

T&E COMMITTEE #3  
April 12, 2011

Worksession

MEMORANDUM

April 8, 2011

TO: Transportation, Infrastructure, Energy & Environment Committee  
FROM: *KL* Keith Levchenko, Senior Legislative Analyst  
SUBJECT: **Worksession:** FY12 Operating Budget: Utilities

As part of the annual Operating Budget review process, the Council reviews utility costs across all agencies and policy issues associated with utility<sup>1</sup> costs. This review covers utility costs for electricity, natural gas, water & sewer, fuel oil, and propane for the County Government, the College, MCPS, Park and Planning, and the entire bi-County area of WSSC.

Utility costs associated with County Government General Fund departments are included in the Utilities Non-Departmental Account. Utility costs associated with Tax and Non-Tax Supported Special Funds as well as the outside agencies are budgeted separately in each of those funds and agencies. The "Utilities" section from the Recommended Operating Budget is attached on ©1-6.

Department of General Services Director David Dise and Harold Adams are expected to attend the worksession along with representatives from Montgomery College, MCPS, Maryland-National Park and Planning Commission, and the Washington Suburban Sanitary Commission.

Agency representatives meet periodically through the Interagency Committee on Energy and Utilities Management (ICEUM) to discuss energy issues, including rate assumption ceilings for budget preparation. Given the volatility of energy and fuel prices, and the unique circumstances of each agency in terms of its short and long-term contracting practices for energy, adopting specific rates applicable to all agencies is not feasible. However, the rate ceilings provide some helpful guidance to the agencies.

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<sup>1</sup> Motor fuel costs are not included in the numbers presented in this memorandum. General Fund costs for motor fuels are budgeted in the Department of General Services-Division of Fleet Management Services. Motor fuel costs are also included in the various special funds and outside agency budgets.

Utility budgets are based on rate assumptions as well as projected changes in energy consumption at existing facilities and estimated energy requirements for new facilities coming on-line during FY12. Energy efficiency measures are taken into account as well. It is important to note that energy use is also greatly affected by the severity of weather conditions in a given year. The utilities budgets presented here assume a typical weather year.

The outside agencies have completed their FY12 Resource Conservation Plans, which summarize energy consumption trends as well as past, present, and planned energy conservation initiatives and their expected impacts in terms of consumption and cost savings. DGS is finalizing its FY12 Plan. Agency staff will be available at the T&E meeting to discuss major initiatives and trends.

### Fiscal Summary (All Agencies)

The FY12 budgets for utilities by agency are summarized below.

**Table 1:  
Utility Costs by Agency**

| Agency             | Actual             |                    |                    | Approved<br>FY11   | CE Rec<br>FY12     | Change (FY12 vs. FY11) |              |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|--------------|
|                    | FY08               | FY09               | FY10               |                    |                    | \$\$                   | %            |
| County Government  | 31,619,056         | 34,201,405         | 34,311,128         | 37,830,916         | 37,732,070         | (98,846)               | -0.3%        |
| MCPS               | 40,005,101         | 40,350,189         | 40,664,814         | 39,740,150         | 41,687,370         | 1,947,220              | 4.9%         |
| Montgomery College | 5,488,169          | 6,236,514          | 6,906,351          | 8,321,690          | 8,467,370          | 145,680                | 1.8%         |
| WSSC               | 23,338,000         | 26,617,000         | 28,550,000         | 27,819,000         | 25,644,000         | (2,175,000)            | -7.8%        |
| M-NCPPC            | 3,344,700          | 3,411,679          | 3,548,140          | 4,371,600          | 4,018,250          | (353,350)              | -8.1%        |
| <b>Total</b>       | <b>103,795,026</b> | <b>110,816,787</b> | <b>113,980,433</b> | <b>118,083,356</b> | <b>117,549,060</b> | <b>(534,296)</b>       | <b>-0.5%</b> |

Note: FY10 actuals shown for County Government are for 11 months of costs instead of 12 due to a change in the timing of year-end close-out practices as a result of the new ERP system.

Overall, utility costs are recommended to decrease by \$534,296 (or .5 percent) from FY11 Approved levels. This is the second straight year of an overall decrease in utility costs. However, the trends among the agencies vary greatly, with MCPS experiencing the highest increase, WSSC and M-NCPPC seeing the biggest decreases, and County Government and Montgomery College seeing relatively minor overall changes.<sup>2</sup>

The following chart presents utility costs by type.

**Table 2:  
Utility Costs by Type (All Agencies)**

| Type of Utility | Actual             |                    |                    | Approved<br>FY11   | CE Rec<br>FY12     | Change (FY12 vs. FY11) |              |
|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|--------------|
|                 | FY08               | FY09               | FY10               |                    |                    | \$\$                   | %            |
| Electricity     | 83,495,407         | 88,230,639         | 92,856,336         | 95,274,138         | 94,817,535         | (456,603)              | -0.5%        |
| Water and Sewer | 4,986,138          | 5,653,148          | 5,199,035          | 6,924,187          | 7,514,720          | 590,533                | 8.5%         |
| Fuel Oil        | 364,622            | 494,202            | 561,770            | 530,465            | 517,500            | (12,965)               | -2.4%        |
| Natural Gas     | 14,662,367         | 16,227,906         | 15,278,097         | 15,096,534         | 14,416,885         | (679,649)              | -4.5%        |
| Propane         | 286,492            | 210,891            | 275,780            | 258,031            | 282,420            | 24,389                 | 9.5%         |
| <b>Total</b>    | <b>103,795,026</b> | <b>110,816,786</b> | <b>114,171,018</b> | <b>118,083,356</b> | <b>117,549,060</b> | <b>(534,296)</b>       | <b>-0.5%</b> |

<sup>2</sup> Comparisons between agencies are problematic, given the differences in each agency's energy usage profile and differing opportunities to achieve energy savings. Comparing a particular agency over time is a fairer measure of progress.

