

# Montgomery County Government Citizens Advisory Board CIP Forums

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Spring 2019



Prepared by Montgomery County **Office of Management & Budget**



# Agenda

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**1** Purpose of Citizens Advisory Boards (CABs) Meetings

**2** Capital Improvements Program (CIP)

**3** FY21-26 Fiscal Outlook

**4** County Executive (CE) Priorities for FY21-26

**5** CIP Process Time Frame

**6** Open Budget

**7** Questions

# Purpose of CIP CAB meetings

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- 1** Provide residents with information about the Capital Budget.
- 2** Provide residents **with an opportunity to express their views and priorities** for future capital improvement projects.
- 3** Provide information to the County Executive and Departments concerning capital improvement projects.

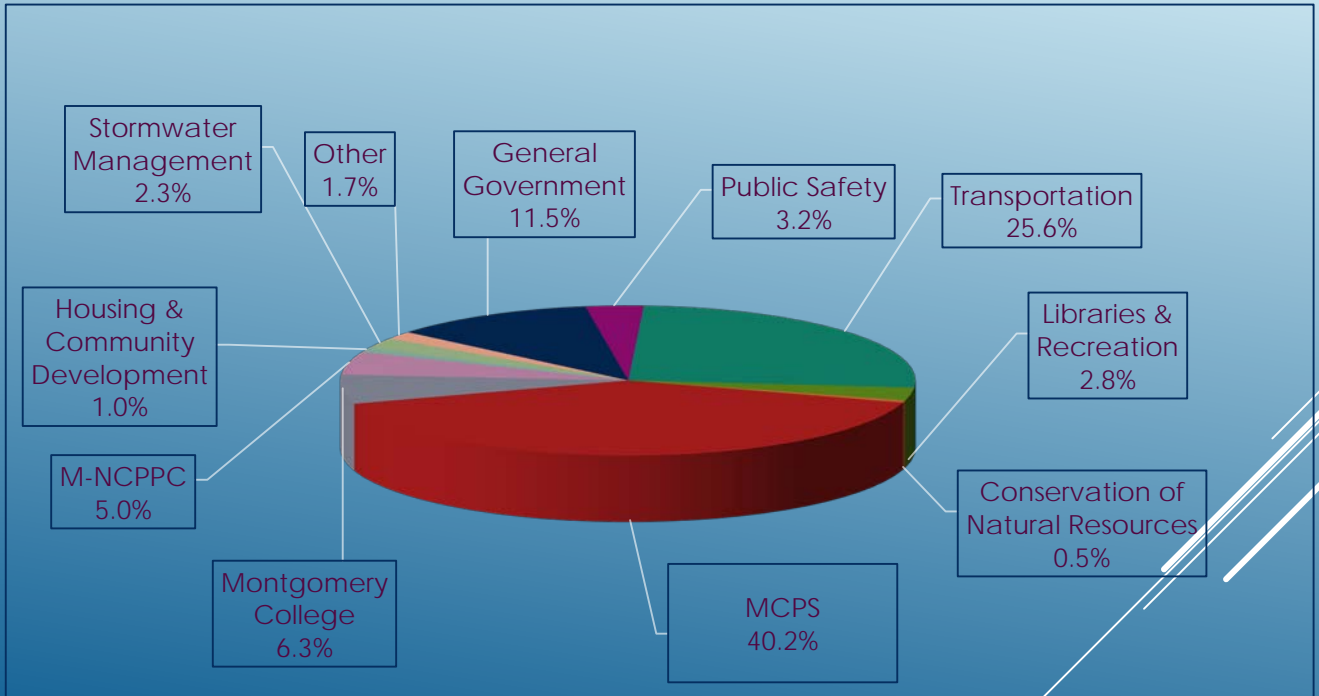
# Capital Improvements Program (CIP)

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- Capital Improvements **have long-term usefulness and require large expenditures** of capital funds usually programmed over more than one year and result in a durable capital asset.
- **Six-year plan** with a capital budget. New projects are usually added in the last years of the CIP.
- Includes capital expenditure estimates, funding requirements, capital budget requests and program data.
- Annual capital budget resolution provides the appropriation authority for spending. Unused appropriation is carried over to subsequent years.
- Each project is described on the **Project Description Form (PDF)**.

