GO Committee #2
May 2, 2012
Discussion

MEMORANDUM

April 27, 2012

TO: Government Operations and Fiscal Policy Committee

FROM: Jacob Sesker, Senior Legislative Analyst JS

SUBJECT: Update: Reserve Policy

BACKGROUND

In FY10 the County experienced an unprecedented $265 million decline in income tax revenues, and weathered extraordinary expenditure requirements associated with the HINI 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.

In a memorandum dated April 22, 2010, the County Executive recommended that the County Council restore reserves first to the then 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.

On June 29, 2010 the Council approved Resolution No. 16-1415, *Reserve and Selected Fiscal Policies,* attached at © 1-4, which clarified and strengthened the County's reserve policies. The 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. The resolution also established a goal 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.

The policy did not specify any interim steps between the FY11 level and the FY20 goal of 10%. The Committee reviewed (October 10, 2011) and supported proposed clarifications and changes that strengthened the reserve policy. On November 29, 2011 the Council approved Resolution No. 17-312, which is attached on © 5-8. This second resolution established annual minimum target goals in order to achieve the "Unrestricted General Fund Balance and Revenue Stabilization Fund Balance" of 10% of Adjusted Governmental Revenues by FY20.[1] This resolution established a target for FY13 of 6.4% (see © 7).

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%

Executive staff, in response to Council staff questions in 2011, stated the following:

"During the review of the most recent General Obligation Bond issue, the rating agencies specifically asked over what time period we were phasing in to the 10% policy, and the 2020 date was provided to them based on the legislative history, financial advisor recommendations, and phase-in calculations used for the fiscal plan. All three rating agencies specifically held detailed conversations with County Budget and Finance staff on the underlying reserve calculation methodology and timeframe. One or more of the rating agency published reports specifically referenced that 2020 timeframe in their write-ups, and all will be monitoring the County's progress against that timeframe."

STATUS UPDATE

In December 2011, OMB Director Jennifer Hughes described the status as follows:

"Because FY11 year-end reserves are still an estimate at this point, it is premature to draw any firm conclusions about the projected reserves displayed in the updated fiscal plan. The projection, however, reflects the impact of the revised revenue forecast, particularly the unanticipated FY12 income tax revenues. According to the Revenue Stabilization Fund law adopted by the Council in June 2010, the mandatory contribution to the RSF must be the greater of 50 percent of excess revenues or 0.5 percent of Adjusted Governmental Revenues. Under this law, $54 million must be contributed to the RSF in FY12, which is nearly $34 million more than assumed in the budget. As a result, total reserves are projected to increase to 7.5 percent at the end of FY12. General Fund reserves in excess of the 5 percent Charter Limit are projected to be drawn down during FY13, and total reserves are projected to increase to 9.5 percent by the end of FY18."

[1] Among other clarifications/improvements, Resolution No. 17-312 also included a policy on reserve targets for each of the funds of the four tax supported agencies.

In FY12 the County exceeded the target of 6.4%. As Ms. Hughes notes, a larger than expected November income tax distribution was a major contributing factor. The FY12 contribution to the General Fund Undesignated Reserves was $90.6 million, well above the $66.4 million in the FY12 Approved Budget. The County's FY12 contribution to the Revenue Stabilization Reserves ($45.1 million) was also well above the FY12 Approved Budget ($20.4 million).

The FY13 unrestricted General Fund Reserves are projected to be $139.5 million, while the FY13 Revenue Stabilization Fund balance is projected to be $160.6 million. Total reserves are projected to be $300.2 million, or $7.1% of Adjusted Governmental Revenues (see tax supported fiscal plan summary attached on ©12-13).

