



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

**MEMORANDUM**

March 15, 2018

TO: Hans Riemer, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget  
Alexandre A. Espinosa, Director, Department of Finance *AE JAH*

SUBJECT: FY18 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. As detailed in the attached report, expenditure variances are relatively small across most departments, and the County Executive's recommended FY19 operating budget incorporates the results of this analysis. We will continue to monitor department spending and may revise this estimate to reflect more up-to-date information in the third quarterly analysis. Significant expenditure variances are described below.

**Second Quarter Expenditure Results**

Many tax-supported departments are projected to be underspent due to the FY18 mid-year savings plan approved in January, and related cost controlling measures. These actions were required in response to a significant unexpected shortfall in FY18 income tax revenues.

The County Attorney's Office's projected overspending results from higher than anticipated costs for outside counsel.

The Department of General Services' projected overspending results from staffing costs higher than the budgeted lapse rate and unbudgeted costs of emergency maintenance services to repair critical equipment and systems.

The Sheriff's Office is estimated to overspend slightly due to attrition being slower than anticipated.

Fire and Rescue is estimated to be overspent because of overtime costs related to vacant positions and training academy staffing needs. Operating costs are expected to be over budget due to higher than expected vehicle maintenance costs.

Leaf Vacuuming costs will exceed budget due to higher than anticipated motor pool charges.

The Department of Liquor Control projects overspending due primarily to unbudgeted credit card fee expenses and the purchase of two additional delivery trucks in FY18.

The Division of Solid Waste Services is projected to overspend its budget due to a significant increase in the cost of collection contracts that were rebid for the first time in several years, and performance issues experienced with Potomac Disposal that necessitated emergency procurements. On average, the rates in the new collection contracts were more than 30 percent higher than the rates in the previous contracts, and collection services performed through emergency procurements were at a substantial premium.

The Snow Removal and Storm Cleanup non-departmental account is projected to be significantly overspent due to more weather incidents than anticipated.

### **Second Quarter Revenue Update**

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

### **Reserves**

The County's FY18 total ending reserves are estimated to be \$446.7 million, or 8.9 percent of adjusted governmental revenues. As noted in the December Fiscal Plan Update, the initial estimate of reserves was preliminary and subject to change based on updated information. Due to the significant revenue shortfall, it was necessary to take several measures to strengthen reserves, which included savings plan reductions and increased use of OPEB trust assets to pay current year claims. Additional details on the County's reserves are included in the Executive's recommended budget on March 15.

JAH/AE:jn

Attachments: Second Quarterly Analysis of Expenditures  
Tax Revenue Collections: Through 12/31/17

