



ROCKVILLE, MARYLAND

MEMORANDUM

March 17, 2020

TO: Sidney Katz, President, County Council

FROM: Richard S. Madaleno, Director, Office of Management and Budget *RS*
Michael J. Coveyou, Director, Department of Finance *mjc*

SUBJECT: FY20 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. This analysis reflects each department's estimates for the entire Fiscal Year based on spending and expectations as of December 31. As detailed in the attached report, expenditure variances are relatively small across most departments, and the County Executive's recommended FY21 operating budget incorporates the results of this analysis. However, this analysis does not include any assumptions yet on department spending due to the COVID -19 virus. We will continue to monitor department spending and will revise this estimate to reflect more up-to-date information in the third quarterly analysis, including any department spending due to the COVID -19 virus. Significant expenditure variances as of December 31 are described below.

Second Quarter Expenditure Results

The Board of Election's projected overspending is due to pollbooks, additional ballots, and payments to the State Board of Elections for the 2020 Presidential Primary.

The Office of Consumer Protection projected overspending is due to leave payouts.

The Department of Correction and Rehabilitation projected overspending is due to greater overtime costs than budgeted and higher medical expenses, food expenses, and new kitchen equipment.

The Department of General Services' projected overspending is due to unbudgeted overtime and standby pay for 24/7 facility emergencies.

The Department of Health and Human Services projected overspending is due to unbudgeted expenses to relocate men from the Gude Drive Shelter to other shelters (primarily Taft Court and Progress Place).

The Office of Legislative Oversight's projected overspending is due to staff salary costs being greater than budgeted.

Public Information projected overspending is due to personnel costs for MC311 being greater than budgeted.

The Sheriff's Office projected overspending is primarily due to sworn personnel currently being above complement and lower than normal attrition for civilian positions.

The State's Attorney's projected overspending is primarily due to increased costs for expert witnesses and translation services, which are unpredictable and driven by individual case need.

Fire and Rescue's projected overspending is due to overtime costs mostly associated with training and higher than expected vehicle maintenance costs.

Mass Transit projected overspending is due to estimated motor pool costs being greater than budgeted.

The Wheaton Urban District's projected overspending is due to costs associated with opening the Town Plaza and Veteran's Park.

The Leaf Vacuuming Fund projected overspending is due to weather related events during leaf collection season.

Alcohol Beverage Services projected overspending is primarily due to higher than budgeted overtime costs.

The following non-departmental accounts are projected to be overspent: Metro Washington Council of Governments due to the higher dues than budgeted; Legislative Branch Communications Outreach due to salary costs being greater than budgeted; and the Working Families Income Supplement due to increased formula payments.

Second Quarter Revenue Update

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

Reserves

As of today, the County's FY20 total ending reserves are estimated to be \$537.4 million, or 10.0 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. The increase in reserves from the December estimate is due to the recognition of an adjustment in valuation information used to determine the original FY20 OPEB amount, limited storm and snow removal costs due to a warm winter, and FY20 income tax revenues being greater than assumed in the FY20 approved budget. Additional details on the County's reserves are included in the Executive's recommended budget.

RM/MC:cm

Attachments: Second Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 12/31/19

c: Marc Elrich, County Executive
Andrew W. Kleine, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
All County Government Department Heads and Merit Directors

