



ROCKVILLE, MARYLAND 20850

MEMORANDUM

May 12, 2021

TO: Tom Hucker, President, County Council

FROM: Jennifer Bryant, Director, Office of Management and Budget
Michael J. Coveyou, Director, Department of Finance *Michael Coveyou*

SUBJECT: FY21 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. The results reported below reflect additional spending for the Climate Response NDA and additional spending in response to the COVID-19 pandemic compared to the second quarterly analysis. The County Executive will be sending over a package of supplemental appropriations this week to correct for overspending due to the COVID-19 pandemic response based on this analysis. All other approved or pending supplemental appropriation, including the supplemental appropriation for snow removal and storm clean-up, are assumed in this analysis.

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.

Significant expenditure variances are described below.

Third 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 Office of Emergency Management and Homeland Security's projected overspending is due to increased overtime costs and contractor costs due to the COVID-19 pandemic response.

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 primarily due to a high 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 Working Families Income Supplemental NDA expenditures are assumed to exceed the budget due to increased formula payments.

Third Quarter Revenue Update

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

Reserves

The County's FY21 total ending reserves are estimated to be at \$478.8 million or 8.8 percent of adjusted governmental revenues (AGR). This is \$506k less than reported at second quarter. This is due to expenditures being \$3.9 million more than the second quarter projection due to higher snow removal clean-up costs and additional costs for the COVID-19 pandemic response. This is offset by the reduction of the General Fund designated set-aside by \$3.4 million (this set aside was inadvertently left in the CE Recommended Budget and should have been reduced at that time).

Along with the expenditure adjustments, there may be other impacts to reserves. The CE Recommended Budget assumed an additional \$51.8 million in FEMA reimbursements in FY21 based on actual and projected FEMA eligible expenditures. If FEMA reimbursements in FY21 come in higher or lower than estimated in the CE Recommended Budget, this will change FY21 year-end reserves accordingly. Also, on May 10, the County received Treasury guidance on the use of American Rescue Plan Act (ARPA) funds. We are currently reviewing the ARPA guidance to understand the impact of these guidelines on the assumptions made in the FY22 Recommended Budget. As we have in the past, by working together, the Executive Branch and the County Council will continue Montgomery County's tradition of strong financial management into the future.

JB/MC:cm

Attachments: Third Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 3/31/21

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

FY21 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est. (3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
Tax Supported					
General Fund					
Agriculture	991,853	991,853	898,532	93,321	9.4%
Animal Services	7,753,529	7,753,529	7,383,019	370,510	4.8%
Board of Appeals	558,845	558,845	552,112	6,733	1.2%
Board of Elections	8,284,106	8,284,106	10,364,702	-2,080,596	-25.1%
Circuit Court	12,548,380	12,548,380	11,981,285	567,095	4.5%
Community Engagement Cluster	4,237,109	5,783,545	5,325,249	458,296	7.9%
Consumer Protection	2,196,727	2,196,727	1,929,054	267,673	12.2%
Correction and Rehabilitation	70,996,074	70,996,074	68,151,446	2,844,628	4.0%
County Attorney	6,361,363	6,361,363	6,354,154	7,209	0.1%
County Council	12,612,090	12,612,090	12,041,366	570,724	4.5%
County Executive	5,683,707	7,266,707	6,846,345	420,362	5.8%
Emergency Management and Homeland Security	2,140,317	2,140,317	2,390,616	-250,299	-11.7%
Environmental Protection	3,358,531	3,358,531	3,182,582	175,949	5.2%
Ethics Commission	365,266	365,266	341,232	24,034	6.6%
Finance	15,305,580	15,305,580	14,124,783	1,180,797	7.7%
General Services	31,862,836	36,098,352	84,902,000	-48,803,648	-135.2%
Health and Human Services	251,454,732	254,456,245	333,100,648	-78,644,403	-30.9%
Housing and Community Affairs	8,640,221	8,640,221	8,159,567	480,654	5.6%
Human Resources	7,842,794	7,842,794	7,610,886	231,908	3.0%
Human Rights	1,384,692	1,384,692	1,162,095	222,597	16.1%
Inspector General	1,835,612	1,835,612	1,566,229	269,383	14.7%
Intergovernmental Relations	1,136,428	1,136,428	1,052,310	84,118	7.4%
Labor Relations	1,505,670	1,505,670	1,426,530	79,140	5.3%
Legislative Oversight	2,032,256	2,032,256	1,892,751	139,505	6.9%
Management and Budget	6,380,762	6,380,762	5,409,930	970,832	15.2%
Merit System Protection Board	259,378	259,378	258,103	1,275	0.5%
Non-Departmental Accounts	304,071,931	382,982,092	342,123,870	40,858,222	10.7%
Police	281,281,640	281,281,640	266,716,883	14,564,757	5.2%
Procurement	4,801,074	4,801,074	4,039,049	762,025	15.9%
Public Information	5,464,768	5,464,768	6,282,266	-817,498	-15.0%
Public Libraries	42,104,692	42,104,692	38,060,872	4,043,820	9.6%
Racial Equity and Social Justice	581,304	842,265	533,148	309,117	36.7%
Sheriff	24,657,675	24,657,675	25,361,932	-704,257	-2.9%
State's Attorney	18,521,033	18,521,033	18,218,237	302,796	1.6%
Technology Services	43,328,778	43,328,778	43,230,630	98,148	0.2%
Transportation	46,518,227	63,049,324	60,451,083	2,598,241	4.1%
Zoning and Administrative Hearings	658,304	658,304	638,266	20,038	3.0%
General Fund Total:	1,239,718,284	1,345,786,968	1,404,063,762	-58,276,794	-4.33%