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

## FY18 2nd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(2nd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
<b>Tax Supported</b>					
<b>General Fund</b>					
Agriculture	989,195	994,275	929,862	64,413	6.5%
Board of Appeals	541,752	546,879	530,460	16,419	3.0%
Board of Elections	8,213,700	8,226,744	8,199,294	27,450	0.3%
Circuit Court	12,066,554	12,066,554	11,824,306	242,248	2.0%
Community Engagement Cluster	3,772,050	3,784,348	3,708,907	75,441	2.0%
Consumer Protection	2,364,597	2,368,277	2,182,415	185,862	7.8%
Correction and Rehabilitation	66,716,261	66,786,465	66,081,827	704,638	1.1%
County Attorney	6,319,482	6,348,398	6,463,117	-114,719	-1.8%
County Council	11,651,722	11,742,828	11,434,383	308,445	2.6%
County Executive	5,947,305	5,965,345	5,587,305	378,040	6.3%
Emergency Management and Homeland Security	1,317,571	1,338,208	1,273,108	65,100	4.9%
Environmental Protection	2,907,343	2,918,895	2,644,176	274,719	9.4%
Ethics Commission	429,607	435,905	431,820	4,085	0.9%
Finance	14,446,096	14,532,676	14,171,258	361,418	2.5%
General Services	30,965,577	31,038,487	31,692,368	-653,881	-2.1%
Health and Human Services	234,084,840	234,512,704	230,642,057	3,870,647	1.7%
Housing and Community Affairs	7,538,618	7,561,746	7,363,241	198,505	2.6%
Human Resources	8,355,091	8,382,076	8,212,579	169,497	2.0%
Human Rights	1,242,813	1,247,813	1,222,957	24,856	2.0%
Inspector General	1,071,872	1,077,793	1,056,356	21,437	2.0%
Intergovernmental Relations	1,125,673	1,128,515	1,061,367	67,148	6.0%
Legislative Oversight	1,661,695	1,688,909	1,619,105	69,804	4.1%
Management and Budget	4,730,931	4,896,314	4,800,042	96,272	2.0%
Merit System Protection Board	367,688	373,431	234,333	139,098	37.2%
Non-Departmental Accounts	330,530,055	329,716,788	268,640,621	61,076,167	18.5%
Police	275,474,370	276,156,092	270,853,995	5,302,097	1.9%
Procurement	4,512,962	4,550,268	4,457,699	92,569	2.0%
Public Information	5,079,351	5,094,329	4,989,073	105,256	2.1%
Public Libraries	42,437,576	42,513,867	41,461,061	1,052,806	2.5%
Sheriff	23,366,446	23,370,437	23,713,567	-343,130	-1.5%
State's Attorney	17,188,455	17,435,228	17,290,833	144,395	0.8%
Technology Services	43,022,058	43,000,026	39,111,367	3,888,659	9.0%
Transportation	49,809,920	49,905,964	48,409,930	1,496,034	3.0%
Zoning and Administrative Hearings	689,591	689,591	605,724	83,867	12.2%
<b>General Fund Total:</b>	<b>1,220,938,817</b>	<b>1,222,396,175</b>	<b>1,142,900,513</b>	<b>79,495,662</b>	<b>6.50%</b>
<b>Special Funds</b>					
<b>Fire</b>					
Fire and Rescue Service	214,862,420	217,248,574	223,063,658	-5,815,084	-2.7%
<b>Recreation</b>					
Recreation	37,687,311	37,727,385	36,971,488	755,897	2.0%
<b>Bethesda Urban District</b>					
Urban Districts	3,174,943	3,174,943	3,161,937	13,006	0.4%

## FY18 2nd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(2nd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
<u>Silver Spring Urban District</u>					
Urban Districts	3,498,672	3,498,672	3,439,879	58,793	1.7%
<u>Wheaton Urban District</u>					
Urban Districts	2,016,434	2,016,434	1,915,149	101,285	5.0%
<u>Mass Transit</u>					
Transit Services	132,226,957	131,926,283	126,792,070	5,134,213	3.9%
<u>Economic Development Fund</u>					
Economic Development Fund	4,110,738	7,298,748	7,298,748	0	0.0%
<b>Special Funds Total:</b>	<b>397,577,475</b>	<b>402,891,039</b>	<b>402,642,929</b>	<b>248,110</b>	<b>0.06%</b>
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<b>Tax Supported Total:</b>	<b>1,618,516,292</b>	<b>1,625,287,214</b>	<b>1,545,543,442</b>	<b>79,743,772</b>	<b>4.9%</b>