# CIP Expenditure Summary

FY19-24 Approved CIP - Six-Year Expenditures (excl WSSC):  
\$4.4 Billion



# FY21-26 Fiscal Outlook

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# **Fiscally** Responsible Government

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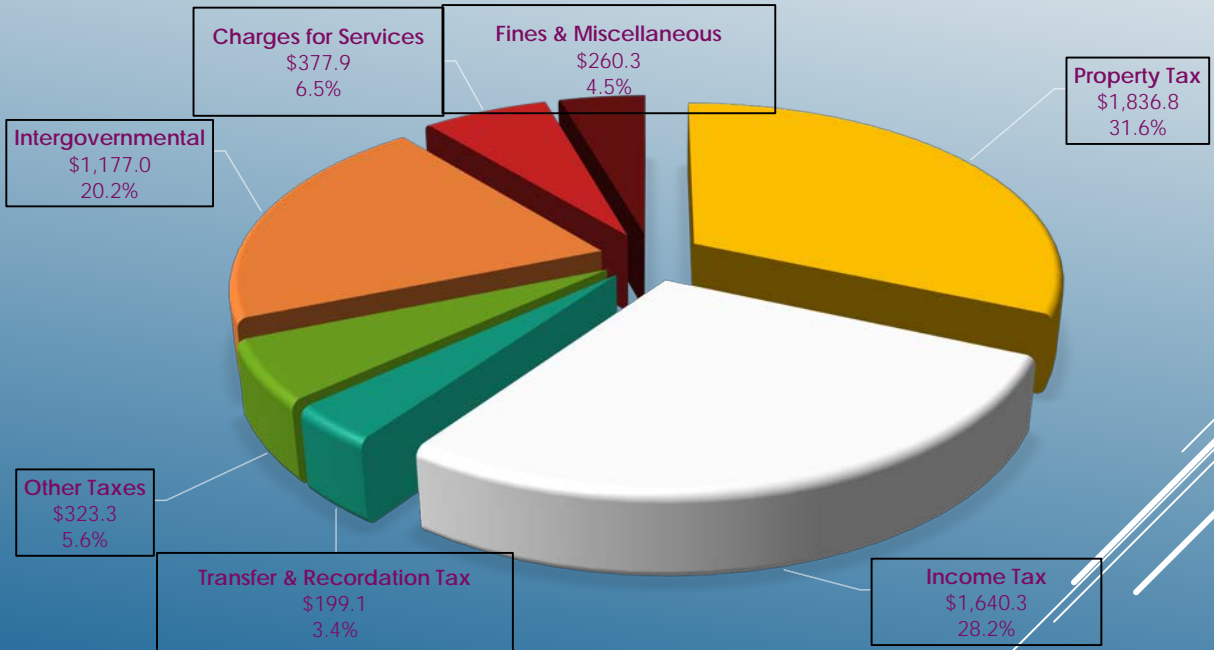
Montgomery County is **focused on financial sustainability**

- ❖ Requirement of a balanced budget in spite of revenue volatility
- ❖ Slow down debt and the rate of growth in expenditures
- ❖ Reserve contribution target goal is 10% of adjusted governmental revenues by 2020
- ❖ Prefunding for Retiree Health Insurance (OPEB) and pension
- ❖ Initiating a 10-year financial plan
- ❖ A two-year budgeting process with an emphasis on achieving specific outcomes

# FY20 Recommended Operating Budget Revenues (millions)

## WHERE THE MONEY COMES FROM

TOTAL Revenues - \$5,814.7



\*Total expenditures in the Operating Budget are \$5,722.9 million. Total revenues support the full Operating Budget, cash funding in the CIP, and contributions to reserves.



## Revenues - Continued Risk and Uncertainty

- ❖ County revenues will be significantly impacted by the MD State Comptroller v. Wynne income tax case.
- ❖ Quarterly payments to the State for refunds associated with Wynne:
  - \$28.6M annually beginning in FY21 and continuing through the first half of FY26
  - Total impact is \$143.0 million
- ❖ **Federal Tax Law Change** – Continued uncertainty for Montgomery County income taxes due to the Federal tax law change in December 2017.

