

**COUNTY EXECUTIVE  
OPERATING BUDGET  
FORUMS  
JANUARY 29, 2007**

Upcounty Regional Services Center  
12900 Middlebrook Road, Conference Room A  
Germantown, Maryland

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

# September - December

- Executive Branch departments get Maximum Agency Request Ceilings, or MARCs, or target ceilings.
- Executive Branch departments solicit input from citizens, advisory groups, and department staff.
- Departments and agencies prepare operating budget for late November/early December submission to OMB.
- Collective Bargaining begins in those years in which labor contracts are scheduled to expire.

# September – December (con't.)

- Department of Finance produces updated revenue estimates. The Department of Finance & OMB present a fiscal and economic outlook to the County Executive and County Council in late November.
- The Council sets Spending Affordability Guidelines (SAG) recommendations. The ceiling must specify a ceiling on funding from property tax revenues and a ceiling on the aggregate operating budget. Council considers the level of economic activity in the County, and the impact of economic and population growth on projected revenues.
- MCPS Superintendent's Operating Budget is transmitted to the Board of Education.

# January – March

- Other Agency (Montgomery College, Maryland-National Capital Park and Planning Commission) requests are sent to the County Executive.
- OMB reviews and develops recommendations for department and agency budgets for the County Executive. (December through early March).
- Revenue estimates are updated by the Department of Finance as part of the decision-making process by the Executive to formulate the operating budget.

## January – March (con't.)

- Board of Education transmits its MCPS Recommended FY08 Operating Budget to the County Council in February (scheduled for February 13th.)
- Collective Bargaining concludes and agreements are finalized (mid to late February)
- County Executive makes final operating budget decisions for March 15th transmittal to Council.

