GO ITEM #3
June 12, 2014

MEMORANDUM

June 10, 2014

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Administrator SBF
Jacob Sesker, Senior Legislative Analyst JS

SUBJECT: Resolution to Approve the Tax Supported Fiscal Plan Summary for the FY15-20 Public Services Program

Section 302 of the County Charter states in part: *The County Executive shall submit to the Council, not later than March 15 of each year, comprehensive six-year programs for public services and fiscal policy. The six-year programs shall require a vote of at least five Councilmembers for approval or modification. Final Council approval of the six-year programs shall occur at or about the date of budget approval.*

Background

On June 29, 2010 the Council approved policies on reserve and other fiscal matters in Resolution No. 16-1415. Action clause 5 states: ***The County should adopt a fiscal plan that is structurally balanced, and that limits expenditures and other uses of resources to annually available revenues. The fiscal plan should also separately display reserves at policy levels, including additions to reserves to reach policy level goals.*** On November 29, 2011 the Council clarified and strengthened these policies in Resolution No. 17-312, which retained the fiscal plan language and replaced the earlier resolution.

Pursuant to these policies, on June 29, 2010 the Council approved the Tax Supported Fiscal Plan Summary for the FY11-16 Public Services Program in Resolution No. 16-1416. On June 28, 2011 the Council approved the Tax Supported Fiscal Plan Summary for the FY12-17 Public Services Program in Resolution No. 17-184. On June 26, 2012 the Council approved the Tax Supported Fiscal Plan Summary for the FY13-18 Public Services Program in Resolution No. 17-479. On June 25, 2013 the Council approved the Tax Supported Fiscal Plan Summary for the FY14-19 Public Services Program in Resolution No. 17-800.

On June 10, 2014 the Council introduced a resolution to approve the Tax Supported Fiscal Plan Summary for the FY15-20 Public Services Program, based on the fiscal decisions it made on May 22. See the resolution on ©1-4. **The GO Committee is scheduled to review the resolution at this meeting.** The Council is scheduled to act on June 17.

The FY15-20 Tax Supported Fiscal Plan Summary, like all versions of the Fiscal Plan, is a snapshot in time that reflects current fiscal projections and policy assumptions. The one certainty from past experience is that as conditions change, future versions of the plan will change as well. What this version shows – as rows 25 and 33 on ©3 make clear – is that strict adherence to the County's fiscal policies will limit the resources available to allocate to the agencies during the six-year period, particularly in FY16.

Issues

1. Fiscal projections and policy assumptions. Fiscal projections change as local, national, and global economic and financial prospects change. Updated projections will be available for the next two versions of the Fiscal Plan, which are scheduled for December 2014 and March 2015. The policy assumptions in this version are listed in the notes on ©3:

a. FY15 property tax revenue is at the Charter limit using a $692 income tax offset credit, per the Council's action. Property tax revenue at the Charter limit is assumed in FY16-20.

b. The May 2010 fuel/energy tax increase approved for FY11-12, which the Council reduced by 10% in FY13 and another 10% in FY14, is reduced by 7% more in FY15, per the Council's action. Rates are assumed to remain flat in FY16-20. This assumption is reflected in row 5.[1]

c. Reserve contributions are at the policy level and consistent with legal requirements. See ©4.[2]

d. PAYGO, debt service, and current revenue for the Capital Improvements Program reflect the Council's FY15-20 approved CIP.

e. The Annual Retired Contribution (ARC) for retiree health insurance pre-funding is fully funded starting in FY15, based on the four agencies' plan to implement the Medicare Part D Employer Group Waiver Program (EGWP) for prescription drug coverage for Medicare-eligible retirees/survivors effective January 1, 2015.

f. State aid, including MCPS and the College, is assumed to be flat in FY16-20 because while some increases are likely, the amounts are unknown at this time.