## Revenues – Other Factors

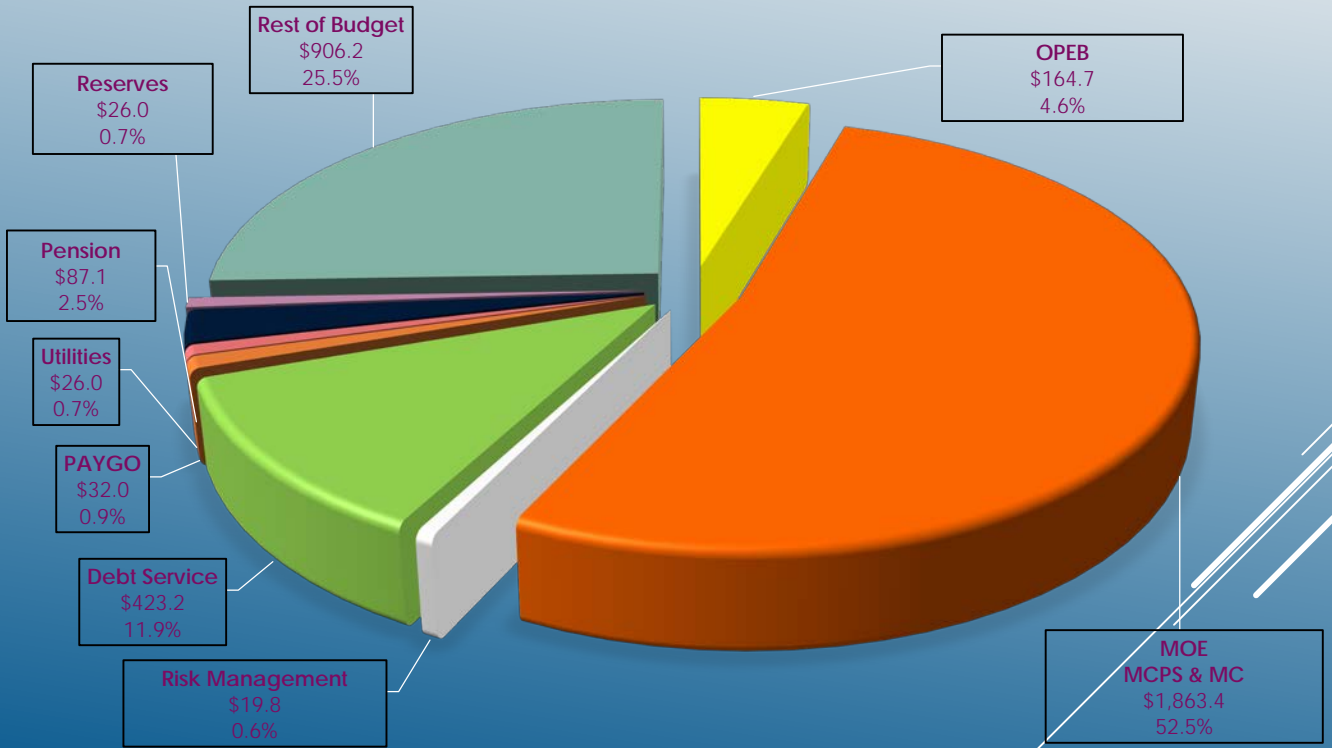
- ❖ Existing home sales declined 4.3 percent in CY2018 while median prices increased 4.8 percent
- ❖ Energy Tax increase has been reduced by 27 percent since FY12
- ❖ Implementation of Master/Sector Plans: White Flint; Shady Grove; Great Seneca; Wheaton; East County Science Center
- ❖ Property tax assessments increased 3.7 percent in FY2018
- ❖ County's Unemployment Rate was 3.3 percent in CY2018, the same rate as CY2017