As in past years, electricity costs (approximately 81 percent of the total) and natural gas costs (about 13% of the total) account for the bulk of all utility costs. Across all agencies, electricity costs and natural gas costs are projected to decline.

**Fiscal Summary:  
(General Fund Non-Departmental Account)**

The Department of General Services (which manages County Government utility costs) is responsible for about 236 facilities and about 5.6 million square feet of space.

For the General Fund NDA (which accounts for most of the County Government’s utility costs), utilities are recommended to decrease by approximately \$204,000 overall (or .7 percent) as shown in the following chart.

**Table 3:  
NDA Utility Costs by Type (General Fund Only)**

| Type of Utility | Actual            |                   |                   | Approved          | CE Rec            | Change (FY12 vs. FY11) |              |
|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|--------------|
|                 | FY08              | FY09              | FY10              | FY11              | FY12              | \$\$                   | %            |
| Electricity     | 21,187,956        | 21,571,183        | 22,927,239        | 24,441,500        | 23,891,280        | (550,220)              | -2.3%        |
| Water and Sewer | 1,056,152         | 1,675,841         | 822,039           | 1,881,230         | 2,135,590         | 254,360                | 13.5%        |
| Fuel Oil        | -                 | 96,935            | 167,465           | 106,000           | 104,000           | (2,000)                | -1.9%        |
| Natural Gas     | 2,011,668         | 2,174,604         | 1,801,882         | 2,199,260         | 2,291,450         | 92,190                 | 4.2%         |
| Propane         | 250               | 2,457             | 5,426             | 2,450             | 4,060             | 1,610                  | 65.7%        |
| <b>Total</b>    | <b>24,256,026</b> | <b>25,521,020</b> | <b>25,724,051</b> | <b>28,630,440</b> | <b>28,426,380</b> | <b>(204,060)</b>       | <b>-0.7%</b> |

Note: FY10 actuals shown are for 11 months of costs instead of 12 due to a change in the timing of year-end close-out practices as a result of the new ERP system.

The biggest increase in the NDA is in water and sewer costs, where substantial rate increases for both the City of Rockville and WSSC are expected for FY12. Electricity costs are projected to decline 2.3% (\$550,220) as a result of the implementation of energy efficiency and conservation efforts. This issue is discussed later.

**Discussion**

FY10 and FY11 Council Cuts to the Utilities NDA

For FY10, as part of the Council’s budget approval for the Utilities Non-Departmental Account (NDA), the Council reduced the Executive’s Recommendation by 4 percent (\$1.12 million)<sup>3</sup> with the expectation that the Department of General Services (DGS) would pursue energy conservation efforts during FY10 to achieve these savings. Last year’s 2<sup>nd</sup> quarterly analysis assumed that the NDA would be about \$400,000 over budget. However, as a result of the implementation of the County’s new Enterprise Resource Planning (ERP) system, the FY10 fiscal year closeout included only 11 months of utility bill payments instead of 12. This one-time effect resulted in the Utilities NDA FY11 expenditures being substantially below (by about \$1.5 million) the original budget.

<sup>3</sup> Given that traffic signals and street lights represent fixed consumption, the 4% overall cut meant DGS had to find about 6% or more of savings in the balance of its NDA expenditures. It is also important to note that the County’s electricity rates are locked in through 2012, so any savings (or cost avoidance) must come from reduced consumption.

For FY11, the Council again reduced the Utilities budget by 4 percent (\$1.2 million). The County Executive's 2<sup>nd</sup> quarter estimates for FY11 show the Utilities NDA to be on budget. DGS staff have been asked to detail the efforts that have enabled the NDA to absorb the 4% reduction noted above.

### Fuel/Energy Tax

Last year, the Council approved a major increase to the Fuel/Energy Tax, which was above what had originally been recommended by the County Executive. The County Government and the outside agencies' budgets were not adjusted to cover these increases and, therefore, these costs had to be absorbed within existing budget levels. The energy tax increase for FY11 is assumed to remain in place for FY12. The increase is set to sunset after FY12.

### Cost Changes in the Utilities NDA from FY11 to FY12

The Executive's recommendation (as shown on the chart on ©4) includes some increased costs, including:

- Estimated utility costs associated with the opening of the East Germantown and Takoma Park Fire Stations (\$160,470)
- Increases in water and sewer rates (\$244,840)
- Increases in street lights and street light maintenance (\$59,960)

Reductions are also assumed, including:

- Delay in opening the remainder of the GE Building (-\$120,000)
- Energy Savings from energy conservation efforts (-\$549,330)

This conservation savings is based on an estimated 10% reduction in electricity consumption for County facilities. Consumption figures are presented later.

### Energy Usage Trends

With regard to utility costs, the T&E Committee has generally focused its review on electricity consumption, since electricity is the largest utility cost for each agency. Agency representatives will be available to discuss their specific circumstances.

For WSSC, which is seeing the largest cost reduction of any of the agencies, even though its estimated kWhs of electricity are up for FY12 (for a variety of operational reasons) and it had to absorb an energy tax increase, a reduction in the weighted unit price of electricity it expects to pay in FY12 as compared to actual prices in FY10 is more than offsetting these increases.

MCPS is seeing a rise in its FY12 costs primarily as a result of the impact of the energy tax (a \$2.2 million impact over FY10 levels). It also has about 382,000 more square feet of space to provide utilities. However, based on its FY12 Resource Conservation Plan, through FY12, MCPS expects to have avoided about \$9.8 million in energy costs in total since FY04.

With regard to the General Fund NDA, the following table presents the assumed kWhs assumed for the FY11 Approved Budget and the FY12 projected kWhs assumed for the FY12 Recommended Budget.

