



ROCKVILLE, MARYLAND

MEMORANDUM

March 14, 2013

TO: Nancy Navarro, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: FY13 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. The County Executive's recommended operating budget incorporates the results of this analysis in its allocation of resources for FY14. We will continue to monitor department spending and may make revisions to this estimate to reflect more up-to-date information at the end of the third quarter. Significant expenditure variances are described below.

Second Quarter Expenditure Results

The Board of Elections overspent because of Hurricane Sandy, the requirement to add more election judges at Early Voting Centers, and problems related to the absentee ballot.

The Department of Correction and Rehabilitation's projected overage is significantly reduced compared to this time last year. The primary cause of the overage is higher than budgeted retirement costs.

While the Department of Economic Development has experienced savings from vacant positions, the department has incurred unbudgeted costs related to Federal and State lobbying contracts, a business incubator study, and a cyber security requirements study.

The Department of General Services experienced significant unbudgeted expenditures for emergency maintenance services to repair critical equipment and systems.

The Office of Human Resources' projected overage is due to lower than projected lapse assumption and the need to increase temporary personnel to support the deployment of Oracle Workforce Performance Management.

The Sheriff's Office is projecting to be overspent because of excess compensatory leave payments and overtime.

The State's Attorney's projected overage is due to the expiration of the Gang Grant (replaced with general operating budget funds) and higher than budgeted transcript and translation costs.

The Department of Transportation's projected over-expenditure is because of unanticipated emergency storm drain system repairs.

Transit Services' projected overage is due to backfill overtime, holiday premium pay, higher than budgeted fuel and motor pool costs, and increased reimbursements to WMATA for Kids Ride Free and Seniors Ride Free.

Fire and Rescue Services is projected to be overspent because of increased emergency and holiday pay and backfill overtime to meet minimum staffing requirements.

Cable Television's projected overage is due to increased required municipal pass-through payments.

Community Use of Public Facilities had unanticipated office relocation costs and unbudgeted credit card transaction fees dues to a change in financial reporting procedures.

The Department of Permitting Services incurred unbudgeted costs due to replacement of an inadequate HVAC system in its computer room and increased use of temporary contractual services.

The following non-departmental accounts are projected to be overspent: Rockville Parking District because of higher employee parking costs, Snow Removal and Storm Cleanup due to last summer's Derecho, Hurricane Sandy, and multiple winter mobilizations, and the Working Families Income Supplement because of increased beneficiary payments.

Second Quarter Revenue Update

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

Reserves

The County's FY13 total ending reserves are estimated to be \$392.5 million, or 9.1 percent of adjusted governmental revenues. As discussed with the Council last December, the increase in projected income tax revenues and required contribution to the Revenue Stabilization Fund are the primary reasons for the higher reserve levels compared to the original budget. Additional details on the County's reserves will be included in the Executive's recommended budget on March 15.

JAH/JFB:ae

c: Isiah Leggett, County Executive
Timothy L. Firestine, Chief Administrative Officer
Kathleen Boucher, Assistant Chief Administrative Officer
All County Government Department Heads and Merit Directors