## FY18 2nd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(2nd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
<b>NDA: Tax Supported - County General Fund</b>					
<b>General Fund</b>					
NDA - Arts and Humanities Council	5,506,943	5,506,943	5,506,943	0	0.0%
NDA - Boards, Committees and Commissions	22,950	22,950	21,918	1,032	4.5%
NDA - Charter Review Commission	1,150	1,150	1,150	0	0.0%
NDA - Children's Opportunity Fund	375,000	375,000	375,000	0	0.0%
NDA - Community Grants: County Executive	11,075,881	11,075,881	11,075,881	0	0.0%
NDA - Compensation and Employee Benefit Adjustments	2,141,590	1,238,323	788,134	450,189	36.4%
NDA - Conference and Visitors Bureau	1,535,661	1,535,661	1,535,661	0	0.0%
NDA - Conference Center	632,769	632,769	632,769	0	0.0%
NDA - Consolidated Retiree Health Benefit Trust - College	2,552,000	2,552,000	552,000	2,000,000	78.4%
NDA - Consolidated Retiree Health Benefit Trust - MCPS	74,192,000	74,192,000	55,165,381	19,026,619	25.6%
NDA - County Associations	74,728	74,728	74,728	0	0.0%
NDA - Device Client Management	7,886,200	7,886,200	6,886,200	1,000,000	12.7%
NDA - Grants To Municipalities in Lieu Of Shares Tax	28,020	28,020	28,012	8	0.0%
NDA - Group Insurance Retirees	43,300,000	43,300,000	1,888,000	41,412,000	95.6%
NDA - Historical Activities	110,000	110,000	110,000	0	0.0%
NDA - Homeowners' Association Road Maintenance Reimb.	61,051	61,051	61,051	0	0.0%
NDA - Housing Opportunities Commission	6,536,889	6,536,889	6,406,151	130,738	2.0%
NDA - Incubator Programs - Economic Development Partnership	3,399,971	3,399,971	3,399,971	0	0.0%
NDA - Independent Audit	420,820	420,820	360,820	60,000	14.3%
NDA - Interagency Technology, Policy, and Coordination Commission	5,850	5,850	5,850	0	0.0%
NDA - Leases	20,334,394	20,334,394	20,128,894	205,500	1.0%
NDA - Legislative Branch Communications Outreach	540,000	540,000	540,000	0	0.0%
NDA - Metro Washington Council of Governments	876,710	876,710	876,710	0	0.0%
NDA - Montgomery Coalition for Adult English Literacy	1,657,058	1,657,058	1,657,058	0	0.0%
NDA - Montgomery County Economic Development Corporation	5,007,750	5,007,750	5,007,750	0	0.0%
NDA - Motor Pool Fund Contribution	973,258	973,258	973,258	0	0.0%
NDA - Municipal Tax Duplication	8,405,243	8,405,243	8,322,006	83,237	1.0%
NDA - Prisoner Medical Services	20,000	20,000	0	20,000	100.0%
NDA - Public Elections Fund	5,095,000	5,095,000	5,095,000	0	0.0%
NDA - Public Technology, Inc.	20,000	20,000	20,000	0	0.0%
NDA - Retiree Health Benefits Trust	43,398,320	43,398,320	43,398,320	0	0.0%
NDA - Risk Management (General Fund)	16,816,427	16,816,427	16,816,427	0	0.0%
NDA - Rockville Parking District	412,200	412,200	412,200	0	0.0%
NDA - Snow Removal and Storm Cleanup	2,884,990	2,884,990	9,884,990	-7,000,000	-242.6%
NDA - State Positions Supplement	60,756	60,756	0	60,756	100.0%
NDA - State Property Tax Services	3,565,615	3,565,615	3,640,379	-74,764	-2.1%
NDA - State Retirement Contribution	1,448,295	1,448,295	1,448,295	0	0.0%
NDA - Takoma Park Library Annual Payments	154,043	154,043	168,704	-14,661	-9.5%
NDA - Takoma Park Police Rebate	1,012,888	1,012,888	1,013,685	-797	-0.1%
NDA - Telecommunications	5,356,382	5,356,382	5,356,382	0	0.0%
NDA - Vision Zero	100,000	100,000	0	100,000	100.0%
NDA - Working Families Income Supplement	24,638,264	24,638,264	21,421,954	3,216,310	13.1%
NDA - WorkSource Montgomery, Inc.	1,657,344	1,747,344	1,747,344	0	0.0%

## FY18 2nd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(2nd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
Utilities	26,235,645	26,235,645	25,835,645	400,000	1.5%
<b>NDA's: Tax Supported - County General Fund Total:</b>	<b>330,530,055</b>	<b>329,716,788</b>	<b>268,640,621</b>	<b>61,076,167</b>	<b>18.5%</b>