Attachments:
© 1-3 Resolution No. 16-1415, Reserve and Selected Fiscal Policies
© 4 Memo from Steve Farber, Council Staff Director, March 23, 2011
© 5-8 Resolution No. 17-312, Reserve and Selected Fiscal Policies
© 9-11 Letter from OMB Director Jennifer Hughes, December 5, 2011
© 12-13 Tax supported fiscal plan summary, CE's Recommended Operating Budget

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Resolution No: 16-1415
Introduced: May 27, 2010
Adopted: June 29, 2010

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

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 to 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 advisor has recommended that the County strengthen its policy on reserves and other fiscal policies to ensure budget flexibility and structural stability, and has provided specific recommendations, which are reflected below.

Action

The County Council for Montgomery County, Maryland, approves the following policies regarding reserves and other 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. Reserves

   Montgomery County must have 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 Fund revenues, as defined in the Revenue Stabilization Fund law. This goal must be reflected in the Revenue Stabilization Fund law.

3. 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 which are one-time in nature, PAYGO for the CIP in excess of the County's targeted goal, or to unfunded liabilities. Priority consideration should be given to unfunded liabilities for Retiree Health Benefits (OPEB) and Pension Benefits Prefunding.*

4. PAYGO

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

5. 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.

6. 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 November 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.

Mary Anne Paradise

Mary Anne Paradise, Acting Clerk of the Council

AGENDA ITEM #3
November 29, 2011

MEMORANDUM

November 23, 2011

TO: County Council

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: Introduction/Suspension of Rules/Action:
Resolution to Establish County Reserve Policy

On October 10, 2011 the Government Operations and Fiscal Policy Committee unanimously recommended revisions to further clarify and strengthen County reserve policy, as outlined below and in the attached resolution, *Reserve and Selected Fiscal Policies*. See ©1-4.

Background

On June 29, 2010 the Council approved Resolution No. 16-1415, *Reserve and Selected Fiscal Policies*. This resolution, which resulted from close collaboration between the Council and the Executive to address last year's extremely difficult fiscal situation, clarified and strengthened the County's policies.

On May 3, 2011 the Committee reviewed the reserve policy and requested a follow-up review. Subsequent discussion among staff from the Council, OMB and Finance, and the other tax supported agencies (MCPS, Montgomery College, and M-NCPPC) generated specific proposals to further clarify and strengthen the reserve policy. On October 10, 2011 the Committee reviewed and supported these proposals. They are detailed in the memo from Legislative Analyst Chuck Sherer, who retired on September 30. See ©5-14. The proposals are to:

1. **Set a higher reserve target each year** to help ensure that the goal of increasing reserves from the FY11 target of 6% to the FY20 target of 10% will be achieved (©5-7).

2. Clarify that the reserve target is based on the General Fund and the Revenue Stabilization Fund, and that reserves from the 16 other tax supported funds are additional (©7-8).

3. **Adopt a policy on reserve targets for each of the funds of the four tax supported agencies** (©9-11). (Council and Executive staff agreed on these targets. MCPS and M-NCPPC staff agreed on the targets for their agencies. College staff initially preferred a different target (©9-10). In follow-up discussions College staff concluded that the proposed target is "acceptable." See ©15.)

The revised resolution on ©1-4 incorporates these proposals. The substantive changes from last year's resolution are in Action clauses 5 and 6 on ©2-4.

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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%

7

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

OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Jennifer A. Hughes
Director

MEMORANDUM

December 5, 2011

TO: Stephen B. Farber, Staff Director, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget

SUBJECT: Fiscal Plan Update

Attached please find the updated fiscal plan and supporting documents. The only major change to the FY12-17 fiscal plan adopted by the County Council on June 28, 2011 is the incorporation of the Department of Finance's updated revenue forecast. Other assumptions in the fiscal plan, including year-end results, current year expenditure updates, and other non-agency spending have not been changed, but will be updated as more information becomes available.