FY20 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 |
|--|----------------------|----------------------|----------------------|------------------------------|-------------------------------|
| Tax Supported | | | | | |
| General Fund | | | | | |
| Agriculture | 1,006,372 | 1,012,666 | 987,386 | 25,280 | 2.5% |
| Board of Appeals | 560,413 | 563,104 | 558,293 | 4,811 | 0.9% |
| Board of Elections | 8,234,266 | 8,240,960 | 9,516,837 | -1,275,877 | -15.5% |
| Circuit Court | 12,538,035 | 12,538,035 | 12,536,714 | 1,321 | 0.0% |
| Community Engagement Cluster | 4,742,803 | 4,748,353 | 4,629,435 | 118,918 | 2.5% |
| Consumer Protection | 2,378,717 | 2,381,434 | 2,404,240 | -22,806 | -1.0% |
| Correction and Rehabilitation | 70,615,070 | 70,667,865 | 73,654,829 | -2,986,964 | -4.2% |
| County Attorney | 6,341,969 | 6,362,315 | 6,191,228 | 171,087 | 2.7% |
| County Council | 12,413,415 | 12,449,491 | 12,449,491 | 0 | 0.0% |
| County Executive | 5,911,544 | 5,924,343 | 5,781,840 | 142,503 | 2.4% |
| Emergency Management and Homeland Security | 1,404,162 | 1,417,885 | 1,395,467 | 22,418 | 1.6% |
| Environmental Protection | 3,124,145 | 3,133,034 | 3,061,586 | 71,448 | 2.3% |
| Ethics Commission | 467,326 | 471,329 | 350,670 | 120,659 | 25.6% |
| Finance | 15,525,952 | 15,577,850 | 15,493,680 | 84,170 | 0.5% |
| General Services | 32,071,913 | 32,243,726 | 32,965,092 | -721,366 | -2.2% |
| Health and Human Services | 248,987,249 | 249,304,380 | 250,498,760 | -1,194,380 | -0.5% |
| Housing and Community Affairs | 8,403,108 | 8,411,989 | 8,411,398 | 591 | 0.0% |
| Human Resources | 8,911,421 | 8,929,539 | 8,914,943 | 14,596 | 0.2% |
| Human Rights | 1,282,630 | 1,288,348 | 1,288,348 | 0 | 0.0% |
| Inspector General | 1,231,797 | 1,504,678 | 1,504,678 | 0 | 0.0% |
| Intergovernmental Relations | 1,130,736 | 1,133,427 | 1,151,046 | -17,619 | -1.6% |
| Legislative Oversight | 1,877,511 | 1,916,447 | 1,968,035 | -51,588 | -2.7% |
| Management and Budget | 5,206,287 | 5,212,899 | 5,048,348 | 164,551 | 3.2% |
| Merit System Protection Board | 258,138 | 261,906 | 263,935 | -2,029 | -0.8% |
| Non-Departmental Accounts | 336,111,724 | 336,358,220 | 311,034,684 | 25,323,536 | 7.5% |
| Police | 295,162,329 | 295,408,755 | 292,435,916 | 2,972,839 | 1.0% |
| Procurement | 4,465,617 | 4,477,689 | 4,319,258 | 158,431 | 3.5% |
| Public Information | 5,369,312 | 5,380,152 | 5,669,176 | -289,024 | -5.4% |
| Public Libraries | 42,758,986 | 42,814,349 | 42,050,145 | 764,204 | 1.8% |
| Sheriff | 24,390,010 | 24,394,013 | 25,426,834 | -1,032,821 | -4.2% |
| State's Attorney | 18,569,942 | 18,569,942 | 18,921,181 | -351,239 | -1.9% |
| Technology Services | 43,873,164 | 43,943,411 | 42,925,057 | 1,018,354 | 2.3% |
| Transportation | 46,180,788 | 46,321,548 | 46,169,551 | 151,997 | 0.3% |
| Zoning and Administrative Hearings | 683,583 | 683,583 | 677,305 | 6,278 | 0.9% |
| General Fund Total: | 1,272,190,434 | 1,274,047,665 | 1,250,655,386 | 23,392,279 | 1.84% |
| Special Funds | | | | | |
| Fire | | | | | |
| Fire and Rescue Service | 222,831,619 | 224,822,672 | 237,642,804 | -12,820,132 | -5.7% |
| Recreation | | | | | |
| Recreation | 41,206,548 | 41,423,487 | 41,312,531 | 110,956 | 0.3% |
| Bethesda Urban District | | | | | |
| Urban Districts | 3,301,135 | 3,361,135 | 3,101,705 | 259,430 | 7.7% |

