



ROCKVILLE, MARYLAND

MEMORANDUM

February 19, 2016

TO: Nancy Floreen, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
For Joseph F. Beach, Director, Department of Finance

SUBJECT: FY16 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. As detailed in the attached report, expenditure variances are relatively small across most departments, and the County Executive's recommended operating budget will incorporate the results of this analysis. We will continue to monitor department spending and may make revisions to this estimate to reflect more up-to-date information in the County Executive's recommended operating budget. Significant expenditure variances are described below.

Second Quarter Expenditure Results

The Board of Elections anticipates higher than budgeted costs due to implementation of the State's new voting system and other related costs. The estimate reflects the most recent information and invoices from the State Board of Elections. The estimate will be updated at the end of the third quarter.

The County Attorney's Office expects to exceed its lapse assumption and anticipates higher than budgeted child welfare contract attorney costs.

The Department of Economic Development's expenditure estimate reflects start-up funding for Montgomery County Economic Development Corporation and higher than budgeted costs related to Federal and State lobbying contracts, sponsorships, consultant work, and other expenses.

The Department of General Services' projected overspending results from staffing costs higher than the budgeted lapse rate. At this time, the department is not estimating higher than budgeted contract and other operating expenses for emergency maintenance services and repair of critical equipment and systems.

The Office of Human Resources' projected overage is due to unbudgeted employee separation and leave payouts. The department is controlling these cost overruns by holding several positions vacant for the remainder of the fiscal year.

The Office of Intergovernmental Relations' original budget did not include funding for a position that was transferred to its complement. The projected expenditure overage is due to the additional costs of that position.

The State's Attorney Office does not anticipate meeting its lapse target because of increased workload demands and increased personnel costs due to a grant shortfall. The projected overage also reflects higher than budgeted office operating expenses.

Fire and Rescue Service is estimated to be overspent because of delays in civilianizing uniformed ECC dispatchers, unbudgeted snow removal costs, and higher than anticipated overtime costs.

The Department of Liquor Control has incurred additional staffing costs and overtime expenses to improve warehouse operations. In addition, the department has incurred additional contractor costs to support the Oracle ERP system.

Fleet Management Services is projecting an overage due to increased vehicle maintenance costs, parts, and supplies.

The following non-departmental accounts are projected to be overspent: Municipal Tax Duplication due to additional speed camera payments to municipalities, Rockville Parking District because of a parking rate increase for employee parking, State Property Tax Services due to higher reimbursement costs to the State Department of Assessment and Taxation, and Working Families Income Supplement because of increased formula payments. In addition, Snow Removal and Storm Cleanup expenditures have exceeded the budget of \$9.2 million by \$26 million through January. The projection assumes an additional contingency of \$16 million for additional winter weather mobilizations and potential storm cleanup costs through the rest of the fiscal year. This estimate will be reassessed and may be revised at the end of the third quarter.

Based on analysis by the County's actuary, health insurance claims costs per covered member are higher than estimated in the original budget. The second quarter estimate includes an updated group insurance cost projection. We will continue to monitor these expenses and will update the Council at the end of the third quarter.

Second Quarter Revenue Update

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

Reserves

The County's FY16 total ending reserves are estimated to be \$389.5 million, or 8.3 percent of adjusted governmental revenues. As noted in the December Fiscal Plan Update, the initial estimate of reserves was preliminary and subject to change based on updated information. Additional details on the County's reserves will be included in the Executive's recommended budget on March 16.

JAH/JFB:ae

Attachments: Second Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 12/31/15

c: Isiah Leggett, County Executive
Timothy L. Firestine, Chief Administrative Officer
Bonnie Kirkland, Assistant Chief Administrative Officer
All County Government Department Heads and Merit Directors