



ROCKVILLE, MARYLAND

**MEMORANDUM**

May 16, 2016

TO: Nancy Floreen, President, County Council

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

SUBJECT: FY16 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. Third quarter results are consistent with the results reported at second quarter and in line with the reserve assumptions in the Executive's recommended budget. Approved and pending supplemental appropriations, including the appropriation request for snow removal and storm cleanup, are reflected in the results reported below. It is important to note that the FY17 recommended budget assumes a \$14.27 million reimbursement for a portion of incurred snow/storm cleanup expenditures. Until actually received by the County, the Federal funding remains uncertain. Significant expenditure variances are described below.

**Third Quarter Expenditure Results**

At second quarter, projected expenditures of the Board of Elections were estimated to exceed the budget due to implementation of the State's new voting system and related elections costs. The third quarter update reflects transmittal of a supplemental appropriation request of \$1,279,000 to cover these unbudgeted costs.

The County Attorney's Office does not expect to meet 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. Emergency maintenance services and other unanticipated equipment and systems repair costs are not projected to exceed the operating expense budget.

The Office of Human Resources' projected overage is due to unbudgeted employee separation and leave payouts. The department managed cost overruns by holding several positions vacant during 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 Department of Transportation expects additional expenditures related to repairing damaged roadway infrastructure due to snow removal operations.

The State's Attorney Office expects to exceed its budgeted lapse because of increased workload demands and increased personnel costs due to a grant shortfall. The projected overage also reflects higher than budgeted costs for translation services, expert witnesses, and other operating expenses.

Fire and Rescue Service is estimated to be overspent because of delays in civilianizing uniformed ECC dispatchers, ECC transition training costs, unbudgeted snow removal costs, and higher than anticipated overtime costs. The January snowstorm resulted in about \$1.3 million of unbudgeted expenditures.

Leaf Vacuuming expenditures are projected to be overspent because of higher than budgeted motor pool expenses for equipment repair and maintenance.

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

The following non-departmental accounts are projected to be overspent: Municipal Tax Duplication due to additional speed camera payments to municipalities, Prisoner Medical Services because of additional medical claims costs, Rockville Parking District because of a parking rate increase for employee parking, and State Property Tax Services due to higher reimbursement costs to the State Department of Assessment and Taxation.

### **Third Quarter Revenue Update**

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

### **Reserves**

The County's FY16 total ending reserves are estimated to be \$374.1 million, or 8.0 percent of adjusted governmental revenues. This is \$1.7 million more than assumed in the County Executive's FY17 recommended budget and incorporates incurred snow removal and storm cleanup expenditures, anticipated and approved supplemental appropriations, and updated expenditure estimates. It is important to point out that full receipt of Federal reimbursement for eligible January snowstorm expenditures is uncertain. We expect revenue growth to remain moderate and reserves are at the minimum policy level. For these reasons, it is important as the Council makes its final FY17 budget decisions to remain within the parameters recommended by the County Executive and preserve these additional funds in reserves.

Nancy Floreen, President, County Council  
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Attachments: Third Quarterly Analysis of Expenditures  
Tax Revenue Collections: Through 3/31/16

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