## Recommended FY20 Operating Budget Fiscal Picture

- ❖ **A large portion of the General Fund expenditures are mandatory.** MCPS and College budgets are subject to future MOE requirements, Revenue Stabilization Fund and debt service payments constituted 64.1% of the FY20 recommended general fund revenues.
- ❖ **The recommended FY20 fiscal plan assumes a slight increase of 0.5% across all agencies for FY21.**
- ❖ **Due to mandated funding requirements, Montgomery County Government and Maryland-National Capital Park and Planning Commission will be disproportionately impacted.**

# FY20 Fixed Costs as a % of General Fund revenue (millions)

TOTAL GENERAL FUND REVENUE - \$3,548.4



# FY21-26 Fiscal Outlook

## Operating Expenditures: Growing Needs and Challenges

- ❖ **Student Enrollment Increasing**
- ❖ **Operating impact of new facilities**
- ❖ **Shifting of State responsibilities to local government**  
Higher than anticipated costs for cost-sharing of State teacher retirement obligations to local jurisdictions. These costs were rolled into Maintenance of Effort (MOE) in FY17, increasing the County's required contribution in perpetuity.
- ❖ **Cost and Price Spikes: Weather/Snow Removal; fuel and energy prices; food prices; etc.**  
Cost of compensation increases, health insurance and retirement, and retiree health insurance. FY19 cost of snow removal/storm response - \$18.2 million. FY20 recommended snow NDA budget increases from \$3 million to \$8 million based on actual experience.
- ❖ **Debt Service**