**Table 4:  
NDA Electricity Consumption (KWh)**

| Agency          | Approved           | Projected          | Change (FY12 vs. FY11) |              | FY12       |
|-----------------|--------------------|--------------------|------------------------|--------------|------------|
|                 | FY11               | FY12               | KWh                    | %            | % of Total |
| Street Lights   | 38,656,735         | 38,700,000         | 43,265                 | 0.1%         | 29.6%      |
| Traffic Signals | 11,627,400         | 9,463,892          | (2,163,508)            | -18.6%       | 7.2%       |
| Facilities      | 91,835,753         | 82,652,178         | (9,183,575)            | -10.0%       | 63.2%      |
| <b>Total</b>    | <b>142,119,888</b> | <b>130,816,070</b> | <b>(11,303,818)</b>    | <b>-8.0%</b> |            |

As shown, the Executive is assuming a 10% reduction in electricity consumption for County facilities as a result of planned conservation and energy retrofits occurring in FY11 and FY12, as noted earlier. This reduction in consumption translates into an estimated \$549,330 in savings for the NDA. DGS staff have been asked to provide more details regarding the efforts in FY11 and FY12 to reduce electricity consumption.

Energy Analysis of County Government Facilities

Consistent with Council Bill 30-07, Buildings – Energy Efficiency (enacted three years ago) and Montgomery County’s Climate Protection Plan (transmitted to the Council in January 2009), the Department of General Services (DGS) hired a consultant (EMG) to do an energy analysis of Montgomery County facilities. The report identified what the consultant believes are reasonable targets for potential cost savings (60%), energy savings (45%), and greenhouse gas reductions (58,000 metric tons) by 2015. These annual cost savings would result in a payback period on the upfront capital costs (\$57 to \$67 million) of 8 to 10 years.

DGS has developed a priority list of work from this effort. Funding for this work is coming from multiple sources, including: the Energy Conservation: MCG project (\$225,000 per year in current revenue funding) and American Recovery and Reinvestment Act of 2009 (Energy Independence and Security Act (EISA)) Federal grant dollars appropriated by the Council in July 2010 (\$7.6 million grant, of which \$2.7 million was allocated to County agencies for energy efficiency projects, \$554,000 to DGS). The grant dollars are expected to be encumbered during the later part of FY11.

Councilmember Berliner forwarded a number of energy conservation related questions to the Department of General Services Director on April 4 (attached on ©7-9).

Cross Agency Resource Sharing (CARS) Committee – Utilities Workgroup

On March 24, 2010, the Chief Administrative Officer announced an interagency initiative to look at possible efficiencies from better coordination and possible consolidation of similar efforts across agencies. In addition to the creation of a high level Executive Committee, nine subject specific

interagency workgroups were convened, including one for utilities. While the agencies already share information via ICEUM, the goal of CARS is to go beyond current practices.

The Utilities workgroup has identified a number of short and long-term initiatives, as noted on ©10-12. Three immediate initiatives under development are: a multi-agency energy service contract agreement for energy efficiency and renewable energy retrofits (RFP to be released this spring), an interagency energy conservation campaign (the first phase is expected to be announced on Earth Day 2011), fluorescent light retrofits (FY12), and building operator certification (BOC) training (FY12). Future potential projects include expanding and enhancing the cooperative purchasing of utilities, participating in PJM load management programs, and several other cooperative efforts.

### **Council Staff Recommendation – Utilities NDA**

**Council Staff believes the 10% reduction in electricity consumption at County Government facilities assumed for the Utilities NDA in the Recommended FY12 Budget represents an aggressive energy conservation/efficiency goal. Council Staff supports the Utilities NDA expenditures as recommended by the County Executive.**

#### **Attachments**

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# Utilities

## MISSION STATEMENT

The goals of the County Government relating to utility consumption are to:

- achieve energy savings by the elimination of wasteful or inefficient operation of building systems;
- continue improvements in energy efficiency in all County operations; and
- obtain required energy fuels at the most favorable cost to the County.

## HIGHLIGHTS

This budget funds the utility costs for 236 (General Fund) facilities with approximately 5,592,578 total square feet, and over 66,903 streetlights and 791 traffic controlled signalized intersections.

## BUDGET OVERVIEW

The FY12 Recommended Budget for the tax-supported Utilities non-departmental account (NDA) is \$28,426,380, a decrease of \$204,060 or -.71 percent from the FY11 Approved Budget of \$28,630,440. Allocation of these utilities expenditures is approximately: electricity, 84.0 percent; natural gas, 8.1 percent; water and sewer, 7.5 percent; and fuel oil, 0.4 percent.

The FY12 Recommended Budget includes County government utilities expenditures for both tax and non-tax supported operations. Tax-supported utilities expenditures related to the General Fund departments are budgeted in the Utilities NDA, while utilities expenditures related to special fund departments are budgeted in those funds. Some of these special funds, such as Recreation and portions of the Department of Transportation, are tax supported. Other special funds, such as Solid Waste, are not supported by taxes, but through user fees or charges for services.

Utilities expenditures are also found in the budgets of other County agencies: Montgomery County Public Schools (MCPS), Montgomery College, the Washington Suburban Sanitary Commission (WSSC), and the Maryland-National Capital Park and Planning Commission (M-NCPPC). The total budget request for these "outside" agencies is \$79,816,990 which includes the entire bi-county area of WSSC.

The FY12 Recommended tax-supported budget for Utilities Management, including both the General Fund NDA (\$28,426,380) and the other tax supported funds (\$3,289,630), is \$31,716,030, a decrease of \$198,290 or approximately -.6 percent from the FY11 Approved utilities budget. The FY12 Recommended budget for non-tax supported utilities expenditures is \$6,016,040, an increase of \$99,444 or 1.7 percent from the FY11 Approved Budget.