The fiscal plan would require a 1.0 percent reduction in agency spending to be balanced in FY13. While this is an improvement compared to this point last year, the forecast still calls for a reduction in spending, which means the County will once again face a challenging fiscal environment with difficult choices ahead. I want to highlight a few aspects of this update:

1. **Revenues**: As detailed in the Department of Finance's December 2011 Revenue Update and Selected Economic Indicators report, income tax revenues have been revised upward by $184.5 million ($120.9 million in FY12 and $63.6 million in FY13). The estimated increase in income tax revenues results primarily from the more volatile component of the November income tax distribution related to extended filings, estimated payments, and reconciliations. The forecast for FY13 and beyond reflects the largely one-time nature of most of the increased November 2011 distribution. While income tax revenues have been revised upward, the Department of Finance has reduced its forecast for all other taxes by a total of $68.9 million, resulting in a net increase of $115.6 million ($79.2 million in FY12 and $36.4 million in FY13) above the estimate in the approved fiscal plan. The downward revision in all other taxes reflects continued economic sluggishness and the impact of the weak housing market on taxable assessments and other real estate related taxes. The revenue estimates do anticipate the sunset at the end of FY12 in the increase in the energy tax rates approved for FY11.

Office of the Director

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2. **Intergovernmental Aid**: State Aid assumptions will be updated after budget requests from Montgomery County Public Schools and Montgomery College are received and the Governor releases his budget in January 2012. However, given the State's projected $1 billion gap, the Governor's FY13 budget may include reductions to local aid. In addition, MCPS' FY12 Maintenance of Effort penalty of $26 million, which was deferred by the legislature to FY13, may still be imposed. Other changes to formulas and cost shifting may also be part of the State's plan to close its budget gap. The County may also be affected by cutbacks in Federal employment and procurement due to the $1.2 trillion automatic sequester scheduled to begin in January 2013. The updated fiscal plan does not reflect any of these potential adverse impacts.

3. **FY13 Expenditures**: While not included in the estimate of agency expenditures in the updated fiscal plan, FY13 expenditures are estimated to grow by $102.2 million or 3.0 percent in FY13. Attached is a chart of the "Major Known Commitments" that shows the projected cost increases by agency. Note the estimate assumes the continuation of a wage freeze. Each agency is in the midst of bargaining with its employee representatives so the fiscal plan does not reflect the potential outcome of these negotiations.

4. **Rate of Growth**: The impact of revised revenue estimates will require a 1.0 percent reduction in the size of agency operating budgets in FY13 to produce a balanced budget. Assuming the estimated increase in expenditures identified by each agency would equate to an imbalance of $135 million.

5. **Reserves**: Prior fiscal year results are not yet finalized. Because FY11 year-end reserves are still an estimate at this point, it is premature to draw any firm conclusions about the projected reserves displayed in the updated fiscal plan. The projection, however, reflects the impact of the revised revenue forecast, particularly the unanticipated FY12 income tax revenues. According to the Revenue Stabilization Fund law (MCC 20-68) adopted by the Council in June 2010, the mandatory contribution to the RSF must be the greater of 50 percent of excess revenues[1] or 0.5 percent of Adjusted Governmental Revenues[2]. Under this law, $54 million must be contributed to the RSF in FY12, which is nearly $34 million more than assumed in the budget. As a result, total reserves are projected to increase to 7.5 percent at the end of FY12. General Fund reserves in excess of the 5 percent Charter Limit[3] are projected to be drawn down during FY13, and total reserves are projected to increase to 9.5 percent by the end of FY18.

The fiscal plan update does not reflect decisions the Executive may consider as part of his budget recommendations in January and March. As noted above, there are many unknown factors that could significantly affect fiscal plan projections, including the Executive's choices regarding taxes, spending on the Capital Improvements Program, and other fiscal issues. These and other decisions will be incorporated into his recommendations later this winter and spring.

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[1] Defined as the amount, if positive, by which total revenues from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund for the fiscal year exceed the original projections for these amounts.

[2] Defined as the tax supported revenues of the four County agencies, excluding the local contributions to MCPS and Montgomery College, plus revenues of the County Government's Grants and Capital Projects Funds.

