



ROCKVILLE, MARYLAND 20850

MEMORANDUM

March 17, 2021

TO: Tom Hucker, President, County Council

FROM: Jennifer Bryant, Director, Office of Management and Budget

Michael J. Coveyou, Director, Department of Finance

SUBJECT: FY21 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. As detailed in the attached report, there are significant expenditure variances for departments that are responding to the COVID-19 pandemic; for other departments, expenditure variances are relatively small. As you are aware, the County has been aggressively seeking FEMA reimbursement for all eligible COVID-19 expenditures and has, to date, received \$31.8 million in FEMA reimbursement. The County is continuing to prepare and submit eligible expenditures to FEMA. Also, some expenditures are assumed to be moved to the Coronavirus Relief Fund.

The County Executive's Recommended FY22 Operating Budget incorporates the results of this analysis. Significant expenditure variances are described below.

Second Quarter Expenditure Results

The Board of Election's projected overspending is due to payments to the State Board of Elections for the 2020 General Election.

The Department of General Services' projected overspending is due to purchases of personal protective equipment, cleaning supplies and services, and distribution of materials to respond the COVID-19 pandemic.

The Department of Health and Human Services projected overspending is due to the County's response to the COVID-19 pandemic including testing, contact tracing, costs related to shelters and housing individuals at hotels, costs related to providing food security to vulnerable residents, funding the Ready Responders Service, and other costs related to the County's response to the public health crisis.

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Public Information projected overspending is primarily due to communication costs, graphic costs, and interpretation costs related to the COVID-19 pandemic response.

The Sheriff's Office projected overspending is due to staff costs that are higher than the budgeted lapse rate.

Fire and Rescue's projected overspending is due to overtime costs and higher than expected vehicle maintenance costs and medical supplies and equipment costs.

The Climate Response NDA expenditures are assumed to exceed the budget of \$6.3 million by \$16.5 million, which includes a contingency of \$900k for potential clean-up for the rest of the fiscal year. This estimate will be reassessed and may be revised at the end of third quarter.

The Working Families Income Supplemental NDA projected overspending is 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

The County's reserve policy is 10 percent of adjusted governmental revenue (AGR) in FY21. Due to the County's response to the COVID-19 pandemic, FY21 total ending reserves are estimated to be \$479.3 million, or 8.9 percent of adjusted governmental revenues. When emergencies require reserves to dip below 10 percent, it is the County's policy to ensure that reserves achieve the policy target within three fiscal years. Additional details on the County's reserve payback are included in the County Executive's Recommended FY22 budget.

JB/MC:cm

Attachments: Second Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 12/31/20

c: Marc Elrich, County Executive
Richard Madaleno, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
All County Government Department Heads and Merit Directors