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

FY13 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Tax Supported					
General Fund					
Board of Appeals	577,686	577,686	583,416	-5,730	-1.0 %
Board of Elections	6,175,309	6,175,309	6,757,362	-582,053	-9.4 %
Circuit Court	10,330,453	10,330,453	10,330,453	0	0.0 %
Community Engagement Cluster	3,253,049	3,253,049	3,018,535	234,514	7.2 %
Consumer Protection	2,182,612	2,182,612	2,174,187	8,425	0.4 %
Correction and Rehabilitation	65,181,902	65,181,902	65,525,221	-343,319	-0.5 %
County Attorney	5,736,881	5,736,881	5,621,303	115,578	2.0 %
County Council	9,333,290	9,333,290	9,326,847	6,443	0.1 %
County Executive	4,421,467	4,421,467	4,349,813	71,654	1.6 %
Economic Development	9,197,933	9,197,933	9,347,377	-149,444	-1.6 %
Emergency Management and Homeland Security	1,283,188	1,283,188	1,267,734	15,454	1.2 %
Environmental Protection	1,510,982	1,510,982	1,506,490	4,492	0.3 %
Ethics Commission	307,776	307,776	304,049	3,727	1.2 %
Finance	10,791,460	10,791,460	10,764,922	26,538	0.2 %
General Services	24,726,123	24,726,123	25,965,656	-1,239,533	-5.0 %
Health and Human Services	181,733,135	181,833,135	179,996,533	1,836,602	1.0 %
Housing and Community Affairs	4,468,267	4,468,267	4,464,915	3,352	0.1 %
Human Resources	7,136,988	7,136,988	7,189,769	-52,781	-0.7 %
Human Rights	896,948	896,948	896,948	0	0.0 %
Inspector General	687,373	687,373	686,556	817	0.1 %
Intergovernmental Relations	848,028	848,028	848,028	0	0.0 %
Legislative Oversight	1,331,137	1,331,137	1,330,140	997	0.1 %
Management and Budget	3,697,949	3,697,949	3,408,556	289,393	7.8 %
Merit System Protection Board	159,097	159,097	50,193	108,904	68.5 %
Non-Departmental Accounts	238,975,664	238,975,664	246,973,521	-7,997,857	-3.3 %
Police	250,350,841	250,350,841	250,319,679	31,162	0.0 %
Public Information	5,016,769	5,016,769	4,993,211	23,558	0.5 %
Public Libraries	31,362,801	31,362,801	31,180,585	182,216	0.6 %
Sheriff	20,972,895	20,972,895	21,364,514	-391,619	-1.9 %
State's Attorney	12,729,550	12,729,550	13,234,625	-505,075	-4.0 %
Technology Services	26,259,783	26,259,783	26,246,302	13,481	0.1 %
Transportation	41,128,342	42,309,362	42,694,595	-385,233	-0.9 %
Utilities	26,109,860	26,109,860	26,109,860	0	0.0 %
Zoning and Administrative Hearings	592,188	592,188	580,188	12,000	2.0 %
General Fund Total	1,009,467,726	1,010,748,746	1,019,412,083	-8,663,337	-0.9 %
Special Funds					
<u>Bethesda Urban District</u>					
Urban Districts	3,416,886	3,416,886	3,416,886	0	0.0 %
<u>Silver Spring Urban District</u>					
Urban Districts	2,702,477	2,702,477	2,633,957	68,520	2.5 %

FY13 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Wheaton Urban District</u>					
Urban Districts	1,525,489	1,525,489	1,459,851	65,638	4.3 %
<u>Mass Transit</u>					
Transit Services	113,854,693	113,854,693	115,601,775	-1,747,082	-1.5 %
<u>Fire</u>					
Fire and Rescue Service	204,946,888	204,946,888	207,613,305	-2,666,417	-1.3 %
<u>Recreation</u>					
Recreation	25,979,636	25,979,636	25,465,154	514,482	2.0 %
<u>Economic Development Fund</u>					
Economic Development Fund	5,090,020	11,600,409	11,600,409	0	0.0 %
Special Funds Total	357,516,089	364,026,478	367,791,337	-3,764,859	-1.0 %
TAX SUPPORTED TOTAL	1,366,983,815	1,374,775,224	1,387,203,420	-12,428,196	-0.9 %