Special Funds

Fire

Fire and Rescue Service	224,869,427	227,867,786	240,182,272	-12,314,486	-5.4%
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Recreation

FY21 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est. (3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
Recreation	43,116,097	44,022,097	26,770,561	17,251,536	39.2%
<u>Bethesda Urban District</u>					
Urban Districts	3,369,105	3,369,105	3,205,704	163,401	4.8%
<u>Silver Spring Urban District</u>					
Urban Districts	3,834,053	3,834,053	3,515,326	318,727	8.3%
<u>Wheaton Urban District</u>					
Urban Districts	2,432,088	2,432,088	2,270,877	161,211	6.6%
<u>Mass Transit</u>					
Transit Services	149,364,876	149,364,876	144,629,123	4,735,753	3.2%
<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	437,157,508	425,594,259	11,563,249	2.65%
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Tax Supported Total:	1,671,863,348	1,782,944,476	1,829,658,021	-46,713,545	-2.6%

FY21 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est.(3rd 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	10,025,987	6,369,797	3,656,190	36.5%
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	2,775,000	2,775,000	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	10,417,374	10,417,374	10,417,374	0	0.0%
NDA - Compensation and Employee Benefit Adjustments	1,182,046	1,182,046	1,182,046	0	0.0%
NDA - Conference and Visitors Bureau	1,632,834	1,832,834	1,832,834	0	0.0%
NDA - Conference Center	535,405	4,535,405	4,535,405	0	0.0%
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	68,005,193	32,342,542	35,662,651	52.4%
NDA - Device Client Management	9,284,350	9,284,350	9,284,350	0	0.0%
NDA - Early Care and Education	5,992,589	9,262,719	9,262,719	0	0.0%
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	2,466,135	6,778	0.3%
NDA - Independent Audit	425,491	425,491	425,095	396	0.1%
NDA - Interagency Technology, Policy, and Coordination Commission	3,000	3,000	0	3,000	100.0%
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	870,250	190,000	17.9%
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	5,007,750	5,007,750	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	414,151	4,549	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	2,942,578	623,037	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%

FY21 3rd QUARTERLY ANALYSIS

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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	174,826	0	0.0%
NDA - Working Families Income Supplement	20,105,090	20,105,090	21,784,544	-1,679,454	-8.4%
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	382,982,092	342,123,870	40,858,222	10.7%