FY21 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	991,853	991,853	917,092	74,761	7.5%
Animal Services	7,753,529	7,753,529	7,225,649	527,880	6.8%
Board of Appeals	558,845	558,845	554,102	4,743	0.8%
Board of Elections	8,284,106	8,284,106	10,305,758	-2,021,652	-24.4%
Circuit Court	12,548,380	12,548,380	12,211,504	336,876	2.7%
Community Engagement Cluster	4,237,109	5,783,545	5,394,875	388,670	6.7%
Consumer Protection	2,196,727	2,196,727	1,954,884	241,843	11.0%
Correction and Rehabilitation	70,996,074	70,996,074	65,931,401	5,064,673	7.1%
County Attorney	6,361,363	6,361,363	6,050,595	310,768	4.9%
County Council	12,612,090	12,612,090	12,068,809	543,281	4.3%
County Executive	5,683,707	6,766,707	5,850,918	915,789	13.5%
Emergency Management and Homeland Security	2,140,317	2,140,317	1,792,767	347,550	16.2%
Environmental Protection	3,358,531	3,358,531	3,085,906	272,625	8.1%
Ethics Commission	365,266	365,266	337,030	28,236	7.7%
Finance	15,305,580	15,305,580	14,297,210	1,008,370	6.6%
General Services	31,862,836	31,957,267	68,948,917	-36,991,650	-115.8%
Health and Human Services	251,454,732	254,143,790	335,117,582	-80,973,792	-31.9%
Housing and Community Affairs	8,640,221	8,640,221	8,058,194	582,027	6.7%
Human Resources	7,842,794	7,842,794	7,340,865	501,929	6.4%
Human Rights	1,384,692	1,384,692	1,178,754	205,938	14.9%
Inspector General	1,835,612	1,835,612	1,545,097	290,515	15.8%
Intergovernmental Relations	1,136,428	1,136,428	996,155	140,273	12.3%
Labor Relations	1,505,670	1,505,670	1,452,279	53,391	3.5%
Legislative Oversight	2,032,256	2,032,256	1,888,340	143,916	7.1%
Management and Budget	6,380,762	6,380,762	5,412,806	967,956	15.2%
Merit System Protection Board	259,378	259,378	259,894	-516	-0.2%
Non-Departmental Accounts	304,071,931	403,510,151	369,064,304	34,445,847	8.5%
Police	281,281,640	281,281,640	268,470,956	12,810,684	4.6%
Procurement	4,801,074	4,801,074	4,379,493	421,581	8.8%
Public Information	5,464,768	5,464,768	5,567,159	-102,391	-1.9%
Public Libraries	42,104,692	42,104,692	38,365,635	3,739,057	8.9%
Racial Equity and Social Justice	581,304	842,265	557,951	284,314	33.8%
Sheriff	24,657,675	24,657,675	24,901,822	-244,147	-1.0%
State's Attorney	18,521,033	18,521,033	18,346,262	174,771	0.9%
Technology Services	43,328,778	43,328,778	41,958,200	1,370,578	3.2%
Transportation	46,518,227	49,473,791	47,738,158	1,735,633	3.5%
Zoning and Administrative Hearings	658,304	658,304	630,075	28,229	4.3%
General Fund Total:	1,239,718,284	1,347,785,954	1,400,157,398	-52,371,444	-3.89%

Special Funds

Fire

Fire and Rescue Service	224,869,427	224,869,427	240,161,561	-15,292,134	-6.8%
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Recreation

FY21 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
Recreation	43,116,097	44,022,097	29,616,726	14,405,371	32.7%
<u>Bethesda Urban District</u>					
Urban Districts	3,369,105	3,369,105	3,297,485	71,620	2.1%
<u>Silver Spring Urban District</u>					
Urban Districts	3,834,053	3,834,053	3,434,602	399,451	10.4%
<u>Wheaton Urban District</u>					
Urban Districts	2,432,088	2,432,088	2,344,840	87,248	3.6%
<u>Mass Transit</u>					
Transit Services	149,364,876	149,364,876	144,009,554	5,355,322	3.6%
<u>Economic Development Fund</u>					
Economic Development Fund	5,159,418	6,267,503	5,020,396	1,247,107	19.9%
Special Funds Total:	432,145,064	434,159,149	427,885,164	6,273,985	1.45%
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Tax Supported Total:	1,671,863,348	1,781,945,103	1,828,042,562	-46,097,459	-2.6%