Non-Tax Supported

Special Funds

Grant Fund MCG

Circuit Court	2,381,482	248,910	248,910	0	0.0 %
Community Engagement Cluster	60,190	60,190	60,190	0	0.0 %
County Executive	126,620	126,620	126,620	0	0.0 %
Economic Development	2,742,854	2,742,854	2,742,854	0	0.0 %
Emergency Management and Homeland Security	171,707	1,528,287	1,528,287	0	0.0 %
Fire and Rescue Service	130,200	1,495,200	1,495,200	0	0.0 %
Health and Human Services	70,570,027	72,121,029	72,121,029	0	0.0 %
Housing and Community Affairs	5,355,360	5,355,360	5,355,360	0	0.0 %
Intergovernmental Relations	30,670	46,003	46,003	0	0.0 %
Non-Departmental Accounts	20,000,000	16,905,986	16,905,986	0	0.0 %
Police	248,630	1,521,389	1,521,389	0	0.0 %
Public Libraries	52,290	52,290	52,290	0	0.0 %
Recreation	71,195	115,329	115,329	0	0.0 %
Sheriff	663,000	741,822	741,822	0	0.0 %
State's Attorney	195,691	313,661	313,661	0	0.0 %
Transit Services	4,688,174	4,688,174	4,688,174	0	0.0 %
Transportation	35,510	35,510	35,510	0	0.0 %
Grant Fund MCG subtotal	107,523,600	108,098,614	108,098,614	0	0.0 %

Cable Television

Cable Television	13,146,951	13,146,951	13,316,878	-169,927	-1.3 %
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Montgomery Housing Initiative

Housing and Community Affairs	19,671,748	23,342,651	23,324,193	18,458	0.1 %
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Water Quality Protection Fund

Environmental Protection	17,714,898	17,714,898	17,437,098	277,800	1.6 %
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Special Funds Total	158,057,197	162,303,114	162,176,783	126,331	0.1 %
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FY13 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Enterprise Fund					
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	10,106,050	10,106,050	10,155,265	-49,215	-0.5 %
<u>Bethesda Parking District</u>					
Parking District Services	13,033,228	13,033,228	12,862,229	170,999	1.3 %
<u>Montgomery Hills Parking District</u>					
Parking District Services	132,367	132,367	133,500	-1,133	-0.9 %
<u>Silver Spring Parking District</u>					
Parking District Services	10,947,342	10,947,342	10,316,534	630,808	5.8 %
<u>Wheaton Parking District</u>					
Parking District Services	1,317,820	1,317,820	1,314,533	3,287	0.2 %
<u>Permitting Services</u>					
Permitting Services	27,619,194	27,619,194	27,882,652	-263,458	-1.0 %
<u>Solid Waste Collection</u>					
Solid Waste Services	6,166,291	6,166,291	6,109,291	57,000	0.9 %
<u>Solid Waste Disposal</u>					
Solid Waste Services	102,246,595	102,246,595	99,927,385	2,319,210	2.3 %
<u>Vacuum Leaf Collection</u>					
Transportation	5,444,337	5,044,337	4,655,267	389,070	7.7 %
<u>Liquor Control</u>					
Liquor Control	50,696,632	50,696,632	50,696,632	0	0.0 %
Enterprise Fund Total	227,709,856	227,309,856	224,053,288	3,256,568	1.4 %
NON-TAX SUPPORTED TOTAL	385,767,053	389,612,970	386,230,071	3,382,899	0.9 %
TAX AND NON-TAX SUPPORTED TOTAL	1,752,750,868	1,764,388,194	1,773,433,491	-9,045,297	0.0 %
Internal Service Funds					
<u>Employee Health Benefit Self Insurance Fund</u>					
Human Resources	195,258,582	195,258,582	182,669,965	12,588,617	6.4 %
<u>Motor Pool Internal Service Fund</u>					
Fleet Management Services	70,786,846	71,186,846	74,985,719	-3,798,873	-5.3 %
<u>Printing and Mail Internal Service Fund</u>					
General Services	8,503,416	8,503,416	8,135,054	368,362	4.3 %
<u>Self Insurance Internal Service Fund</u>					
Finance	50,456,282	50,456,282	50,456,282	0	0.0 %
INTERNAL SERVICE FUNDS TOTAL	325,005,126	325,405,126	316,247,020	9,158,106	2.8 %

