OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

May 11, 2009

TO: Phil Andrews, President, County Council

FROM: Joseph F. Beach, Director, Office of Management and Budget
Jennifer E. Barrett, Director, Department of Finance

SUBJECT: FY09 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. Except for the departments noted below, expenditures are projected to be within budget or in surplus for tax supported departments and funds in FY09, and we are projecting an overall tax supported expenditure surplus of $17 million. While this is less than the savings plan goal of $22.7 million, the Executive identified expenditure and resource changes (including mid-year encumbrance liquidations of over $12 million) needed to maintain fiscal balance for FY10 in his March recommended budget and subsequent operating budget amendments. Third quarter results are consistent with the Executive's recommendations for the FY10 budget.

Third quarter results for the Department of General Services and the Department of Transportation include spending on snow removal and other storm related clean-up and also assume approval of supplemental appropriations of $2.6 million and $6.6 million for each department respectively. This amount is covered by the set aside we assumed in the recommended budget, and the Executive will transmit the snow removal supplemental appropriation request shortly. In addition, resources set aside for the Department of Police's speed camera program and Board of Election costs associated with District 4 special elections have been reflected in the third quarter results for each department.

Third Quarter Expenditure Results

The Board of Elections is estimating a deficit of nearly $1 million because of additional election judges, temporary personnel, and related costs needed to handle the heavy turnout for the November presidential election. In addition, the estimate includes additional State Board of Elections billings related to the special elections held at the end of FY08 and

continuing legal costs associated with Council Bill 23-07, Non-Discrimination Gender Identity. The estimate includes the cost of the District 4 special elections.

The Department of Correction and Rehabilitation is estimating a deficit of approximately $750,000 due to higher personnel costs due to implementation of the correctional officer salary schedule, and mandated medical, food, and janitorial expenses related to an increase in the average daily inmate population.

The Department of Economic Development is estimating a net deficit of nearly $350,000 due to increased incubator costs related to lower than anticipated occupancy, the Republic Properties lawsuit, consultant costs for the Green Economic Development Plan, and other operating expenditures. Personnel cost management and other cost control measures have been implemented to minimize over spending.

The Ethics Commission is estimating a deficit due to unbudgeted overtime costs related to administering the financial disclosure process.

The Sheriff's Office is estimating a deficit of $358,000 because lapse is not occurring as assumed in the budget and because of a loss in grant funds.

The State's Attorney is estimating a deficit of $13,000 because of a loss in grant funds and increased translation costs.

Finally, through March, the Department of Liquor Control has experienced a small decline in its gross profit margin compared to the budget assumption. The budgeted FY09 earnings transfer to the General Fund will not be affected, but this trend will be monitored during FY10 and operational adjustments will be made, as needed, to ensure the budgeted FY10 earnings transfer is also achieved.

Third Quarter Revenue Update

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

JB:aae

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

Attachments:
Third Quarterly Analysis of Expenditures
Tax Revenue Collections: Through March 2009