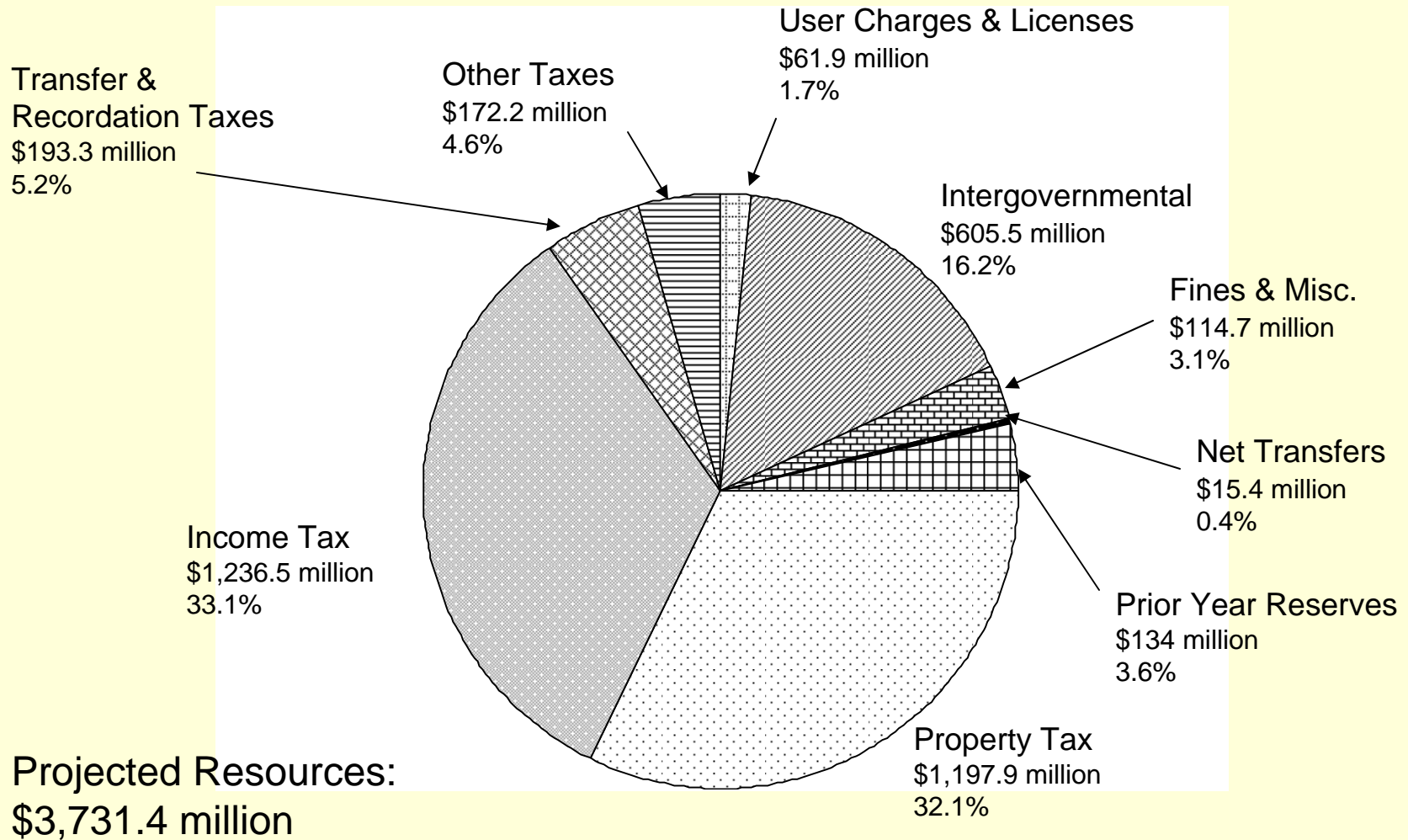
## April - May

- Council holds required public hearings on the County Executive's Recommended Operating Budget.
- Council begins committee level review of all budgets and fiscal aspects of Collective Bargaining Agreements.
- Adjournment of the General Assembly (potential impact of expenditures and revenue adjustments).

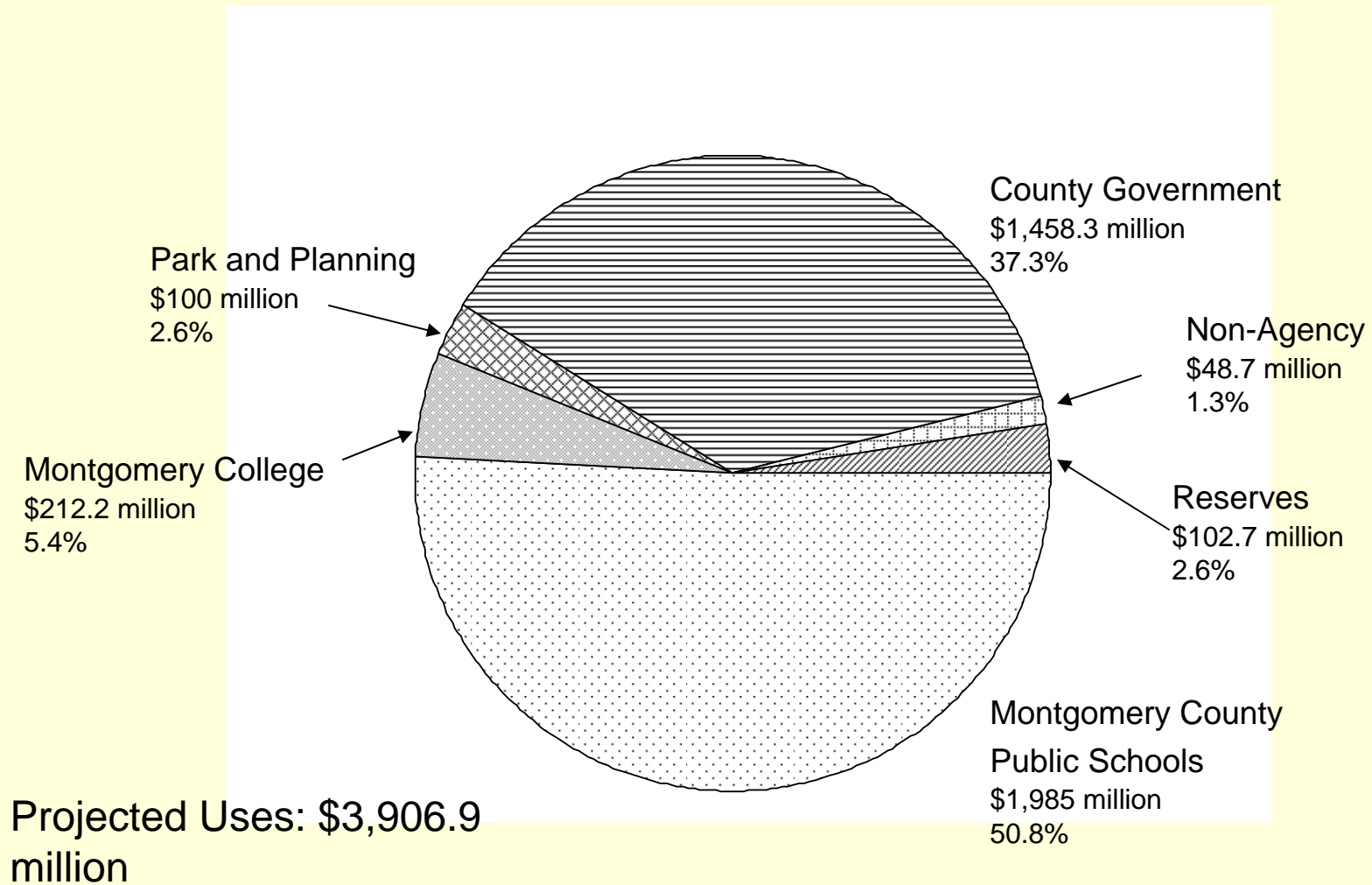
## April – May (con't.)