[3] Section 310 of the County Charter limits the undesignated General Fund reserve to 5 percent of prior fiscal year General Fund revenues.

In summary, the uneven economic recovery, coupled with continued uncertainty regarding State and Federal revenues, argues for caution in the County's spending plans. Despite the greater projected FY12 income tax revenues, we expect only modest growth in the base income tax revenues. The decline in property and transfer and recordation tax revenue estimates, along with the loss of the energy tax revenues, buttresses the view that any income tax revenue increases should be viewed with caution.

JAH:aae

Attachments

c: Timothy L. Firestine, Chief Administrative Officer
Joseph F. Beach, Director, Department of Finance
Kathleen Boucher, Assistant Chief Administrative Officer

County Executive's Recommended FY13-18 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

#		App. FY12	Estimate FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
		5-26-11		Rec/Bud	3-15-12										
	Total Revenues														
1	Property Tax (less PDs)	1,462.2	1,437.0	0.0%	1,462.2	3.0%	1,505.8	3.1%	1,553.2	3.5%	1,608.2	3.5%	1,664.5	3.1%	1,715.4
2	Income Tax	1,117.2	1,227.1	11.2%	1,242.9	2.9%	1,278.9	6.7%	1,364.4	4.7%	1,428.8	3.6%	1,480.0	4.2%	1,541.5
3	Transfer/Recordation Tax	143.5	123.9	-9.5%	129.9	8.1%	140.5	5.6%	148.4	7.4%	159.4	7.4%	171.2	5.6%	180.8
4	Investment Income	1.6	0.2	-70.3%	0.5	33.6%	0.6	94.0%	1.2	134.2%	2.9	55.8%	4.5	26.3%	5.7
5	Other Taxes	325.3	311.6	-3.0%	315.5	1.4%	320.1	2.3%	327.3	1.8%	333.1	1.1%	336.7	0.8%	339.6
6	Other Revenues	842.2	838.9	4.0%	876.2	0.5%	880.3	0.5%	884.3	0.4%	888.3	0.5%	892.3	0.5%	896.4
7	**Total Revenues**	**3,892.1**	**3,938.7**	**3.5%**	**4,027.2**	**2.5%**	**4,126.1**	**3.7%**	**4,278.8**	**3.3%**	**4,420.7**	**2.9%**	**4,549.2**	**2.9%**	**4,679.3**
8															
9	**Net Transfers In (Out)**	**41.3**	**35.9**	**-27.6%**	**29.9**	**2.9%**	**30.7**	**2.8%**	**31.6**	**2.6%**	**32.5**	**2.7%**	**33.3**	**2.7%**	**34.2**
10	**Total Revenues and Transfers Available**	**3,933.4**	**3,974.6**	3.1%	**4,057.1**	2.5%	**4,156.9**	3.7%	**4,310.5**	3.3%	**4,453.1**	2.9%	**4,582.5**	2.9%	**4,713.5**
11															
12	**Non-Operating Budget Use of Revenues**														
13	Debt Service	296.2	279.0	2.5%	303.5	6.8%	324.3	9.6%	355.3	5.4%	374.6	4.1%	389.8	0.0%	389.8
14	PAYGO	31.0	31.0	-4.8%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5
15	CIP Current Revenue	35.0	35.0	52.8%	53.5	51.4%	81.0	-26.5%	59.5	-2.7%	58.0	-1.8%	56.9	16.2%	66.1
16	Change in Montgomery College Reserves	(9.0)	(4.0)	46.4%	(4.8)	102.3%	0.1	1.4%	0.1	-4.6%	0.1	2.1%	0.1	2.1%	0.1
