

## MEMORANDUM

April 20, 2020

TO: Sidney Katz, President, County Council

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

SUBJECT: FY20 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. This analysis reflects each department's estimates for the entire current Fiscal Year based on actual spending through March 31 and their spending assumptions for the remaining three months of the fiscal year. Due to the ever-changing nature of the COVID-19 crisis, and the County's response to it, it is likely that OMB and Finance will be refining third quarter projections over the next several weeks as additional data becomes available.

At this time, it is unknown when the County will return to normal operations. Because of this, departments submitted two scenarios for the third quarter analysis. One scenario assumes the County returns to normal operations on May 25; the second scenario assumes that the County's modified operations continue until the end of the FY20 (June 30). The attached report reflects the FY20 year-end closeout projection based on the May 25 scenario. COVID-19 supplemental appropriations are assumed in spending projections as well as initial assumptions on emergency pay due to COVID-19. Emergency pay projections will be refined as bi-weekly payroll reports are completed over the next several pay periods.

Tax supported third quarter spending projections for the FY20 year-end closeout are approximately \$47.6 million more than spending projections made in the second quarterly analysis; COVID-19 estimated expenditures account for a \$57.1 million increase, which is offset by \$9.5 million in savings in other tax supported expenditures. However, there are opportunities for most of the COVID-19 related spending to be covered by federal funds, as well as other expenditures. Unfortunately, as of this date, most of the guidelines for use of these new federal funding programs are not available. We will be aggressively pursuing all federal funding opportunities and plan to report on our progress on a regular basis.

Significant expenditure variances for both tax supported and non-tax supported departments are described below.

### **Third Quarter Expenditure Results**

The Board of Election's projected overspending is due to additional postage, additional ballots, payments to the State Board of Elections for the 2020 Presidential Primary, and emergency pay expenditures related to the COVID-19 pandemic.

The Department of Correction and Rehabilitation's projected overspending is due to greater overtime costs than budgeted, emergency pay expenditures related to the COVID-19 response, and higher medical expenses, food expenses, and new kitchen equipment.

The County Council projected overspending is due to employee leave payouts and expenditures related to COVID-19.

The County Attorney's Office's projected overspending is due to increased outside counsel expenses for Department of Health and Human Services workloads.

The Department of General Services' projected overspending is primarily related to COVID-19 expenditures, as well as 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) and expenditures related to the COVID-19 pandemic response.

Intergovernmental Relations' projected overspending is due to an FY19 expenditure that was inadvertently charged to their FY20 budget.

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

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

The Sheriff's Office's projected overspending is primarily due to sworn personnel currently being above complement, lower than normal attrition for civilian positions, and emergency pay expenditures related to COVID-19.

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, higher than expected vehicle maintenance costs, and emergency pay expenditures related to COVID-19.

Mass Transit's projected overspending is due to estimated motor pool costs being greater than budgeted and emergency pay expenditures due to COVID-19; however, motor pool costs are less than previously projected due to reduced service because of COVID-19.

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 and expenditures related to COVID-19.

The following non-departmental accounts are projected to be overspent: Device Client Management due to additional spending on hardware and software applications for County employees and contractors to ensure effective remote working capabilities; Metro Washington Council of Governments due to the higher dues than budgeted; Legislative Branch Communications Outreach due to an unbudgeted position transfer; the Takoma Park Library Annual Payment and Takoma Park Police Rebate due to increased formula payments; and the Working Families Income Supplement due to increased formula payments.

### **Third Quarter Revenue Update**

Fiscal Year 20 tax revenues through the third quarter (March 31, 2020) are 7.5 percent higher compared to the third quarter of FY19 (March 31, 2019). As of the date of this memo, there are no official reports at the State or County level of any significant revenue declines. However, the expectation is that the loss in FY20 tax revenue due to COVID-19 will happen in the fourth quarter, which could impact the year-end revenue closeout.

We are currently working on a fee and fine revenue report comparing the estimates made in CE recommended budget to updated estimates due to the COVID-19 pandemic. This report will be sent to Council once it is available. Some of the significant changes are: Ride On Revenue (\$4.2 million), Recreation Fees (\$2.8 million), and Speed Camera Citations (\$6.5 million)

### **Reserves: Third Quarter Analysis**

The March 16 CE recommended budget estimated FY20 reserves at \$537.4 million or 10.0 percent of Adjusted Governmental Revenues (AGR). It is currently unknown what the impact of the County's response to COVID-19 will be on the County's reserves, although it is possible that they will fall below the estimated 10 percent of AGR assumed in the CE recommended budget. Also, it is unclear at this point the impact to FY20 tax revenues due to the COVID-19 pandemic.

