



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

March 16, 2009

TO: Phil Andrews, President, Montgomery County Council

FROM:  Isiah Leggett, County Executive

SUBJECT: FY10 Operating Budget and FY10-15 Public Services Program

I am pleased to transmit to you, in accordance with the County Charter, my Recommended FY10 Operating Budget and FY10-15 Public Services Program.

My top priorities throughout this budget process have been to produce a fiscally sound and sustainable budget that preserves public safety services, education, and the County's safety net for the most vulnerable. This budget funds these priorities, but also makes the tough decisions that the current fiscal climate requires us to make. Our approach to this budget has been to protect essential services, but also to find long-term cost savings to minimize the burden on taxpayers and alleviate the impact on direct services.

The challenges facing Montgomery County are similar to those other state and local jurisdictions around the nation are encountering. Stagnant economic growth, rising unemployment, and a faltering housing market triggered a sharp loss in local tax revenues, but more importantly have pushed many families into financial crisis, driven up the demand and need for government services, and contributed to rising crime rates. We are not alone in facing these challenges as the State and jurisdictions throughout the region and the nation have been forced to cut services, layoff and furlough employees, and freeze wages.

Our challenge with this budget is to reposition Montgomery County for the future. That is because once the economic recovery does begin, it is expected to be long and slow. Most economists project that these difficult economic times will continue at least through most of 2010. These projections have clear implications for, not only the FY10 Budget, but also for the budgets well into the future. As much as possible, I focused on identifying long-term savings that will be part of the FY10 solution, as well as part of the solution for future budgets.

For our County, the economic recession followed a period of rapid growth in the size of the County workforce and the expansion of several direct services in K-12 education, health and human services, and other programs. For the ten years prior to taking office, under the previous County Executive, the County

budget grew by 80 percent, while inflation increased by less than 30 percent. Population growth was only 20 percent over the same time period. During this same time, the school system, which accounts for nearly half of the budget, added 5,000 jobs, a 30 percent increase compared to an enrollment increase of 7 percent. And the County Government added 2,200 jobs, a 28 percent increase. The average rate of growth in the total County tax supported budgets over the past ten years has been 8 percent.

The average rate of growth in the three budgets that I have recommended to the County Council has been 3.8 percent.

I said two years ago, even before the current economic downturn, that our spending was not sustainable. The combination of a growing workforce and sharply receding local revenues has created a long-term structural deficit in the County budget. Since taking office, I have made restoring fiscal prudence a major priority of my administration. We established several cost containment and cost reduction strategies that have dramatically slowed the rate of growth in both the operating and capital budgets and have saved County taxpayers millions of dollars.

In addition to controlling costs in the operating budget, my first capital budget, the FY09-14 Capital Improvement Program (CIP), submitted to the County Council in January 2008 increased capital expenditures by only 1 percent over the previous CIP budget. The two previous CIP budgets had averaged increases of 25 percent each.

In my first budget as County Executive, the County faced a \$200 million budget shortfall in FY08. We reduced the tax supported rate of increase in spending by County government from 14.1 percent in FY07 to 6.9 percent in FY08. In FY09, as a result of a plummeting real estate market and the economic downturn, our projected shortfall increased to \$401 million. In response to this challenge, we imposed a hiring freeze, produced midyear savings of over \$30 million, abolished over 225 positions, implemented a retirement incentive program, and slowed the rate of growth in the County Government to 1.6 percent. In developing the FY10 budget, we faced a daunting and historic projected gap of nearly \$590 million, which we have successfully closed.

The cumulative amount of budgetary shortfalls that I have been forced to close in the three budgets that I have developed and recommended to the Council is nearly \$1.2 billion.

To address the current year's fiscal crisis, we developed a multi-pronged strategy including: directing all departments to meet aggressive cost savings targets in both the current and next fiscal year; meeting and coordinating our efforts with the principals and employee representatives of all County agencies; renegotiating existing bargaining agreements with our employee unions; and reducing expenditures in our capital budget.

Eighty percent of the County budget goes toward compensation – wages and benefits for County employees. To continue my efforts to create a sustainable budget for the long term, I am recommending the abolishment of approximately 400 positions in County government itself in FY10.

Due to these efforts, the cooperation and collaboration of our employee representatives and the governing boards and principals of other agencies, and other solutions to be discussed below, we have closed this budget gap and reversed the growth trends noted above to an actual decrease in the County Government tax supported budget of 0.4 percent, a reversal of an over ten-year trend.

- I am recommending to the County Council an overall tax-supported budget of \$3,827,702,306, up \$39,866,901 over FY09. This represents only a 1.1 percent increase.
- For the tax-supported budget, funding for Montgomery County government decreases by \$5.6 million – a 0.4 percent decrease over FY09.
- Funding for the Montgomery County Public Schools (MCPS) increases by \$38.5 million – a 2.0 percent increase over FY09 to address a projected 2 percent rise in the student population. The budget funds nearly 99 percent of the Board of Education request.
- Funding for the Montgomery College increases by \$5.9 million, a 2.8 percent increase.
- The Maryland-National Capital Park & Planning Commission (M-NCPPC) receives \$2.5 million more, a 2.4 percent increase.
- I recommend a total County budget (which includes debt service, grants, and enterprise funds) for Fiscal Year 2010 of \$4,424,894,136, up \$82.7 million over the FY09 Approved Budget – a 1.9 percent increase. This is the lowest level of increase in the total County budget in 18 years.