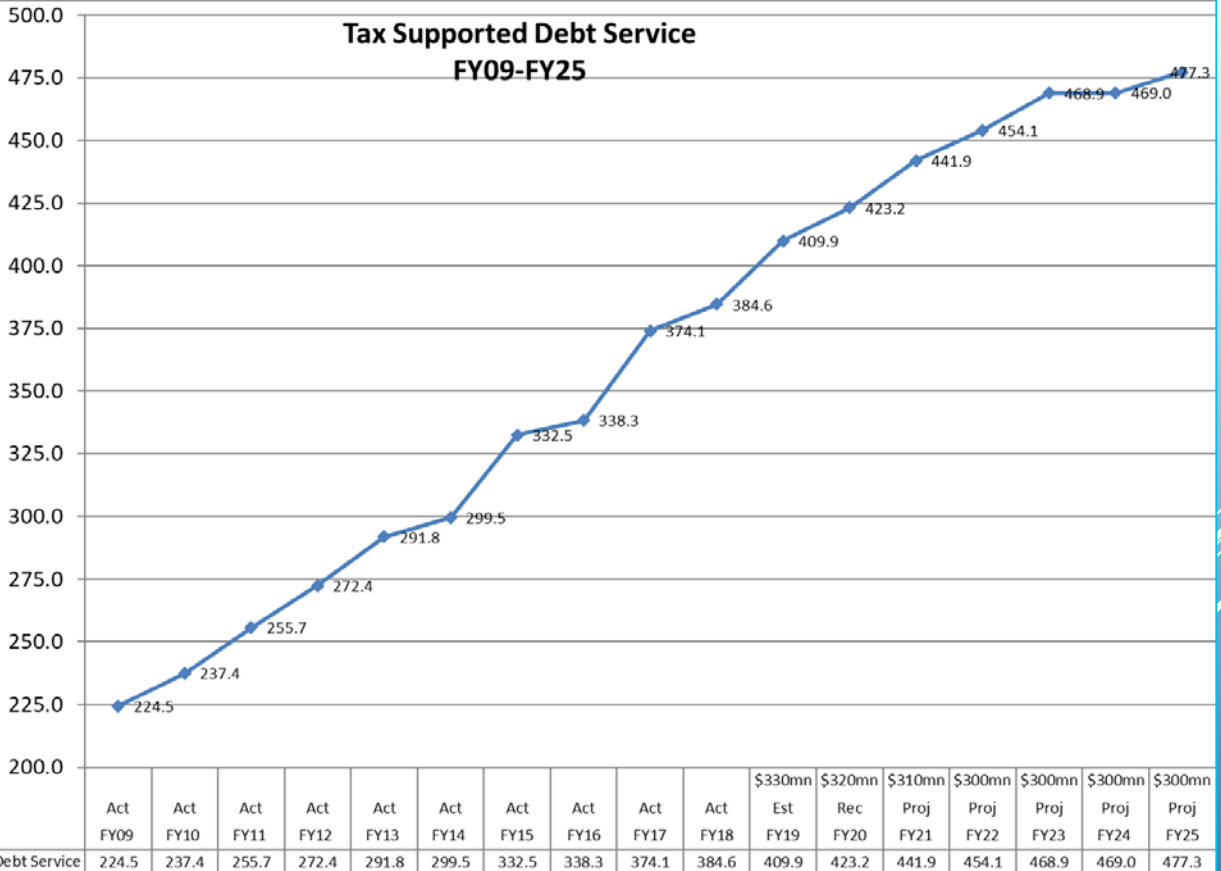
## CIP Fiscal Challenges

- ❖ MCPS enrollment growth is expected to require significant funding for new schools and additions to avoid significant increases in the use of relocatable classrooms and putting areas of the county into moratorium.
- ❖ Construction costs are beginning to increase as the economy improves
- ❖ More funding is needed for HVAC, Roof Replacement, Road Resurfacing and other level of effort projects to protect our infrastructure – particularly as renovations and modernizations are delayed.
- ❖ Community expectations (i.e. master plans, etc.)
- ❖ Capital budget demands on the operating budget may be unaffordable.

# CIP Impacts on the Operating Budget

- ❖ Direct cash contributions in the FY20 recommended budget
  - ❑ PAYGO \$32M
  - ❑ Other Cash \$36.9M
  
- ❖ Cost to Operate New/Expanded Facilities
  
- ❖ Debt Service – e.g. Every \$10 million in Debt increases debt service by \$1 million. Debt service payments continue for 20 years.

# FY21-26 Fiscal Outlook





# Debt Service Opportunity Costs

## Every \$1 million used for debt service could also be used for:

- ❖ 14 public school teachers
- ❖ 9 police officers
- ❖ 9 fire fighters
- ❖ Operating 1 library for a year (except for large libraries such as Silver Spring and Rockville)
- ❖ Operating 8 Senior Centers
- ❖ Operating 5 Recreation Community centers
- ❖ Operating 3 Elementary School Excel Beyond the Bell Programs
- ❖ Rental assistance for 416 families
- ❖ Emergency shelter for 160 clients
- ❖ Respite care for 324 clients
- ❖ Child care subsidies for 143 children for a year
- ❖ Services for 4,428 Montgomery Cares clients
- ❖ 1,274 County-funded Maternity Partnership program
- ❖ 1,594 Housing Stabilization grants
- ❖ Pruning 2,150 trees
- ❖ Purchasing 2 buses
- ❖ Renovations for 250 bus stops

# GO Bond borrowing - FY19 Budget to FY25 Proj.



# County Executive's Priority Outcomes/Headline Measures

1

## Thriving Youth and Families.

- Percent of children ready for kindergarten
- Academic achievement gap
- Life expectancy gap

2

## A Growing Economy

- Number of net new businesses
- Number of family sustaining jobs
- Employment gap

3

## A Greener County

- Greenhouse gas emissions
- Recycling rate
- Resident satisfaction with code enforcement

4

## Easier Commutes

- Average commuting time
- Percent using alternative transportation for work, school or shopping
- Percent of roads rated in "good" condition

5

## A More Affordable and Welcoming County

- Percent of households that are housing burdened
- Access to affordable child care
- Food insecurity rate

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## Safe Neighborhoods

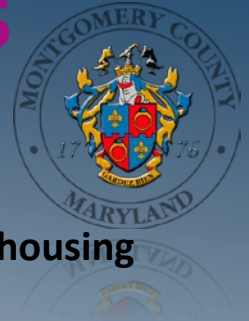
- Number of gang-related violent crimes
- Property crime rate
- Number of pedestrian-involved traffic accidents

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## Effective, Sustainable Government

- Percent of county contracts with minority, female, disabled-owned and local business
- Resident satisfaction with value for tax dollars
- Bond rating