2. Resources available to allocate to the agencies. Rows 25 and 33 show that based on current fiscal projections and policy assumptions, overall resources available to allocate to the agencies in FY16-20 will change by -1.2%, +3.1%, +3.7%, +3.3%, and +2.8%, respectively. The change in agency expenditures in the approved budget for FY15 is +3.8%. The changes for FY13-14 were +5.0% and +3.7%, following severely constrained budgets in FY10-12 caused by the Great Recession.

3. Focus on FY16. The projected **overall 1.2% decline in agency resources for FY16**, as noted above, reflects current fiscal projections and policy assumptions. Because of State maintenance of effort

[1] The Council's actions for FY13-15 combined have reduced FY15 revenue from the May 2010 increase by 27% ($31.0 million). Any additional future cut of 10% would reduce revenue by about $11.5 million more.

[2] The FY14 minimum target for reserve as a percentage of Adjusted Governmental Revenues, as established in Resolution No. 17-312 (November 29, 2011), was 6.9%. **See ©5-8.** The Council's approved FY14 reserve was 8.1%; the FY14 ending reserve is currently projected at 10.1%. The FY15 minimum target reserve is 7.4%. The Council's approved FY15 reserve is **8.4% ($379.1 million)**, a historical high. In addition, the Council agreed to the Executive's recommended write-down of $85 million in FY15 income tax revenue to address the possibility of an adverse ruling in the *Wynne* case, for which the U.S. Supreme Court granted *certiorari* last month.

requirements for MCPS and Montgomery College, plus year four of the pension cost shift for MCPS, the decline for the other two tax supported agencies, MCG and M-NCPPC, would be much more than 1.2%. **Note that agency increase requests in FY16, including major known commitments, may in fact total 4.0% or more.**

The projected 1.2% decline in agency resources for FY16, compared to FY15, warrants close attention, but it also needs to be assessed in context. Over the next nine months, as the Fiscal Plan is updated with new data on revenues and expenditures, projections that lead to the 1.2% decline may well be adjusted. Last year at this time, the approved FY14-19 Fiscal Plan projected a 5.0% decline in agency resources for FY15 (to $3.555 billion). The December 2013 Fiscal Plan update projected a smaller decline of 0.9% (to $3.710 billion). Actual agency expenditures in the Council's FY15 approved budget are up 3.8% (to $3.885 billion).

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Resolution No.:	
Introduced:	June 10, 2014
Adopted:	

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Government Operations and Fiscal Policy Committee

SUBJECT: Approval of the County's Tax Supported Fiscal Plan Summary for the FY15-20 Public Services Program

Background

1. Section 302 of the County Charter states in part: *The County Executive shall submit to the Council, not later than March 15 of each year, comprehensive six-year programs for public services and fiscal policy. The six-year programs shall require a vote of at least five Councilmembers for approval or modification. Final Council approval of the six-year programs shall occur at or about the date of budget approval.*

2. Over the last two decades the Council's Government Operations and Fiscal Policy Committee (known until December 2010 as the Management and Fiscal Policy Committee) has collaborated with the Office of Management and Budget and the Department of Finance to develop and refine County fiscal projections. The result has been continuous improvement in how best to display such factors as economic and demographic assumptions, individual agency funds, major known commitments, illustrative expenditure pressures, gaps between projected revenues and expenditures, and productivity improvements. This work has also increased the County's ability to harmonize the fiscal planning methodologies of the four tax supported agencies. Each version of the fiscal projections, or six-year fiscal plan, is a snapshot in time that reflects the best estimate of future revenues and expenditures as of that moment, as well as a specific set of fiscal policy assumptions.

3. On June 29, 2010 the Council approved policies on reserve and other fiscal matters in Resolution No. 16-1415. Action clause 5 states: *The County should adopt a fiscal plan that is structurally balanced, and that limits expenditures and other uses of resources to annually available revenues. The fiscal plan should also separately display reserves at policy levels, including additions to reserves to reach policy level goals.* On November 29, 2011 the Council clarified and strengthened these policies in Resolution No. 17-312, which retained the fiscal plan language and replaced the earlier resolution.