FY09 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rdQA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Tax Supported					
General Fund					
Board of Appeals	619,300	620,440	610,730	9,710	1.6%
Board of Elections	6,954,140	10,410,870	11,402,970	(992,100)	-9.5%
Circuit Court	10,747,630	10,747,630	10,309,340	438,290	4.1%
Commission for Women	1,317,430	1,320,150	1,280,640	39,510	3.0%
Consumer Protection	2,708,490	2,663,420	2,587,570	75,850	2.8%
Correction and Rehabilitation	65,602,820	65,595,320	66,338,940	(743,620)	-1.1%
County Attorney	5,680,860	5,660,490	5,516,830	143,660	2.5%
County Council	9,580,700	9,484,260	9,207,420	276,840	2.9%
County Executive	6,979,440	6,972,870	6,644,030	328,840	4.7%
Economic Development	8,048,580	8,026,370	8,373,290	(346,920)	-4.3%
Emergency Management and Homeland Security	1,653,690	1,654,870	1,433,830	221,040	13.4%
Environmental Protection	4,401,540	4,333,270	4,098,990	234,280	5.4%
Ethics Commission	264,310	264,310	278,410	(14,100)	-5.3%
Finance	10,727,300	10,614,260	9,949,390	664,870	6.3%
General Services	28,321,280	31,042,940	30,333,460	709,480	2.3%
Health and Human Services	201,256,130	199,871,030	194,112,730	5,758,300	2.9%
Housing and Community Affairs	5,634,370	5,718,650	5,445,010	273,640	4.8%
Human Resources	9,522,970	9,444,010	9,057,740	386,270	4.1%
Human Rights	2,501,500	2,345,300	2,280,900	64,400	2.7%
Inspector General	700,720	701,850	648,170	53,680	7.6%
Intergovernmental Relations	882,770	882,770	860,700	22,070	2.5%
Legislative Oversight	1,370,300	1,374,250	1,284,020	90,230	6.6%
Management and Budget	4,067,640	4,045,910	3,828,180	217,730	5.4%
Merit System Protection Board	155,460	155,460	149,400	6,060	3.9%
Non-Departmental Accounts	115,528,850	121,622,170	120,831,720	790,450	0.6%
People's Counsel	250,170	250,170	250,170	-	0.0%
Police	240,313,050	242,643,290	240,245,990	2,397,300	1.0%
Public Information	1,308,720	1,311,220	1,291,890	19,330	1.5%
Public Libraries		-		-	
Administration, Outreach, and Support	3,769,380	3,774,660	3,517,920	256,740	6.8%
Library Services to the Public	27,639,510	26,586,460	25,827,910	758,550	2.9%
Collection Management	8,846,640	8,849,140	8,398,400	450,740	5.1%
Regional Services Centers	4,494,100	4,420,610	4,179,900	240,710	5.4%
Sheriff	20,533,520	20,522,420	20,880,850	(358,430)	-1.7%
State's Attorney	12,595,950	12,595,950	12,608,920	(12,970)	-0.1%
Technology Services	33,711,050	33,546,390	32,438,470	1,107,920	3.3%
Transportation	48,747,030	54,476,930	53,325,160	1,151,770	2.1%
Utilities	25,866,880	25,866,880	26,000,130	(133,250)	-0.5%
Zoning and Administrative Hearings	551,910	551,910	513,880	38,030	6.9%
General Fund Total	**933,856,130**	**950,968,900**	**936,344,000**	**14,624,900**	**1.5%**

FY09 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rdQA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Special Funds					
Bethesda Urban District					
Urban Districts	3,401,600	3,401,600	3,388,190	13,410	0.4%
Silver Spring Urban District					
Urban Districts	2,890,770	2,890,770	2,728,410	162,360	5.6%
Wheaton Urban District					
Urban Districts	1,660,480	1,660,480	1,544,210	116,270	7.0%
Mass Transit					
Transit Services	113,259,360	112,704,590	112,370,230	334,360	0.3%
Fire					
Fire and Rescue Service	191,054,930	193,578,040	192,122,250	1,455,790	0.8%
Recreation					
Recreation	32,457,220	31,886,270	31,507,970	378,300	1.2%
Economic Development Fund					
Economic Development Fund	852,440	1,886,350	1,886,350	-	0.0%
Special Funds Total	**345,576,800**	**348,008,100**	**345,547,610**	**2,460,490**	**0.7%**
TAX SUPPORTED TOTAL	**1,279,432,930**	**1,298,977,000**	**1,281,891,610**	**17,085,390**	**1.3%**
Non-Tax Supported					
Special Funds					
Grant Fund MCG					
Circuit Court	2,498,730	2,642,030	2,642,030	-	0.0%
Correction and Rehabilitation		75,000	75,000	-	0.0%
County Executive	246,170	714,940	714,940	-	0.0%
Economic Development	2,700,000	4,039,860	4,039,860	-	0.0%
Emergency Management and Homeland Security	-	1,023,405	1,023,405	-	0.0%
Fire and Rescue Service	623,430	5,144,890	5,144,890	-	0.0%
Health and Human Services	72,257,020	75,364,070	75,364,070	-	0.0%
Housing and Community Affairs	8,069,110	14,021,800	14,021,800	-	0.0%
Intergovernmental Relations	48,000	48,000	48,000	-	0.0%
Liquor Control		35,400	35,400	-	0.0%
Non-Departmental Accounts	10,386,480	5,635,740	5,635,740	-	0.0%
Police	420,570	3,714,575	3,714,575	-	0.0%
Public Libraries	149,600	168,450	168,450	-	0.0%
Recreation		133,120	133,120	-	0.0%
Regional Services Center	150,000	150,000	150,000	-	0.0%
Sheriff	685,790	705,790	705,790	-	0.0%
State's Attorney	159,710	267,500	267,500	-	0.0%
Transit Services	4,121,880	5,040,030	5,040,030	-	0.0%
Grant Fund MCG subtotal	**102,516,490**	**118,924,600**	**118,924,600**	**-**	**0.0%**
Cable Television					
Cable Television	11,919,730	11,922,900	12,448,000	(525,100)	-4.4%
Montgomery Housing Initiative					
Housing and Community Affairs	28,709,310	28,710,640	28,710,640	-	0.0%
Water Quality Protection Fund					
Environmental Protection	7,011,830	7,011,950	6,941,920	70,030	1.0%
Restricted Donations					
Restricted Donations	-	1,336,930	163,300	1,173,630	87.8%
Special Funds Total	**47,640,870**	**48,982,420**	**48,263,860**	**718,560**	**1.5%**