Even though there is much uncertainty surrounding FY20 reserves, OMB has provided a reserve scenario to show the possible impact to FY20 reserves based on a set of assumptions. This is one of many possible outcomes for reserves:

- FY20 tax supported projected close-out spending is the May 25 scenario;
- FY20 tax revenues are \$80 million lower than the estimates in the CE recommended budget (this is the middle point in Council's staff analysis of the FY20 revenue loss included in the April 16 budget overview packet);
- FY20 fee and fine revenue is \$30.5 million lower than the estimates in the CE recommended budget; and
- No assumption is made for FY20 federal aid for COVID-19 expenditures.

Under this reserve scenario, FY20 reserves are \$385.6 million or 7.3 percent of AGR, which is \$151.8 million less than the estimate in the CE recommended budget. Again, this is one scenario and does not include any federal aid to offset COVID-19 actual and estimated expenditures. Any federal aid that is

Sidney Katz, President, County Council

April 20, 2020

Page 4

applied to COVID-19 expenditures will change FY20 estimated reserves. Conversely, if Congress authorizes more funding and/or provides greater flexibility for using the funding already authorized, we could end the fiscal year with a balance over 10 percent.

Working together, the Executive Branch and the County Council will ensure the community has the resources it needs to effectively respond to the COVID-19 pandemic and continues Montgomery County's tradition of strong financial management for years to come.

RM/MC:cm

Attachments: Third Quarterly Analysis of Expenditures

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 3rd QUARTERLY ANALYSIS Scenario - 1

Department	Orig Budget (A)	Latest Budget (B)	Est. (3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
<b>Tax Supported</b>					
<b>General Fund</b>					
Agriculture	1,006,372	1,012,666	974,764	37,902	3.7%
Board of Appeals	560,413	563,104	545,333	17,771	3.2%
Board of Elections	8,234,266	8,240,960	9,007,308	-766,348	-9.3%
Circuit Court	12,538,035	12,538,035	12,379,137	158,898	1.3%
Community Engagement Cluster	4,742,803	4,748,353	4,517,684	230,669	4.9%
Consumer Protection	2,378,717	2,381,434	2,315,051	66,383	2.8%
Correction and Rehabilitation	70,615,070	70,667,865	74,417,771	-3,749,906	-5.3%
County Attorney	6,341,969	6,362,315	6,389,634	-27,319	-0.4%
County Council	12,413,415	12,449,491	12,694,278	-244,787	-2.0%
County Executive	5,911,544	5,924,343	5,852,981	71,362	1.2%
Emergency Management and Homeland Security	1,404,162	1,417,885	1,431,042	-13,157	-0.9%
Environmental Protection	3,124,145	3,133,034	3,133,868	-834	0.0%
Ethics Commission	467,326	471,329	360,075	111,254	23.6%
Finance	15,525,952	15,577,850	14,710,633	867,217	5.6%
General Services	32,071,913	32,279,159	41,621,400	-9,342,241	-28.9%
Health and Human Services	248,987,249	249,922,711	254,091,104	-4,168,393	-1.7%
Housing and Community Affairs	8,403,108	8,411,989	8,534,127	-122,138	-1.5%
Human Resources	8,911,421	8,929,539	8,767,751	161,788	1.8%
Human Rights	1,282,630	1,288,348	1,301,634	-13,286	-1.0%
Inspector General	1,231,797	1,504,678	1,504,678	0	0.0%
Intergovernmental Relations	1,130,736	1,133,427	1,228,355	-94,928	-8.4%
Legislative Oversight	1,877,511	1,916,447	1,977,415	-60,968	-3.2%
Management and Budget	5,206,287	5,212,899	5,023,487	189,412	3.6%
Merit System Protection Board	258,138	261,906	258,247	3,659	1.4%
Non-Departmental Accounts	336,111,724	351,823,229	327,312,191	24,511,038	7.0%
Police	295,162,329	295,408,755	290,770,711	4,638,044	1.6%
Procurement	4,465,617	4,477,689	3,920,540	557,149	12.4%
Public Information	5,369,312	5,380,152	5,604,004	-223,852	-4.2%
Public Libraries	42,758,986	42,814,349	41,226,281	1,588,068	3.7%
Sheriff	24,390,010	24,394,013	25,894,289	-1,500,276	-6.2%
State's Attorney	18,569,942	18,569,942	19,036,914	-466,972	-2.5%
Technology Services	43,873,164	43,943,411	42,705,894	1,237,517	2.8%
Transportation	46,180,788	49,206,538	48,563,374	643,164	1.3%
Zoning and Administrative Hearings	683,583	683,583	674,423	9,160	1.3%
<b>General Fund Total:</b>	<b>1,272,190,434</b>	<b>1,293,051,428</b>	<b>1,278,746,378</b>	<b>14,305,050</b>	<b>1.11%</b>
<b>Special Funds</b>					
<b>Fire</b>					
Fire and Rescue Service	222,831,619	224,822,672	241,832,596	-17,009,924	-7.6%
<b>Recreation</b>					
Recreation	41,206,548	41,421,687	34,655,528	6,766,159	16.3%
<b>Bethesda Urban District</b>					
Urban Districts	3,301,135	3,361,135	3,149,992	211,143	6.3%

