomery College CIP Current Revenue	0.500
48	Reduce FY10 set aside for snow removal costs	3.000
49	County Government encumbrance liquidations	35.000
50	Additional FY10 expenditure savings (EDF, HHS WPA, Leases NDA)	0.798
51	FY11 Debt Service	1.000
52	Appropriation Adjustments:	
53	Increase appropriations for Energy Tax increase	(0.787)
54	Expedited Bill 16-10 - Imputed Compensation Limit	6.600
55	Reduce Earned Income Tax Credit Match by 33%	5.394
56	Transportation and Transit Services reductions	1.896
57	Park Police and CAD Consolidation	2.000
58	Fire Rescue defer recruit class, master leases, and position reductions	1.473
59	Eliminate MCVFRA Contract Increases	0.390
60	Public Libraries materials and staffing	0.593
61	Recreation expenditure reductions	0.312
62	Furloughs of Public Safety Managers	0.132
63	HHS Developmental Disabilities	0.182
64	Circuit Court expenditure reductions	0.075
65	NDAs -- DCM, Inauguration, Rockville Parking, Historical Activities, Tax Duplication	2.316
66		
67	Net effect on reserves (at 6%)	(11.085)
68		
69	Gap on April 22, 2010	0.000

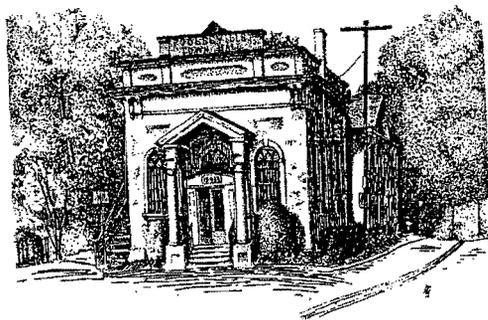
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	A	C	D	E	F	G	H	I
1	FY11 Municipal Tax Duplication Budget							
2				CE FY11				CE FY11
3			<i>CE FY11</i>	Budget		CE FY11		Budget
4			<i>March 15</i>	March 15		April 22	<i>CE FY11</i>	April 22
5	Municipality	FY10 Approved Budget	<i>5% cut from FY10 Approved</i>	After 5% Cut from FY10 Approved		Additional 20% Cut from FY10	Total cut from FY10	After 25% Cut from FY10
6	Barnesville	0	0	0		0	0	0
7	Brookeville	7,158	(358)	6,800		(1,432)	(1,790)	5,369
8	Chevy Chase, Sec. III	32,322	(1,616)	30,706		(6,464)	(8,081)	24,242
9	Chevy Chase, Sec. V	0	0	0		0	0	0
10	Chevy Chase View	43,460	(2,173)	41,287		(8,692)	(10,865)	32,595
11	Chevy Chase Village	105,837	(5,292)	100,545		(21,167)	(26,459)	79,378
12	Town of Chevy Chase	137,187	(6,859)	130,328		(27,437)	(34,297)	102,890
13	Drummond	4,857	(243)	4,614		(971)	(1,214)	3,643
14	Friendship Heights	86,993	(4,350)	82,643		(17,399)	(21,748)	65,245
15	Gaithersburg	1,230,181	(61,509)	1,168,672		(246,036)	(307,545)	922,636
16	Garrett Park	50,106	(2,505)	47,601		(10,021)	(12,527)	37,580
17	Glen Echo	21,858	(1,093)	20,765		(4,372)	(5,465)	16,394
18	Kensington	144,800	(7,240)	137,560		(28,960)	(36,200)	108,600
19	Laytonsville	13,677	(684)	12,993		(2,735)	(3,419)	10,258
20	Martin's Additions	28,249	(1,412)	26,837		(5,650)	(7,062)	21,187
21	North Chevy Chase	25,181	(1,259)	23,922		(5,036)	(6,295)	18,886
22	Oakmont	3,451	(173)	3,278		(690)	(863)	2,588
23	Poolesville	221,771	(11,089)	210,682		(44,354)	(55,443)	166,328
24	Rockville	2,228,449	(111,422)	2,117,027		(445,690)	(557,112)	1,671,337
25	Somerset	55,335	(2,767)	52,568		(11,067)	(13,834)	41,501
26	Takoma Park	3,000,069	(150,003)	2,850,066		(600,014)	(750,017)	2,250,052
27	Washington Grove	47,294	(2,365)	44,929		(9,459)	(11,824)	35,471
28	TOTAL	7,488,235	(374,412)	7,113,823		(1,497,647)	(1,872,059)	5,616,176

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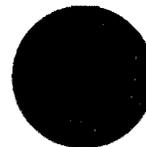
The Commissioners of Poolesville

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(301) 428-8927 Fax (301) 972-7619

April 23, 2010

Honorable Nancy Floreen
President, Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

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Dear President Floreen:

The Commissioners of Poolesville understand that the Council is faced with some very tough decisions regarding the budget. Poolesville, because of a Charter requirement, has already adopted our 2011 budget and we have adjusted our projected income to represent the Executive's initially recommended 5% reduction in tax duplication monies. This reduction equates to \$11,089 on top of the \$300,000 reduction from the State HUR revenue sharing.

Then, on April 22, 2010 the Executive recommends an increased reduction of 20% more, which is another \$44,354. With this new reduction the Town's revenue will be reduced by \$55,443. Combined State and County reductions represent a revenue loss of over 14%.

Poolesville will not have many choices if the Council agrees to the proposed additional 20% reduction. Since our budget and tax rate have already been adopted, our only choice will be to cut long planned CIP projects such as needed water quality improvements which the town has planned and saved monies for several years to implement.

The Commissioners and Council have a long history of working together to enhance the quality of life for our residents. In the spirit of cooperation and cost saving the town waived it's impact fee for the construction of the middle school and the addition at the high school. Please help us to further improve the quality of life by not increasing the recommended cut in tax duplication monies.

Our Town has been fiscally responsible and managed its budget resources wisely over the years. In our view, endorsing the County Executives proposed reductions is poor fiscal management and we are very concerned that our citizens will suffer the consequences. We believe this needs to be taken into account before further cuts are considered in resources relied upon by local governments.

Sincerely,

Paul "Eddie" Kuhlman II, President
Commissioners of Poolesville

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MONTGOMERY COUNTY
COUNCIL