



ROCKVILLE, MARYLAND

MEMORANDUM

May 10, 2019

TO: Nancy Navarro, President, County Council

FROM: Richard S. Madaleno, Director, Office of Management and Budget *RSM*
Michael Coyeyou, Acting Director, Department of Finance *mjc*

SUBJECT: FY19 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. Approved and pending supplemental appropriations, including the appropriation request for snow removal and storm cleanup, are reflected in the results below. Total third quarter projections for FY19 year-end closeout are more than projections made at the second quarterly analysis. Significant expenditure variances are described below.

Third Quarter Expenditure Results

The Board of Election's projected overspending is due to additional unbudgeted costs for the 2018 Gubernatorial Election.

The Circuit Court's projected overspending is due to the additional costs for the implementation of the Maryland Electronic Courts system.

The Department of Correction and Rehabilitation projected overspending is due to greater overtime costs than budgeted and higher medical and food expenses.

The County Executive projected overspending is due to leave payouts and severance pay costs.

The County Attorney's Office's projected overspending is due to projected lapse savings being less than budgeted.

The Department of General Services' projected overspending is due to unbudgeted overtime and standby pay for 24/7 facility emergencies.

The Office of Legislative Oversight's projected overspending is due to projected lapse savings being less than budgeted.

The Sheriff's Office is estimated to overspend due to higher than budgeted overtime costs and additional hiring due to an elevated number of separations from Deferred Retirement Option Program (DROP).

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The State's Attorney's projected overspending is primarily due to increased costs for expert witnesses and translation services, which are unpredictable and driven by individual case need.

Fire and Rescue is estimated to be overspent because of overtime costs related to vacant positions. Operating costs are expected to be over budget due to higher than expected vehicle maintenance costs.

Mass Transit projected overspending is due to estimated motor pool costs being greater than budgeted.

The Department of Liquor Control projects overspending primarily due to higher than budgeted overtime costs and unbudgeted contractor costs to implement new technology in the warehouse.

The following non-departmental accounts are projected to be overspent: Metro Washington Council of Governments due to the higher than anticipated contribution to the Anacostia Restoration Fund; Leases due to a lease being terminated later than planned and the cost for a lease being miscalculated in the approved budget; and the Takoma Park Library Annual Payment and Takoma Park Police Rebate due to increased formula payments.

Third Quarter Revenue Update

Attached is an update on tax revenue collections through the end of the third quarter.

Reserves: Third quarter analysis and FY20 CE Amendments

The County's FY19 total ending reserves are estimated to be \$505.1 million, or 9.7 percent of Adjusted Governmental Revenues (AGR). Third quarter estimates leave FY19 reserves \$2.1 million below what was reported at second quarter (this variance would have been closer to \$4.1 million but the April 2019 prior year encumbrance liquidations generated additional unrestricted fund balance). This shortfall in FY19 reserves and the additional FY20 State Aid of \$29.6 million (which increases FY20 AGR by \$29.6 million) included in the County Executive's FY20 budget amendments would leave FY20 reserves slightly below 10 percent of AGR. The County Executive recommends the following resources to maintain FY20 reserves at 10 percent of AGR: savings from the FY20 re-negotiated labor agreement with MCGEO and changes to non-represented compensation and an additional use of the FY20 \$3.0 million unallocated set aside. It is important the Council remain within the parameters recommended by the County Executive as you make your final FY20 budget decisions.

RSM/MC:cm

Attachments: Third Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 3/31/19

cc: Marc Elrich, County Executive
Andrew W. Kleine, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
All County Government Department Heads and Merit Directors