## FY18 2nd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(2nd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
<b>Non-Tax Supported</b>					
<b><u>Special Funds</u></b>					
<b><u>Montgomery Housing Initiative</u></b>					
Housing and Community Affairs	36,556,050	64,619,550	35,471,552	29,147,998	45.1%
<b><u>Cable TV</u></b>					
Cable Television Communications Plan	16,071,604	16,101,515	15,626,050	475,465	3.0%
<b><u>Water Quality Protection</u></b>					
Environmental Protection	27,364,649	27,382,782	26,849,984	532,798	1.9%
<b>Special Funds Total:</b>	<b>79,992,303</b>	<b>108,103,847</b>	<b>77,947,586</b>	<b>30,156,261</b>	<b>27.90%</b>
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<b><u>Enterprise Funds</u></b>					
<b><u>Liquor</u></b>					
Liquor Control	65,161,319	65,161,319	66,397,598	-1,236,279	-1.9%
<b><u>Solid Waste Disposal</u></b>					
Solid Waste Services	89,700,728	89,725,658	89,658,769	66,889	0.1%
<b><u>Solid Waste Collection</u></b>					
Solid Waste Services	6,842,647	6,845,710	8,299,127	-1,453,417	-21.2%
<b><u>Leaf Vacuuming</u></b>					
Transportation	6,124,584	6,124,584	6,343,439	-218,855	-3.6%
<b><u>Community Use of Public Facilities</u></b>					
Community Use of Public Facilities	11,691,144	11,720,706	11,568,054	152,652	1.3%
<b><u>Bethesda Parking</u></b>					
Parking District Services	14,936,872	14,943,419	14,956,568	-13,149	-0.1%
<b><u>Silver Spring Parking</u></b>					
Parking District Services	11,433,242	11,439,304	11,436,153	3,151	0.0%
<b><u>Montgomery Hills Parking</u></b>					
Parking District Services	0	0	0	0	0.0%
<b><u>Wheaton Parking</u></b>					
Parking District Services	1,407,792	1,408,886	1,407,128	1,758	0.1%
<b><u>Permitting Services</u></b>					
Permitting Services	38,874,829	39,000,611	37,469,803	1,530,808	3.9%
<b>Enterprise Funds Total:</b>	<b>246,173,157</b>	<b>246,370,197</b>	<b>247,536,639</b>	<b>-1,166,442</b>	<b>-0.47%</b>
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<b><u>Internal Service Funds</u></b>					
<b><u>Motor Pool</u></b>					
Fleet Management Services	80,056,028	80,056,028	77,068,063	2,987,965	3.7%
<b><u>Central Duplicating (Printing &amp; Mail)</u></b>					
General Services	8,046,389	8,046,389	7,961,030	85,359	1.1%
<b><u>Risk Management (Self Insurance - ISF)</u></b>					
Finance	66,955,617	66,955,617	66,950,978	4,639	0.0%
<b><u>Employee Health Self Insurance</u></b>					
Human Resources	243,592,373	243,592,373	241,388,291	2,204,082	0.9%
<b>Internal Service Funds Total:</b>	<b>398,650,407</b>	<b>398,650,407</b>	<b>393,368,362</b>	<b>5,282,045</b>	<b>1.32%</b>
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<b>Non-Tax Supported Total:</b>	<b>724,815,867</b>	<b>753,124,451</b>	<b>718,852,587</b>	<b>34,271,864</b>	<b>4.6%</b>





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**Montgomery County, Maryland**

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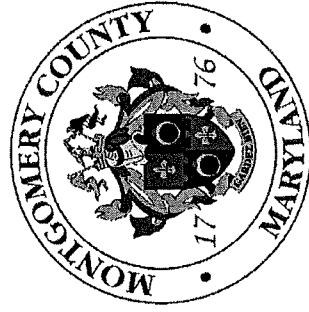
**FY2018 SECOND QUARTERLY  
REVENUE UPDATE**

Presentation to the Montgomery County Council

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**Department of Finance**

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# Revenue Update

## First Half Year Results

Total tax revenues, including investment income, totaled \$1.833 billion and down 2.7 percent compared to the same period in FY17 due primarily to decreases in revenues from the income tax (↓9.2%), the transfer tax (↓19.8%) and the recordation tax (↓26.9%).

- **Income Taxes:**

- Income tax revenues through December stood at \$435.5 million and approximately \$44.1 million below revenues for the same period in FY17. The decrease was attributed to a change in the distribution formula for the quarterly distribution in November for tax year 2016. The decrease is also attributed to the decrease in amount of revenues collected from taxpayers filing for an extension for tax year 2016 which depressed the results for the first half of FY18.