Overall, this recommended budget reduces spending for County-funded agencies by a total of \$179.2 million in FY09 and FY10. This includes nearly \$49 million in reductions in FY09 from the County Government, MCPS, M-NCPPC, and Montgomery College. It also includes approximately \$130.4 million in reductions from County government departments and County agencies for FY10. MCPS reductions were \$56.8 million, the Montgomery College request was shaved by \$1.7 million, and M-NCPPC reductions totaled \$2.7 million. County department reductions totaled \$69.1 million.

Unfortunately, our efforts at expenditure restraint are not completed with the FY10 Operating Budget. Given the severity of the current recession and subsequent declining tax revenues, FY11 and perhaps ensuing fiscal years will require continuing restructuring of County expenditures, especially personnel costs which comprise 80 percent of County costs.

Because it was necessary to increase the property tax above the County charter limit¹ last year, and because of the burden already on County households and businesses as a result of the economic downturn, I made an early commitment to remain within the Charter limit for this fiscal year's budget. This budget keeps faith with that commitment. The property tax for each owner-occupied residence will include a credit of \$690 to lower the burden on homeowners and maintain a progressive property tax structure in the County.

Due to the severity of the current economic recession and the loss of over \$340 million in tax and other revenues anticipated for this budget, it is necessary to recommend budgetary strategies that I have strongly resisted in the past. In this budget, I am reluctantly recommending that we temporarily reduce our tax supported reserves from 6 percent of resources to 5 percent. This will free up over \$39 million in resources that I am recommending to help balance the FY10 budget and sustain existing critical services. The reserves used in FY10 should be replaced as quickly as possible, back to the 6 percent policy level.

I have also found it necessary to seek a waiver of the State required maintenance of effort in local funding of K-12 public education. Again, this is necessary to preserve vital services throughout the

¹ Section 305 of the County Charter limits the growth in real property tax revenues in a fiscal year to the rate of inflation, but excluding new construction, development districts, and other minor exceptions. The Council may override this limitation through the unanimous vote of nine Councilmembers.

County Government and to provide a balanced and sustainable budget. Because of the prudent actions of the Superintendent and the Board of Education in its administration of the FY09 Budget and adoption of the Board's Recommended FY10 Operating Budget, I believe we can reduce the local contribution by approximately \$50 million below the Board's amended request, fully fund all educational programs, and fund nearly 99 percent of the Board's requested budget. The only reductions that I recommend to the Board of Education Budget are to the requested increases for employee benefit programs. These reductions can be made without any corresponding change in the benefit levels for MCPS employees.

I am also recommending that we defer an increase in pre-funding for Retiree Health Benefits in FY10. While I remain committed to pre-funding this outstanding liability and seeking ways to minimize the burden on taxpayers, it was necessary to maintain level funding for retiree benefit pre-funding in FY10 so that we could redirect approximately \$26 million in projected increases to preserve existing services.

The outlook on the economy remains highly uncertain, including the prolonged recession in the local real estate market and the continuing instability in equity markets. In addition, final decisions by the General Assembly on the State's budget may further affect our capacity to provide local services. Therefore, resorting to quick fixes and adding continuing costs back into the budget will only exacerbate the structural budget gaps long into the future rather than addressing them now through real, long-term solutions.

The Federal Economic Stimulus legislation recently approved by the Congress has provided a helpful and long awaited boost to the economy and provided some much needed assistance to State and local governments. However, the stimulus funds are not a panacea and are intended by their nature to be temporary and will only provide indirect assistance in closing the FY10 gap. Therefore, our use of these funds should be temporary in nature and should not create long-term continuing obligations for local taxpayers that only exacerbate the multi-year fiscal challenges that are ahead for this community.

At the conclusion of the FY09 Budget, the County Council approved the operating budget with a \$16 million gap in it with the expectation that the County Executive and the Board of Education would identify the cost savings necessary to address that shortfall. We have identified and implemented the difficult cost reductions, productivity improvements and savings required to balance the budget. However, I want to make it clear that such an approach to FY10 is not acceptable and I believe is not good fiscal policy and may be inconsistent with the County Charter.

Assuming, in your judgment, that you approve my FY10 Budget as recommended, with all of the very difficult cost reductions and other budgetary solutions, there will still be a substantial budgetary gap in FY11. This projected gap of over \$370 million is due to the significant ongoing costs of funding County services, as well as the long-term nature of the current economic recession and consequent reduction in revenues. Even with an economic recovery, there will be a lag in the increase in income tax and other revenues as our collections catch up with the economic recovery.

Despite the current challenges we are facing, I remain very optimistic about the prospects for our Community. The quality and nature of services we offer our residents in the areas of education, affordable housing, public safety, and health and human services are among the very best in the nation. New leadership in Washington is providing enhanced aid to local governments and is at work on stimulating the national economy. Our efforts locally to update our land use plans, establish and maintain prudent financial management, take advantage of the emerging green energy market, and the rapidly growing bio-tech market are positioning us well for the future.

