

Resolution No.:	<u>16-1416</u>
Introduced:	<u>June 29, 2010</u>
Adopted:	<u>June 29, 2010</u>

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Management and Fiscal Policy Committee

SUBJECT: Approval of the County's Tax Supported Fiscal Plan Summary for the FY11-16 Public Services Program

Background

1. Section 302 of the County Charter states in part: *The County Executive shall submit to the Council, not later than March 15 of each year, comprehensive six-year programs for public services and fiscal policy. The six-year programs shall require a vote of at least five Councilmembers for approval or modification. Final Council approval of the six-year programs shall occur at or about the date of budget approval.*
2. Over the last two decades the Council's Management and Fiscal Policy Committee has collaborated with the Office of Management and Budget and the Department of Finance to develop and refine County fiscal projections. The result has been continuous improvement in how best to display such factors as economic and demographic assumptions, individual agency funds, major known commitments, illustrative expenditure pressures, gaps between projected revenues and expenditures, and productivity improvements. This work has also increased the County's ability to harmonize the fiscal planning methodologies of the four tax supported agencies. Each version of the fiscal projections, or six-year fiscal plan, is a snapshot in time that reflects the best estimate of future revenues and expenditures as of that moment, as well as a specific set of fiscal policy assumptions.
3. On March 15, 2010 the County Executive included in his FY11 Recommended Operating Budget a Tax Supported Fiscal Plan Summary for FY11-16. The Executive subsequently transmitted revised versions of this summary to reflect changes in his recommended budget made on March 25 and April 22, 2010.
4. On April 13, 2010 the Council President recommended that the Council approve for the first time a balanced six-year fiscal plan for the FY11-16 period.

5. On May 21, 2010 the Executive transmitted another revised version of the fiscal plan summary to reflect his recommended new reserve policy. On June 24, 2010 the Management and Fiscal Policy Committee recommended approval of this policy, as amended. Action clause 5 of the approval resolution states: *The County should adopt a fiscal plan that is structurally balanced, and that limits expenditures and other uses of resources to annually available revenues. The fiscal plan should also separately display reserves at policy levels, including additions to reserves to reach policy level goals.* The Committee recommended implementing such a fiscal plan for the FY11-16 period, starting with the FY11 Operating Budget approved by the Council on May 27, 2010.

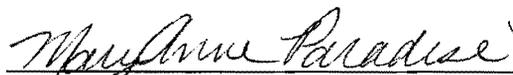
Action

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

The Council approves the Tax Supported Fiscal Plan Summary for the FY11-16 Public Services Program, as outlined on the attached pages. This summary reflects:

- (1) current information on projected revenues and non-agency expenditures for the six-year period, which must be updated as conditions change. To keep abreast of changed conditions the Council regularly reviews reports on economic indicators and revenue estimates prepared by the Finance Department.
- (2) the policy on expanded County reserves established in Resolution No. 16-1415 and the amendments to the Revenue Stabilization Fund law in Bill 36-10, both of which the Council approved on June 29, 2010.
- (3) other specific fiscal assumptions, listed in the summary, that are important goals for inclusion in future budgets.

This is a correct copy of Council action.