In both the tax and non-tax supported funds, increased utilities expenditures result primarily from higher commodity unit costs due to market price fluctuations; greater consumption due to new facilities or services; and in some cases, a more precise alignment of budgeted costs with actual prior-year expenditures by utility type; decreases in utility expenditures result primarily from reductions in consumption. Energy conservation and cost-saving measures (e.g., new building design, lighting technology, energy, and HVAC management systems) help offset increased utility consumption or unit costs.

The County's Interagency Committee on Energy and Utility Management (ICEUM) is currently projecting a cost change potential for Electricity (10.4%), Fuel Oil (-1.1%), Natural Gas (-6.6%), and Water and Sewer (29.1%). These projections reflect market concern about current world events on the commodities futures markets, or anticipated unit price changes by service providers. According to ICEUM, Motor Fuels, consisting of Unleaded Gasoline, Diesel, and Compressed Natural Gas, are expected to fluctuate upward based on current market trends. These fuels are purchased from various providers, and are budgeted in the Department of General Services, Division of Fleet Management Services; not the General Fund Utilities NDA. ICEUM also monitors changes in energy costs in the current year and will recommend appropriate changes, if necessary, prior to final Council approval of the FY12 Budget.

The following is a description of utility service requirements for departments which receive tax or non-tax supported appropriations for utilities expenditures. The utilities expenditures for the non-tax supported operations are appropriated within their respective operating funds but are described in the combined utilities presentation for reader convenience.

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## **TAX SUPPORTED**

### **Department of General Services**

The Department of General Services is responsible for managing all utilities for general County operations including all County office buildings, police stations, libraries, health and human services facilities, correctional facilities, maintenance buildings, and warehouses.

### **Department of Transportation**

The Department of Transportation manages all County streetlights, traffic signals, traffic count stations, and flashing school signs. The utilities expenditures for these devices are budgeted here as this Department designs, installs, controls, and maintains them. In addition, minimal utility costs for the Operations Center and Highway Maintenance Depots are budgeted in the Traffic Engineering component of the General Fund non-departmental account.

### **Division of Transit Services - Mass Transit**

The Department of Transportation Mass Transit Facilities Fund supports all utilities associated with the Ride On transit centers and Park and Ride Lots.

### **Department of Recreation**

The Department of Recreation funds all utility costs for its recreational facilities located throughout the County, such as swimming pools, community recreation centers, and senior citizen centers.

### **Urban Districts**

Urban District utilities are supported by Urban District Funds, which are included in the operating budget for Regional Services Centers.

## **NON-TAX SUPPORTED**

### **Fleet Management Services**

The Department of General Services - Fleet Management Services utility expenditures are displayed in the Special Fund Agencies - Non-Tax Supported section, to reflect that Fleet Management Services expenditures are not appropriated directly but in the budgets of other departments.

The Department of General Services - Fleet Management Services Motor Pool Internal Service Fund supports all utilities associated with the vehicle maintenance garages in Rockville, Silver Spring, and Gaithersburg. Fuel for the County's fleet is also budgeted in that special fund, but these costs are not included in the utilities expenditures displayed in this section.

### **Parking Districts**

The Parking Districts funds utility expenditures associated with the operation of all County-owned parking garages and parking lots.

### **Liquor Control**

The Department of Liquor Control funds utility expenditures associated with the operation of the liquor warehouse, administrative offices, and the County-owned and contractor-operated retail liquor stores.

### **Department of Environmental Protection, Solid Waste Services**

Solid Waste Services funds utility expenditures associated with the operation of the County's Solid Waste Management System. Utilities expenditures associated with the operation of the Oaks Sanitary Landfill maintenance building, the County's Recycling Center, the Resource Recovery Facility, and most of the Solid Waste Transfer Station are currently the responsibility of the operators. Only the site office and maintenance depot costs continue to be budgeted as an identifiable utilities expenditure in the Solid Waste Disposal Fund.

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## **Other Agencies**

Utilities for MCPS, Montgomery College, (bi-county) WSSC, and M-NCPPC are displayed in the charts on the following pages. These are the amounts requested in the budgets of those agencies.

## **LINKAGE TO COUNTY RESULT AREAS**

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ *An Effective and Efficient Transportation Network*
- ❖ *Safe Streets and Secure Neighborhoods*

## **PROGRAM CONTACTS**

Contact Adam Damin of the Office of Management and Budget at 240.777.2794 for more information regarding this department's operating budget.

## **PROGRAM DESCRIPTIONS**

### ***Utilities (for All General Fund Departments)***

The Utilities non-departmental account provides the General Fund utilities operating expense appropriations for the facilities maintained by the Department of General Services and the Department of Transportation. The utilities expenditures for other non-tax supported operations and other agencies are appropriated within their respective department or agency.

## BUDGET SUMMARY

|                                            | Actual<br>FY10    | Budget<br>FY11    | Estimated<br>FY11 | Recommended<br>FY12 | % Chg<br>Bud/Rec |
|--------------------------------------------|-------------------|-------------------|-------------------|---------------------|------------------|
| <b>COUNTY GENERAL FUND</b>                 |                   |                   |                   |                     |                  |
| <b>EXPENDITURES</b>                        |                   |                   |                   |                     |                  |
| Salaries and Wages                         | 0                 | 0                 | 0                 | 0                   | ---              |
| Employee Benefits                          | 0                 | 0                 | 0                 | 0                   | ---              |
| <b>County General Fund Personnel Costs</b> | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>            | <b>---</b>       |
| Operating Expenses                         | 25,724,051        | 28,630,440        | 28,630,440        | 28,426,380          | -0.7%            |
| Capital Outlay                             | 0                 | 0                 | 0                 | 0                   | ---              |
| <b>County General Fund Expenditures</b>    | <b>25,724,051</b> | <b>28,630,440</b> | <b>28,630,440</b> | <b>28,426,380</b>   | <b>-0.7%</b>     |
| <b>PERSONNEL</b>                           |                   |                   |                   |                     |                  |
| Full-Time                                  | 0                 | 0                 | 0                 | 0                   | ---              |
| Part-Time                                  | 0                 | 0                 | 0                 | 0                   | ---              |
| Workyears                                  | 0.0               | 0.0               | 0.0               | 0.0                 | ---              |