FY20 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 | 3,727,771 | 3,727,771 | 3,700,916 | 26,855 | 0.7% |
| <u>Wheaton Urban District</u> | | | | | |
| Urban Districts | 2,081,992 | 2,081,992 | 2,248,531 | -166,539 | -8.0% |
| <u>Mass Transit</u> | | | | | |
| Transit Services | 140,039,971 | 140,073,763 | 143,761,270 | -3,687,507 | -2.6% |
| <u>Economic Development Fund</u> | | | | | |
| Economic Development Fund | 5,439,361 | 9,898,047 | 9,439,361 | 458,686 | 4.6% |
| Special Funds Total: | 418,628,397 | 425,388,867 | 441,207,118 | -15,818,251 | -3.72% |
| <hr/> | | | | | |
| Tax Supported Total: | 1,690,818,831 | 1,699,436,532 | 1,691,862,504 | 7,574,028 | 0.4% |

FY20 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 |
|---|--------------------|----------------------|---------------------|------------------------------|-------------------------------|
| NDA: Tax Supported - County General Fund | | | | | |
| General Fund | | | | | |
| NDA - Arts and Humanities Council | 5,623,159 | 5,623,159 | 5,623,159 | 0 | 0.0% |
| NDA - Boards, Committees and Commissions | 22,950 | 22,950 | 22,950 | 0 | 0.0% |
| 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 - Climate Change Planning | 400,000 | 400,000 | 400,000 | 0 | 0.0% |
| NDA - Climate Response | 2,884,990 | 2,884,990 | 865,200 | 2,019,790 | 70.0% |
| NDA - Community Grants: County Executive | 12,876,982 | 12,876,982 | 12,820,018 | 56,964 | 0.4% |
| NDA - Compensation and Employee Benefit Adjustments | 2,132,497 | 1,628,993 | 1,628,993 | 0 | 0.0% |
| NDA - Conference and Visitors Bureau | 1,584,260 | 1,584,260 | 1,584,260 | 0 | 0.0% |
| NDA - Conference Center | 661,531 | 661,531 | 661,531 | 0 | 0.0% |
| NDA - Consolidated Retiree Health Benefit Trust - College | 5,391,000 | 5,391,000 | 5,391,000 | 0 | 0.0% |
| NDA - Consolidated Retiree Health Benefit Trust - MCPS | 78,533,000 | 78,533,000 | 78,533,000 | 0 | 0.0% |
| NDA - County Associations | 74,728 | 74,728 | 74,728 | 0 | 0.0% |
| NDA - Device Client Management | 8,006,200 | 8,006,200 | 8,006,200 | 0 | 0.0% |
| NDA - Early Care and Education | 5,992,589 | 5,992,589 | 3,992,589 | 2,000,000 | 33.4% |
| NDA - Grants To Municipalities in Lieu Of Shares Tax | 28,020 | 28,020 | 28,012 | 8 | 0.0% |
| NDA - Group Insurance Retirees | 46,113,000 | 46,113,000 | 46,113,000 | 0 | 0.0% |
| NDA - Historical Activities | 150,000 | 150,000 | 150,000 | 0 | 0.0% |
| NDA - Homeowners' Association Road Maintenance Reimb. | 62,089 | 62,089 | 62,089 | 0 | 0.0% |
| NDA - Housing Opportunities Commission | 6,788,049 | 6,788,049 | 6,788,049 | 0 | 0.0% |
| NDA - Incubator Programs - Economic Development Partnership | 3,025,173 | 3,025,173 | 2,950,580 | 74,593 | 2.5% |
| NDA - Independent Audit | 425,464 | 425,464 | 425,464 | 0 | 0.0% |
| NDA - Innovation Fund | 750,000 | 750,000 | 750,000 | 0 | 0.0% |
| NDA - Interagency Technology, Policy, and Coordination Commission | 3,000 | 3,000 | 3,000 | 0 | 0.0% |
| NDA - Leases | 21,146,823 | 21,146,823 | 21,146,823 | 0 | 0.0% |
| NDA - Legislative Branch Communications Outreach | 888,007 | 1,638,007 | 1,737,071 | -99,064 | -6.0% |
| NDA - Metro Washington Council of Governments | 1,684,519 | 1,684,519 | 1,717,057 | -32,538 | -1.9% |
| NDA - Montgomery Coalition for Adult English Literacy | 1,857,058 | 1,857,058 | 1,857,058 | 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 | 283,861 | 283,861 | 283,861 | 0 | 0.0% |
| NDA - Payments to Municipalities | 8,314,330 | 8,314,330 | 8,287,399 | 26,931 | 0.3% |
| NDA - Prisoner Medical Services | 20,000 | 20,000 | 0 | 20,000 | 100.0% |
| NDA - Public Technology, Inc. | 20,000 | 20,000 | 20,000 | 0 | 0.0% |
| NDA - Retiree Health Benefits Trust | 34,680,830 | 34,680,830 | 13,544,090 | 21,136,740 | 60.9% |
| NDA - Risk Management (General Fund) | 19,791,523 | 19,791,523 | 19,791,523 | 0 | 0.0% |
| NDA - Rockville Parking District | 420,000 | 420,000 | 412,589 | 7,411 | 1.8% |
| NDA - Skills for the Future | 250,000 | 250,000 | 175,000 | 75,000 | 30.0% |
| NDA - State Positions Supplement | 60,756 | 60,756 | 0 | 60,756 | 100.0% |
| NDA - State Property Tax Services | 3,565,615 | 3,565,615 | 3,565,615 | 0 | 0.0% |
| NDA - State Retirement Contribution | 1,596,360 | 1,596,360 | 1,596,360 | 0 | 0.0% |
| NDA - Takoma Park Library Annual Payments | 188,329 | 188,329 | 188,329 | 0 | 0.0% |
| NDA - Takoma Park Police Rebate | 1,126,765 | 1,126,765 | 1,126,765 | 0 | 0.0% |
| NDA - Telecommunications | 5,356,382 | 5,356,382 | 5,356,382 | 0 | 0.0% |