- **Property Taxes:**

- The General Fund (G.F.) portion of property tax collections (including penalties and interest and excluding storm drainage) was \$1,214.4 million (↑1.2%) through December compared to the same period in FY17.
- The real property taxable assessment increased 4.3 percent in FY17 and is estimated to increase 4.1 percent for FY18 (as estimated during the first half of FY18).

# Revenue Update

## First Half Year Results

- **Transfer and Recordation Taxes:**

- Revenues from the transfer tax (excluding condominium conversions) through December of FY18 were \$49.6 million, or 19.8 percent below last fiscal year.
- Revenues from the recordation tax (excluding the CIP portion and the rate premium) were \$23.8 million, a decrease of 26.9 percent over the first half of last fiscal year.
- The decrease in the transfer tax is due primarily to a decrease in the number of commercial transfers which were down 26.4 percent during the first half of FY18 compared to last fiscal year while the number of residential transfers increased a modest 0.9 percent. The volume of residential recordation tax transactions was down 1.0 percent compared to the first half of fiscal year 2017, the volume of non-residential transactions was down 14.8 percent and the volume of other recordation tax transactions was down 33.5 percent compared to last fiscal year.
- The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$73.4 million compared to \$94.4 million for the same period last fiscal year (↓22.3%).

# Revenue Update

## First Half Year Results

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$105.4 million, which were 1.7 percent below the first half of FY17.
- Fuel/energy tax collections totaled \$74.5 million during the first half of FY18 compared \$76.7 million in FY17 (↓2.8%).
- Revenues from the telephone tax were \$20.3 million and up 0.5 percent from the first half of FY17. Revenues from the hotel/motel tax were 2.1 percent above the same period last year reflecting higher occupancy rates.
- Revenues from the admissions tax were up 3.0 percent compared to the same period last year and largely attributed to increases in revenues from athletic events and facilities and coined and non-coined operated amusement facilities.

# Revenue Update

## First Half Year Results

- **Investment Income:**

- Total pooled investment income was \$5.042 million during the first half of this fiscal year compared to \$2.630 million during the first half of FY17 (↑91.7%).
- The dramatic increase is attributed to the higher average portfolio yield of 1.13 percent the first half of this fiscal year compared to 0.62 percent during the first half of FY17. This higher yield reflects in part the interest rate increases by the Federal Open Market Committee of the Board of Governors of the Federal Reserve System.
- The average daily portfolio balance of \$884.3 million increased 4.6 percent from the first half of FY17 to the first half of this fiscal year.

# Revenue Summary Sheet

MAJOR REVENUE COLLECTIONS				
	July - December FY2018	July - December FY2017	Variance FY2018-FY2017	Percent Change
<b><u>TAXES:</u></b>				
Income Tax	\$435,532,555	\$479,590,867	(\$44,058,312)	-9.2%
Property Tax (General Fund only)	\$1,214,371,353	\$1,199,937,332	\$14,434,021	1.2%
Transfer Tax (1)	\$49,589,937	\$61,843,666	(\$12,253,729)	-19.8%
Recordation Tax (2)	\$23,795,011	\$32,543,244	(\$8,748,233)	-26.9%
Fuel/Energy Tax	\$74,536,886	\$76,684,961	(\$2,148,074)	-2.8%
Telephone Tax	\$20,297,416	\$20,205,179	\$92,237	0.5%
Hotel/Motel Tax	\$8,750,514	\$8,567,241	\$183,273	2.1%
Admissions Tax	\$1,792,373	\$1,739,363	\$53,010	3.0%
<b><u>MISCELLANEOUS:</u></b>				
Investment Income (3)	\$5,041,565	\$2,629,930	\$2,411,635	91.7%
<b><u>TOTAL</u></b>	\$1,833,707,611	\$1,883,741,783	(\$50,034,172)	-2.7%

SOURCE: Revenue data from the County's Oracle eBusiness system and Treasury Division database.

- NOTES: (1) Excludes revenue from condominium conversions  
 (2) Excludes School CIP and tax premium allocation  
 (3) Pooled investment income only