

Office of Management and Budget FY21-26 CIP Kick-Off

July 9th, 2019



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

Agenda

1 Remarks by CAO, and OMB Director
FY21-26 Fiscal Outlook

2 County Executive CIP Priorities

3 The CIP Process

4 BASIS – What's new

5 Questions



FY21-26 Fiscal Outlook



Fiscally Responsible Government

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

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
- ❖ 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

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 additional 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 approved budget

- ❑ PAYGO \$32M
- ❑ Other Cash \$33.5M

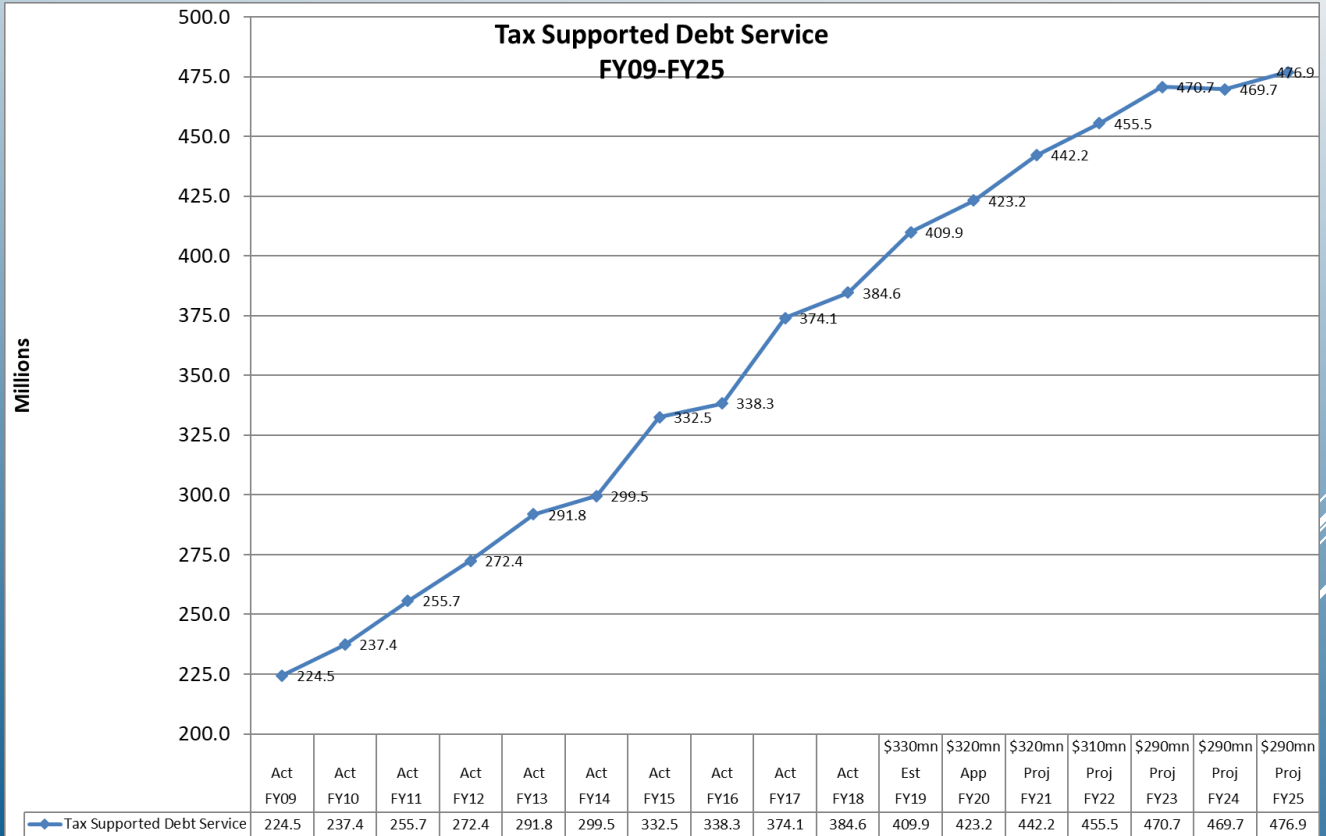
Note: FY21-24 cash assumptions are significantly higher and may be unaffordable.

❖ 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

Tax-Supported Debt Service, FY09-FY25



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.



