

# FY13 Operating Budget Forum Briefing

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Prepared by

Montgomery County

Office of Management & Budget and Department of Finance

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

# County Executive Priorities

1. Affordable Housing in an Inclusive Community
2. Children Prepared to Live and Learn
3. An Efficient and Effective Transportation Network
4. Healthy and Sustainable Neighborhoods
5. Responsive, Accountable County Government
6. Safe Streets and Secure Neighborhoods
7. Strong and Vital Economy
8. Vital Living for All of Our Residents

# Operating Budget Process

- MCG Departments Prepare Submissions: Sept-December
- Agencies submit budgets to County Executive/Council – December/January
- OMB Reviews Submissions and Makes Recommendations to County Executive December - March
- County Executive Transmits Budget to the County Council on March 15
- County Council Public Hearings Early April
- County Council Reviews Budgets April – May
- County Council Approves Budget and Taxes – by June

# Two Budgets

- Operating Budget: Services
  - K-12 education
  - Community college education
  - Public safety: police, fire, courts, correction and rehabilitation
  - Transportation: roads, traffic, buses
  - Social Services: health, income maintenance, other
  - Environmental protection
  - Parks, recreation, and libraries
  - Land use planning and regulation
  - Trash collection and disposal
  - Economic development
  - Debt service
- Capital Budget: Facilities
  - Schools, College facilities
  - Roads and bridges
  - Water and sewer facilities
  - Information technology infrastructure
  - Libraries
  - Police and fire stations
  - General government facilities
  - Funded primarily through the issuance of bonds (borrowing)

# Operating Budget

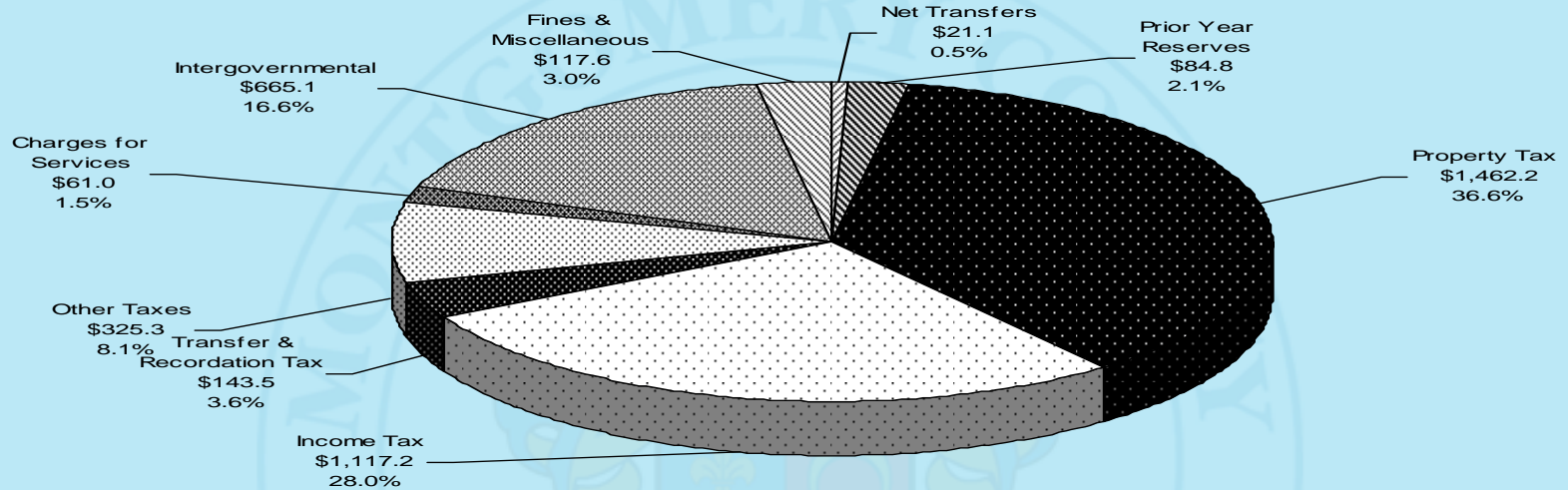
- County Budget is divided into two parts: tax supported and non tax-supported
- Tax supported side of the budget, excludes grants and self-supporting funds (non-tax supported funds)
- Grants and self-supporting funds are self sustaining and largely not subject to fluctuations in tax receipts
  - Total non-tax supported Funds: \$581.7 million;
    - Grants: \$212.2 million
    - Self-supporting funds: \$369.5 million