## FY12 RECOMMENDED CHANGES

|                                                                                        | Expenditures      | WYs        |
|----------------------------------------------------------------------------------------|-------------------|------------|
| <b>COUNTY GENERAL FUND</b>                                                             |                   |            |
| <b>FY11 ORIGINAL APPROPRIATION</b>                                                     | <b>28,630,440</b> | <b>0.0</b> |
| <b>Other Adjustments (with no service impacts)</b>                                     |                   |            |
| Increase Cost: Due to Rate Changes: Water and Sewer                                    | 244,840           | 0.0        |
| Increase Cost: East Germantown and Takoma Park Fire Stations Coming Online             | 160,470           | 0.0        |
| Increase Cost: Due to Rate Changes: Street Lights and Street Light Maintenance         | 59,960            | 0.0        |
| Decrease Cost: Delay in Opening of the Remainder of the GE Building                    | -120,000          | 0.0        |
| Decrease Cost: Due to Consumption Changes: Facilities Electricity Conservation Efforts | -549,330          | 0.0        |
| <b>FY12 RECOMMENDED:</b>                                                               | <b>28,426,380</b> | <b>0.0</b> |

## FUTURE FISCAL IMPACTS

| Title                                                                                             | CE REC.       |               |               |               |               |               |
|---------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                                                                   | FY12          | FY13          | FY14          | FY15          | FY16          | FY17          |
| (\$000's)                                                                                         |               |               |               |               |               |               |
| This table is intended to present significant future fiscal impacts of the department's programs. |               |               |               |               |               |               |
| <b>COUNTY GENERAL FUND</b>                                                                        |               |               |               |               |               |               |
| <b>Expenditures</b>                                                                               |               |               |               |               |               |               |
| <b>FY12 Recommended</b>                                                                           | <b>28,426</b> | <b>28,426</b> | <b>28,426</b> | <b>28,426</b> | <b>28,426</b> | <b>28,426</b> |
| No inflation or compensation change is included in outyear projections.                           |               |               |               |               |               |               |
| <b>Subtotal Expenditures</b>                                                                      | <b>28,426</b> | <b>28,426</b> | <b>28,426</b> | <b>28,426</b> | <b>28,426</b> | <b>28,426</b> |

**COUNTY UTILITIES EXPENDITURES**

**EXPENDITURES BY DEPARTMENT/AGENCY**

|                                                              | ACTUAL<br>FY09     | ACTUAL<br>FY10     | BUDGET<br>FY11     | RECOMMENDED<br>FY12 | CHANGE<br>BUD/APPR | % CHANGE<br>REC/APPR |
|--------------------------------------------------------------|--------------------|--------------------|--------------------|---------------------|--------------------|----------------------|
| <b>COUNTY GOVERNMENT TAX SUPPORTED OPERATIONS</b>            |                    |                    |                    |                     |                    |                      |
| <b>NON-DEPARTMENTAL ACCOUNT</b>                              |                    |                    |                    |                     |                    |                      |
| Facilities                                                   | 16,070,412         | 16,394,254         | 18,539,080         | 18,275,060          | (264,020)          | -1.4%                |
| Traffic Signals and Streetlighting                           | 9,450,608          | 9,329,797          | 10,091,360         | 10,151,320          | 59,960             | 0.6%                 |
| <b>GENERAL FUND NDA EXPENDITURES</b>                         | <b>25,521,020</b>  | <b>25,724,051</b>  | <b>28,630,440</b>  | <b>28,426,380</b>   | <b>(204,060)</b>   | <b>-0.7%</b>         |
| <b>OTHER TAX SUPPORTED OPERATIONS</b>                        |                    |                    |                    |                     |                    |                      |
| Transit Services                                             | 82,504             | 76,069             | 109,380            | 115,130             | 5,750              | 5.3%                 |
| Recreation                                                   | 3,439,914          | 3,307,996          | 3,174,500          | 3,174,520           | 20                 | 0.0%                 |
| <b>SUBTOTAL</b>                                              | <b>3,522,418</b>   | <b>3,384,065</b>   | <b>3,283,880</b>   | <b>3,289,650</b>    | <b>5,770</b>       | <b>0.2%</b>          |
| <b>TOTAL TAX SUPPORTED</b>                                   | <b>29,043,438</b>  | <b>29,108,116</b>  | <b>31,914,320</b>  | <b>31,716,030</b>   | <b>(198,290)</b>   | <b>-0.6%</b>         |
| <b>COUNTY GOVERNMENT NON-TAX SUPPORTED OPERATIONS</b>        |                    |                    |                    |                     |                    |                      |
| Fleet Management Services                                    | 1,062,540          | 778,004            | 1,133,120          | 1,133,120           | 0                  | 0.0%                 |
| Parking Districts                                            | 3,029,460          | 3,385,997          | 3,459,410          | 3,718,120           | 258,710            | 7.5%                 |
| Liquor Control                                               | 902,335            | 902,668            | 1,117,260          | 1,000,490           | (116,770)          | -10.5%               |
| Solid Waste Services                                         | 163,632            | 136,343            | 206,806            | 164,310             | (42,496)           | -20.5%               |
| <b>TOTAL NON-TAX SUPPORTED</b>                               | <b>5,157,967</b>   | <b>5,203,012</b>   | <b>5,916,596</b>   | <b>6,016,040</b>    | <b>99,444</b>      | <b>1.7%</b>          |
| <b>SUMMARY - COUNTY GOVERNMENT</b>                           |                    |                    |                    |                     |                    |                      |
| TOTAL TAX SUPPORTED                                          | 29,043,438         | 29,108,116         | 31,914,320         | 31,716,030          | (198,290)          | -0.6%                |
| TOTAL NON-TAX SUPPORTED                                      | 5,157,967          | 5,203,012          | 5,916,596          | 6,016,040           | 99,444             | 1.7%                 |
| <b>TOTAL COUNTY GOVERNMENT</b>                               | <b>34,201,405</b>  | <b>34,311,128</b>  | <b>37,830,916</b>  | <b>37,732,070</b>   | <b>(98,846)</b>    | <b>-0.3%</b>         |
| <b>OUTSIDE AGENCIES TAX AND NON-TAX SUPPORTED OPERATIONS</b> |                    |                    |                    |                     |                    |                      |
| Montgomery County Public Schools                             | 40,350,189         | 40,664,814         | 39,740,150         | 41,687,370          | 1,947,220          | 4.9%                 |
| Montgomery College                                           | 6,236,514          | 6,906,351          | 8,321,690          | 8,467,370           | 145,680            | 1.8%                 |
| Washington Suburban Sanitary Commission                      | 26,617,000         | 28,550,000         | 27,819,000         | 25,644,000          | (2,175,000)        | -7.8%                |
| M-NCPPC                                                      | 3,411,679          | 3,548,140          | 4,371,600          | 4,018,250           | (353,350)          | -8.1%                |
| <b>TOTAL OTHER AGENCIES EXPENDITURES</b>                     | <b>76,615,382</b>  | <b>79,669,305</b>  | <b>80,252,440</b>  | <b>79,816,990</b>   | <b>(435,450)</b>   | <b>-0.5%</b>         |
| <b>TOTAL UTILITIES EXPENDITURES</b>                          | <b>110,816,787</b> | <b>113,980,433</b> | <b>118,083,356</b> | <b>117,549,060</b>  | <b>(534,296)</b>   | <b>-0.5%</b>         |

