

**MEMORANDUM**

March 19, 2010

TO: County Council  
FROM: *CHS*  
Charles H. Sherer, Legislative Analyst  
SUBJECT: Resolution to transfer funds from the Revenue Stabilization Fund to the General Fund  
Resolution to transfer funds from the General Fund to the Revenue Stabilization Fund

In a memorandum dated March 19, 2010, the Executive recommended that the Council approve two resolutions regarding the Revenue Stabilization Fund (RSF), see ©4-5. The current balance in the RSF is \$119.6 million.

**1. The first transfer is from the Revenue Stabilization Fund to the General Fund in FY10.**

Section 311 of the Charter states:

“Limitations on Expenditures. No expenditures of County funds shall be made or authorized in excess of the available unencumbered appropriations therefor.”

As explained in the Executive’s memorandum on ©1 and as shown in the table on ©3, the combination of reduced FY10 revenues compared to the projections made in May 2009 and increased storm and snow costs in FY10 will result in a projected \$91.9 million deficit in the General Fund at the end of FY10, **even after** the two budget savings plans of \$100 million.

The Executive assumed a \$101.9 million transfer in FY10 from the Revenue Stabilization Fund to the General Fund, which would result in a projected surplus/fund balance in the General Fund of \$10 million at the end of FY10 (©2). This will ensure that the General Fund complies with §311 of the Charter.

**Restriction on the amount transferred** Section 20-72 of the County Code states the following regarding the use of the RSF (the entire section is at the end of this memorandum):

(d) The funds transferred may only be used to support appropriations which have become unfunded.

(e) By an affirmative vote of 6 Councilmembers the Council after holding a public hearing and seeking the recommendation of the Executive may transfer amounts from the Fund without regard to the limits and conditions in subsections (a) - (c).

The Action clause of the resolution does not specify the amount that must be transferred, but does specify that the amount must be only the amount needed to fund all the appropriations, as limited by the County Code. As noted above, the current estimate of this amount is \$91.9 million. The amount actually transferred could be more or less than \$91.9 million, depending on what happens to both revenues and expenses between now and June 30. The resolution as drafted gives the Director of Finance the flexibility to transfer the amount needed (up to the \$119.6 million balance in the RSF), and **Council staff recommends approval.**

As noted above, approval of the resolution requires the affirmative vote of 6 Councilmembers after holding a public hearing. The Council already has the Executive's recommendation to approve the resolution.

**2. The second transfer is from the General Fund to the Revenue Stabilization Fund** Section 20-69, Discretionary contributions to Fund, states that "The County Executive may recommend and the County Council may by resolution approve additional contributions to the Fund if doing so will not result in the 10 percent limit in Section 20-67(a) being exceeded."

The value of having the RSF is evident, and the second resolution will transfer \$37 million from the General Fund to the Revenue Stabilization Fund to partially restore the balance in the RSF. **Council staff recommends approval.**

**Sec. 20-72. Use of Fund**

(a) After holding a public hearing and seeking the recommendation of the Executive, and if the Council finds that reasonable reductions in expenditures are not sufficient to offset the shortfall in revenue, the Council may by resolution approved by the Executive transfer an amount from the Fund to compensate for no more than half of the difference between the original projection of total General Fund revenues for that fiscal year and a revised forecast of the General Fund revenues projected for the same fiscal year. If the Executive disapproves a resolution within 10 days after it is transmitted and the Council readopts it by a vote of 6 Councilmembers, or if the Executive does not act within 10 days after it is transmitted, the resolution takes effect.

(b) However, a transfer must not be approved unless 2 of the following conditions are met:

(1) The Director estimates that total General Fund revenues will fall more than 2 percent below the original projected revenues.

(2) Resident employment in the County has declined for 6 consecutive months compared to the same month in the previous year.

(3) A local index of leading economic indicators has declined for 3 consecutive months.

(c) The cumulative transfers from the Fund in any single fiscal year must not exceed half of the balance in the Fund at the start of that fiscal year.

(d) The funds transferred may only be used to support appropriations which have become unfunded.

