



ROCKVILLE, MARYLAND

**MEMORANDUM**

March 13, 2015

TO: George Leventhal, President, County Council

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

SUBJECT: FY15 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 FY16. 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 County Attorney's Office anticipates higher than budgeted child welfare contract attorney costs and exceeding the department's lapse assumption.

The Department of Economic Development projects unbudgeted costs related to Federal and State lobbying contracts, sponsorships, consultant work, and other expenses.

The Department of General Services' projected overspending results from unbudgeted costs for emergency maintenance services to repair critical equipment and systems.

The Office of Human Resources' projected overage is from filling lapsed positions to handle an increased workload and other personnel costs.

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

Fire and Rescue Service is estimated to be overspent because the original retirement budget did not accurately reflect the number of fire fighters in the deferred retirement plan.

The Department of Recreation projected overspending is due to unbudgeted utilities costs.

The Department of Liquor Control increased staffing to improve warehouse operations and support the new Oracle ERP system. Overtime costs are higher than budgeted and the conversion of temporary staff to permanent positions was more costly than assumed in the budget.

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The following non-departmental accounts are projected to be overspent: Takoma Park Library Annual Payment and Working Families Income Supplement because of increased formula payments. In addition, Snow Removal and Storm Cleanup expenditures are assumed to exceed the budget of \$9.2 million by \$20 million due to multiple winter mobilizations. The projection assumes total snow removal/storm cleanup expenditures of \$29.2 million. This estimate will be reassessed and may be revised at the end of the third quarter.

Health insurance claims costs are higher than estimated just a few months ago when the County's actuary completed its analysis of claims costs. The second quarter estimate includes an updated group insurance cost projection. We will continue to monitor these expenses and will update the Council at the end of the third quarter.

### **Second Quarter Revenue Update**

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

### **Reserves**

The County's FY15 total ending reserves are estimated to be \$384.8 million. This is an improvement compared to the estimate of year-end reserves discussed with the Council last December, primarily as a result of more favorable FY14 year-end financial results. As noted in the December Fiscal Plan Update, the initial estimate of reserves was preliminary and subject to change based on updated information. Additional details on the County's reserves will be included in the Executive's recommended budget on March 16.

JAH/JFB:ae

Attachments: Second Quarterly Analysis of Expenditures  
Tax Revenue Collections: Through 12/31/14

cc: Isiah Leggett, County Executive  
Timothy L. Firestine, Chief Administrative Officer  
Bonnie Kirkland, Assistant Chief Administrative Officer  
All County Government Department Heads and Merit Directors