**COUNTY UTILITIES EXPENDITURES**

**EXPENDITURES BY ENERGY SOURCE**

|                                                              | ACTUAL<br>FY09     | ACTUAL<br>FY10     | APPROVED<br>FY11   | RECOMMENDED<br>FY12 | CHANGE<br>BUDGET/REC | % CHANGE<br>BUDGET/REC |
|--------------------------------------------------------------|--------------------|--------------------|--------------------|---------------------|----------------------|------------------------|
| <b>COUNTY GOVERNMENT TAX SUPPORTED OPERATIONS</b>            |                    |                    |                    |                     |                      |                        |
| <b>NON-DEPARTMENTAL ACCOUNT</b>                              |                    |                    |                    |                     |                      |                        |
| Electricity                                                  | 21,571,183         | 22,927,239         | 24,441,500         | 23,891,280          | (550,220)            | -2.3%                  |
| Water & Sewer                                                | 1,675,841          | 822,039            | 1,881,230          | 2,135,590           | 254,360              | 13.5%                  |
| Fuel Oil                                                     | 96,935             | 167,465            | 106,000            | 104,000             | (2,000)              | -1.9%                  |
| Natural Gas                                                  | 2,174,604          | 1,801,882          | 2,199,260          | 2,291,450           | 92,190               | 4.2%                   |
| Propane                                                      | 2,457              | 5,426              | 2,450              | 4,060               | 1,610                | 65.7%                  |
| <b>GENERAL FUND NDA EXPENDITURES</b>                         | <b>25,521,020</b>  | <b>25,724,051</b>  | <b>28,630,440</b>  | <b>28,426,380</b>   | <b>(204,060)</b>     | <b>-0.7%</b>           |
| <b>OTHER TAX SUPPORTED OPERATIONS</b>                        |                    |                    |                    |                     |                      |                        |
| Electricity                                                  | 2,409,720          | 2,345,720          | 2,233,060          | 2,289,530           | 56,470               | 2.5%                   |
| Water & Sewer                                                | 388,402            | 342,157            | 460,790            | 360,090             | (100,700)            | -21.9%                 |
| Fuel Oil                                                     | 0                  | 351                | 0                  | 0                   | 0                    | 0.0%                   |
| Natural Gas                                                  | 723,004            | 651,412            | 589,610            | 639,610             | 50,000               | 8.5%                   |
| Propane                                                      | 1,292              | 44,425             | 420                | 420                 | 0                    |                        |
| <b>SUBTOTAL</b>                                              | <b>3,522,418</b>   | <b>3,384,065</b>   | <b>3,283,880</b>   | <b>3,289,650</b>    | <b>5,770</b>         | <b>0.2%</b>            |
| <b>TOTAL TAX SUPPORTED</b>                                   | <b>29,043,438</b>  | <b>29,108,116</b>  | <b>31,914,320</b>  | <b>31,716,030</b>   | <b>(198,290)</b>     | <b>-0.6%</b>           |
| <b>NON-TAX SUPPORTED OPERATIONS</b>                          |                    |                    |                    |                     |                      |                        |
| Electricity                                                  | 4,507,096          | 4,806,060          | 5,244,870          | 5,386,835           | 141,965              | 2.7%                   |
| Water & Sewer                                                | 126,454            | 176,083            | 219,620            | 229,010             | 9,390                | 4.3%                   |
| Fuel Oil                                                     | 0                  | 0                  | 0                  | 0                   | 0                    | 0.0%                   |
| Natural Gas                                                  | 524,417            | 411,455            | 451,066            | 399,155             | (51,911)             | -11.5%                 |
| Propane                                                      | 0                  | 0                  | 1,040              | 1,040               | 0                    | 0.0%                   |
| <b>TOTAL NON-TAX SUPPORTED</b>                               | <b>5,157,967</b>   | <b>5,203,012</b>   | <b>5,916,596</b>   | <b>6,016,040</b>    | <b>99,444</b>        | <b>1.7%</b>            |
| <b>SUMMARY - COUNTY GOVERNMENT</b>                           |                    |                    |                    |                     |                      |                        |
| Electricity                                                  | 28,487,999         | 30,079,019         | 31,919,430         | 31,567,645          | (351,785)            | -1.1%                  |
| Water & Sewer                                                | 2,190,697          | 1,340,279          | 2,561,640          | 2,724,690           | 163,050              | 6.4%                   |
| Fuel Oil                                                     | 96,935             | 167,816            | 106,000            | 104,000             | (2,000)              | -1.9%                  |