4. On June 29, 2010, pursuant to these polices, the Council approved the Tax Supported Fiscal Plan Summary for the FY11-16 Public Services Program in Resolution No. 16-1416. On June 28, 2011 the Council approved the Tax Supported Fiscal Plan Summary for the FY12-17 Public Services Program in Resolution No. 17-184. On June 26, 2012 the Council approved the Tax Supported Fiscal Plan Summary for the FY13-18 Public Services Program in Resolution No. 17-479. On June 25, 2013 the Council approved the Tax Supported Fiscal Plan Summary for the FY14-19 Public Services Program in Resolution No. 17-800.

5. On June 10, 2014 the Council introduced a resolution on the Tax Supported Fiscal Plan Summary for the FY15-20 Public Services Program. On June 12, 2014 the Government Operations and Fiscal Policy Committee reviewed the Fiscal Plan Summary.

Action

The County Council for Montgomery County, Maryland approves the Tax Supported Fiscal Plan Summary for the FY15-20 Public Services Program, as outlined on the attached pages. This summary reflects:

(1) current information on projected revenues and non-agency expenditures for the six-year period, which must be updated as conditions change. To keep abreast of changed conditions the Council regularly reviews reports on economic indicators, revenue estimates, and other fiscal data.

(2) the policy on expanded County reserves established in Resolution No. 17-312 and the amendments to the Revenue Stabilization Fund law in Bill 36-10, which the Council approved on June 29, 2010.

(3) other specific fiscal assumptions listed in the summary.

This is a correct copy of Council action.

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Linda Lauer, Clerk of the Council

County Council Approved FY15-20 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