FY20 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 |
|--|--------------------|----------------------|---------------------|------------------------------|-------------------------------|
| NDA - Vision Zero | 175,000 | 175,000 | 175,000 | 0 | 0.0% |
| NDA - Working Families Income Supplement | 20,105,090 | 20,105,090 | 20,918,145 | -813,055 | -4.0% |
| NDA - WorkSource Montgomery, Inc. | 1,690,594 | 1,690,594 | 1,690,594 | 0 | 0.0% |
| Utilities | 25,977,301 | 25,977,301 | 25,187,301 | 790,000 | 3.0% |
| NDA: Tax Supported - County General Fund Total: | 336,111,724 | 336,358,220 | 311,034,684 | 25,323,536 | 7.5% |

FY20 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 |
|---|--------------------|----------------------|---------------------|------------------------------|-------------------------------|
| Non-Tax Supported | | | | | |
| <u>Special Funds</u> | | | | | |
| <u>Montgomery Housing Initiative</u> | | | | | |
| Housing and Community Affairs | 41,283,577 | 58,510,858 | 41,279,259 | 17,231,599 | 29.5% |
| <u>Cable TV</u> | | | | | |
| Cable Television Communications Plan | 16,372,005 | 16,383,887 | 16,229,887 | 154,000 | 0.9% |
| <u>Water Quality Protection</u> | | | | | |
| Environmental Protection | 28,826,387 | 28,838,056 | 28,176,947 | 661,109 | 2.3% |
| <u>Recreation Non-Tax Supported</u> | | | | | |
| Recreation | 3,600,000 | 3,600,000 | 3,600,000 | 0 | 0.0% |
| Special Funds Total: | 90,081,969 | 107,332,801 | 89,286,093 | 18,046,708 | 16.81% |
| <hr/> | | | | | |
| <u>Enterprise Funds</u> | | | | | |
| <u>Liquor</u> | | | | | |
| Alcohol Beverage Services | 64,042,781 | 64,042,781 | 64,306,378 | -263,597 | -0.4% |
| <u>Solid Waste Disposal</u> | | | | | |
| Recycling and Resource Management | 106,150,105 | 106,164,220 | 105,464,855 | 699,365 | 0.7% |
| <u>Solid Waste Collection</u> | | | | | |
| Recycling and Resource Management | 9,583,720 | 9,585,748 | 9,583,720 | 2,028 | 0.0% |
| <u>Leaf Vacuuming</u> | | | | | |
| Transportation | 6,526,453 | 6,526,453 | 6,838,107 | -311,654 | -4.8% |
| <u>Community Use of Public Facilities</u> | | | | | |
| Community Use of Public Facilities | 11,942,523 | 11,951,759 | 11,231,024 | 720,735 | 6.0% |
| <u>Bethesda Parking</u> | | | | | |
| Parking District Services | 15,003,001 | 15,008,153 | 14,846,238 | 161,915 | 1.1% |
| <u>Silver Spring Parking</u> | | | | | |
| Parking District Services | 11,659,858 | 11,664,663 | 11,323,572 | 341,091 | 2.9% |