FY21-26 County Executive Priority Areas and Priority Outcomes



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

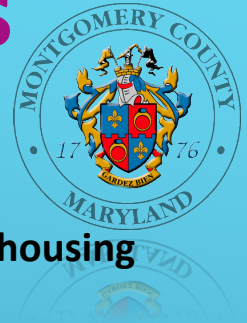
6 Safe Neighborhoods

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


7 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**

County Executive CIP Priorities



Critical MCG Projects:

- Implementation of Rapid Transit System
- Smart Growth Initiative MCPS Bus Depot
- Imminent Safety Hazard (e.g. Bridge Repair)
- Completion of projects already under construction
- Other projects that support economic development

High Priority

Existing Projects

- Renovation of existing infrastructure that needs capital repair
- Maintaining Level of Effort (LOE) projects (e.g. Roof Replacement, HVAC/Electrical Replacement, PLAR, Highway Maintenance, etc.)
- Affordable Housing Acquisition and Preservation
- New Projects that address 7 priority outcomes (21 Headline Measures)

Low Priority: Any new projects not contributing to the above priorities

County Executive CIP Priorities



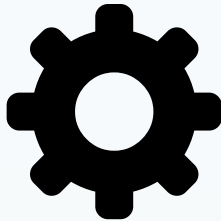
Outcome: Effective, Sustainable Government – Resident Satisfaction with Value for Tax Dollars

- How will this project produce cost savings, such as reduced maintenance or lower utility costs?
- How will this project leverage external funding that would reduce the County's use of debt financing or tax dollars?
 - **Example:** Increasing funding for HVAC replacement will allow for 2 HVAC replacements per year, reducing maintenance costs of existing HVAC system in the operating budget

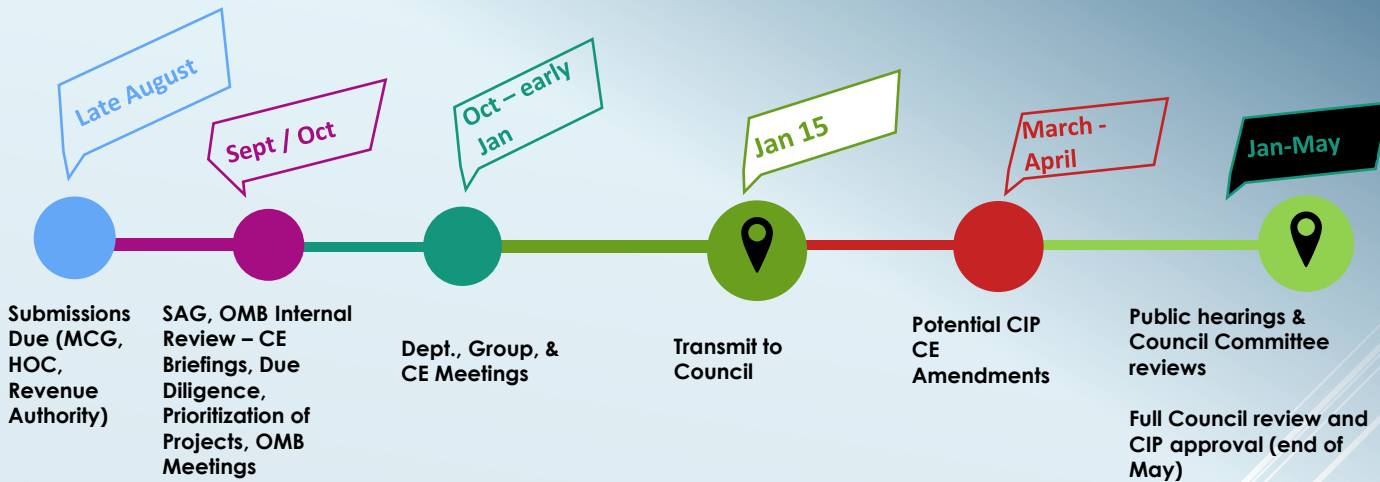
Outcome: Easier Commutes – average commuting time, alternative transportation, roads rated in 'good' condition (mostly for DOT projects)

- How will this project reduce the average commuting time?
- How will this project support commuters using alternative transportation for work?
 - **Example:** Development of a new bikeway project is expected to produce XX bike-trips per year

CIP Process



CIP Budget Process Timeline



CIP Process

- Program of Requirements development – involving OMB analyst throughout the POR development process
- Still need supporting documents such as the OBI spreadsheet and the Pedestrian Safety Impact (available on OMB's Intranet site)
- Child Care and Affordable Housing assessments will be submitted by departments later
- Indirect Cost Rate is currently at 17.2%. It may be changed
- MCG, HOC submission deadline is **August 20th**
- Three half-day (10:00 a.m. – noon), hands-on training for department preparers on the following dates:
 - **7/16, 7/30, and 8/2**

CIP Process – OMB's Role

- **Assess risk** in proposals
- **Prioritize projects** in accordance with policy priorities and mandates
- **Balance costs** across the 6-year period given fiscal constraints
- Particular fiscal constraints -
 - GO Bonds – Spending Affordability Guidelines (SAG) limits
 - Current Revenue (i.e. cash) - competes with the operating budget costs

Process

- OMB's review process: due diligence, readiness to compete for resources, consideration of alternative project scenarios.
- Analyze project contributions to achieving priority indicator goals.
- In coordination with departments/agencies, present recommendations to the County Executive. CE meetings will be organized around priority outcomes.