FY21 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	9,279,349	9,279,349	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	150	1,000	87.0%
NDA - Children's Opportunity Fund	375,000	2,175,000	2,175,000	0	0.0%
NDA - Climate Change Planning	400,000	400,000	396,847	3,153	0.8%
NDA - Climate Response	2,884,990	0	16,500,000	-16,500,000	0.0%
NDA - Community Grants	10,417,374	10,417,374	10,417,374	0	0.0%
NDA - Compensation and Employee Benefit Adjustments	1,182,046	1,182,046	1,182,465	-419	0.0%
NDA - Conference and Visitors Bureau	1,632,834	1,632,834	1,632,834	0	0.0%
NDA - Conference Center	535,405	2,035,405	2,031,688	3,717	0.2%
NDA - Consolidated Retiree Health Benefit Trust - College	5,523,000	5,523,000	5,523,000	0	0.0%
NDA - Consolidated Retiree Health Benefit Trust - MCPS	69,358,879	69,358,879	69,358,879	0	0.0%
NDA - County Associations	74,728	74,728	74,728	0	0.0%
NDA - COVID-19 Response: Community Assistance	0	68,016,523	27,580,589	40,435,934	59.5%
NDA - Device Client Management	9,284,350	9,284,350	9,284,350	0	0.0%
NDA - Early Care and Education	5,992,589	25,554,589	16,914,986	8,639,603	33.8%
NDA - Grants To Municipalities in Lieu Of Shares Tax	28,020	28,020	28,012	8	0.0%
NDA - Group Insurance Retirees	47,106,273	47,106,273	47,106,273	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	6,824,693	6,824,693	6,619,693	205,000	3.0%
NDA - Incubator Programs - Economic Development Partnership	2,955,913	2,472,913	2,474,181	-1,268	-0.1%
NDA - Independent Audit	425,491	425,491	425,600	-109	0.0%
NDA - Interagency Technology, Policy, and Coordination Commission	3,000	3,000	3,000	0	0.0%
NDA - Labor Management Relations Committee	100,000	100,000	100,000	0	0.0%
NDA - Leases	22,706,895	22,706,895	22,706,895	0	0.0%
NDA - Legislative Branch Communications Outreach	1,060,250	1,060,250	872,422	187,828	17.7%
NDA - Metro Washington Council of Governments	1,684,519	1,684,519	1,684,519	0	0.0%
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	13,279,247	13,279,247	0	0.0%
NDA - Motor Pool Fund Contribution	107,082	107,082	0	107,082	100.0%
NDA - Payments to Municipalities	8,297,779	8,297,779	8,265,550	32,229	0.4%
NDA - Prisoner Medical Services	20,000	20,000	0	20,000	100.0%
NDA - Public Technology, Inc.	20,000	20,000	5,000	15,000	75.0%
NDA - Retiree Health Benefits Trust	12,255,660	12,255,660	12,255,660	0	0.0%
NDA - Risk Management (General Fund)	22,231,024	22,231,024	22,231,024	0	0.0%
NDA - Rockville Parking District	418,700	418,700	414,241	4,459	1.1%
NDA - Skills for the Future	250,000	250,000	200,000	50,000	20.0%
NDA - State Positions Supplement	60,756	60,756	0	60,756	100.0%
NDA - State Property Tax Services	3,565,615	3,565,615	2,941,556	624,059	17.5%
NDA - State Retirement Contribution	3,754	3,754	3,754	0	0.0%
NDA - Takoma Park Library Annual Payments	185,973	185,973	185,973	0	0.0%
NDA - Takoma Park Police Rebate	1,227,572	1,227,572	1,227,572	0	0.0%

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NDA - Telecommunications	5,356,382	5,356,382	5,356,382	0	0.0%
NDA - Vision Zero	174,826	174,826	175,740	-914	-0.5%
NDA - Working Families Income Supplement	20,105,090	20,105,090	21,446,361	-1,341,271	-6.7%
NDA - WorkSource Montgomery, Inc.	1,265,594	1,265,594	1,265,594	0	0.0%
Utilities	25,245,719	25,245,719	23,345,719	1,900,000	7.5%
NDA: Tax Supported - County General Fund Total:	304,071,931	403,510,151	369,064,304	34,445,847	8.5%