## FY20 3rd QUARTERLY ANALYSIS Scenario - 1

Department	Orig Budget (A)	Latest Budget (B)	Est. (3rd 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	3,314,767	413,004	11.1%
<u>Wheaton Urban District</u>					
Urban Districts	2,081,992	2,081,992	2,082,949	-957	0.0%
<u>Mass Transit</u>					
Transit Services	140,039,971	140,073,763	142,684,212	-2,610,449	-1.9%
<u>Economic Development Fund</u>					
Economic Development Fund	5,439,361	37,398,047	32,939,361	4,458,686	11.9%
<b>Special Funds Total:</b>	<b>418,628,397</b>	<b>452,887,067</b>	<b>460,659,405</b>	<b>-7,772,338</b>	<b>-1.72%</b>
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<b>Tax Supported Total:</b>	<b>1,690,818,831</b>	<b>1,745,938,495</b>	<b>1,739,405,783</b>	<b>6,532,712</b>	<b>0.4%</b>

# FY20 3rd QUARTERLY ANALYSIS Scenario - 1

Department	Orig Budget (A)	Latest Budget (B)	Est.(3rd 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	5,623,159	5,623,159	5,623,159	0	0.0%
NDA - Boards, Committees and Commissions	22,950	22,950	15,586	7,364	32.1%
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	0	0	0	0.0%
NDA - Community Grants	12,876,982	12,876,982	12,876,982	0	0.0%
NDA - Compensation and Employee Benefit Adjustments	2,132,497	1,628,992	1,628,992	0	0.0%
NDA - Conference and Visitors Bureau	1,584,260	1,834,260	1,834,260	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 - COVID 19: Hospital Response	0	10,000,000	10,000,000	0	0.0%
NDA - COVID-19 Response: Community Assistance	0	8,000,000	8,000,000	0	0.0%
NDA - Device Client Management	8,006,200	8,006,200	8,555,700	-549,500	-6.9%
NDA - Early Care and Education	5,992,589	5,992,589	4,339,057	1,653,532	27.6%
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	2,949,430	75,743	2.5%
NDA - Independent Audit	425,464	425,464	387,136	38,328	9.0%
NDA - Innovation Fund	750,000	750,000	450,000	300,000	40.0%
NDA - Interagency Technology, Policy, and Coordination Commission	3,000	3,000	3,000	0	0.0%
NDA - Leases	21,146,823	21,146,823	20,599,707	547,116	2.6%
NDA - Legislative Branch Communications Outreach	888,007	1,638,007	1,738,788	-100,781	-6.2%
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	5,107,750	5,107,750	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	8,297,777	16,553	0.2%
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	13,544,360	21,136,470	60.9%
NDA - Risk Management (General Fund)	19,791,523	19,791,523	19,325,657	465,866	2.4%
NDA - Rockville Parking District	420,000	420,000	412,499	7,501	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	3,470,759	94,856	2.7%
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	190,989	-2,660	-1.4%