#		App FY14	Est FY14	% Chg. FY14-15	App. FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20
		5-23-13		App/App	5-22-14										
	Total Revenues														
1	Property Tax (less PDs)	1,504.9	1,506.9	2.3%	1,538.9	2.5%	1,577.2	2.8%	1,621.1	2.8%	1,666.2	3.2%	1,720.1	3.0%	1,771.5
2	Income Tax	1,299.2	1,365.9	3.2%	1,340.6	9.9%	1,473.5	5.4%	1,553.5	5.4%	1,636.9	4.5%	1,710.6	3.2%	1,765.7
3	Transfer/Recordation Tax	142.3	151.4	12.9%	160.7	5.5%	169.6	6.4%	180.4	7.3%	193.6	7.7%	208.5	5.5%	220.0
4	Investment Income	0.2	0.3	130.7%	0.5	153.4%	1.3	49.4%	2.0	43.6%	2.8	39.5%	4.0	29.9%	5.2
5	Other Taxes	276.6	288.4	0.4%	277.7	1.4%	281.6	1.6%	286.0	1.6%	290.6	1.7%	295.6	1.8%	300.9
6	Other Revenues	932.0	934.3	2.6%	955.8	-1.4%	942.7	0.4%	946.6	0.4%	950.8	0.4%	954.8	0.4%	958.7
7	**Total Revenues**	**4,155.3**	**4,247.3**	**2.9%**	**4,274.3**	**4.0%**	**4,445.9**	**3.2%**	**4,589.7**	**3.3%**	**4,740.9**	**3.2%**	**4,893.6**	**2.6%**	**5,021.9**
8															
9	**Net Transfers In (Out)**	**38.4**	**37.7**	**12.8%**	**43.3**	**-21.5%**	**34.0**	**2.5%**	**34.8**	**2.6%**	**35.8**	**2.4%**	**36.6**	**2.3%**	**37.5**
10	**Total Revenues and Transfers Available**	**4,193.7**	**4,285.0**	**3.0%**	**4,317.6**	**3.8%**	**4,479.9**	**3.2%**	**4,624.6**	**3.3%**	**4,776.6**	**3.2%**	**4,930.2**	**2.6%**	**5,059.4**
11															
12	**Non-Operating Budget Use of Revenues**														
13	Debt Service	313.3	305.5	9.8%	344.1	7.3%	369.4	5.7%	390.4	1.4%	395.8	3.9%	411.3	3.6%	426.2
14	PAYGO	29.5	29.5	1.5%	30.0	8.3%	32.5	0.8%	32.7	1.5%	33.2	0.0%	33.2	0.0%	33.2
15	CIP Current Revenue	54.2	56.2	-9.0%	49.4	49.3%	73.7	-6.9%	68.6	5.1%	72.1	8.3%	78.0	-0.1%	78.0
16	Change in Montgomery College Reserves	-8.3	-4.3	8.6%	-7.6	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
17	Change in MNCPPC Reserves	-4.7	-4.3	2.8%	-4.6	102.6%	0.1	0.3%	0.1	2.0%	0.1	18.6%	0.1	-4.6%	0.1
18	Change in MCPS Reserves	-27.0	-11.0	-41.5%	-38.2	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
19	Change in MCG Special Fund Reserves	-6.6	-18.0	123.9%	1.8	-100.1%	0.0	2014.9%	0.0	-36.4%	0.0	5.1%	0.0	-0.7%	0.0
20	Contribution to General Fund Undesignated Reserves	-60.2	2.6	-53.1%	-92.2	99.4%	-0.5	2014.9%	10.1	-36.4%	6.4	5.1%	6.7	-0.7%	6.7
21	Contribution to Revenue Stabilization Reserves	21.8	22.3	3.8%	22.6	3.7%	23.5	2.7%	24.1	3.1%	24.8	3.1%	25.6	2.6%	26.3
22	Retiree Health Insurance Pre-Funding	138.0	138.0	-7.4%	127.8	-3.5%	123.4	-0.4%	122.9	0.0%	123.0	-4.3%	117.6	-4.4%	112.5
23	Set Aside for other uses (supplemental appropriations)	0.1	-3.5	76.4%	0.1	15900.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
24	**Total Other Uses of Resources**	**450.2**	**513.0**	**-3.8%**	**433.1**	**48.2%**	**642.0**	**4.2%**	**669.0**	**1.0%**	**675.5**	**2.6%**	**692.8**	**1.5%**	**703.0**
25	**Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)**	**3,743.4**	**3,772.1**	**3.8%**	**3,884.5**	**-1.2%**	**3,837.9**	**3.1%**	**3,955.6**	**3.7%**	**4,101.2**	**3.3%**	**4,237.5**	**2.8%**	**4,356.4**
26															
27	**Agency Uses**														
28															
29	Montgomery County Public Schools (MCPS)	2,084.3	2,069.8	2.6%	2,138.1										
30	Montgomery College (MC)	228.5	221.0	7.0%	244.5										
31	MNCPPC (w/o Debt Service)	104.7	104.7	6.9%	111.9										
32	MCG	1,325.9	1,376.6	4.8%	1,390.0										
33	**Agency Uses**	**3,743.4**	**3,772.1**	**3.8%**	**3,884.5**	**-1.2%**	**3,837.9**	**3.1%**	**3,955.6**	**3.7%**	**4,101.2**	**3.3%**	**4,237.5**	**2.8%**	**4,356.4**
34	**Total Uses**	**4,193.7**	**4,285.0**	**3.0%**	**4,317.8**	**3.8%**	**4,479.9**	**3.2%**	**4,624.6**	**3.3%**	**4,776.6**	**3.2%**	**4,930.2**	**2.6%**	**5,059.4**
35	**(Gap)/Available**	**0.0**	**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**

Assumptions:

1. Property taxes are at the Charter Limit with a $692 credit. The Charter Limit is assumed in FY16-20.
2. May 2010 fuel/energy tax revenue increase is reduced by 27 percent in FY15-20.
3. Reserve contributions are at the policy level.
4. PAYGO, debt service, and current revenue reflect the Approved FY15-20 Capital Improvements Program.
5. Retiree health insurance Annual Required Contribution for pre-funding is fully funded in FY15-20. The reduction in funding between FY14 and FY15 reflects savings achieved through the planned implementation of the Employer Group Waiver Program (EGWP) for all four operating agencies effective January 1, 2015.
6. State Aid, including MCPS and Montgomery College, is not projected to increase in FY16-20.