(e) By an affirmative vote of 6 Councilmembers the Council after holding a public hearing and seeking the recommendation of the Executive may transfer amounts from the Fund without regard to the limits and conditions in subsections (a) - (c). (1993 L.M.C., ch. 41, § 1.)



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

March 19, 2010

2010 MAR 19 AM 9:26

MONTGOMERY COUNTY  
COUNCIL

TO: Nancy Floreen, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Revenue Stabilization Fund: FY10 and FY11 Recommended Transfers

The purpose of this memorandum is to transmit for introduction by the County Council two resolutions pertaining to the Revenue Stabilization Fund (RSF). The first resolution will authorize a transfer from the RSF to the County General Fund to support appropriations that have become unfunded during FY10. The second resolution will authorize the transfer of \$37 million from the County General Fund to the RSF during FY11.

The first resolution is necessary because due to the ongoing economic downturn, General Fund revenues in FY10 declined by over \$174 million or 6.4% from the original budgeted revenues for this year. In addition, due to the historic snow storms of this winter, snow removal, and storm response costs are estimated to exceed \$60 million, approximately 4 times the amount normally expended. These conditions have contributed to a projected FY10 General Fund deficit of \$91.9 million.

The General Fund Deficit occurred despite County Council approval of both rounds of the FY10 savings plans that totaled approximately \$100 million. Recall that the County's reserves include not only the County Government General Fund, but also, the other tax supported reserves of County Government, Public Schools, Park and Planning, and Montgomery College.

As explained in my January 7, 2010 transmittal of the second saving plan to the County Council, we were projecting a \$64 million FY10 deficit in the General Fund even after approval of the first round of the savings plan. The projected deficit in the tax supported reserves after the approval of the first round of the savings plan was approximately \$31.6 million. Positive reserves in other tax supported funds were offsetting the County General Fund deficit.

After approval of the second round of the savings plan, the total tax supported reserves were projected to be in a positive fiscal position, but the general fund was still in a deficit, because a substantial part of the savings in the second round of the savings plan occurred outside of the General Fund (e.g. MCPS, Mass Transit, Recreation, etc...). Subsequent to the approval of the second round of the savings plan several events occurred that further impacted the health of the County General Fund including the February snow storms, a further reduction of FY10 income tax and property tax revenues, and a reduction in other revenues (speed camera citations, and federal financial participation



Nancy Floreen  
March 19, 2010  
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In the absence of the recommended transfer from the RSF, the General Fund will end FY10 in a deficit and General Fund appropriations would become unfunded. The existing balance in the RSF is \$119.6 million.

The second resolution is needed to restore funds to the RSF. As mentioned in my budget transmittal message, the experience of the past year with historic revenue declines and expenditure increases has reaffirmed the wisdom of our practice of maintaining strong reserves in both the RSF and undesignated reserves.

I urge the Council to review and adopt these resolutions as part of its deliberations on the FY11 Operating Budget.

IL:jfb

Attachment

c: Timothy L. Firestine, Chief Administrative Officer  
Joseph F. Beach, Director, Office of Management and Budget  
Jennifer E. Barrett, Director, Department of Finance  
Marc Hansen, Acting County Attorney  
Kathleen Boucher, Assistant Chief Administrative Officer