FY09 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rdQA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Enterprise Funds					
Community Use of Public Facilities					
Community Use of Public Facilities	9,090,970	9,092,570	8,840,670	251,900	2.8%
Bethesda Parking District		-			
Parking District Services	12,506,180	12,509,070	12,458,560	50,510	0.4%
Montgomery Hills Parking District					
Parking District Services	113,310	113,310	113,310	-	0.0%
Silver Spring Parking District					
Parking District Services	11,001,690	11,004,350	10,883,970	120,380	1.1%
Wheaton Parking District					
Parking District Services	1,230,940	1,232,040	1,212,680	19,360	1.6%
Permitting Services					
Permitting Services	29,628,520	29,657,730	27,345,070	2,312,660	7.8%
Solid Waste Collection					
Solid Waste Services	6,754,530	6,755,900	6,736,660	19,240	0.3%
Solid Waste Disposal					
Solid Waste Services	94,093,840	94,106,590	91,732,350	2,374,240	2.5%
Vacuum Leaf Collection					
Solid Waste Services	5,277,860	5,277,860	5,180,980	96,880	1.8%
Liquor Control					
Liquor Control	39,228,000	39,911,000	37,992,600	1,918,400	4.8%
Enterprise Funds Total	**208,925,840**	**209,660,420**	**202,496,850**	**7,163,570**	**3.4%**
NON-TAX SUPPORTED TOTAL	**359,083,200**	**377,567,440**	**369,685,310**	**7,882,130**	**2.1%**
TAX and NON-TAX SUPPORTED TOTAL	**1,638,516,130**	**1,676,544,440**	**1,651,576,920**	**24,967,520**	**1.5%**
Internal Service Funds					
Employee Health Benefit Self Insurance Fund					
Human Resources	162,276,190	162,277,400	158,357,140	3,920,260	2.4%
Motor Pool Internal Service Fund					
Fleet Management Services	67,674,780	67,795,540	67,200,380	595,160	0.9%
Printing and Mail Internal Service Fund					
Public Works and Transportation	6,583,470	6,583,470	6,343,390	240,080	3.6%
Self Insurance Internal Service Fund					
Finance	43,423,690	43,430,390	43,430,370	20	0.0%
INTERNAL SERVICE FUNDS TOTAL	**279,958,130**	**280,086,800**	**275,331,280**	**4,755,520**	**1.7%**

