

# FY14 Operating Budget Forum Briefing

January 2013

Prepared by  
Montgomery County  
Office of Management & Budget and Department  
of Finance

# County Executive Priorities

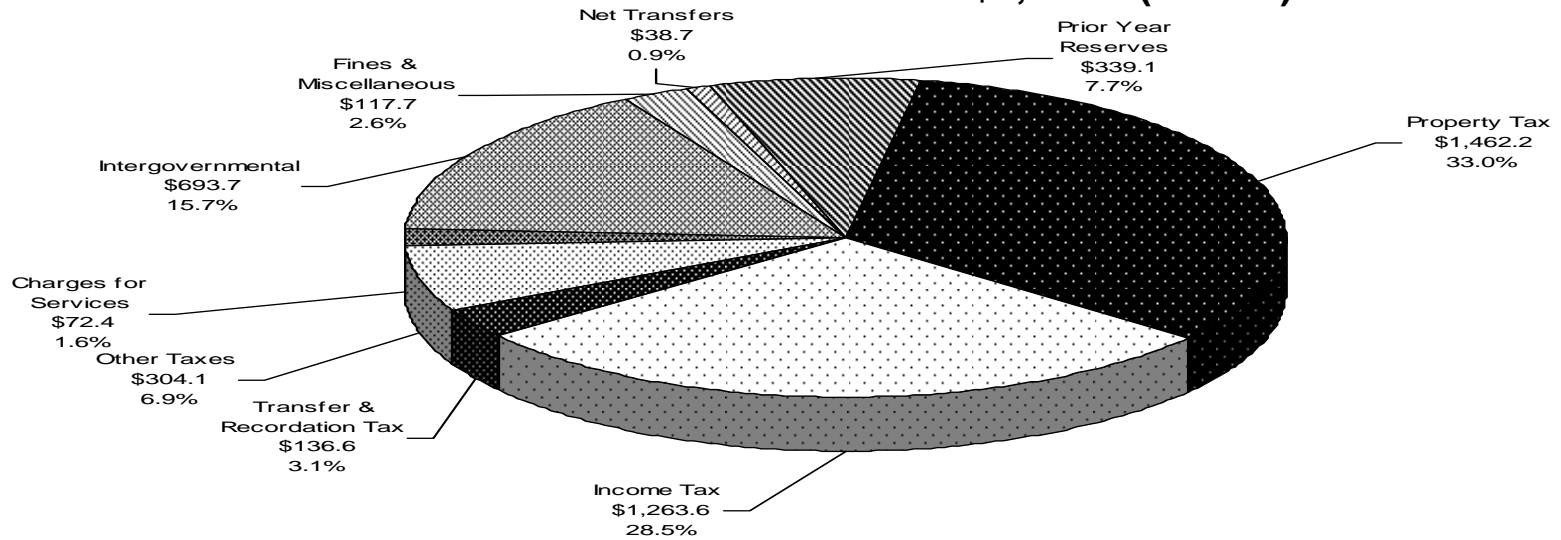
- A Responsive and Accountable County Government
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- Healthy and Sustainable Communities
- Safe Streets and Secure Neighborhoods
- A Strong and Vibrant Economy
- Vital Living for All of Our Residents