| Natural Gas                                                  | 3,422,025          | 2,864,749          | 3,239,936          | 3,330,215           | 90,279               | 2.8%                   |
| Propane                                                      | 3,749              | 49,851             | 3,910              | 5,520               | 1,610                | 41.2%                  |
| <b>TOTAL COUNTY GOVERNMENT</b>                               | <b>34,201,405</b>  | <b>34,501,714</b>  | <b>37,830,916</b>  | <b>37,732,070</b>   | <b>(98,846)</b>      | <b>-0.3%</b>           |
| <b>OUTSIDE AGENCIES TAX AND NON-TAX SUPPORTED OPERATIONS</b> |                    |                    |                    |                     |                      |                        |
| Electricity                                                  | 59,742,640         | 62,777,317         | 63,354,708         | 63,249,890          | (104,818)            | -0.2%                  |
| Water & Sewer                                                | 3,462,451          | 3,858,756          | 4,362,547          | 4,790,030           | 427,483              | 9.8%                   |
| Fuel Oil                                                     | 397,267            | 393,954            | 424,465            | 413,500             | (10,965)             | -2.6%                  |
| Natural Gas                                                  | 12,805,883         | 12,413,348         | 11,856,598         | 11,086,670          | (769,928)            | -6.5%                  |
| Propane                                                      | 207,141            | 225,929            | 254,121            | 276,900             | 22,779               | 9.0%                   |
| <b>SUBTOTAL</b>                                              | <b>76,615,382</b>  | <b>79,669,305</b>  | <b>80,252,440</b>  | <b>79,816,990</b>   | <b>(435,450)</b>     | <b>-0.5%</b>           |
| <b>TOTAL UTILITIES EXPENDITURES</b>                          |                    |                    |                    |                     |                      |                        |
| Electricity                                                  | 88,230,639         | 92,856,336         | 95,274,138         | 94,817,535          | (456,603)            | -0.5%                  |
| Water & Sewer                                                | 5,653,148          | 5,199,035          | 6,924,187          | 7,514,720           | 590,533              | 8.5%                   |
| Fuel Oil                                                     | 494,202            | 561,770            | 530,465            | 517,500             | (12,965)             | -2.4%                  |
| Natural Gas                                                  | 16,227,908         | 15,278,097         | 15,096,534         | 14,416,885          | (679,649)            | -4.5%                  |
| Propane                                                      | 210,890            | 275,780            | 258,031            | 282,420             | 24,389               | 9.5%                   |
| <b>TOTAL UTILITIES EXPENDITURES</b>                          | <b>110,816,787</b> | <b>114,171,019</b> | <b>118,083,356</b> | <b>117,549,060</b>  | <b>(534,296)</b>     | <b>-0.5%</b>           |



MONTGOMERY COUNTY COUNCIL  
ROCKVILLE, MARYLAND

ROGER BERLINER  
COUNCILMEMBER  
DISTRICT 1

April 4, 2011

Mr. David Dise  
Director  
Department of General Services  
101 Monroe Street  
Rockville, MD

Dear Director Dise:

I am in the process of reviewing the County Executive's Recommended FY 12 Operating Budget and would appreciate some additional information from you with regards to the County's buildings and its energy usage.

1. What is the status of the energy efficiency retrofit work on County Government buildings identified for DGS by the energy audit done on County buildings in 2008?
2. What work has been done in FY11 and at what cost? Please identify the total to be spent in FY11 by the sources of revenue (ex. CIP current revenue, ARRA grant, other) as well as the expected savings in both terms of dollars and energy usage.
3. What do you expect to do (and at what cost by funding source) in FY12?
4. The FY12 Utilities NDA budget request shows a cost reduction from conservation of \$549,330. Could you please provide me with the details on this cost savings? Where are these savings being realized? What work will be done in order to realize these savings?
5. As part of the FY11 budget, the Council reduced the CE budget request for the Utilities NDA by 4%. OMB's 2<sup>nd</sup> quarterly analysis indicates that you expect the Utilities NDA to finish the year on budget. What are the factors that contributed to you being able to project meeting the 4% reduction? How much is attributable to: energy conservation, energy efficiency upgrades,

weather conditions, etc..?

6. I have attached a letter you sent to me on June 18, 2010 indicating that you have instructed DGS staff to make the Jane Lawton Recreation Center in Chevy Chase your first PV installation site. Please provide me with a status report on the progress to date with regards to this project.
  
7. You are aware of my personal interest, and the County Council's legislation that I sponsored that supports performance based contracting as a means of retrofitting our buildings on a cost effective basis. Please advise me as to what specific steps have been taken to embrace this approach, what hurdles you face in implementing this approach, and a specific timeline by which we will implement performance based contracting.

Thank you in advance for your attention to these matters.