This budget reflects the concerns and policy issues that I heard County residents express during the many Town Hall Meetings, Budget Forums, On-Line Chats, and other community meetings we have held over the past year to better understand the hopes, expectations, and needs of the people of our County.

This budget supports my priority policy objectives:

- Children Prepared to Live and Learn
- Affordable Housing in an Inclusive Community
- Safe Streets and Secure Neighborhoods
- A Responsive and Accountable County Government
- Healthy and Sustainable Communities
- An Effective and Efficient Transportation Network
- A Strong and Vibrant Economy
- Vital Living for All of Our Residents

Children Prepared to Live and Learn

We must prepare our children to live and learn so that they will become young adults who are productive workers, healthy individuals, and successful, responsible residents.

For MCPS, I recommend a total of \$2.128 billion – nearly 99 percent of the Board of Education request. This is an increase of over \$61 million or 3.0 percent over the FY09 Approved Budget to support an anticipated 2 percent increase in the student body to 140,500. Per pupil spending, for all revenue sources, increases to \$15,149.

I recommend an investment of \$266.3 million in Montgomery College. This is an increase of \$6.9 million or 2.7 percent over the FY09 Approved Budget, with a local contribution of \$106.7 million. This level of support requires an increase in tuition and fees of \$3 per credit hour for County residents, \$6 per credit hour for Maryland residents, and \$9 per credit hour for students from outside the State.

This budget also provides funding to maintain existing hours at all public libraries.

Affordable Housing in an Inclusive Community

Despite recent fiscal and economic challenges, we must continue to work to make housing affordable in Montgomery County for all our residents by creating and preserving our current affordable housing stock. Given the challenges facing us in this regard, I formed the Affordable Housing Task Force to help identify and develop creative solutions to the crisis of affordable housing in our community. The group's final report has provided several innovative recommendations for increasing and preserving the stock of affordable housing in Montgomery County.

To continue the progress we have made, I recommend an investment of nearly \$58 million in the Montgomery Housing Initiative fund (MHI) for acquisition and rehabilitation of the County's affordable housing stock. My recommended budget for MHI will maintain the property acquisition revolving fund established last year which leverages the existing resources of the MHI fund with the transfer from the General Fund. The property acquisition revolving fund has significantly increased our capacity to acquire

affordable housing without impacting other County operating budget funding priorities. In the current housing market, the County dollars are able to go further; so now is an opportune time for additional County investment in affordable housing.

In addition, the County has recently reached agreement with the Municipal County Government Employees Organization, Local 1994 and the Fraternal Order of Police, Lodge 35 on the House Keys 4 Employees program to expand workforce housing opportunities for County employees.

I will continue to research and develop other innovative efforts for affordable housing, including expanding our partnership with non-profit providers and national organizations to bring us closer to the goal of a community where our residents can afford to live and work.

Safe Streets and Secure Neighborhoods

This budget sustains the most important investments we have made in our public safety departments including patrol and investigative staffing in the Police Department and field staffing in our Fire and Rescue Service. The past several years have seen significant increases in public safety staffing. Due to current fiscal challenges, we have been forced to make reductions in certain public safety programs. However, those reductions were carefully selected to minimize impacts on response time or first response services.

In order to avert more serious reductions in first response Fire Rescue and Emergency Medical services, I am again urging the County Council that we institute an Emergency Medical Services (EMS) Transport Fee to provide additional resources to sustain and grow our Fire and Rescue Service in the coming years. The projected level of tax-supported resources for the Fire Tax District Fund simply cannot meet the demands for apparatus management; volunteer enhancement, recruitment and retention; performance based initiatives for the volunteer fire rescue departments; additional staffing for new stations opening in West Germantown, East Germantown, Travilah, Clarksburg, and other locations around the County; additional staffing to implement four-person staffing of apparatus; and compensation and benefits for our firefighters and emergency medical technicians.

The alternatives, including relying on dwindling tax supported resources, reducing other direct services, further burdening County residents with increased taxes, or deferring these urgently needed enhancements are not acceptable. I am hopeful that once the Council sees the many difficult choices already made in this budget that there will be no further delay in the passage of the legislation necessary to collect these non-tax resources that are so desperately needed to support services for the safety and protection of our residents.

The legislation necessary to authorize the establishment of the EMS Transport Fee has been with the County Council for almost one year. We have provided extensive outreach to the public on this proposal and provided the Council and the public with all manner of analysis, documentation, and justification on the need for and the implementation of this fee. Now is the time to act. This matter must not be delayed until after passage of the FY10 Budget, because these resources are needed for the FY10 Budget and will be needed as well to address the anticipated shortfall in FY11 and beyond. The total resources anticipated from the EMS Transport Fee is \$14.5 million in FY10 and \$62.2 million over the next four years.

I have listened, as the Council has, to the concerns of our partners in some of the local fire and rescue departments. However, the changing concerns, fears, and issues that they have raised regarding an EMS Transport fee simply have not materialized in any other jurisdiction with such a fee. In fact, a majority of jurisdictions in this nation have such a fee and provide their Emergency Medical Services without incident.

Actually, these jurisdictions provide EMS in a significantly improved manner than they otherwise would, because an EMS Transport Fee provides the necessary resources for equipment, supplies, and staffing to perform their duties.

Other jurisdictions have used these resources to improve service and save lives with no adverse effects. We should do the same, too.

