



ROCKVILLE, MARYLAND

MEMORANDUM

March 14, 2017

TO: Roger Berliner, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Alexandre A. Espinosa, Director, Department of Finance

SUBJECT: FY17 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. As detailed in the attached report, expenditure variances are relatively small across most departments, and the County Executive's recommended FY18 operating budget incorporates the results of this analysis. We will continue to monitor department spending and may revise this estimate to reflect more up-to-date information in the third quarterly analysis. Significant expenditure variances are described below.

Second Quarter Expenditure Results

The Board of Elections anticipates higher than budgeted costs due to overtime, printing, signage, mailing, scanner leasing costs, and election judge stipends needed to support Early Voting and Election Day activities. The estimate reflects the most recent information and estimated invoices from the State Board of Elections. The estimate will be updated at the end of the third quarter.

The County Attorney's Office expects higher than budgeted child welfare contract attorney costs and additional costs for outside counsel for legal advice on immigration matters.

The Department of General Services' projected overspending results from staffing costs higher than the budgeted lapse rate and unbudgeted costs of emergency maintenance services to repair critical equipment and systems.

The Office of Human Resources' projected overage is due to unbudgeted employee separation and leave payouts and increased contractual costs. The department is controlling these cost overruns through turnover savings and by holding positions vacant.

The Public Information Office has experienced higher than anticipated costs for emergency response events and experienced some one-time unbudgeted costs for MC311's move to 1401 Rockville Pike. The move will ultimately yield cost savings due to decreased rent costs.

The State's Attorney Office does not anticipate meeting its lapse target because of increased demands and increased personnel costs due to a grant shortfall. The projected overage also reflects higher than budgeted office operating expenses.

The Sheriff's Office is estimated to overspend due to higher than expected overtime and travel expenses for deputies guarding an inmate receiving medical care outside the County. Expenditures for Circuit Court security were also higher than budgeted after the contract was rebid.

Fire and Rescue is estimated to be overspent because of overtime costs due to an unusually high number of vacancies pending the graduation of the June recruit class. Operating costs are expected to be overbudget but these will be offset by a pending \$1.975 million Senator Amoss grant supplemental.

Leaf Vacuuming costs will exceed budget due to increased Fleet Management and contractual charges. The FY18 budget includes an increase in the budgeted fleet costs to reflect actual experience.

The Department of Liquor Control projects increased costs due to investments in the warehouse, including software, hardware, and racking, and the purchase of ten replacement delivery vehicles. These additional costs are supported in part by the use of \$1.7 million in remaining 2013 Liquor Bond Series bond proceeds to cover FY17 debt service payments as allowed under IRS regulations. These proceeds are no longer needed for liquor construction purposes.

Risk Management will exceed their budget due to increased costs for personnel, claims expense, and commercial insurance premium increases related to covering additional properties.

No non-departmental accounts are projected to be overspent.

Second Quarter Revenue Update

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

Reserves

The County's FY17 total ending reserves are estimated to be \$426.9 million, or 8.6 of adjusted governmental revenues. 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 14.

JAH/AE:mcb

Attachments: Second Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 12/31/16

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