FY09 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rdQA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDAs: Tax Supported - General Fund					
MISC. COMMUNITY GRANTS	5,783,460	5,783,460	5,783,460	-	0.0%
NDA - COUNTY LEASES	18,455,210	18,455,210	17,967,100	488,110	2.6%
NDA ARTS COUNCIL OF MONTGOMERY	5,315,480	5,315,480	5,315,480	-	0.0%
NDA BOARDS, COMMITTEES AND COMMISSION	20,000	20,000	26,000	(6,000)	-30.0%
NDA CHARTER REVIEW COMMISSION	150	150	150	-	0.0%
NDA CLIMATE CHANGE IMPLEMENTATION	1,561,000	1,561,000	1,362,370	198,630	12.7%
NDA CLOSING COST ASSISTANCE PROGRAM	33,790	33,790	33,790	-	0.0%
NDA COMPENSATION ADJUSTMENT	3,070,590	1,618,620	794,210	824,410	50.9%
NDA CONFERENCE AND VISITOR'S BUREAU	695,450	695,450	655,200	40,250	5.8%
NDA CONFERENCE CENTER	567,090	567,090	567,090	-	0.0%
NDA CONTRIBUTION TO MOTOR POOL	1,332,650	1,332,650	1,332,650	-	0.0%
NDA CONTRIB TO SELF INS FUND-RISK MGMT	9,809,740	9,809,740	9,809,740	-	0.0%
NDA COUNTY ASSOCIATIONS	70,450	70,450	69,950	500	0.7%
NDA DESKTOP COMPUTER MODERNIZATION	7,136,360	7,136,360	6,307,950	828,410	11.6%
NDA GRANTS TO MUNI IN LIEU SHARES TAXES	28,020	28,020	28,010	10	0.0%
NDA GROUP INSURANCE RETIREES	26,039,330	26,039,330	26,039,330	-	0.0%
NDA HISTORICAL ACTIVITIES	355,340	355,340	355,340	-	0.0%
NDA HOMEOWNERS' ASSOCIATION ROADS	337,700	337,700	337,700	-	0.0%
NDA HOUSING OPPORTUNITIES COMMISS.(HO(	6,140,640	6,140,640	5,987,120	153,520	2.5%
NDA INDEPENDENT AUDIT	394,000	394,000	394,000	-	0.0%
NDA ITPCC	30,000	30,000	30,000	-	0.0%
NDA METRO WASH COUNCIL OF GOV'TS	742,720	742,720	743,370	(650)	-0.1%
NDA MONTGOMERY COALITION FOR ADULT ENGLISH LITERACY (MCAEL)	745,000	745,000	745,000	-	0.0%
NDA MUNICIPAL TAX DUPLICATION	7,488,240	7,488,240	7,479,840	8,400	0.1%
NDA POLICE PRISONER MEDICAL	10,000	10,000	10,000	-	0.0%
NDA PRODUCTIVITY ENHANCEMENTS AND PERSONNEL COST SAVINGS	(13,000,000)	(5,454,710)	-	(5,454,710)	100.0%
NDA PUBLIC TECHNOLOGIES, INC (PTI)	27,500	27,500	20,000	7,500	27.3%
NDA REBATE-TAKOMA PARK-POLICE PROTECT	705,570	705,570	716,590	(11,020)	-1.6%
NDA RETIREE HEALTH BENEFITS TRUST	16,391,930	16,391,930	16,391,930	-	0.0%
NDA ROCKVILLE PARKING DISTRICT	377,500	377,500	496,980	(119,480)	-31.7%
NDA SPECIAL RETIREMENT CONTRIBUTNS-	3,740	3,740	3,750	(10)	-0.3%
NDA STATE POSITIONS SUPPLEMENT	144,950	144,950	144,950	-	0.0%
NDA STATE RETIREMENT CONTRIBUTION	934,920	934,920	934,920	-	0.0%
NDA -TAKOMA PARK-LIBRARIES TRANSITION	112,630	112,630	112,350	280	0.2%
NDA WORKING FAMILIES INCOME SUPPLEMEN	13,667,700	13,667,700	9,835,400	3,832,300	28.0%
NDAs: Tax Supported - General Fund Total	**115,528,850**	**121,622,170**	**120,831,720**	**790,450**	**0.6%**
NDAs: Non-Tax Supported - Grant Fund					
NDA COMPENSATION ADJUSTMENT	361,480	-			
NDA FUTURE FEDERAL/STATE/OTHER GRANTS	10,000,000	5,610,740	5,610,740	-	0.0%
NDA HISTORICAL ACTIVITIES	25,000	25,000	25,000	-	0.0%
NDAs: Non-Tax Supported - Grant Fund Total	**10,386,480**	**5,635,740**	**5,635,740**	**-**	**0.0%**