This EMS Fee will be billed directly to an individual's health insurance, Medicaid, or Medicare. No County resident who is unable to pay will have any out-of-pocket expense for transport to the hospital. All of our surrounding jurisdictions have implemented similar programs with no impact on the willingness of individuals to call for emergency services. The program also will be structured to have no impact on the development and growth capabilities of local volunteer fire and rescue departments.

Due to the anticipated funding from the EMS Transport fee we are able to make several needed improvements to our Fire and Rescue Service, including adding 18 new firefighter positions to staff the East Germantown Fire Station when it opens during the next fiscal year. In addition, we are also including funds to continue implementation of the Electronic Patient Care Reporting system (ePCR) to automate the medical recordkeeping of our emergency medical services personnel as required by the State. The EMS Transport fee is also being used to acquire and outfit 30 critically-needed new ambulances to replace aging models currently in the Fleet.

In order to reduce costs and minimize the need to create new firefighter positions I am recommending the "civilianization" of several firefighter positions. FY10 will mark the first phase in our plan to redeploy firefighters from the 911 Call Center to the field and replace them with civilian call-taking positions, as we currently staff in the Police Department's call taking operation. Further, we are also beginning steps in FY10 to civilianize code enforcement personnel in the Fire Marshall's Office and redeploy these firefighters to the field. However, we are making these changes in a deliberate and careful manner so that the integrity and excellence of our public safety services are preserved while maximizing the efficient use of our resources. Finally, the Fire and Rescue Service Budget also includes additional resources in support of our local fire and rescue departments, including \$750,000 as an initial allocation of funds from the EMS Transport fee and \$304,290 as a nominal fee as a result of our direct negotiated agreement with the Montgomery County Volunteer Fire and Rescue Association (MCFVRA).

Since its inception in 2007, the County's Speed Camera program has contributed significantly to the advancement of traffic safety throughout the County. Because of the documented success of this program in reducing vehicle speed and collisions, we are expanding the size of this program to 60 fixed and 6 mobile cameras in FY10. In addition, this program has provided additional resources to fund a variety of public safety and pedestrian safety programs.

In FY10, speed camera resources will be used to fund enhancements in pedestrian safety, as well as support the continued funding for critical Police Department units including the Centralized Gang Unit, as well as positions in the Family Crimes Division, Traffic Division, and other positions throughout the Department. In addition, the resources from the speed camera program supported the creation of a traffic/pedestrian safety analyst in the Police Department to provide data analysis in support of traffic and pedestrian safety efforts, as well as the creation of a new investigator position in the Sex Offender Unit.

Because of the County's very serious fiscal limitations, it was necessary to make several very difficult reductions in the Police Department staffing including 7 sworn and 16 civilian positions. These reductions were made in an effort to avoid cutbacks in any direct, first response services or in investigations. Without

the available funding from the speed camera program, these reductions would have been much deeper and would have affected several non-first response, but still vitally important, public safety services including the Educational Facility Officers and the Community Policing Officers.

To address the high incidence of pedestrian injuries and fatalities in our County, I formed the Pedestrian Safety Initiative. This initiative was staffed by an interagency work group from the M-NCPPC, the Maryland State Highway Administration, the Montgomery County Department of Transportation, Police Department, the CountyStat Office, the County Council, and others, which developed seven strategies designed to enhance pedestrian safety throughout Montgomery County. Based on the recommendations of the work group, I am recommending an additional \$4.1 million to improve safety in areas with a high incidence of pedestrian collisions, make physical improvements to those areas, enhance outreach education and enforcement, and make other needed improvements. This additional investment will complement our existing pedestrian safety program, which includes sidewalk repair and construction, crosswalk installation, and outreach and education.

A Responsive and Accountable County Government

Since taking office last year, I have instituted several measures to make Montgomery County government even better and more efficient in how we operate and provide services to the Community.

My CountyStat initiative has just marked its first year of operation, tracking the County's performance in addressing challenges using real-time data and holding departments and agencies accountable for the results in a number of operational and policy areas. The CountyStat program has provided a forum for ongoing monitoring and measurement of the effectiveness and efficiency of County Government services. This program has been a major success in improving the responsiveness and efficiency of the County Government.

CountyStat has added value by enforcing my philosophy of "results-based accountability" and empowering the Departments to make "data-driven" decisions. Although building upon previous "stat" programs, CountyStat represents a further evolution of this model by focusing on customer results, performance and long-term strategies with focus of effectiveness and efficiency. Specific examples of CountyStat's impact include:

- Analysis of overtime pay for public safety agencies and transportation, which helped the departments to cut overtime hours by 16 percent and save the County \$7.1 million in overtime pay in 2008, as compared to 2007 – \$3.5 million in savings in Fire and Rescue Service alone.
- Focused pedestrian safety efforts on effective, more cost-efficient strategies to reduce collisions between pedestrians and vehicles, saving the County in excess of \$1.5 million, while improving pedestrian safety by promoting those efforts most successful in preventing collisions.
- Developed, with existing staff resources, the County's Community Indicators for all County priority objectives, and a departmental Performance Dashboard to monitor and report, in real time, the County's successes and challenges to the public.