County Council Approved FY15-20 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY14	Est FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20
6	**Beginning Reserves**														
7	**Unrestricted General Fund**	204.1	238.9	18.3%	241.5	-38.2%	149.3	-0.4%	148.8	6.8%	158.9	4.0%	165.3	4.1%	172.0
8	**Revenue Stabilization Fund**	189.0	184.9	9.6%	207.2	10.9%	229.8	10.2%	253.3	9.5%	277.4	9.0%	302.2	8.5%	327.9
9	**Total Reserves**	393.1	423.8	14.1%	448.7	-15.5%	379.1	6.1%	402.1	8.5%	436.3	7.2%	467.5	6.9%	499.9
0															
1	**Additions to Reserves**														
2	**Unrestricted General Fund**	-60.2	2.6	-53.1%	-92.2	99.4%	-0.5	2014.9%	10.1	-36.4%	6.4	5.1%	6.7	-0.7%	6.7
3	**Revenue Stabilization Fund**	21.8	22.3	3.8%	22.6	3.7%	23.5	2.7%	24.1	3.1%	24.8	3.1%	25.6	2.6%	26.3
4	**Total Change in Reserves**	-38.4	24.9	-81.1%	-69.6	133.0%	22.9	49.0%	34.2	-8.6%	31.3	3.5%	32.4	1.9%	33.0
5															
6	**Ending Reserves**														
7	**Unrestricted General Fund**	143.9	241.5	3.8%	149.3	-0.4%	148.8	6.8%	158.9	4.0%	165.3	4.1%	172.0	3.9%	178.7
8	**Revenue Stabilization Fund**	210.8	207.2	9.0%	229.8	10.2%	253.3	9.5%	277.4	9.0%	302.2	8.5%	327.9	8.0%	354.1
9	**Total Reserves**	354.7	448.7	6.9%	379.1	6.1%	402.1	8.5%	436.3	7.2%	467.5	6.9%	499.9	6.6%	532.9
50	**Reserves as a % of Adjusted Governmental Revenues**	**8.1%**	**10.1%**		**8.4%**		**8.6%**		**9.1%**		**9.4%**		**9.8%**		**10.2%**
51	**Other Reserves**														
52	**Montgomery College**	4.8	12.2	-3.6%	4.6	0.0%	4.6	0.0%	4.6	0.0%	4.6	0.0%	4.6	0.0%	4.6
53	**M-NCPPC**	4.3	8.7	-3.9%	4.1	2.9%	4.2	2.8%	4.3	2.8%	4.5	3.2%	4.6	2.9%	4.7
54	**MCPS**	14.7	38.2	-99.5%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1
55	**MCG Special Funds**	1.9	(1.0)	-68.0%	0.6	-0.4%	0.6	6.8%	0.7	4.0%	0.7	4.1%	0.7	3.9%	0.7
56	**MCG + Agency Reserves as a % of Adjusted Govt Revenues**	**6.7%**	**11.4%**		**8.6%**		**8.8%**		**9.3%**		**9.6%**		**10.0%**		**10.3%**
57	**Retiree Health Insurance Pre-Funding**														
58	Montgomery County Public Schools (MCPS)	**83.7**	**83.7**		**85.5**		**82.8**		**85.1**		**87.2**		**84.6**		**81.9**
59	Montgomery College (MC)	**2.4**	**2.4**		**2.0**		**2.0**		**2.0**		**2.0**		**1.9**		**1.9**
60	MNCPPC	**3.0**	**3.0**		**1.8**		**1.5**		**1.0**		**0.7**		**0.3**		**0.0**
61	MCG	**48.9**	**48.9**		**36.6**		**37.0**		**34.9**		**33.1**		**30.8**		**28.6**
62	**Subtotal Retiree Health Insurance Pre-Funding**	**138.0**	**138.0**		**127.8**		**123.4**		**122.9**		**123.0**		**117.6**		**112.5**
63	**Adjusted Governmental Revenues**														
64	**Total Tax Supported Revenues**	**4,155.3**	**4,247.3**	2.9%	**4,274.3**	4.0%	**4,445.9**	3.2%	**4,589.7**	3.3%	**4,740.9**	3.2%	**4,893.6**	**2.6%**	**5,021.9**
65	**Capital Projects Fund**	**99.3**	**99.3**	24.3%	**123.4**	1.9%	**125.7**	-19.8%	**100.8**	-5.8%	**94.9**	-4.4%	**90.8**	**3.9%**	**94.3**
66	**Grants**	**108.2**	**108.2**	7.8%	**116.6**	2.2%	**119.2**	2.5%	**122.2**	2.6%	**125.4**	2.4%	**128.5**	**2.3%**	**131.4**
67	**Total Adjusted Governmental Revenues**	**4,362.7**	**4,454.7**	3.5%	**4,514.3**	3.9%	**4,690.8**	2.6%	**4,812.8**	3.1%	**4,961.2**	3.1%	**5,112.8**	**2.6%**	**5,247.6**