| <u>Wheaton Parking</u> | | | | | |
| Parking District Services | 1,599,302 | 1,600,148 | 1,561,006 | 39,142 | 2.4% |
| <u>Permitting Services</u> | | | | | |
| Permitting Services | 41,888,787 | 41,953,022 | 40,249,523 | 1,703,499 | 4.1% |
| Enterprise Funds Total: | 268,396,530 | 268,496,947 | 265,404,423 | 3,092,524 | 1.15% |
| <hr/> | | | | | |
| <u>Internal Service Funds</u> | | | | | |
| <u>Motor Pool</u> | | | | | |
| Fleet Management Services | 84,759,177 | 84,759,177 | 84,755,405 | 3,772 | 0.0% |
| <u>Central Duplicating (Printing & Mail)</u> | | | | | |
| General Services | 8,222,221 | 8,222,221 | 8,159,973 | 62,248 | 0.8% |
| <u>Risk Management (Self Insurance - ISF)</u> | | | | | |
| Finance | 74,019,329 | 74,019,329 | 74,008,518 | 10,811 | 0.0% |
| <u>Employee Health Self Insurance</u> | | | | | |
| Human Resources | 272,856,318 | 272,856,318 | 272,984,841 | -128,523 | 0.0% |
| Internal Service Funds Total: | 439,857,045 | 439,857,045 | 439,908,737 | -51,692 | -0.01% |
| <hr/> | | | | | |
| Non-Tax Supported Total: | 798,335,544 | 815,686,793 | 794,599,253 | 21,087,540 | 2.6% |

Revenue Summary Sheet

| | MAJOR REVENUE COLLECTIONS | | | |
|----------------------------------|---------------------------|---------------------------|---------------------------|-------------------|
| | July - December FY2020 | July - December FY2019 | Variance FY2020-FY2019 | Percent Change |
| TAXES: | | | | |
| Income Tax | \$596,410,366 | \$478,002,295 | \$118,408,071 | 24.8% |
| Property Tax (General Fund only) | \$1,205,948,554 | \$1,222,694,938 | (\$16,746,384) | -1.4% |
| Transfer Tax (1) | \$69,859,505 | \$59,207,501 | \$10,652,005 | 18.0% |
| Recordation Tax (2) | \$32,671,800 | \$29,084,619 | \$3,587,181 | 12.3% |
| Fuel/Energy Tax | \$76,291,874 | \$76,426,445 | (\$134,571) | -0.2% |
| Telephone Tax | \$21,405,951 | \$20,943,365 | \$462,586 | 2.2% |
| Hotel/Motel Tax (revised) | \$9,180,828 | \$8,591,563 | \$589,265 | 6.9% |
| Admissions Tax (revised) | \$991,343 | \$1,110,983 | (\$119,640) | -10.8% |
| E-Cigarettes | \$854,160 | \$647,621 | \$206,539 | 31.9% |
| MISCELLANEOUS: | | | | |
| Investment Income (3) | \$12,022,142 | \$11,315,213 | \$706,929 | 6.2% |
| TOTAL | \$2,025,636,523 | \$1,908,024,542 | \$117,611,982 | 6.2% |

SOURCE: Revenue data from the County's Oracle eBusiness system and Comptroller of Maryland.

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