To improve responsiveness and efficiency, we are continuing our efforts at restructuring the County Government including consolidating operational and fiscal responsibility for the Leaf Vacuuming program within the Department of Transportation and refocusing the Office of Internal Audit's efforts on strategic, risk-based, multi-year audit plan with a focus on controls and accountability. We will continue to carefully review the structure of the County Government to streamline our operations and ensure that services are efficiently and effectively delivered and that taxpayer resources are carefully and prudently used.

Progress is also being made in the implementation of the MC311 project to implement a centralized 311 Call Center and a Constituent Relationship Management system (CRM) to enhance community services. Residents will ultimately be able to call one three digit number to access County government services, and we will improve our ability to ensure that every caller gets a timely response. In addition to allowing easier access to government information and services, MC311 should provide considerable savings by consolidating five current call centers housed in various departments, and centralizing the information and referral calls currently received by each of the Executive Branch departments and offices. In the longer run, the information obtained from the CRM system, combined with financial information from the Enterprise Resource Planning (ERP) system, will provide us with important tools to make more informed decisions about how to best use our scarce resources. We are in the process of completing construction of the Call Center, have procured the necessary system software, and are on track to implement this project next spring.

We are also continuing to take steps to reevaluate our business processes and modernize our Core Business Systems to improve the efficiency, effectiveness, and responsiveness of the County Government. The Technology Modernization project will provide resources to develop an ERP system project that will provide a significant upgrade to the County's financial, procurement, human resource, and budgeting systems and will streamline existing business processes. The Technology Modernization capital project will also provide resources to continue to replace the County's manual employee timekeeping system with an automated, web-based system that will provide greater efficiency, functionality, and reporting features. The ERP system is critical to our ability to have real-time, useable, financial data to improve fiscal analysis, promote transparency in our financial affairs, and improve fiscal controls – essential tools for managing during these challenging fiscal times.

The recent Office of Legislative Oversight report, Organization of Recreation Programs across the Department of Parks and Department of Recreation, looked at recreation programming across both departments and recommended that the County consider consolidation of recreation programming into one department. I strongly support consolidation of the recreation programs in the M-NCPPC into the County Government Department of Recreation. There would be many benefits to this consolidation including improved customer service; elimination of duplicative functions; improved utilization of capital and operating assets with fewer conflicts on space and time; and generation of savings based on the economies of scale realized through consolidation.

Having these programs under the same County leadership would allow the Department of Recreation to more easily collaborate and coordinate their efforts with other County departments, such as the Department of Health and Human Services, the Police Department, and Public Libraries. Accountability will also be improved because local elected officials will be more directly responsible for the operations and management of all of the County's recreation activities and facilities. In addition, short- and long-term planning, budgeting, and resource allocation for recreation programming will be improved as the focus will be on a single entity, the County Department of Recreation.

I realize that there is significant controversy surrounding this proposal as with any significant change in the status quo. However, I urge the Council to objectively consider the facts, what is in the best interest of serving our Community, and take the necessary steps to complete this consolidation.

Healthy and Sustainable Communities

We must preserve and sustain the environment in our Community. In this budget we are taking the first steps in complying with the recently issued Municipal Separate Storm Sewer System (MS-4) Permit. Montgomery County's MS-4 Permit is one of the most stringent permits in the country to control

pollution from stormwater runoff over a five-year period. Implementation of the MS-4 Permit will require a major investment by the County, through the Water Quality Protection Charge, to bring our efforts into compliance.

While it was necessary, due to our current fiscal challenges, to make targeted reductions to certain health and human services programs, we were able to sustain our most important commitments and make improvements to other vital services. Staff was added to support the opening of the Linkages to Learning and School Based Health Center at New Hampshire Estates Elementary School. In addition, for FY10 we are establishing two sites for an expanded emergency safety net program in low-income neighborhoods to ensure that individuals and families in crisis are connected to the appropriate services. We are also continuing funding for provision of community-based, pre-kindergarten program for forty, three and four year olds to better prepare them for school. The CentroNia Community-based Pre-K program provides a high-quality early childhood experience. The children participate in activities which encourage their cognitive, language, social-emotional, and physical development. It is expected that children who participate in the program will be fully ready for kindergarten. In the Montgomery Cares program which promotes access to healthcare for the uninsured program, we are increasing the number of clients served annually to approximately 22,500 users.

This budget also includes funding to relocate and modernize the Outpatient Addiction Services clinic that is currently operating in a residential neighborhood. This move will address long-standing community public safety concerns.

I am recommending continued support for the Family Justice Center that would offer a more responsive, holistic approach to providing services to the victims of domestic violence. The Family Justice Center concept, which has been used in other jurisdictions around the nation, was developed locally by the Domestic Violence Coordinating Commission with the support of the County Sheriff and members of the County Council. Located near the courts and providing a range of services for families that are victims of domestic violence, the Family Justice Center will provide an integrated, inter-agency approach to providing support and services.

An Effective and Efficient Transportation Network

Despite reductions in State aid for highway maintenance and bus replacement, we are sustaining our most essential transportation services. While it was necessary due to the County's serious fiscal constraints to make targeted reductions in bus routes, we are still projecting Ride On to serve nearly 30 million passengers in FY10. This is a significant achievement that will help ease congestion and contribute to improved air quality in the region. We are also maintaining current revenue funding in the capital budget to keep the replacement and upgrade of Ride On buses on schedule to ensure safer, more fuel efficient, and more environmentally-friendly bus fleet. As mentioned previously, we are continuing to make substantial investments in pedestrian safety to expand the construction of sidewalks, target high incident areas of pedestrian collisions for expedited remedial work, and increase enforcement and public outreach and education.