# FY13 Tax Supported Expenditures by Function

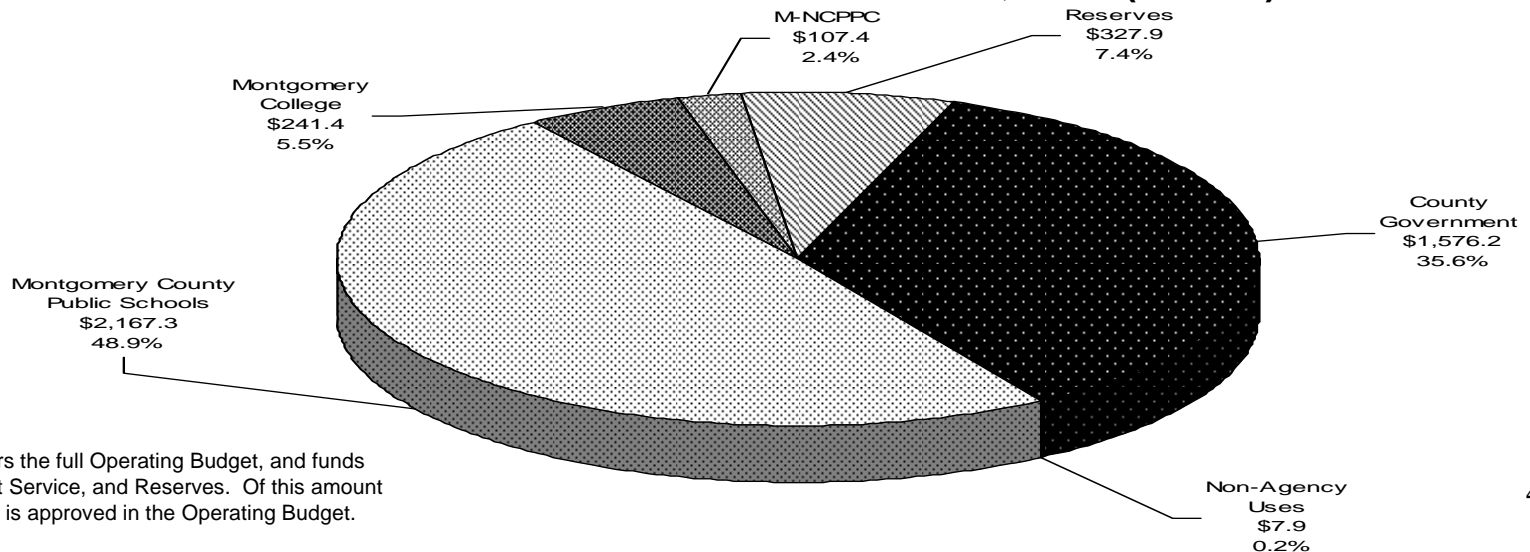
<b>Tax Supported Expenditures Only</b>	<b>Appropriation</b>	<b>% of Total</b>	<b>Cum %</b>	<b>FTEs</b>
1. MCPS	\$ 2,028,871,395	50.5%	50.5%	19,750.7
2. Public Safety	\$ 545,868,186	13.6%	64.0%	3,701.8
3. Debt Service	\$ 298,792,040	7.4%	71.5%	-
4. General Government	\$ 241,212,873	6.0%	77.5%	965.7
5. College	\$ 218,786,599	5.4%	82.9%	1,711.1
6. HHS & Safety Net Services	\$ 202,488,962	5.0%	88.0%	1,117.1
7. Transportation	\$ 154,983,035	3.9%	91.8%	1,022.9
8. Retiree Health Insurance	\$ 134,482,024	3.3%	95.2%	-
9. M-NCPPC (Park and Planning)	\$ 107,043,155	2.7%	97.8%	799.0
10. Libraries, Culture, & Recreation	\$ 60,866,457	1.5%	99.3%	686.7
11. Community Dev. and Housing	\$ 25,571,296	0.6%	100.0%	67.0
12. Environment	\$ 1,510,982	0.0%	100.0%	11.5
	<b>\$ 4,020,477,004</b>			<b>29,833.3</b>

# FY13 TAX SUPPORTED AGENCIES AND FUNDS

## WHERE THE MONEY COMES FROM TOTAL APPROVED RESOURCES - \$4,428.1 (million)



## WHERE THE MONEY GOES \* TOTAL APPROVED USES OF FUNDS - \$4,428.1 (million)



\*This total covers the full Operating Budget, and funds to the CIP, Debt Service, and Reserves. Of this amount \$4,020,477,004 is approved in the Operating Budget.

# FY14 Fiscal Outlook

- Major expenditure pressures
  - Demand for restoration of services cut during the recession, as well as for new and enhanced services, including expanded health care for the uninsured, early childhood education, subsidies for developmental disability service providers
  - Increasing student enrollment
  - Deferred infrastructure maintenance – information technology, facilities, and roadways
  - Operating impact of new facilities – libraries, schools, college, recreation centers, fire stations
  - Unavoidable cost increases related to energy costs, insurance, health care, and pensions

# FY14 Fiscal Outlook

## Risk and uncertainty:

- Intergovernmental Aid: State Aid changes in the Governor's Budget and during the State Legislative Session
- Sluggish economic recovery and its impact on local tax revenues and the demand for services
- Continuing Federal Budget negotiations – recent agreement postponed sequester for two months
- Income tax: prolonged impact of wage freezes, stagnant job growth, and layoffs contribute to the lag in a fiscal recovery versus an economic recovery
- Cost and Price Spikes: Storm clean-up/Snow Removal; fuel and energy prices; food prices; etc.