FY13 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDA: Tax Supported - County General Fund					
NDA - Arts and Humanities Council	3,372,700	3,372,700	3,372,700	0	0.0 %
NDA - Boards, Committees and Commissions	22,950	22,950	22,950	0	0.0 %
NDA - Charter Review Commission	150	150	150	0	0.0 %
NDA - Community Grants	5,888,827	5,888,827	5,888,829	-2	0.0 %
NDA - Compensation and Employee Benefits Adjustment	721,071	721,071	613,063	108,008	15.0 %
NDA - Conference and Visitors Bureau	666,806	666,806	666,806	0	0.0 %
NDA - Conference Center	565,040	565,040	446,470	118,570	21.0 %
NDA - Consolidated Retiree Health Benefits Trust (MCPS)	58,853,092	58,853,092	58,853,092	0	0.0 %
NDA - Consolidated Retiree Health Benefits Trust (Montgom)	1,779,914	1,779,914	1,779,914	0	0.0 %
NDA - Council of Governments	770,500	770,500	767,173	3,327	0.4 %
NDA - County Associations	72,710	72,710	72,709	1	0.0 %
NDA - Desktop Modernization	5,315,030	5,315,030	5,315,030	0	0.0 %
NDA - Grants to Municipalities in Lieu of Shares Tax	28,020	28,020	28,020	0	0.0 %
NDA - Group Insurance-Retirees	32,462,450	32,462,450	32,462,450	0	0.0 %
NDA - Historical Activities	287,090	287,090	287,090	0	0.0 %
NDA - Homeowners' Association-Roads	49,250	49,250	49,250	0	0.0 %
NDA - Housing Opportunities Commission	5,583,230	5,583,230	5,583,230	0	0.0 %
NDA - Independent Audit	420,820	420,820	420,820	0	0.0 %
NDA - ITPCC	4,250	4,250	4,250	0	0.0 %
NDA - Leases	23,650,520	23,650,520	23,650,520	0	0.0 %
NDA - Legislative Branch Communications Outreach	580,000	580,000	580,000	0	0.0 %
NDA - Montgomery Coalition for Adult English Literacy (MCA)	716,058	716,058	716,058	0	0.0 %
NDA - Motor Pool Fund Contribution	1,466,225	1,466,225	1,466,225	0	0.0 %
NDA - Municipal Tax Duplication	8,174,160	8,174,160	8,165,168	8,992	0.1 %
NDA - Prisoner Medical Services	50,000	50,000	50,000	0	0.0 %
NDA - Public Technology, Inc.	17,000	17,000	17,000	0	0.0 %
NDA - Retiree Health Benefits Trust	41,386,568	41,386,568	41,386,568	0	0.0 %
NDA - Risk Management	17,282,930	17,282,930	17,282,930	0	0.0 %
NDA - Rockville Parking District	375,000	375,000	378,075	-3,075	-0.8 %
NDA - Snow Removal and Storm Cleanup	5,884,990	5,884,990	14,107,306	-8,222,316	-139.7 %
NDA - State Positions Supplement	85,113	85,113	64,814	20,299	23.8 %
NDA - State Property Tax Services	5,339,430	5,339,430	5,335,790	3,640	0.1 %
NDA - State Retirement Contribution	1,135,590	1,135,590	1,135,590	0	0.0 %
NDA - Takoma Park Library Annual Payment	151,320	151,320	127,618	23,702	15.7 %
NDA - Takoma Park Police Rebate	949,860	949,860	927,663	22,197	2.3 %
NDA - Working Families Income Supplement	14,867,000	14,867,000	14,948,200	-81,200	-0.5 %
NDA: Tax Supported - County General Fund Total	238,975,664	238,975,664	246,973,521	-7,997,857	-3.3 %
NDA: Non-Tax Supported - Grant Fund MCG					
NDA - Future Fed/State/Other Grants	20,000,000	16,905,986	16,905,986	0	0.0 %

FY13 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDA: Non-Tax Supported - Grant Fund MCG Total	20,000,000	16,905,986	16,905,986	0	0.0 %

Montgomery County, Maryland

**FY2013 SECOND QUARTERLY
REVENUE UPDATE**

Presentation to the Montgomery County Council

Department of Finance



Revenue Update

First Half Year Results

Total tax revenues, including investment income, totaled \$1.545 billion and down 0.3% compared to the same period in FY12 due primarily to revenues from the property tax (↓3.4%), the fuel and energy tax (↓4.3%), and the hotel-motel tax (↓10.8%).