FY21 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est. (3rd 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	34,361,124	29,757,289	46.4%
<u>Cable TV</u>					
Cable Television Communications Plan	16,518,580	16,518,580	16,282,819	235,761	1.4%
<u>Water Quality Protection</u>					
Environmental Protection	29,398,229	29,398,229	27,558,198	1,840,031	6.3%
<u>Recreation Non-Tax Supported</u>					
Recreation	3,600,000	3,600,000	957,009	2,642,991	73.4%
<u>Detention Center Non-Tax</u>					
Correction and Rehabilitation	0	543,000	316,363	226,637	41.7%
Special Funds Total:	84,196,686	114,178,222	79,475,513	34,702,709	30.39%
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<u>Enterprise Funds</u>					
<u>Liquor</u>					
Alcohol Beverage Services	63,556,354	63,556,354	63,030,215	526,139	0.8%
<u>Solid Waste Disposal</u>					
Recycling and Resource Management	120,973,573	120,973,573	117,923,573	3,050,000	2.5%
<u>Solid Waste Collection</u>					
Recycling and Resource Management	10,450,702	10,450,702	10,220,702	230,000	2.2%
<u>Leaf Vacuuming</u>					
Transportation	6,367,886	6,367,886	5,554,902	812,984	12.8%
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	11,854,751	12,354,751	4,719,950	7,634,801	61.8%
<u>Bethesda Parking</u>					
Parking District Services	14,883,816	14,883,816	13,829,405	1,054,411	7.1%
<u>Silver Spring Parking</u>					
Parking District Services	11,568,842	11,568,842	9,468,842	2,100,000	18.2%
<u>Wheaton Parking</u>					
Parking District Services	1,577,461	1,577,461	1,446,813	130,648	8.3%
<u>Permitting Services</u>					
Permitting Services	40,699,250	40,699,250	39,074,254	1,624,996	4.0%
Enterprise Funds Total:	281,932,635	282,432,635	265,268,656	17,163,979	6.08%
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<u>Internal Service Funds</u>					
<u>Motor Pool</u>					
Fleet Management Services	87,921,419	87,921,419	84,856,075	3,065,344	3.5%
<u>Central Duplicating (Printing & Mail)</u>					
General Services	8,157,604	8,157,604	7,779,413	378,191	4.6%
<u>Risk Management (Self Insurance - ISF)</u>					
Finance	78,343,721	78,343,721	77,955,419	388,302	0.5%
<u>Employee Health Self Insurance</u>					
Human Resources	294,971,060	294,971,060	273,691,352	21,279,708	7.2%

FY21 3rd QUARTERLY ANALYSIS

Department	Orig Budget (A)	Latest Budget (B)	Est. (3rd QA) (C)	Variance to Bud. (B-C)	% Change to Bud (B-C)/B
Internal Service Funds Total:	469,393,804	469,393,804	444,282,259	25,111,545	5.35%
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Non-Tax Supported Total:	835,523,125	866,004,661	789,026,428	76,978,233	8.9%

	MAJOR REVENUE COLLECTIONS			
	July - March FY2021	July - March FY2020	Variance FY2021-FY2020	Percent Change
<u>TAXES:</u>				
Income Tax	\$1,095,117,317	\$1,047,195,339	\$47,921,978	4.6%
Property Tax (excluding MNCPPC)	\$1,678,862,576	\$1,667,963,973	\$10,898,603	0.7%
Transfer Tax (1)	\$85,833,004	\$92,525,630	(\$6,692,626)	-7.2%
Recordation Tax (2)	\$38,691,855	\$44,966,485	(\$6,274,630)	-14.0%
Fuel/Energy Tax	\$126,309,094	\$131,316,823	(\$5,007,730)	-3.8%
Telephone Tax	\$34,991,250	\$34,255,664	\$735,585	2.1%
Hotel/Motel Tax	\$3,148,827	\$13,028,437	(\$9,879,610)	-75.8%
Admissions Tax (through January)	\$703,495	\$1,805,529	(\$1,102,035)	-61.0%
E-Cigarettes	\$960,232	\$1,090,575	(\$130,343)	-12.0%
<u>MISCELLANEOUS:</u>				
Investment Income (3)	\$1,468,852	\$17,555,519	(\$16,086,667)	-91.6%
<u>TOTAL</u>	\$3,066,086,501	\$3,051,703,975	\$14,382,526	0.5%

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