- County Council amends Spending Affordability Guidelines to reflect significant change in conditions. A simple majority vote may increase or decrease any guideline.
- Full Council review of all committee recommendations,
- County Council approval of operating budget expenditures and tax rates by June 1<sup>st</sup>.

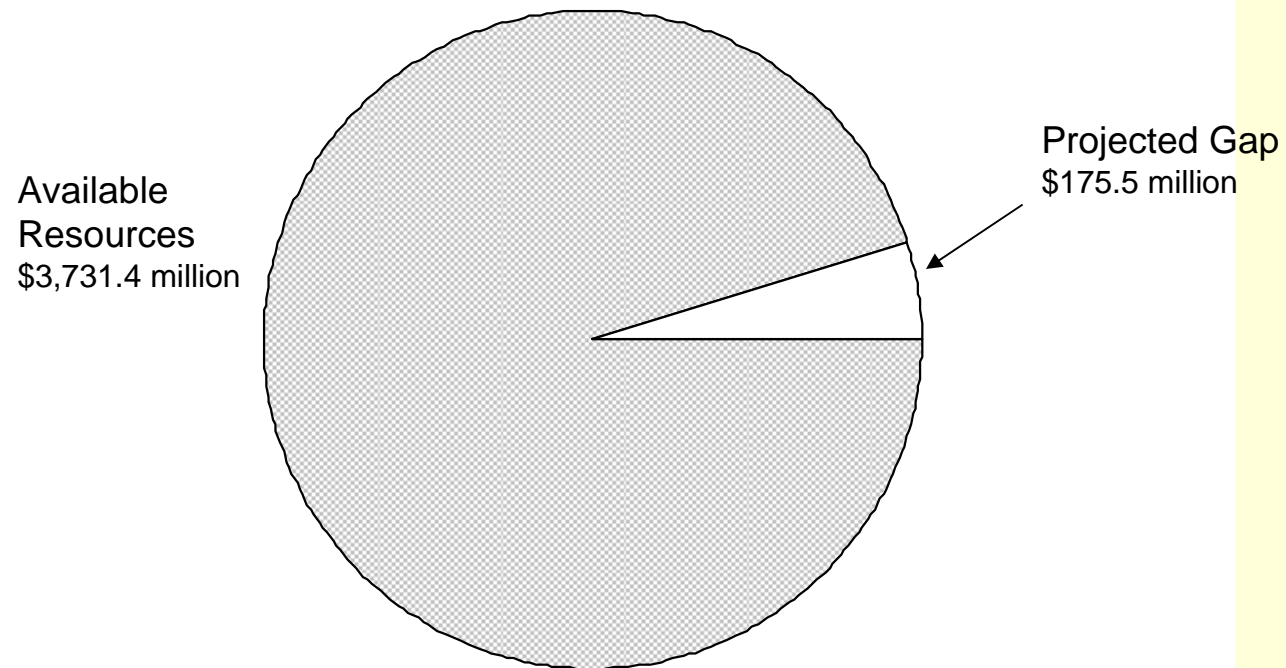
# How the Budget is Funded



# How the Money is Spent



# Projected Gap in Available Resources



# Economic Outlook/Revenues

- Generally positive Economic Outlook, but there is evidence of a slowdown
  - Unemployment rate is just 2.7%/employment growth is strong
  - Stock market has rebounded
  - Fuel costs have decreased somewhat, but are still high by historic standards
  - Residential construction and sales are down and there is a decline in residential fixed investment

# Economic Outlook/Revenues (con't.)

- Revenue Growth is also healthy and :
  - Projected to grow by over 10% fueled primarily by
  - Rising Residential property assessments
  - Income Tax Revenues are projected to increase by nearly 15%, but
  - Transfer and recordation taxes are *declining* at nearly the same rate because of the softening in the housing and refinance markets.
  - The rate of revenue growth assumes the same residential property tax rates. The County Executive's goal is to restrict growth of property tax rates to the Charter limit which is essentially the rate of inflation about 3%, (excluding new construction)
  - One other note of caution is that it is uncertain if the State will fund the estimated \$22 million in the Geographic Cost of Education Index. We are currently assuming it in our projections, but the loss of this important component of the Thorton Aid would present difficulties in funding the budget.

# Cost Drivers / Service Improvements

- Rising fuel and utility costs; health insurance, pension, and salary costs
- Prefunding health insurance benefits for retired employees: over \$31 million is due in FY08 to begin the phase in of funding for this \$2 billion liability
- Expanding access to affordable housing
- Increasing police, fire and rescue, and other public safety staffing to address rising crime, increasing population, and improving response times.
- Expanding coverage for medically uninsured residents
- Maintaining our existing road and facility infrastructure which is aging and has not been adequately maintained in the past.

# **COMMUNITY CONCERNS AND QUESTIONS**