Sincerely,

  
Roger Berliner  
Chair, Transportation and the Environment  
Committee



DEPARTMENT OF GENERAL SERVICES

Isiah Leggett  
*County Executive*

David E. Dise  
*Director*

June 18, 2010

Mr. Roger Berliner, Councilmember, District 1  
101 Maryland Avenue  
Rockville, MD 20850

Re: Solar Panels at the Lawton Center

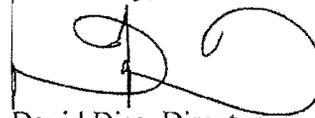
Mr. Berliner,

I am writing in response to your letter of May 17, 2010, in which you urged consideration of placing solar panels on the roof of the Jane E. Lawton Community Recreation Center. I believe the Lawton Center is a good location for the County to begin its planned installation of solar photo voltaic (PV) panels on county facility roofs and I appreciate your leadership the area of sustainability and, specifically, your initiation in pointing out the suitability of this particular facility. As a result, I have instructed DGS staff to make the Lawton Center our first PV installation site.

As you know, in 2009 the Council promulgated legislation proposed by County Executive Leggett expanding opportunity for local small businesses to contract with county government. This has resulted in a marked increase in local contracting and this project will fall under that same initiative as we will reserve this work exclusively for local vendors.

Thank you for your continued encouragement that county projects be mindful of the importance of demonstrating a commitment to environmental stewardship, and your support of DGS' role in this area.

Yours truly,



David Dise, Director

Cross-Agency Resource Sharing Committee (CARS)

Subcommittee Updates as of 3/1/2011

| Subcommittee                                | Recommendation                                                                                         | Implementation Date | Next Steps                                                                                                                                                                                                                                                                                                                                                                                                                                  | Updates/Notes                                                                                                                                                  |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Utilities                                   | 1. Establish an Interagency Energy Technical Service Organization                                      | Immediately         | 1. Revise ICEUM mission (January, 2010), 2. Identify agency lead representatives/management contacts and resource needs (January, 2011), 3. Develop interagency framework (February 2011), 4. Issue call for resources and commitments from agencies (February, 2011), 4. Establish subgroups (March, 2011), 5. Develop framework for information exchange (March,2011) 5. Begin work (March, 2011), 6. Conduct Quarter meetings (ongoing). | Underway, convening periodically to identify changes to participants, reporting, and key priorities. Key priorities for FY12/FY13 were identified in the CARS. |
| <u>Executive Summary of Recommendations</u> | 2. Multi-Agency Energy Service Contract Agreement for Energy-Efficiency and Renewable Energy Retrofits | Mid Year FY12       | 1. Refine DGS developed contracting instrument for review by agencies, 2. Obtain agency sign-off to co-bid, 3. Develop agreement instrument for ESCO services, 4. Implementing finance and budget plan to allow ESCO financing to be carried on County and Agency budgets, 5. Bid and award ESCO contract(s) and independent M&V if needed, 6. Identify projects, 7. Begin construction.                                                    | RFP scope currently undergoing final stages of review. On schedule for RFP release late March or Early April 2011.                                             |
| <u>Detailed Recommendations Report</u>      | 3. Consolidate Utility Billing                                                                         | Post FY12           | TBD                                                                                                                                                                                                                                                                                                                                                                                                                                         | _____                                                                                                                                                          |

| Subcommittee             | Recommendation                                    | Implementation Date | Next Steps                                                                                                                                                                                                                                                                                                                                           | Updates/Notes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------|---------------------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Utilities<br>(Continued) | 4. Interagency Energy Conservation Campaign       | Mid Year FY11       |                                                                                                                                                                                                                                                                                                                                                      | A campaign is currently under development and an intern has been procured to assist in the development of campaign messages, materials, and communications processes. The first phase that is anticipated to launch in on Earth day 2011. First phase will consist of messaging through directors and dissemination of information on the value of energy savings in buildings. An additional push will be made at the beginning of the budget year. Phase 2 which may include recognition, web content, a model office and more aggressive messaging will require funds in FY12. |
|                          | 5. T8 32W to 25/28W Fluorescent Retrofit          | FY12                | 1. Review existing lighting contracts to ensure that quality replacement lamps are available, procure or amend contracts as needed. 2. Identify buildings for retrofits, 3. Spot-check ballast compatibility and illumination levels, 4. Identify source of labor and financing., 5. Execute project and establish ongoing group relamping schedule. | Sites and processes are being discussed amongst agencies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                          | 6. Building Operator Certification (BOC) Training | FY12                | 1. Monitor County implementation of BOC or equivalent program under ARRA grant. 2. Identify staff within agency to be trained. 3. Send staff to training, 4. Develop and implement process to track savings and benefits.                                                                                                                            | Program is under development with the Department of Economic Development's Workforce Solutions Group contractor. Initial stakeholder meeting to select curricula is being planned for March 24th, 2010 and agency energy leads will be invited.                                                                                                                                                                                                                                                                                                                                   |

(11)

| Subcommittee             | Recommendation                                                                                                 | Implementation Date | Next Steps | Updates/Notes |
|--------------------------|----------------------------------------------------------------------------------------------------------------|---------------------|------------|---------------|
| Utilities<br>(Continued) | 7. Expand/Enhance Cooperative Purchasing of Utilities                                                          | Post FY12           | TBD        | _____         |
|                          | 8. Establish a Energy-Efficiency/Renewable Energy Finance Fund to Reinvest a Portion of Savings from Retrofits | Post FY12           | TBD        | _____         |
|                          | 9. Participate in PJM Load Management Programs                                                                 | Post FY12           | TBD        | _____         |
|                          | 10. Develop Multi-Agency Facility Sharing Plan to plan future facility use and combine efforts                 | Post FY12           | TBD        | _____         |
|                          | 11. Adopt Thin-Client or Similar IT architecture to reduce desk-top energy consumption                         | Post FY12           | TBD        | _____         |