A Strong and Vibrant Economy

A growing, dynamic local economy is essential to maintaining a strong community. Economic growth provides necessary jobs, quality of life, and ensures balance in the generation of revenues needed to pay for the services provided to all residents and businesses in the County. I recommend sustaining the commitments we have made to our business incubators. This budget includes funds for the acquisition of the site for a Life Sciences and Advanced Technology Center on the eastern side of the County. This budget also includes funds to continue our efforts to revitalize the Wheaton Central Business District.

With the recent release of the draft land use plans for Gaithersburg West, White Flint, and Germantown and the ongoing work in implementing the Shady Grove Sector Plan, the County is continuing its efforts to expand transit-oriented development and position itself for the growth of the green energy market, the expanding bio-science market, and to expand residential neighborhoods closer to public transportation; thereby reducing congestion and benefiting the environment. This budget continues support for finalizing these land use plans and realizing the benefits promised in the Shady Grove plan.

Ensuring Vital Living for All of Our Residents

I am recommending community grants totaling \$2.9 million for non-profit organizations that assist County agencies in addressing the human service needs of people in our Community in an innovative, community oriented, and cost effective manner. My priorities with community grants are to fund safety net and essential health and human services and those non-profit partners that leverage other funding sources and where volunteers donate untold hours of community service on behalf of these organizations.

Our very successful Senior Summit enabled me to identify needed service improvements. However, fiscal constraints limit my ability to pilot new programs and enhance most services. I am able to maintain and sustain the vital services to keep seniors independent in the community for as long as possible. I am recommending \$134,000 to maintain providing over 24,000 meals at our senior centers. In addition, service providers for 122 new clients with disabilities served during the current fiscal year will have supplemental payments annualized during FY10 at a cost of \$157,790.

I recommend \$126.2 million for the M-NCPPC Budget, which represents a 2.5 percent increase over the FY09 Approved Budget and is a 2.4 percent increase for the Commission's tax-supported budgets.

Investing in Our Workforce

Due to the severe fiscal constraints we encountered this year it was necessary, after re-negotiation, to eliminate the general wage adjustment for all employees in all County agencies. As previously mentioned, it would not have been possible to close the historic budget gap we faced this year without the partnership of our employee representative organizations. This budget reflects the results of recent contract re-negotiations with the Municipal and County Government Employees Organization (MCGEO) Local 1994 and the Fraternal Order of Police, Lodge 35 over wage issues as well as anticipating the successful conclusion in negotiations with the International Association of Career Firefighters on wage issues.

As a result of alternative cost saving actions taken in the FY09 Budget, I do not believe it is necessary to have employee furloughs in the current year. However, given the very real possibility of additional State aid reductions or further deterioration of our revenues, I am withholding judgment on whether furloughs may be necessary during the next fiscal year. Given the serious reduction to the operating budgets of the County Government and other agencies in FY10, we have very limited options for identifying mid-year savings to respond to changing fiscal conditions.

I am recommending continued funding to support the provision of health insurance benefits to County retirees. However, due to fiscal constraints, we are recommending that we maintain level funding for this benefit in FY10. This will free up tax-supported resources that can be invested in preserving existing services.

To approve health benefits for future retirees without funding those benefits is not responsible – it breaks faith with retirees who will need to know the money is there when it is needed. We have long accepted the concept of pre-funding of pension benefits because it is a responsible and cost effective approach to fulfilling our promises to retirees. We need to embrace the need to realistically fund this commitment as well.

Because we are projecting a long-term imbalance between expenditures and revenues, we need to focus on solutions that are continuing in nature. For this reason, I am recommending creation of an early retirement incentive program. The retirement incentive program we successfully implemented last year was more focused on cost savings and reducing the size of the workforce. While that will certainly be one result of the plan recommended for FY10, it will also provide a means for more coordinated management of the very large number of pending reductions in force of County Government positions.

This budget proposes to abolish approximately 400 positions in Montgomery County Government. While it was a difficult decision to eliminate these positions, these actions will create substantial long-term savings that will contribute to realigning expenditures with revenue growth.

Funding the Budget

I recommend total growth in our tax-supported budget of 1.1 percent – or \$39.9 million – over the FY09 Approved Budget. My total FY10 Budget – including debt service, grants, and enterprise funds that generate their own revenue – is recommended at \$4,424.9 million, up \$82.7 million over the FY09 Approved Budget – or 1.9 percent.

In order to alleviate the burden on County homeowners and businesses, I am recommending that we stay within the Charter limit on property taxes and recommend a \$690 Homeowners property tax credit for FY10 to maintain a more progressive property tax structure in the County.

Water and sewer rates increase by 9.0 percent in FY10 in accordance with the budget recently approved by the Washington Suburban Sanitary Commission (WSSC). In addition, certain other fees will need to be increased and new fees will be implemented to cover rising program costs. Details on fee increases are provided in the Revenues section of my Recommended FY10 Operating Budget.