# SCHEDULE A-4

## Fiscal Summary By Fund



	Actual FY09	Budget FY10	Estimated FY10	Recommended FY11	% Chg Bud/Rec
<b>TAX SUPPORTED</b>					
<b>MONTGOMERY COUNTY GOVERNMENT</b>					
<b>County General Fund</b>					
<b>BEGINNING FUND BALANCE</b>	84,221,914	32,240,449	34,073,690	10,000,000	-69.0%
<b>REVENUES</b>					
Taxes	2,540,477,985	2,574,275,421	2,433,214,501	2,613,028,098	1.5%
Licenses & Permits	9,301,807	9,132,380	9,627,560	9,392,210	2.8%
Charges for Services	14,648,414	10,259,480	10,452,700	10,502,210	2.4%
Fines & Forfeitures	27,622,282	37,542,780	25,472,960	25,483,410	-32.1%
Intergovernmental	90,521,955	71,370,675	48,284,710	66,495,950	-6.8%
Investment Income	568,785	600,160	73,310	1,042,535	73.7%
Miscellaneous	17,784,415	14,383,265	16,405,490	14,082,530	-2.1%
<b>Total REVENUES</b>	<b>2,700,925,643</b>	<b>2,717,564,161</b>	<b>2,543,531,231</b>	<b>2,740,026,943</b>	<b>0.8%</b>
<b>NET INTER-FUND TRANSFERS</b>					
To Revenue Stabilization Fund	0	0	0	-37,000,000	—
From Non-Tax Supported Funds	43,107,175	40,773,480	44,995,500	37,984,850	-6.8%
To Non-Tax Supported Funds	-13,204,221	-23,039,550	-15,284,840	-13,556,370	-41.2%
From Tax Supported Funds	13,193,720	13,376,690	32,693,120	11,486,930	-14.1%
To Tax Supported Funds	-207,688,643	-146,866,318	-138,959,848	-231,668,280	57.7%
From Internal Service Funds	0	12,500,000	12,500,000	0	—
To/From Component Units/Agencies	-2,313,346	-2,573,030	-2,796,300	-3,438,840	33.6%
From Revenue Stabilization	0	0	101,953,983	0	—
<b>Total NET INTER-FUND TRANSFERS</b>	<b>-166,905,315</b>	<b>-105,828,728</b>	<b>35,101,615</b>	<b>-236,191,710</b>	<b>123.2%</b>
<b>CONTRIBUTIONS TO/FROM OTHER FUNDS</b>					
To Tax Supported Funds	-1,619,218,413	-1,636,633,768	-1,634,635,746	-1,509,972,599	-7.7%
County Contribution to CIP Fund	-48,350,107	-30,160,000	-24,183,000	-25,444,000	-15.6%
Designated CIP: PAYGO	-3,400,097	0	0	0	—
<b>Total CONTRIBUTIONS TO/FROM OTHER FUNDS</b>	<b>-1,670,968,617</b>	<b>-1,666,793,768</b>	<b>-1,658,818,746</b>	<b>-1,535,416,599</b>	<b>-7.9%</b>
<b>Total Resources</b>	<b>947,273,625</b>	<b>977,182,114</b>	<b>953,887,790</b>	<b>978,418,634</b>	<b>0.1%</b>
<b>APPROPRIATION/EXPENDITURE</b>					
Appropriation/Expenditure	-923,200,969	-910,428,020	-880,796,190	-851,481,740	-6.5%
Adjustment for Prior Year Encumbrances/Reserves	731,225	0	0	0	—
<b>Total APPROPRIATION/EXPENDITURE</b>	<b>-922,469,744</b>	<b>-910,428,020</b>	<b>-880,796,190</b>	<b>-851,481,740</b>	<b>-6.5%</b>
<b>CLAIMS ON FUND</b>					
Set Aside: Future Needs	0	-2,540,169	-63,091,600	0	—
Change in Designated Reserves	9,269,809	0	0	0	—
<b>Total CLAIMS ON FUND</b>	<b>9,269,809</b>	<b>-2,540,169</b>	<b>-63,091,600</b>	<b>0</b>	<b>—</b>
<b>Total Use of Resources</b>	<b>-913,199,935</b>	<b>-912,968,189</b>	<b>-943,887,790</b>	<b>-851,481,740</b>	<b>-6.7%</b>
<b>PROJECTED FUND BALANCE</b>	<b>34,073,690</b>	<b>64,213,925</b>	<b>10,000,000</b>	<b>126,936,894</b>	<b>97.7%</b>
<b>Special Funds</b>					
<b>Bethesda Urban District</b>					
<b>BEGINNING FUND BALANCE</b>	69,008	35,370	42,780	217,320	514.4%
<b>REVENUES</b>					
Taxes	460,839	485,780	497,070	502,370	3.4%
Charges for Services	137,558	130,000	130,000	130,000	—
Investment Income	4,174	0	0	0	—
<b>Total REVENUES</b>	<b>602,571</b>	<b>615,780</b>	<b>627,070</b>	<b>632,370</b>	<b>2.7%</b>
<b>NET INTER-FUND TRANSFERS</b>					
From Non-Tax Supported Funds	2,774,850	2,835,000	2,835,000	2,593,000	-8.5%
To Tax Supported Funds	-8,070	-8,730	-8,730	-7,910	-9.4%
<b>Total NET INTER-FUND TRANSFERS</b>	<b>2,766,780</b>	<b>2,826,270</b>	<b>2,826,270</b>	<b>2,585,090</b>	<b>-8.5%</b>
<b>Total Resources</b>	<b>3,438,359</b>	<b>3,477,420</b>	<b>3,496,120</b>	<b>3,434,780</b>	<b>-1.2%</b>
<b>APPROPRIATION/EXPENDITURE</b>					
Appropriation/Expenditure	-3,396,480	-3,380,210	-3,278,800	-3,347,660	-1.0%
Adjustment for Prior Year Encumbrances/Reserves	904	0	0	0	—
<b>Total APPROPRIATION/EXPENDITURE</b>	<b>-3,395,576</b>	<b>-3,380,210</b>	<b>-3,278,800</b>	<b>-3,347,660</b>	<b>-1.0%</b>