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Department	Orig Budget (A)	Latest Budget (B)	Est.(3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
NDA - Takoma Park Police Rebate	1,126,765	1,126,765	1,172,721	-45,956	-4.1%
NDA - Telecommunications	5,356,382	5,356,382	5,348,382	8,000	0.1%
NDA - Vision Zero	175,000	175,000	175,000	0	0.0%
NDA - Working Families Income Supplement	20,105,090	20,105,090	20,968,145	-863,055	-4.3%
NDA - WorkSource Montgomery, Inc.	1,690,594	1,690,594	1,690,594	0	0.0%
Utilities	25,977,301	25,977,301	24,378,866	1,598,435	6.2%
<b>NDA: Tax Supported - County General Fund Total:</b>	<b>336,111,724</b>	<b>351,823,229</b>	<b>327,312,191</b>	<b>24,511,038</b>	<b>7.0%</b>



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Department	Orig Budget (A)	Latest Budget (B)	Est. (3rd 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	41,283,577	41,283,577	38,644,049	2,639,528	6.4%
<b><u>Cable TV</u></b>					
Cable Television Communications Plan	16,372,005	16,383,887	16,169,252	214,635	1.3%
<b><u>Water Quality Protection</u></b>					
Environmental Protection	28,826,387	28,838,056	27,909,556	928,500	3.2%
<b><u>Recreation Non-Tax Supported</u></b>					
Recreation	3,600,000	3,600,000	3,600,000	0	0.0%
<b>Special Funds Total:</b>	<b>90,081,969</b>	<b>90,105,520</b>	<b>86,322,857</b>	<b>3,782,663</b>	<b>4.20%</b>
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<b><u>Enterprise Funds</u></b>					
<b><u>Liquor</u></b>					
Alcohol Beverage Services	64,042,781	64,042,781	65,618,474	-1,575,693	-2.5%
<b><u>Solid Waste Disposal</u></b>					
Recycling and Resource Management	106,150,105	106,164,220	105,114,220	1,050,000	1.0%
<b><u>Solid Waste Collection</u></b>					
Recycling and Resource Management	9,583,720	9,585,748	9,585,748	0	0.0%
<b><u>Leaf Vacuuming</u></b>					
Transportation	6,526,453	6,526,453	6,732,907	-206,454	-3.2%
<b><u>Community Use of Public Facilities</u></b>					
Community Use of Public Facilities	11,942,523	11,951,759	11,025,742	926,017	7.7%
<b><u>Bethesda Parking</u></b>					
Parking District Services	15,003,001	15,008,153	14,630,876	377,277	2.5%
<b><u>Silver Spring Parking</u></b>					
Parking District Services	11,659,858	11,664,663	10,826,091	838,572	7.2%
<b><u>Wheaton Parking</u></b>					
Parking District Services	1,599,302	1,600,148	1,378,480	221,668	13.9%
<b><u>Permitting Services</u></b>					
Permitting Services	41,888,787	41,953,022	39,385,480	2,567,542	6.1%
<b>Enterprise Funds Total:</b>	<b>268,396,530</b>	<b>268,496,947</b>	<b>264,298,018</b>	<b>4,198,929</b>	<b>1.56%</b>
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<b><u>Internal Service Funds</u></b>					
<b><u>Motor Pool</u></b>					
Fleet Management Services	84,759,177	84,759,177	80,699,900	4,059,277	4.8%
<b><u>Central Duplicating (Printing &amp; Mail)</u></b>					
General Services	8,222,221	8,222,221	8,079,552	142,669	1.7%
<b><u>Risk Management (Self Insurance - ISF)</u></b>					
Finance	74,019,329	74,019,329	73,730,646	288,683	0.4%
<b><u>Employee Health Self Insurance</u></b>					
Human Resources	272,856,318	272,856,318	272,956,075	-99,757	0.0%
<b>Internal Service Funds Total:</b>	<b>439,857,045</b>	<b>439,857,045</b>	<b>435,466,173</b>	<b>4,390,872</b>	<b>1.00%</b>
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<b>Non-Tax Supported Total:</b>	<b>798,335,544</b>	<b>798,459,512</b>	<b>786,087,048</b>	<b>12,372,464</b>	<b>1.5%</b>