# FY12 Tax Supported Expenditures by Function

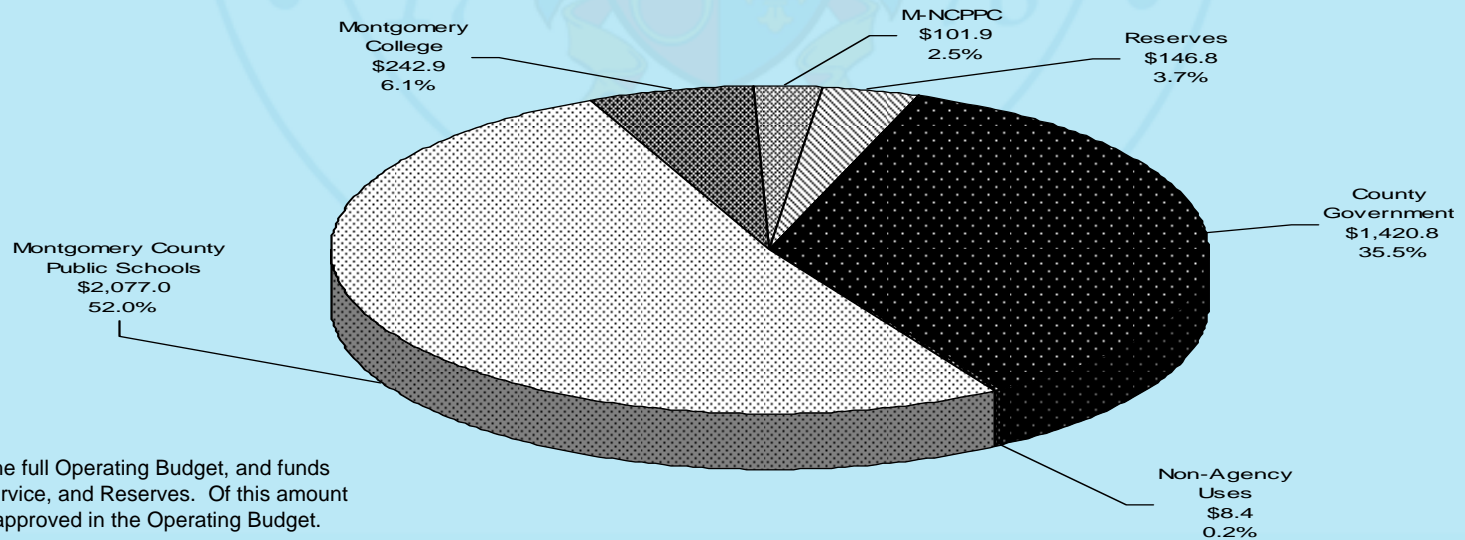
<b>Tax Supported Expenditures Only</b>	<b>Appropriation</b>	<b>% of Total</b>	<b>Cum %</b>	<b>Workyears</b>
1. MCPS	\$ 1,950,909,291	51.5%	51.5%	19,490.9
2. Public Safety	\$ 496,131,230	13.1%	64.7%	3,711.8
3. Debt Service	\$ 291,574,070	7.7%	72.4%	-
4. College	\$ 218,004,776	5.8%	78.1%	1,711.1
5. Health and Human Services	\$ 171,748,980	4.5%	82.7%	1,043.8
6. Other Functions (NDAs, Utilities)	\$ 138,829,280	3.7%	86.3%	1.6
7. Transportation	\$ 138,809,030	3.7%	90.0%	1,015.1
8. General Government	\$ 133,702,080	3.5%	93.5%	910.8
9. MNCPPC (Park & Planning)	\$ 101,576,880	2.7%	96.2%	816.9
10. Retiree Health Insurance	\$ 79,537,450	2.1%	98.3%	-
11. Libraries, Culture, & Recreation	\$ 53,183,000	1.4%	99.7%	636.5
12. Community Dev. and Housing	\$ 9,297,870	0.2%	100.0%	54.0
13. Environment	\$ 1,669,760	0.0%	100.0%	10.4
	<b>\$ 3,784,973,697</b>			<b>29,402.9</b>

# FY12 TAX SUPPORTED AGENCIES AND FUNDS

## WHERE THE MONEY COMES FROM TOTAL APPROVED RESOURCES - \$3,997.8(million)



## WHERE THE MONEY GOES \* TOTAL APPROVED USES OF FUNDS - \$3,997.8 (million)



\*This total covers the full Operating Budget, and funds to the CIP, Debt Service, and Reserves. Of this amount \$3,784,973,697 is approved in the Operating Budget.