Quarterly Update on Revenue Estimates
Montgomery County
FY 2009

Reported through:
March 2009

Revenue Update

- **Three Quarters of Fiscal Year Results:**
  - Total tax collections, including investment income and highway user revenue, totaled $1.936 billion and were 3.2% above the first three quarters of FY08 due to property tax collections. Excluding property tax revenues, collections were $1.002 billion and down 4.7% from the first nine months of FY08
  - Income tax collections through March stood at $801.1 million and 0.1% below collections from the first three quarters of FY08.
  - The General Fund (G.F.) portion of property tax collections (including penalties and interest) was $933.5 million – and 13.4 percent above the first three quarters of FY08. The double-digit growth is a function of three factors: (1) increase in G.F. taxable assessments (↑11.2%), increase in G.F. real property rate (from $0.627 to $0.661), and a decrease in the credit (from $613 to $579).
- **Transfer and Recordation Taxes:**
  - Collections from the transfer tax (excluding condominium conversions) during the first three quarters of FY09 were $47.9 million, or 20.7% below the same period last year.
  - Collections from the recordation tax (excluding the CIP portion and the rate premium) were $29.2 million, a decrease of 28.1% over last year.

Revenue Update

- **Transfer and Recordation Taxes (continued):**
  - The decrease in the transfer and recordation taxes is due to continued decline in housing sales and mortgage activity. Total recordation tax collections decreased 28.1% through December, while collections from mortgage refinancing decreased 40.1%.
  - The volume of transfers during the first three quarters of FY09 was down 7.9% compared to last year, and the volume of recordation tax transactions (excluding CIP portion and rate premium) was down 25.3% compared to the first three quarters of fiscal year 2008.
  - The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was $77.1 million compared to $101.0 million for the first nine months of last fiscal year (↓23.7%).

Revenue Update

- **Consumption Taxes:**
  - Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled $93.7 million during the first nine months of FY09, which were 5.1% above the same period in FY08.
  - Fuel/energy tax collections totaled $62.2 million and 6.9% above the first nine months of FY08.
  - Collections from the telephone tax were $19.2 million and entirely due to the continued strong growth in wireless phones.
  - Collections from the hotel/motel tax were running 1.2% above the same period last year.
  - Collections from the admissions tax through March were down 13.0% compared to the first three quarters of last year.

Revenue Update

- **Other Revenues:**
  - Revenues from the County's pooled investment income were $11.1 million during the first nine months of this fiscal year and were 69.7% below the same period last year. However, since the rate cuts by the Federal Reserve have yet to be fully incorporated in the County's pooled investments, Finance expects a further percent decline through the remainder of the fiscal year.
  - Highway user revenues received to date were $19.3 million and 13.4% below the first three quarters of FY08.

Revenue Summary Sheet

MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2009

TAXES :	*REPORTING PERIOD*	*FY09*	*FY08*	*VARIANCE FY09/FY08*	*PERCENT CHANGE*
INCOME	*March*	$801,062,750	$802,264,435	($1,201,684)	-0.1%
PROPERTY (General Fund)(1)	*March*	933,479,170	823,455,852	110,023,318	13.4%
TRANSFER (excl. condo conversion)	*March*	47,883,564	60,352,895	(12,469,331)	-20.7%
RECORDATION (excl. School CIP and Premi	*March*	29,198,683	40,613,536	(11,414,853)	-28.1%
FUEL/ENERGY(2)	*March*	62,189,940	58,153,441	4,036,499	6.9%
HOTEL/MOTEL	*March*	11,104,267	10,977,787	126,480	1.2%
TELEPHONE	*March*	19,244,461	18,726,394	518,067	2.8%
ADMISSIONS	*March*	1,162,718	1,336,168	(173,450)	-13.0%
MISCELLANEOUS :					
INVESTMENT INCOME	*March*	$11,110,154	$36,627,315	(25,517,161)	-69.7%
HIGHWAY USER	*March*	19,333,734	22,329,423	(2,995,689)	-13.4%
TOTAL		$1,935,769,440	$1,874,837,246	$60,932,195	3.2%

NOTES:
(1) Property Tax for General Fund includes adjustment for the income tax offset (rebate)
(2) Fuel/Energy tax rates increased 10% (electricity, fuel, and steam) and 5% (natural gas and L.P. gas) in FY09.
14-Apr-09