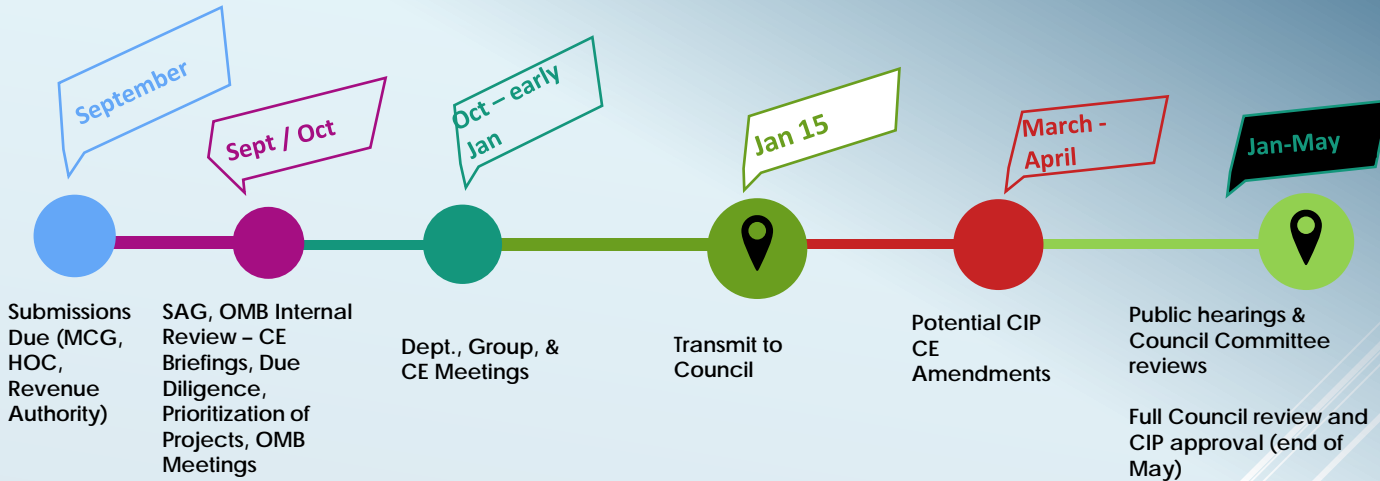
# County Executive CIP Priorities



(Not ranked in order)

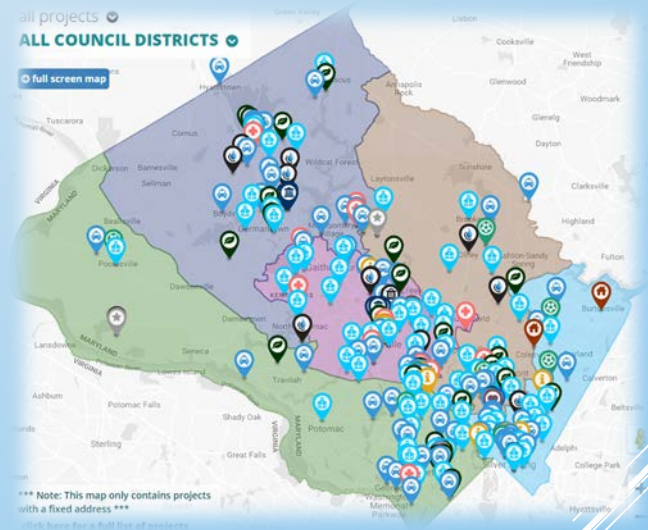
-  **MCPS Capital Needs**
-  **Affordable housing**
-  **Economic development initiatives**
-  **Projects needed to address imminent safety hazards**
-  **Transportation projects – particularly those that support mass transit, economic development and address congestion relief**
-  **Projects that leverage significant outside funding**
-  **Maintenance of core infrastructure**

# CIP Budget Process Time Frame



# Open Budget – there is something for **everyone!**

montgomerycountymd.gov/openbudget



Explore Open Budget

\$14.0B Total FY19 Approved Project Funding

556 Total Projects

Capital Budget and Capital Improvements Program (CIP)

Budget Overview

- Montgomery County
- General Fund Budget
- County Executive's Message
- Highlights
- Capital Budget Process
- Investment
- Public Input
- Timeline
- History
- Newsroom

# Questions?

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