FY19 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
Tax Supported					
General Fund					
Agriculture	972,187	978,233	938,727	39,506	4.0%
Board of Appeals	579,230	584,459	557,862	26,597	4.6%
Board of Elections	8,073,422	8,082,754	8,548,331	-465,577	-5.8%
Circuit Court	11,982,488	12,182,488	12,269,307	-86,819	-0.7%
Community Engagement Cluster	3,781,762	3,796,110	3,739,384	56,726	1.5%
Consumer Protection	2,337,140	2,340,227	2,302,854	37,373	1.6%
Correction and Rehabilitation	66,278,818	66,277,972	71,053,210	-4,775,238	-7.2%
County Attorney	6,189,525	6,232,142	6,483,736	-251,594	-4.0%
County Council	11,646,525	11,718,045	11,690,388	27,657	0.2%
County Executive	5,797,922	5,826,187	6,065,420	-239,233	-4.1%
Emergency Management and Homeland Security	1,343,368	1,365,320	1,315,787	49,533	3.6%
Environmental Protection	2,762,901	2,769,311	2,362,244	407,067	14.7%
Ethics Commission	463,283	469,982	435,267	34,715	7.4%
Finance	14,498,017	14,593,394	14,359,385	234,009	1.6%
General Services	29,983,204	34,209,011	35,171,325	-962,314	-2.8%
Health and Human Services	240,097,744	240,426,981	236,534,186	3,892,795	1.6%
Housing and Community Affairs	7,519,410	7,538,728	7,423,453	115,275	1.5%
Human Resources	8,755,692	8,785,478	8,470,829	314,649	3.6%
Human Rights	1,247,047	1,256,078	1,270,908	-14,830	-1.2%
Inspector General	1,140,590	1,140,590	1,123,481	17,109	1.5%
Intergovernmental Relations	1,221,489	1,225,934	1,219,054	6,880	0.6%
Legislative Oversight	1,744,087	1,777,134	1,939,070	-161,936	-9.1%
Management and Budget	4,920,305	4,933,649	4,775,201	158,448	3.2%
Merit System Protection Board	249,689	254,870	252,066	2,804	1.1%
Non-Departmental Accounts	329,195,674	325,770,899	231,799,604	93,971,295	28.8%
Police	279,873,331	280,326,643	276,194,476	4,132,167	1.5%
Procurement	4,445,369	4,479,688	4,304,735	174,953	3.9%
Public Information	5,361,431	5,371,875	5,280,381	91,494	1.7%
Public Libraries	42,554,538	42,641,560	40,670,971	1,970,589	4.6%
Sheriff	23,312,569	23,318,937	24,226,038	-907,101	-3.9%
State's Attorney	17,843,310	17,843,310	17,970,900	-127,590	-0.7%
Technology Services	42,171,965	42,296,030	40,475,526	1,820,504	4.3%
Transportation	45,814,082	60,432,876	60,028,415	404,461	0.7%
Zoning and Administrative Hearings	704,059	704,059	659,637	44,422	6.3%
General Fund Total:	1,224,862,173	1,241,950,954	1,141,912,158	100,038,796	8.05%

Special Funds

Fire

Fire and Rescue Service	217,411,217	219,437,391	232,751,003	-13,313,612	-6.1%
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Recreation

Recreation	38,705,979	38,751,545	37,272,378	1,479,167	3.8%
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Bethesda Urban District

Urban Districts	3,313,905	3,313,905	3,301,900	12,005	0.4%
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FY19 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
<u>Silver Spring Urban District</u>					
Urban Districts	3,853,430	3,853,430	3,800,552	52,878	1.4%
<u>Wheaton Urban District</u>					
Urban Districts	1,989,070	1,989,070	1,958,736	30,334	1.5%
<u>Mass Transit</u>					
Transit Services	132,517,047	132,576,146	134,742,205	-2,166,059	-1.6%
<u>Economic Development Fund</u>					
Economic Development Fund	4,541,779	9,042,369	8,705,349	337,020	3.7%
Special Funds Total:	402,332,427	408,963,856	422,532,123	-13,568,267	-3.32%
Tax Supported Total:	1,627,194,600	1,650,914,810	1,564,444,281	86,470,529	5.2%