Resolution No:	17-312	
Introduced:	November 29, 2011	
Adopted:	November 29, 2011	

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Government Operations and Fiscal Policy Committee

SUBJECT: Reserve and Selected Fiscal Policies

Background

1. Fiscal policy corresponds to the combined practices of government with respect to revenues, expenditures, debt management, and reserves.

2. Fiscal policies provide guidance for good public practice in the planning of expenditures, revenues, and funding arrangements for public services. They provide a framework within which budget, tax, and fee decisions should be made. Fiscal policies provide guidance toward a balance between program expenditure requirements and available sources of revenue to fund them.

3. As a best practice, governments must maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning. Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate a government's continued creditworthiness.

4. In FY10, the County experienced an unprecedented $265 million decline in income tax revenues, and weathered extraordinary expenditure requirements associated with the H1N1 flu virus and successive and historic winter blizzards. The costs of these events totaled in excess of $60 million, only a portion of which was budgeted and planned for.

5. In a memorandum dated April 22, 2010, the County Executive recommended that the County Council restore reserves first to the current 6% policy level for FY11 and also revise and strengthen policy levels in order to more appropriately position the County to weather economic cycles in the future, and to achieve structural balance in future budgets.

6. The County's financial adviser recommended that the County strengthen its policy on reserves and other fiscal policies to ensure budget flexibility and structural stability, and provided specific recommendations, which are reflected below.

7. On June 29, 2010 the Council approved Resolution No. 16-1415, *Reserve and Selected Fiscal Policies.* This Resolution established a goal of achieving the Charter §310 maximum for the reserve in the General Fund of 5% of General Fund revenues in the preceding fiscal year, and of building up and maintaining the sum of Unrestricted General Fund Balance and Revenue Stabilization Fund Balance to 10% of Adjusted Governmental Revenues (AGR), as defined in the Revenue Stabilization Fund law.

8. The County's reserve policy should be further clarified and strengthened. This resolution replaces the reserve policy established in Resolution No. 16-1415.

Action

The County Council for Montgomery County, Maryland approves the following policies regarding reserve and selected fiscal matters:

1. *Structurally Balanced Budget*

   Montgomery County must have a goal of a structurally balanced budget. Budgeted expenditures should not exceed projected recurring revenues plus recurring net transfers in minus the mandatory contribution to the required reserve for that fiscal year. Recurring revenues should fund recurring expenses. No deficit may be planned or incurred.

2. *Use of One-Time Revenues*

   One-time revenues and revenues in excess of projections must be applied first to restoring reserves to policy levels or as required by law. If the County determines that reserves have been fully funded, then one-time revenues should be applied to non-recurring expenditures that are one-time in nature, PAYGO for the CIP in excess of the County's targeted goal, or unfunded liabilities. Priority consideration should be given to unfunded liabilities for retiree health benefits (OPEB) and pension benefits prefunding.

3. *PAYGO*

   The County should allocate to the CIP each fiscal year as PAYGO at least 10% of the amount of general obligation bonds planned for issue that year.