Due Diligence Review

Corner to corner review of the PDF; including benchmarking and cost analyses

Assess technical correctness

Note: For County Departments, all scope changes and new projects should have been previously approved by the CAO during the prescreening process.

For existing projects

- ▶ Identify and understand changes
- ▶ Identify major cost increases, scope changes, and funding switches for further review
- ▶ Do not change funding sources for Thru FY19 and Est FY20 without consulting with OMB

For New Projects

- ▶ No surprises: DGS and OMB have been reaching out to departments on potential new projects
- ▶ Understand project fundamentals & justification for the project
- ▶ Ensure Program of Requirements documentation
- ▶ All necessary parties involved; all necessary components budgeted

Readiness

To compete for Resources

Don't tie money up in a project that can't roll out in the stated time frame

- Justification of need and priorities
- Consistent with master plans
- Coordination with other relevant entities – including DTS
- Reliable cost estimates
- Public information requirements met (public hearings)
- All items included in costs - e.g. land, IT

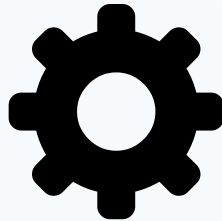
Reducing OMB Questions

- **Meet with your OMB analysts** before the submission; use them as a resource.
Your OMB analyst cannot support & advocate for a project, if they don't understand its purpose, need, benefits, etc.
- **Use PORs, Project Changes form**, and supplementary materials to make your case.
- Upload all documents in CIP BASIS as necessary.

Note: OMB analysts will be getting some questions put to departments prior to submission. CE briefings may also occur prior to submissions.

CIP BASIS

What's new.

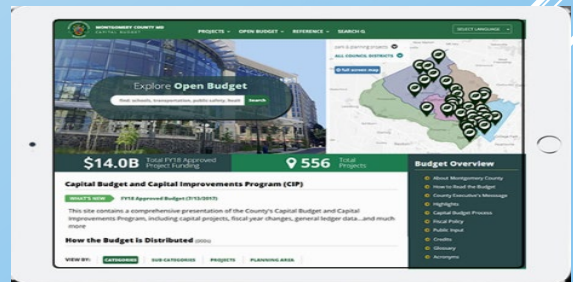
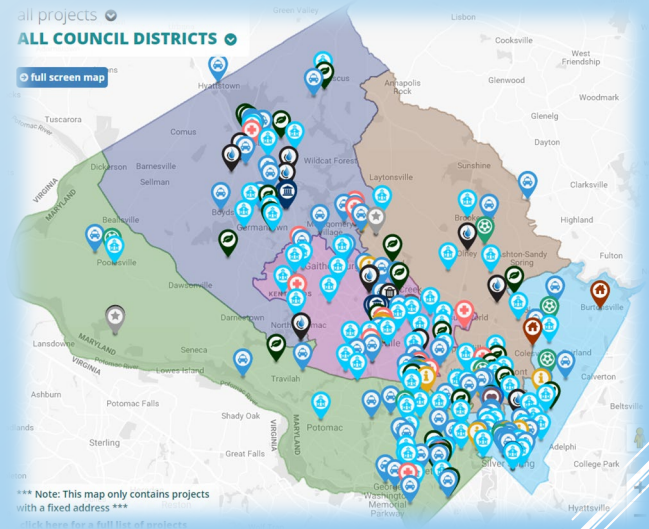
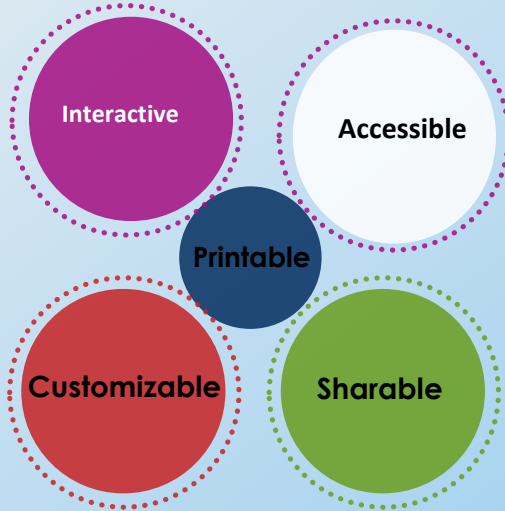


CIP BASIS - What's new

- Enhanced reports
- Focus on Outcomes – New tab to enter information describing how project relates to **CE Priority Outcomes and/or Headline measures**
- CE meetings will be organized around priority outcomes.

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

montgomerycountymd.gov/openbudget



Questions?