Final Thoughts

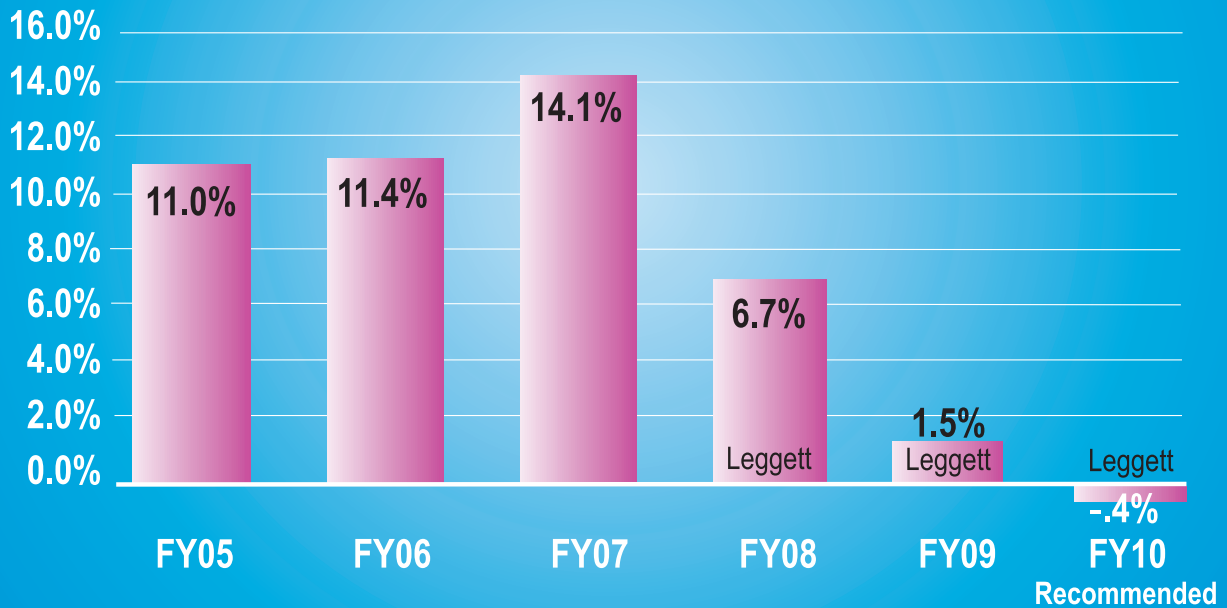
I want to thank those who contributed to the development of this Spending Plan including the Board of Education and Superintendent at Montgomery County Public Schools; the Trustees and President of Montgomery College; the Chair of the Maryland-National Capital Park and Planning Commission and the Planning Board; the Commissioners and General Manager of the Washington Suburban Sanitary Commission; individual residents, as well as members of boards, commissions, and committees; community-based organizations; and directors, employees, and employee representatives of departments in all agencies.

Highlights of my recommendations are set forth on the following pages and details can be found in the Departmental sections. The full budget can be viewed on the County's website at www.montgomerycountymd.gov/omb. Details of the budget requests for MCPS, the College, M-NCPPC, and WSSC can be seen in the separate budget documents produced by those agencies.

I look forward to working with the Council over the next two months on spending priorities and policy issues that arise and have asked Executive Branch staff to assist you in your deliberations.

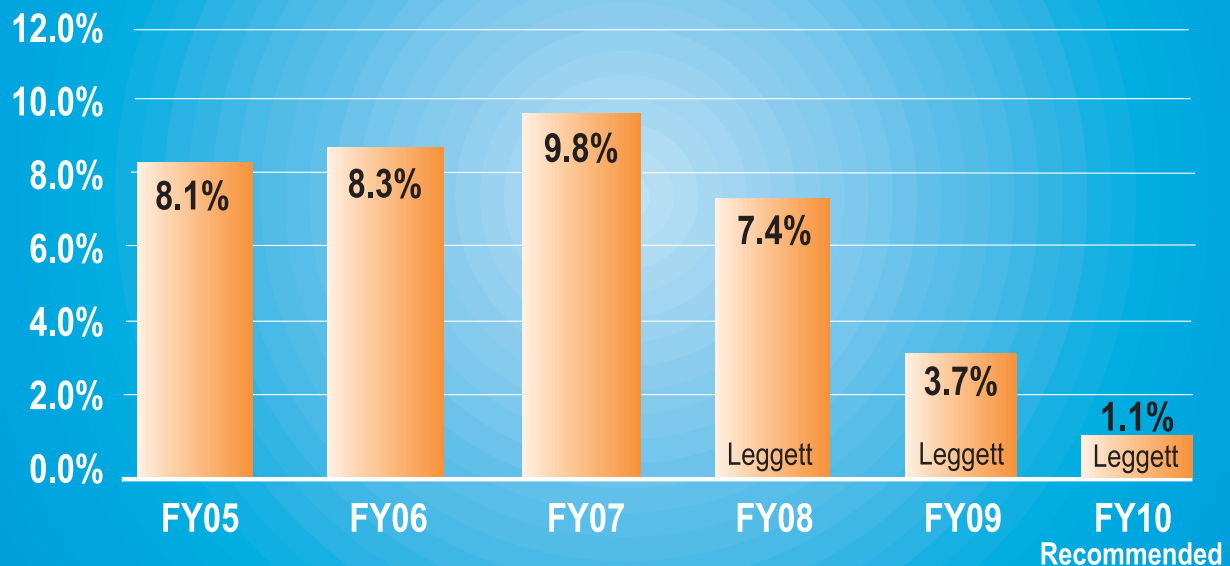
County Government Rate of Growth

(Tax supported)