17	Change in MNCPPC Reserves	(1.5)	(2.5)	37.1%	(1.0)	99.9%	(0.0)	9543.7%	0.1	14.1%	0.1	0.4%	0.1	35.5%	0.2
18	Change in MCPS Reserves	(17.0)	7.4	0.0%	(17.0)	22.1%	(13.3)	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0
19	Change in MCG Special Fund Reserves	22.8	1.4	-24.3%	17.3	-100.0%	0.0	532.7%	0.0	18.5%	0.0	-9.7%	0.0	-10.8%	0.0
20	Contribution to General Fund Undesignated Reserves	66.4	90.6	-122.8%	(15.1)	106.1%	0.9	527.6%	5.8	18.5%	6.8	-9.7%	6.2	-10.8%	5.5
21	Contribution to Revenue Stabilization Reserves	20.4	45.1	3.0%	21.0	3.3%	21.7	4.1%	22.6	3.7%	23.5	3.6%	24.3	3.1%	25.1
22	Retiree Health Insurance Pre-Funding	49.6	49.6	123.1%	110.7	28.9%	142.8	20.4%	171.9	0.0%	171.9	0.0%	171.9	0.0%	171.9
23	Set Aside for other uses (supplemental appropriations)	0.2	10.2	-67.2%	0.1	30441.4%	20.1	0.0%	20.1	0.0%	20.1	0.0%	20.1	0.0%	20.1
24	**Total Other Uses of Resources**	**494.3**	**542.9**	**0.7%**	**497.8**	**22.0%**	**607.2**	**9.5%**	**665.0**	**2.9%**	**684.6**	**2.1%**	**698.9**	**1.3%**	**708.3**
25	**Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)**	**3,439.1**	**3,431.7**	**3.5%**	**3,559.3**	**-0.3%**	**3,549.7**	**2.7%**	**3,645.5**	**3.4%**	**3,768.6**	**3.1%**	**3,883.6**	**3.1%**	**4,005.2**
26															
27	**Agency Uses**														
28															
29	Montgomery County Public Schools (MCPS)	1,950.9	1,926.8	2.6%	2,001.6	-0.3%	1,996.2	2.7%	2,050.1	3.4%	2,119.3	3.1%	2,184.0	3.1%	2,252.4
30	Montgomery College (MC)	218.0	214.6	0.2%	218.4	-0.3%	217.8	2.7%	223.7	3.4%	231.2	3.1%	238.3	3.1%	245.7
31	MNCPPC (w/o Debt Service)	94.3	94.3	4.7%	98.8	-0.3%	98.6	2.7%	101.2	3.4%	104.6	3.1%	107.8	3.1%	111.2
32	MCG	1,175.8	1,196.0	5.5%	1,240.5	-0.3%	1,237.1	2.7%	1,270.5	3.4%	1,313.4	3.1%	1,353.5	3.1%	1,395.9
33	**Agency Uses**	**3,439.1**	**3,431.7**	**3.5%**	**3,559.3**	**-0.3%**	**3,549.7**	**2.7%**	**3,645.5**	**3.4%**	**3,768.6**	**3.1%**	**3,883.6**	**3.1%**	**4,005.2**
34	**Total Uses**	**3,933.4**	**3,974.6**	**3.1%**	**4,057.1**	**2.5%**	**4,156.9**	**3.7%**	**4,310.5**	**3.3%**	**4,453.1**	**2.9%**	**4,582.5**	**2.9%**	**4,713.5**
35	**(Gap)/Available**	**0.0**	**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**

Assumptions:

1. Property tax revenue is $21.5 million below the Charter Limit and kept the same as the FY12 approved budget. Assumes $692 income tax offset credit.
2. May 2010 Energy Tax increase is retained.
3. Reserve contributions at the policy level and consistent with legal requirements.
4. PAYGO, Debt Service, and Current Revenue updated to reflect the FY13 recommended CIP and current revenue amendments.
5. Retiree health insurance pre-funding is increased up to full funding by FY15, and then kept level beyond FY15. FY13 is year 6 of 8-year funding schedule.