Resolution No: \_\_\_\_\_

Introduced: \_\_\_\_\_

Adopted: \_\_\_\_\_

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Transfer from the Revenue Stabilization Fund to the General Fund

Background

1. County Code Section 20-72(e) authorizes the County Council by resolution to transfer funds from the County's Revenue Stabilization Fund, after holding a public hearing and seeking the County Executive's recommendation.
2. County Code Section 20-72(d) permits a transfer from the Revenue Stabilization Fund to support appropriations which have become unfunded.
3. The Executive estimates that because of mid year revenue reductions and extraordinary expenditure increases, the County Government General Fund is projected to end FY10 with a deficit of \$91,953,983. This would cause existing appropriations in the General Fund to become unfunded.
4. In his Recommended FY11 Operating Budget, the County Executive has recommended the amount of the transfer from the Revenue Stabilization Fund to the General Fund in FY10 to be \$101,953,983.
5. A public hearing was held on ( ).

Action

The County Council for Montgomery County, Maryland, approves the following action:

For the FY10 operating budget, the Director of Finance must transfer from the County Government's Revenue Stabilization Fund to the General Fund an amount that is sufficient to support appropriations that have become unfunded in the General Fund. The amount transferred must be consistent with Section 20-72 of the County Code. The Director of Finance will report to the County Council on the amount that is transferred.

*This is a correct copy of Council action.*

\_\_\_\_\_  
Linda M. Lauer, Clerk of the Council

APPROVED AS TO FORM AND LEGALITY.

OFFICE OF COUNTY ATTORNEY

BY Mark Hansen

DATE 3/18/10

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Resolution No: \_\_\_\_\_

Introduced: \_\_\_\_\_

Adopted: \_\_\_\_\_

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: <sup>from the General Fund</sup> Transfer to the Revenue Stabilization Fund

Background

1. County Code Section 20-69 authorizes the County Council by resolution to transfer funds to the County's Revenue Stabilization Fund, provided such a transfer would not exceed the maximum fund size as defined under Section 20-67(a).
2. The Director of Finance estimates the maximum size of the Revenue Stabilization Fund to be \$134 million based on 10 percent of the average aggregate annual revenue derived from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund in the 3 preceding fiscal years.
3. In his Recommended FY11 Operating Budget, the County Executive has recommended the amount of the transfer from the General Fund to the Revenue Stabilization Fund to be \$37,000,000.
4. The total amount of the Revenue Stabilization Fund in FY11 after the transfer in paragraph #3 above, and the accumulation of interest income, will be \$54,844,022 which is below the maximum fund size as defined in Section 20-67(a).
5. A public hearing was held on ( ).

Action

The County Council for Montgomery County, Maryland, approves the following action:

During FY11, the Director of Finance must transfer \$37,000,000 from the County Government's General Fund to the Revenue Stabilization Fund.

*This is a correct copy of Council action.*

\_\_\_\_\_  
Linda M. Lauer, Clerk of the Council

APPROVED AS TO FORM AND LEGALITY.

OFFICE OF COUNTY ATTORNEY

BY Marc Hansen

DATE 3/18/10

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