FY19 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
NDAs: Tax Supported - County General Fund					
General Fund					
NDA - Arts and Humanities Council	5,356,943	5,356,943	5,356,943	0	0.0%
NDA - Boards, Committees and Commissions	22,950	22,950	19,778	3,172	13.8%
NDA - Charter Review Commission	150	150	150	0	0.0%
NDA - Children's Opportunity Fund	375,000	375,000	375,000	0	0.0%
NDA - Community Grants: County Executive	12,283,468	12,283,468	12,283,468	0	0.0%
NDA - Compensation and Employee Benefit Adjustments	2,192,710	902,925	821,619	81,306	9.0%
NDA - Conference and Visitors Bureau	1,556,519	1,556,519	1,556,519	0	0.0%
NDA - Conference Center	601,464	601,464	156,826	444,638	73.9%
NDA - Consolidated Retiree Health Benefit Trust - College	2,845,000	2,845,000	0	2,845,000	100.0%
NDA - Consolidated Retiree Health Benefit Trust - MCPS	79,405,000	79,405,000	27,200,000	52,205,000	65.7%
NDA - County Associations	74,728	74,728	74,728	0	0.0%
NDA - Device Client Management	7,206,200	7,206,200	7,206,200	0	0.0%
NDA - Grants To Municipalities In Lieu Of Shares Tax	28,020	28,020	28,012	8	0.0%
NDA - Group Insurance Retirees	41,642,478	41,642,478	41,642,478	0	0.0%
NDA - Historical Activities	135,000	135,000	135,000	0	0.0%
NDA - Homeowners' Association Road Maintenance Reimb.	62,089	62,089	62,089	0	0.0%
NDA - Housing Opportunities Commission	6,680,270	6,680,270	6,580,066	100,204	1.5%
NDA - Inauguration and Transition	50,000	50,000	33,304	16,696	33.4%
NDA - Incubator Programs - Economic Development Partnership	3,584,971	3,584,971	2,834,971	750,000	20.9%
NDA - Independent Audit	420,820	420,820	420,820	0	0.0%
NDA - Interagency Technology, Policy, and Coordination Commission	5,850	5,850	5,850	0	0.0%
NDA - Leases	19,744,573	19,744,573	21,005,079	-1,260,506	-6.4%
NDA - Legislative Branch Communications Outreach	540,000	1,290,000	1,288,255	1,745	0.1%
NDA - Metro Washington Council of Governments	876,710	876,710	916,296	-39,586	-4.5%
NDA - Montgomery Coalition for Adult English Literacy	1,757,058	1,757,058	1,757,058	0	0.0%
NDA - Montgomery County Economic Development Corporation	5,007,750	5,007,750	4,932,634	75,116	1.5%
NDA - Motor Pool Fund Contribution	876,939	876,939	876,939	0	0.0%
NDA - Municipal Tax Duplication	8,322,008	8,322,008	8,315,231	6,777	0.1%
NDA - Prisoner Medical Services	20,000	20,000	0	20,000	100.0%
NDA - Public Technology, Inc.	20,000	20,000	20,000	0	0.0%
NDA - Retiree Health Benefits Trust	43,562,660	43,562,660	9,000,000	34,562,660	79.3%
NDA - Risk Management (General Fund)	17,417,251	17,417,251	17,417,251	0	0.0%
NDA - Rockville Parking District	415,000	415,000	410,757	4,243	1.0%
NDA - Snow Removal and Storm Cleanup	2,884,990	0	0	0	0.0%
NDA - State Positions Supplement	60,756	60,756	0	60,756	100.0%
NDA - State Property Tax Services	3,565,615	3,565,615	3,087,170	478,445	13.4%
NDA - State Retirement Contribution	1,520,522	1,520,522	1,520,522	0	0.0%
NDA - Takoma Park Library Annual Payments	164,058	164,058	186,058	-22,000	-13.4%
NDA - Takoma Park Police Rebate	1,028,342	1,028,342	1,104,672	-76,330	-7.4%
NDA - Telecommunications	5,356,382	5,356,382	4,616,382	740,000	13.8%
NDA - Vision Zero	175,000	175,000	15,000	160,000	91.4%
NDA - Working Families Income Supplement	23,305,090	23,305,090	21,140,303	2,164,787	9.3%
NDA - WorkSource Montgomery, Inc.	1,809,594	1,809,594	1,809,594	0	0.0%