FY21 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	34,679,877	64,118,413	34,162,500	29,955,913	46.7%
<u>Cable TV</u>					
Cable Television Communications Plan	16,518,580	16,518,580	16,321,940	196,640	1.2%
<u>Water Quality Protection</u>					
Environmental Protection	29,398,229	29,398,229	29,355,150	43,079	0.1%
<u>Recreation Non-Tax Supported</u>					
Recreation	3,600,000	3,600,000	2,258,815	1,341,185	37.3%
<u>Detention Center Non-Tax</u>					
Correction and Rehabilitation	0	543,000	225,000	318,000	58.6%
Special Funds Total:	84,196,686	114,178,222	82,323,405	31,854,817	27.90%
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<u>Enterprise Funds</u>					
<u>Liquor</u>					
Alcohol Beverage Services	63,556,354	63,556,354	62,135,300	1,421,054	2.2%
<u>Solid Waste Disposal</u>					
Recycling and Resource Management	120,973,573	120,973,573	118,183,573	2,790,000	2.3%
<u>Solid Waste Collection</u>					
Recycling and Resource Management	10,450,702	10,450,702	10,240,702	210,000	2.0%
<u>Leaf Vacuuming</u>					
Transportation	6,367,886	6,367,886	5,550,673	817,213	12.8%
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	11,854,751	12,354,751	5,580,550	6,774,201	54.8%
<u>Bethesda Parking</u>					
Parking District Services	14,883,816	14,883,816	13,721,543	1,162,273	7.8%
<u>Silver Spring Parking</u>					
Parking District Services	11,568,842	11,568,842	9,130,601	2,438,241	21.1%
<u>Wheaton Parking</u>					
Parking District Services	1,577,461	1,577,461	1,438,762	138,699	8.8%
<u>Permitting Services</u>					
Permitting Services	40,699,250	40,699,250	38,592,536	2,106,714	5.2%
Enterprise Funds Total:	281,932,635	282,432,635	264,574,240	17,858,395	6.32%
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<u>Internal Service Funds</u>					
<u>Motor Pool</u>					
Fleet Management Services	87,921,419	87,921,419	83,592,394	4,329,025	4.9%
<u>Central Duplicating (Printing & Mail)</u>					
General Services	8,157,604	8,157,604	8,010,602	147,002	1.8%
<u>Risk Management (Self Insurance - ISF)</u>					
Finance	78,343,721	78,343,721	78,007,166	336,555	0.4%
<u>Employee Health Self Insurance</u>					
Human Resources	294,971,060	294,971,060	275,416,386	19,554,674	6.6%

FY21 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
Internal Service Funds Total:	469,393,804	469,393,804	445,026,548	24,367,256	5.19%
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Non-Tax Supported Total:	835,523,125	866,004,661	791,924,193	74,080,468	8.6%

Revenue Summary Sheet

	MAJOR REVENUE COLLECTIONS			
	July - December FY2021	July - December FY2020	Variance FY2021-FY2020	Percent Change
<u>TAXES:</u>				
Income Tax (revised)	\$568,897,739	\$622,339,366	(\$53,441,627)	-8.6%
Property Tax (General Fund only)	\$1,197,088,941	\$1,205,948,554	(\$8,859,613)	-0.7%
Transfer Tax (1)	\$59,161,666	\$69,859,505	(\$10,697,839)	-15.3%
Recordation Tax (2)	\$26,574,093	\$32,671,800	(\$6,097,707)	-18.7%
Fuel/Energy Tax (3)	\$71,203,604	\$76,291,874	(\$5,088,270)	-6.7%
Telephone Tax	\$21,605,143	\$21,405,951	\$199,192	0.9%
Hotel/Motel Tax	\$2,315,110	\$9,180,828	(\$6,865,718)	-74.8%
Admissions Tax	\$321,783	\$991,343	(\$669,560)	-67.5%
E-Cigarettes	\$598,522	\$854,160	(\$255,637)	-29.9%
<u>MISCELLANEOUS:</u>				
Investment Income (4)	\$1,187,615	\$12,022,142	(\$10,834,527)	-90.1%
<u>TOTAL</u>	\$1,948,954,216	\$2,051,565,523	(\$102,611,308)	-5.0%

SOURCE: Revenue data from the County's Oracle eBusiness system and Treasury Division.

- NOTES: (1) Excludes revenue from condominium conversions
 (2) Excludes School CIP and tax premium allocation
 (3) FY2021 Revenues from Treasury Division's *Selected Operations Summary* report
 (4) Pooled investment income only