# FY14 Fiscal Outlook

- Maintenance-of-Effort and Teacher Pension shift require additional local funding for MCPS of approximately \$30 million in FY14, above the \$1,419.5 million the County contributed to MCPS in FY13.
- 4.9% reduction in funding for the County budget
- Projected budget gap is \$136 million

## County Executive's Goals

- Maintain the three rating agencies AAA bond rating
- Grow reserves to the policy level and consistent with County law
- Invest in sustainable programs and services
  - The fiscal problem is long term and structural for both the County and the State
  - Identify continuing cost savings and solutions
- Promote investments in opportunities that provide long-term growth in jobs and our economic base



# Operating Budget Process

- MCG Departments Prepare Submissions: Sept-December
- Agencies submit budgets to County Executive/Council – December/January
- OMB Reviews Submissions and Makes Recommendations to County Executive December - March
- County Executive Transmits Budget to the County Council on March 15
- County Council Public Hearings Early April
- County Council reviews budgets April – May
- County Council Approves Budget and Taxes – by June

# Two Budgets

- Operating Budget: Services
  - K-12 education
  - Community College education
  - Public safety: Police, Fire, Courts, Corrections
  - Transportation: Roads, Traffic, Bus
  - Social Services: Health, Income Maintenance, other
  - Environmental protection
  - Parks, recreation, and libraries
  - Land use planning and regulation
  - Trash collection and disposal
  - Economic development
  - Debt Service
- Capital Budget: Facilities
  - Schools, College facilities
  - Roads and bridges
  - Water and sewer facilities
  - Information technology infrastructure
  - Libraries
  - Police and fire stations
  - General government facilities
  - Funded primarily through the issuance of bonds (borrowing)

# Operating Budget

- County Budget is divided into two parts: Tax Supported and Non-Tax Supported
- Tax supported side of the budget, excludes grants and services supported by fees and charges (non-tax supported funds)
- Non-Tax Supported funds are self-sustaining and generally not subject to fluctuations in tax receipts
  - Total Non-Tax Supported Funds: \$591.8 million:
    - Grants: \$201.9 million
    - Self-Supporting funds: \$389.9 million

# County Executive's Fiscal Plan

- Resources
  - Net transfers to and from the General Fund
  - Revenues
- Uses of Resources
  - Current revenue to support the Capital Budget
  - Debt service
  - Year-end reserves
  - Agency expenditures
- The budget is balanced when projected resources are equal to projected uses, including funding reserves to the policy level.

## FY14-19 Fiscal Plan

### Selected Fiscal Assumptions: Resources

- Property tax revenues are projected at the Charter Limit using the income tax offset credit.
- Other tax revenues and user fees are projected at their current rates.
- Level (flat) funding of existing intergovernmental aid formulas, which could change after the Governor releases the State budget.
- Latest Revenue Estimate: Net increase in anticipated County revenues of \$22.1 million (\$30.9 million in FY13 and a reduction of \$8.8 million in FY14) compared to estimates assumed at the time the FY13 budget was approved.

# FY14-19 Fiscal Plan

## Selected Fiscal Assumptions: Expenditures

- Under these assumptions, total agency expenditures must be reduced 1% to produce a balanced budget in FY14.
- However, expenditures are estimated to grow by specific major known commitments of \$99 million, illustrating the costs and challenges that exist in the budget, producing a budget gap of \$136 million that must be closed by March 15<sup>th</sup>.
- Retiree Health Insurance (OPEB) phase-in is included in agency operating budgets at a cost of \$142.8 million in FY14 and continuing in accordance with 8-year phase-in schedule.
- Operating Budget Impact of the Capital Improvements program of \$5.7 million.
- \$15.1 million set aside in FY13 for pending and potential supplemental appropriations, including snow removal.
- This estimate assumes continuation of a wage freeze. The outcome of collective bargaining by each agency could modify these assumptions.

# Community Participation

- Letters/emails to County Executive and Councilmembers
- Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council
- Executive Branch sponsored budget forums across the county, where residents and businesses provide input on their priorities
- County Executive meets with business leaders, directors of non-profit organizations, and other advocacy groups
- County Charter requires Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive
- Public hearings related to budgets, legislation, and regulations are advertised in local press
- County Council town meetings
- Letters to local press
- Citizen participation groups (Taxpayer's League, etc.)
- Read the County Executive's FY14 Recommended Operating Budget and FY14-19 Public Services Program at <http://www.montgomerycountymd.gov/ombtml.asp?url=/content/omb/index.asp>