- **Income Taxes:**

- Income tax revenues through December stood at \$441.0 million and approximately \$23.9 million above revenues for the same period in FY12. The increase was attributed to a change in the distribution formula for the quarterly distribution in November, taxpayers filing for an extension, and reconciliation for tax year 2011.
- The change in the formula by the Maryland Comptroller yielded an increase of \$8.0 million (↑3.3%) above the November distribution in FY12. Revenues from extensions and reconciliation were \$10.0 million above last fiscal year or 7.4 percent.

- **Property Taxes:**

- The General Fund (G.F.) portion of property tax collections (including penalties and interest) was \$957.7 million (↓3.4%) through December compared to the same period in FY12. The decline is attributed to a decrease in the taxable assessable base for real property from the prior year and differences in the timing for personal property tax billings.

Revenue Update

First Half Year Results

- **Property Taxes (continued):**
 - Because the triennial reassessment rates for real property declined three years in a row, the real property taxable assessment for FY13 is estimated to decline 2.5 percent for the second year in a row.
- **Transfer and Recordation Taxes:**
 - Revenues from the transfer tax (excluding condominium conversions) through December of FY13 were \$37.4 million, or 6.0% above the same period last fiscal year.
 - Revenues from the recordation tax (excluding the CIP portion and the rate premium) were \$26.4 million, an increase of 29.2% over last fiscal year.
 - The increase in the transfer tax is due primarily to an increase in residential transactions (↑9.0%). The total volume of transfers, not including condo conversions, was up 8.8% during the first half of FY13 compared to last fiscal year. The total volume of recordation tax transactions (excluding CIP portion and rate premium) was up 22.1% compared to the first half of fiscal year 2012. The increase in recordation tax transactions was attributed to a 12.0 percent increase in residential activity and 26.0 percent increase attributed to refinancing and indemnity deed of trust (IDOT).
 - The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$63.6 million compared to \$55.5 million for the same period last year (↑14.5%).

Revenue Update

First Half Year Results

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$82.7 million, which were 4.1% below the first half of FY12.
- Fuel/energy tax collections totaled \$55.9 million and 4.3% below the same period in FY12. The decline in FY13 is largely attributed to the 4.6% decline in the energy rates enacted by the County Council in May 2012 and a decline in electricity usage by non-residential customers.
- Revenues from the telephone tax were \$18.5 million and 2.7% below the previous fiscal year. The decrease revenues is attributed to a decline in revenues from landlines and wireless communications.
- Revenues from the hotel/motel tax were 10.8% below the same period last year.
- Revenues from the admissions tax were up 49.5% compared to the same period last year and attributed to revenues from movie theaters.

Revenue Summary Sheet

	MAJOR REVENUE COLLECTIONS			
	Fiscal Year 2013	Fiscal Year 2012	Variance FY13-FY12	Percent Change
<u>TAXES:</u>				
Income Tax	\$441,012,504	\$417,114,800	\$23,897,704	5.7%
Property Tax (General Fund only)	\$957,724,726	\$991,371,618	(\$33,646,893)	-3.4%
Transfer Tax (1)	\$37,362,219	\$35,231,238	\$2,130,981	6.0%
Recordation Tax (2)	\$26,244,901	\$20,306,827	\$5,938,074	29.2%
Fuel/Energy Tax	\$55,941,467	\$58,461,976	(\$2,520,509)	-4.3%
Telephone Tax	\$18,466,550	\$18,971,025	(\$504,475)	-2.7%
Hotel/Motel Tax	\$7,263,598	\$8,138,730	(\$875,133)	-10.8%
Admissions Tax	\$1,063,564	\$711,411	\$352,153	49.5%
<u>MISCELLANEOUS:</u>				
Investment Income (3)	\$33,459	\$14,176	\$19,283	136.0%
<u>TOTAL</u>	\$1,545,112,988	\$1,550,321,802	(\$5,208,814)	-0.3%

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

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