Mary Anne Paradise, Acting Clerk of the Council

	App. FY10	Restated FY10	% Chg. FY10-11	App. FY11	% Chg. FY11-12	Projected FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16
34 Beginning Reserves														
35 Unrestricted General Fund	115.5	115.5	-74.3%	29.7	360.6%	136.8	-0.3%	136.4	3.9%	141.8	-0.8%	140.7	4.3%	146.8
36 Revenue Stabilization Fund	119.6	119.6	-49.5%	60.4	56.2%	94.3	25.7%	118.6	17.2%	139.0	17.1%	162.7	21.1%	197.1
37 Total Beginning Reserves	235.2	235.2	-61.7%	90.1	156.6%	231.2	10.3%	255.0	10.1%	280.7	8.1%	303.4	13.3%	343.9
38														
39 Additions to Reserves														
40 Unrestricted General Fund	-39.3	-39.3	-372.3%	107.1	-100.4%	-0.4	1300.2%	5.4	-119.9%	-1.1	668.3%	6.1	39.3%	8.5
41 Revenue Stabilization Fund	0.0	0.0	n/a	33.9	-28.5%	24.3	-16.0%	20.4	16.4%	23.7	44.9%	34.4	-6.3%	32.2
42 Total Change in Reserves	-39.3	-39.3	-458.6%	141.1	-83.1%	23.8	8.2%	25.8	-12.1%	22.6	78.6%	40.5	0.5%	40.7
43														
44 Ending Reserves														
45 Unrestricted General Fund	76.2	76.2	79.6%	136.8	-0.3%	136.4	3.9%	141.8	-0.8%	140.7	4.3%	146.8	5.8%	155.3
46 Revenue Stabilization Fund	119.6	119.6	-21.2%	94.3	25.7%	118.6	17.2%	139.0	17.1%	162.7	21.1%	197.1	16.3%	229.2
47 Total Ending Reserves	195.8	195.8	18.0%	231.2	10.3%	255.0	10.1%	280.7	8.1%	303.4	13.3%	343.9	11.8%	384.5
48 Reserves as a % of Adjusted Governmental Revenues				6.0%		6.5%		7.1%		7.4%		8.0%		8.6%
49 Agency Reserves														
50 Montgomery College				0.0	n/a	4.0	1.9%	4.0	1.8%	4.1	1.8%	4.2	1.9%	4.3
51 MNCPPC				0.0	n/a	4.3	3.7%	4.5	3.5%	4.6	3.6%	4.8	2.6%	4.9
52 Retiree Health Insurance Pre-Funding														
53 Montgomery County Public Schools (MCPS)						53.2		64.8		76.4		87.7		92.1
54 Montgomery College (MC)						1.0		1.2		1.3		1.4		1.5
55 MNCPPC (w/o Debt Service)						4.4		5.1		5.6		6.1		6.4
56 MCG						25.0		31.5		38.4		44.6		46.8
57 Subtotal Retiree Health Insurance Pre-Funding						83.6	-	102.6	-	121.7	-	139.8	-	146.8

This fiscal plan summary reflects the following assumptions:

1. FY12-16 property tax revenues are at the Charter Limit assuming a tax credit. All other tax revenues at current rates except as noted below.
2. Revenues reflect Energy Tax and Wireless Telephone Tax increases approved by the County Council on May 27, 2010. Energy Tax increase sunsets at the end of FY12.
3. PAYGO restored to policy level of 10% of planned GO Bond borrowing in FY12-16. See Row 14 above.
4. FY11 revenues reflect one-year redirection of Recordation Tax Premium (\$8 M.) and Recordation Tax for MCPS CIP and College IT (\$5 M.).
5. Retiree Health Insurance Pre-Funding assumed to resume at scheduled contribution levels in FY12. See Rows 20 and 53-56 above.
6. Projected FY12-16 rate of growth of Agency Uses constrained to balance the fiscal plan in FY12-16. Allocations to the four agencies (MCPS, Montgomery College, MNCPPC, and County Government) will be determined in the annual budget process.
7. FY11 reserves reflect restoration of reserves to current 6% (of tax supported resources) policy level. FY10 and FY11 reserves (see Rows 34-48 above) include all County and Outside Agency tax supported reserves.
8. FY12-16 Unrestricted General Fund Reserves are reduced in certain years to reflect compliance with Section 310 of the County Charter on maximum size of the general fund balance (shall not exceed 5% of prior year general fund revenues). Outside Agency reserves are excluded from these amounts and are displayed separately (see Rows 16 - 17 and 50 - 51 above).
9. FY12-16 reserves reflect proposed new reserve policy including increase in reserve levels and inclusion of capital projects and grant revenues as part of Adjusted Governmental Revenues.

Notes:

1. Restated FY10 excludes \$79.5 million for debt service that was double appropriated to MCPS to meet the State's Maintenance of Effort requirement and then reimbursed to the County.
2. As of 6-22-10, Actual FY10 agency uses are estimated to be \$103.0 million less than Approved or Restated FY10 due chiefly to reductions from two FY10 savings plans.