FY19 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
Utilities	26,235,746	26,235,746	25,586,582	649,164	2.5%
NDAs: Tax Supported - County General Fund Total:	329,195,674	325,770,899	231,799,604	93,971,295	28.8%

FY19 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
Non-Tax Supported					
Special Funds					
<u>Montgomery Housing Initiative</u>					
Housing and Community Affairs	35,589,790	58,936,755	37,513,995	21,422,760	36.3%
<u>Cable TV</u>					
Cable Television Communications Plan	16,193,212	16,223,183	15,916,830	306,353	1.9%
<u>Water Quality Protection</u>					
Environmental Protection	27,945,464	27,964,920	25,503,999	2,460,921	8.8%
Special Funds Total:	79,728,466	103,124,858	78,934,824	24,190,034	23.46%
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Enterprise Funds					
<u>Liquor</u>					
Liquor Control	63,990,451	63,990,451	65,568,018	-1,577,567	-2.5%
<u>Solid Waste Disposal</u>					
Solid Waste Services	100,713,014	100,729,959	99,074,959	1,655,000	1.6%
<u>Solid Waste Collection</u>					
Solid Waste Services	9,247,348	9,249,189	9,164,189	85,000	0.9%
<u>Leaf Vacuuming</u>					
Transportation	6,204,721	6,204,721	5,960,438	244,283	3.9%
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	11,919,899	11,911,753	11,644,278	267,475	2.2%
<u>Bethesda Parking</u>					
Parking District Services	14,916,028	14,923,562	14,920,493	3,069	0.0%
<u>Silver Spring Parking</u>					
Parking District Services	11,507,531	11,498,341	11,370,948	127,393	1.1%
<u>Wheaton Parking</u>					
Parking District Services	1,405,707	1,406,809	1,405,636	1,173	0.1%
<u>Permitting Services</u>					
Permitting Services	40,234,230	40,368,902	39,084,314	1,284,588	3.2%
Enterprise Funds Total:	260,138,929	260,283,687	258,193,273	2,090,414	0.80%
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Internal Service Funds					
<u>Motor Pool</u>					
Fleet Management Services	73,798,118	73,923,087	75,061,881	-1,138,794	-1.5%
<u>Central Duplicating (Printing & Mail)</u>					
General Services	8,146,754	8,146,754	7,961,730	185,024	2.3%
<u>Risk Management (Self Insurance - ISF)</u>					
Finance	69,444,248	69,444,248	68,488,608	955,640	1.4%
<u>Employee Health Self Insurance</u>					
Human Resources	258,674,799	258,674,799	249,274,940	9,399,859	3.6%
Internal Service Funds Total:	410,063,919	410,188,888	400,787,159	9,401,729	2.29%
Non-Tax Supported Total:	749,931,314	773,597,433	737,915,256	35,682,177	4.6%

Montgomery County, Maryland

FY2019 THIRD QUARTERLY REVENUE UPDATE

Presentation to the Montgomery County Council

Department of Finance



Revenue Update

Three Quarter Fiscal Year Results

Total tax revenues, including investment income, totaled \$2.841 billion and up 2.7 percent compared to the same period in FY18 due primarily to increases in revenues from the income tax ($\uparrow 4.0\%$), the transfer tax ($\uparrow 15.2\%$) and the recordation tax ($\uparrow 17.4\%$). This revenue update highlights actual results only from July 2018 to March 2019.

- **Income Taxes:**
 - Income tax revenues through March stood at \$872.4 million and approximately \$33.9 million above revenues for the same period in FY18. The increase was attributed to a change in the distribution formula for the quarterly distribution in November for tax year 2017. The increase is also attributed to the increase in amount of revenues collected from taxpayers filing for an extension for tax year 2017.
- **Property Taxes:**
 - Total property tax collections (including penalties and interest) was \$1,640.7 million ($\uparrow 0.7\%$) through March compared to the same period in FY18.
 - The real property taxable assessment increased 3.7 percent in FY18 and is estimated to increase 3.7 percent for FY19.