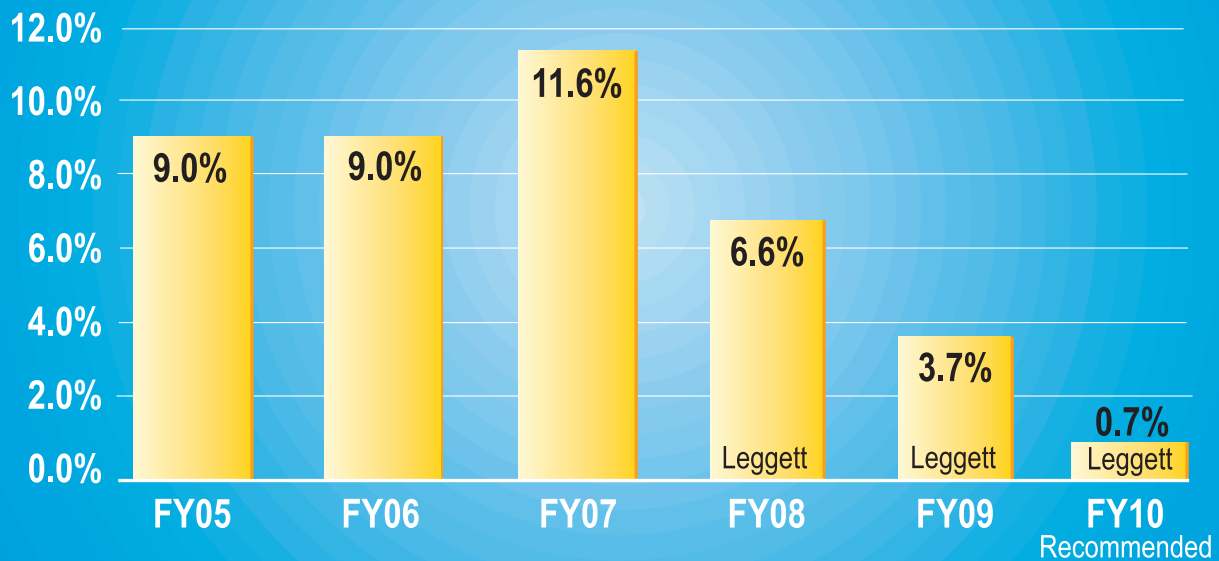
Total Rate of Growth

(All Agencies, Tax-Supported including debt service)



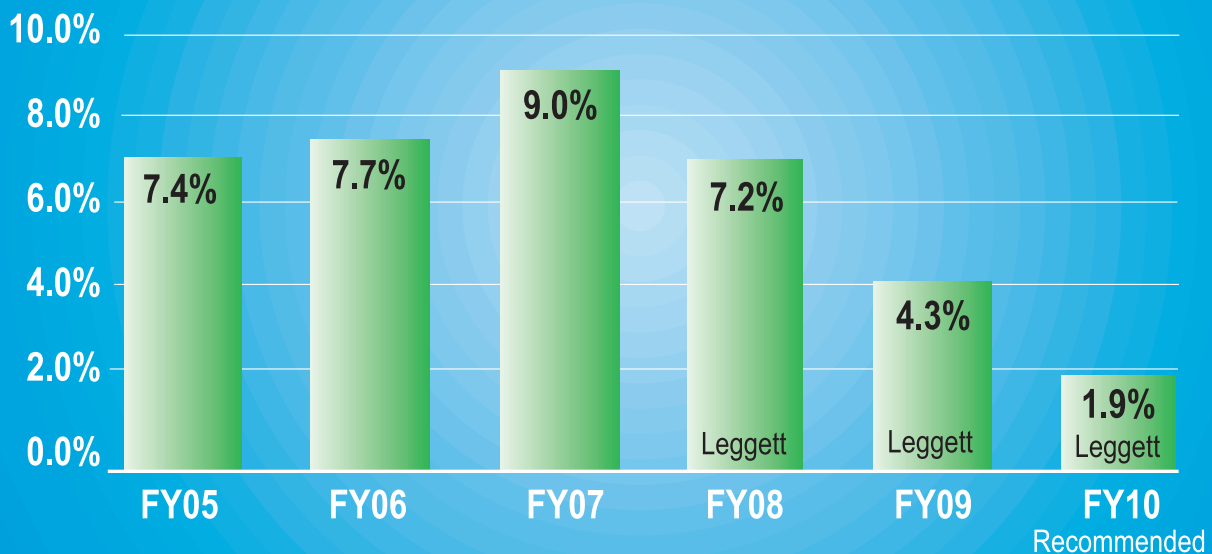
County Government Rate of Growth

(All funds, including grants and enterprise funds)



Total Rate of Growth

(All agencies, including debt service, grants and enterprise funds)



Budget Shortfalls Closed by County Executive