(12)

County Executive's Recommended FY13-18 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY12	Est FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
36	**Beginning Reserves**														
37	**Unrestricted General Fund**	66.9	64.0	131.2%	154.7	-9.8%	139.5	0.7%	140.4	4.1%	146.2	4.7%	153.0	4.0%	159.1
38	**Revenue Stabilization Fund**	94.5	94.5	47.7%	139.6	15.1%	160.6	13.5%	182.4	12.4%	205.0	11.5%	228.5	10.6%	252.9
39	**Total Reserves**	161.4	158.6	82.3%	294.2	2.0%	300.2	7.6%	322.8	8.8%	351.2	8.6%	381.5	8.0%	412.0
40															
41	**Additions to Reserves**														
42	**Unrestricted General Fund**	66.4	90.6	-122.8%	-15.1	106.1%	0.9	527.6%	5.8	18.5%	6.8	-9.7%	6.2	-10.8%	5.5
43	**Revenue Stabilization Fund**	20.0	45.1	5.4%	21.0	3.3%	21.7	4.1%	22.6	3.7%	23.5	3.6%	24.3	3.1%	25.1
44	**Total Change in Reserves**	86.4	135.7	-93.2%	5.9	283.5%	22.7	25.3%	28.4	6.7%	30.3	0.6%	30.5	0.3%	30.6
45															
46	**Ending Reserves**														
47	**Unrestricted General Fund**	133.3	154.7	4.6%	139.5	0.7%	140.4	4.1%	146.2	4.7%	153.0	4.0%	159.1	3.4%	164.6
48	**Revenue Stabilization Fund**	114.5	139.6	40.3%	160.6	13.5%	182.4	12.4%	205.0	11.5%	228.5	10.6%	252.9	9.9%	278.0
49	**Total Reserves**	247.8	294.2	21.1%	300.2	7.6%	322.8	8.8%	351.2	8.6%	381.5	8.0%	412.0	7.4%	442.6
50	**Reserves as a % of Adjusted Governmental Revenues**	6.1%	7.2%		7.1%		7.4%		7.8%		8.2%		8.7%		9.1%
51	**Other Reserves**														
52	**Montgomery College**	7.0	11.2	-7.6%	6.4	1.7%	6.5	1.7%	6.6	1.6%	6.7	1.6%	6.9	1.6%	7.0
53	**M-NCPPC**	3.7	4.8	3.3%	3.9	0.0%	3.9	3.2%	4.0	3.6%	4.1	3.5%	4.3	4.5%	4.5
54	**MCPS**	0.0	30.3	n/a	13.3	-100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
55	**MCG Special Funds**	2.6	(16.5)	-67.6%	0.8	0.7%	0.8	4.1%	0.9	4.7%	0.9	4.0%	0.9	3.4%	1.0
56	**MCG + Agency Reserves as a % of Adjusted Govt Revenues**	6.5%	7.9%		7.7%		7.7%		8.1%		8.5%		8.9%		9.3%
57	**Retiree Health Insurance Pre-Funding**														
58	Montgomery County Public Schools (MCPS)	20.0	20.0		61.9		80.3		101.6		100.9		99.7		99.7
59	Montgomery College (MC)	1.0	1.0		1.9		2.4		3.1		3.0		2.8		2.8
60	MNCPPC	2.6	2.6		3.4		6.3		7.7		7.4		7.2		7.2
61	MCG	26.1	26.1		43.6		53.8		59.5		60.6		62.2		62.2
62	**Subtotal Retiree Health Insurance Pre-Funding**	49.6	49.6		110.7		142.8		171.9		171.9		171.9		171.9
63	**Adjusted Governmental Revenues**														
64	**Total Tax Supported Revenues**	3,892.1	3,938.7	3.5%	4,027.2	2.5%	4,126.1	3.7%	4,278.8	3.3%	4,420.7	2.9%	4,549.2	2.9%	4,679.3