Revenue Update

Three Quarter Fiscal Year Results

- Transfer and Recordation Taxes:

- Revenues from the transfer tax (excluding condominium conversions) through March of FY19 were \$83.1 million, or 15.2 percent above last fiscal year.
- Revenues from the recordation tax (excluding the CIP portion and the rate premium) were \$40.7 million, an increase of 17.4 percent over the same period last fiscal year.
- The increase in the transfer tax is due primarily to an increase in the number of residential transfers which were up 8.7 percent during the three quarters of FY19 compared to last fiscal year and collections were up 6.2 percent during the three quarters of FY19 compared to the three quarters of FY18. While the number of commercial transfers was down during the three quarters of FY19, collections were up 46.3 percent. The increase in commercial transfers was attributed to an increase of 65.2 percent in the average tax. The volume of residential recordation tax transactions was up 1.4 percent compared to the three quarters of FY18, but the volume of non-residential transactions was down 15.2 percent and the volume of other recordation tax transactions was down 23.3 percent compared to the same period last fiscal year.
- The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$123.8 million compared to \$106.8 million for the same period last fiscal year ($\uparrow 15.9\%$).

Revenue Update

Three Quarter Fiscal Year Results

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, admissions, and e-cigarettes) totaled \$185.0 million, which were 0.9 percent above the same three quarters of FY18.
- Fuel/energy tax collections totaled \$135.4 million during the three quarters of FY19 compared \$134.6 million in FY18 ($\uparrow 0.6\%$).
- Revenues from the telephone tax were \$33.9 million and up 1.4 percent from the first three quarters of FY18. Revenues from the hotel/motel tax were 1.2 percent below the same period last year.
- Revenues from the admissions tax were up 3.4 percent compared to the same period last year.
- Revenues from E-Cigarettes were up 88.6 percent attributed to a dramatic increase in volume.

Revenue Update

Three Quarter Fiscal Year Results

- **Investment Income:**

- Total pooled investment income was \$18.717 million during the three quarters of this fiscal year compared to \$8.080 million during the same three quarters of FY18 ($\uparrow 131.6\%$).
- The dramatic increase is attributed to the higher average portfolio yield of 2.28 percent for the three quarters of this fiscal year compared to 1.22 percent during the same period in FY18. This higher yield reflects in part the interest rate increases by the Federal Open Market Committee of the Board of Governors of the Federal Reserve System.
- The average daily portfolio balance of \$1,087.963 million increased 23.8 percent from the three quarters of FY18 to the three quarters of this fiscal year.

Revenue Summary Sheet

	MAJOR REVENUE COLLECTIONS			
	July - March FY2019	July - March FY2018	Variance FY2019-FY2018	Percent Change
TAXES:				
Income Tax	\$872,416,604	\$838,519,565	\$33,897,039	4.0%
Property Tax (excluding MNCPPC)	\$1,640,659,137	\$1,628,495,844	\$12,163,292	0.7%
Transfer Tax (1)	\$83,077,865	\$72,142,414	\$10,935,451	15.2%
Recordation Tax (2)	\$40,710,335	\$34,682,286	\$6,028,049	17.4%
Fuel/Energy Tax	\$135,380,856	\$134,604,085	\$76,771	0.6%
Telephone Tax	\$33,876,963	\$33,398,634	\$478,329	1.4%
Hotel/Motel Tax	\$12,282,327	\$12,430,891	(\$148,564)	-1.2%
Admissions Tax (estimated third quarter)	\$2,565,160	\$2,481,949	\$83,211	3.4%
E-Cigarettes	\$920,207	\$487,925	\$432,282	88.6%
MISCELLANEOUS:				
Investment Income (3)	\$18,716,928	\$8,080,158	\$10,636,770	131.6%
TOTAL	\$2,840,606,382	\$2,765,323,752	\$75,282,630	2.7%

SOURCE: Revenue data from the County's Oracle eBusiness system and Comptroller of Maryland.

NOTES: (1) Excludes revenue from condominium conversions
 (2) Excludes School CIP and tax premium allocation
 (3) Pooled investment income only