4. *Fiscal Plan*

   The County should adopt a fiscal plan that is structurally balanced, and that limits expenditures and other uses of resources to annually available revenues. The fiscal plan should also separately display reserves at policy levels, including additions to reserves to reach policy level goals.

5. *County Government Reserve*

(a) **County Government Reserve.** The County Government Reserve has three components. The components of the budgeted reserve at the end of the next fiscal year are:

(i) **Reserve in the General Fund.** The County's goal is that this reserve will be the maximum permitted by §310 of the Charter, which is 5% of revenues in the General Fund in the previous fiscal year;

(ii) **Reserve in the Revenue Stabilization Fund (RSF).** This budgeted reserve at the end of the next fiscal year is the reserve at the beginning of the year, plus interest on the fund balance, plus a mandatory transfer from the General Fund, as defined in the Revenue Stabilization Fund law, plus a discretionary transfer if the Council approves one. The actual amount of the mandatory transfer is calculated in accordance with §20-68 of the Montgomery County Code; and

(iii) **Reserve in the other tax supported funds in County Government.** The budgeted reserve at the end of the next fiscal year for the following funds – Fire, Mass Transit, Recreation, Urban District, Noise Abatement, Economic Development, and Debt Service – and any other tax supported County Government fund established after adoption of this resolution, should be the minimum reserve possible (as close as possible to zero, but not negative), since the Council sets the property tax rate to the nearest one tenth of 1¢.

(b) **Calculation of budgeted reserve as a percent of Adjusted Governmental Revenues.** The target reserve as a percent of Adjusted Governmental Revenues is the sum of the reserves in the General Fund and the Revenue Stabilization Fund divided by Adjusted Governmental Revenues, as defined in the Revenue Stabilization Fund law. The reserves in the other tax supported funds in County Government are not included in this calculation.

(c) **Budgeted reserve as a percent of Adjusted Governmental Revenues.** To reach the County's goal of 10% of AGR in 2020, the annual minimum target goals are:

FY13	6.4%
FY14	6.9%
FY15	7.4%
FY16	7.9%
FY17	8.4%
FY18	8.9%
FY19	9.4%
FY20 and after	10.0%

The Council may make a discretionary transfer each year from the General Fund to the Revenue Stabilization Fund, if necessary, to reach the target goal for each year. The 10% goal for FY20 and after must be reflected in the Revenue Stabilization Fund law.

6. *Reserves in other agencies*

The reserves for the Montgomery County Public Schools (MCPS), the Maryland-National Capital Park and Planning Commission (M-NCPPC), and Montgomery College (MC) are not included in the target reserves for County Government. The County's reserve policies for these agencies are:

(a) **MCPS.** The Council should not budget any reserve for the MCPS Current Fund.

(b) **M-NCPPC.** The reserve in the Park Fund should be approximately 4.0% of budgeted resources. The reserve in the Administration Fund should be approximately 3.0% of budgeted resources. The reserve in the Advance Land Acquisition Debt Service Fund should be the minimum reserve possible, since the Council sets the property tax rate to the nearest one tenth of 1¢.

(c) **Montgomery College.** The reserve in the Current Fund should be 3.0% - 5.0% of budgeted resources minus the annual contribution from the County. The target reserve in the Emergency Plant Maintenance and Repair Fund – as stated in Resolution No. 11-2292, approved by the Council on October 16, 1990 – "may accumulate up to $1,000,000 in unappropriated fund balance, such goal to be attained over a period of years, as fiscal conditions permit."

7. *Reports to Council*

The Executive must report to the Council:

(a) the prior year reserve and the current year reserve projection as part of the annual November/December fiscal plan update;
(b) current and projected reserve balance in the Executive's annual Recommended Operating Budget;
(c) any material changes expected to have a permanent impact on ending reserve fund balance; and
(d) current and projected reserve balances in any proposed mid-year savings plan.

This is a correct copy of Council action.

Linda M. Lauer

Linda M. Lauer, Clerk of the Council

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