# County Executive's Fiscal Plan

- Resources
  - Net transfers to and from the General Fund
  - Revenues
- Uses of Resources
  - Current revenue to support the Capital Budget
  - Debt service
  - Year-end reserves
  - Agency expenditures

# County Executive's Fiscal Plan

- Gap is difference between total projected resources and total projected uses
- The budget is balanced when projected resources are equal to all projected uses, including the funding of reserves to the policy level.
- As of late November, 2011, the gap between projected resources and expenditures for FY13 requires a 1.0% reduction in agency spending from FY12 to balance the fiscal plan.

## County Executive's Goals

- Maintain the three rating agencies AAA bond rating and work to remove Montgomery County from Moody's Investors Service "negative watch"
- Grow reserve contributions at the policy level and consistent with County law
- Invest in sustainable programs and services
  - The fiscal problem is long term and structural for both the County and the State
  - Identify continuing cost savings and solutions
- Promote investments in opportunities that provide long-term growth in jobs and our economic base

## FY13-18 Fiscal Plan

### Selected Fiscal Assumptions: Resources

- Property tax revenues are projected at the Charter Limit using the income tax offset credit.
- Other tax revenues and user fees are projected at their current rates.
- Latest revenue estimates indicate a net increase in anticipated County revenues of approximately \$115.6 million (\$79.2 million in FY12 and \$36.4 million in FY13) compared to estimates assumed at the time the FY12 budget was approved.
- The fuel/energy tax increases approved two years ago sunset as scheduled at the end of FY12, with a loss of \$113.3 million of additional revenues.

## FY13-18 Fiscal Plan

### Selected Fiscal Assumptions: Resources

- Level (flat) funding of existing intergovernmental aid formulas, at \$657.1 million.
- This could change with the announcement of the Governor's FY13 Operating Budget and the State's need to balance a projected \$1 billion shortfall.
- Potential adverse impact of MCPS FY12 Maintenance of Effort penalty deferred to FY13 could cost the County \$26 million.

# FY13-18 Fiscal Plan

## Selected Fiscal Assumptions: Expenditures

- Under these assumptions, agency expenditures must be reduced 1% to produce a balanced budget in FY13.
- However, expenditures are estimated to grow by specific major known commitments of \$102.2 million, illustrating the costs and challenges that exist in the budget, producing a budget gap of \$135 million that must be closed by March 15<sup>th</sup>.
- Retiree Health Insurance (OPEB) phase-in included in agency operating budgets at a cost of \$146.6 million in FY13 and continuing in accordance with a eight-year phase-in schedule.
- Operating Budget Impact of the Capital Improvements program of \$10.7 million.
- \$15.2 million set aside in FY12 for pending and potential supplemental appropriations including snow removal.
- This estimate assumes continuation of a wage freeze. The outcome of collective bargaining by each agency could modify these assumptions.

# FY13 Fiscal Outlook

- Major expenditure pressures
  - Demand for restoration of FY11 and FY12 service reductions, as well as for new and enhanced services including expanded health care for the uninsured, early childhood education, subsidies for developmental disability service providers
  - Increasing student enrollment
  - Deferred infrastructure maintenance – information technology, facilities, and roadways
  - Operating impact of new facilities – libraries, schools, college, recreation centers, fire stations
  - Unavoidable cost increases related to energy costs, insurance, health care, pensions, and occupational medical services.

# FY13 Fiscal Outlook

## Risk and uncertainty:

- State Aid reductions: State agency implementation of directed expenditure reductions (e.g. reduction in formula aid, reimbursements, pressure for County to replace lost state funding, etc.) to close the State's projected \$1 billion gap
- Sluggish, jobless economic recovery and its impact on local tax revenues and the demand for services
- Federal Budget negotiations – “super committee” inaction and sequestration and impact on local economy
- Income tax: prolonged impact of wage freezes, stagnant job growth, and layoffs contribute to the lag in a fiscal recovery versus an economic recovery
- Cost and price Spikes: storm clean-up/Snow Removal; fuel and energy prices; food prices; etc...

# Community Participation

- Letters/emails to County Executive and Councilmembers
- Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council
- Executive Branch sponsored budget forums across the county, where residents and businesses provide input on their priorities
- County Executive meets with business leaders, directors of non-profit organizations, and other advocacy groups
- County Charter requires Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive
- Public hearings related to budgets, legislation, and regulations are advertised in local press
- Councilmember town meetings
- Letters to local press
- Read the County Executive's FY13 Recommended Operating Budget and FY13-18 Public Services Program at <http://www.montgomerycountymd.gov/ombtml.asp?url=/content/omb/index.asp>