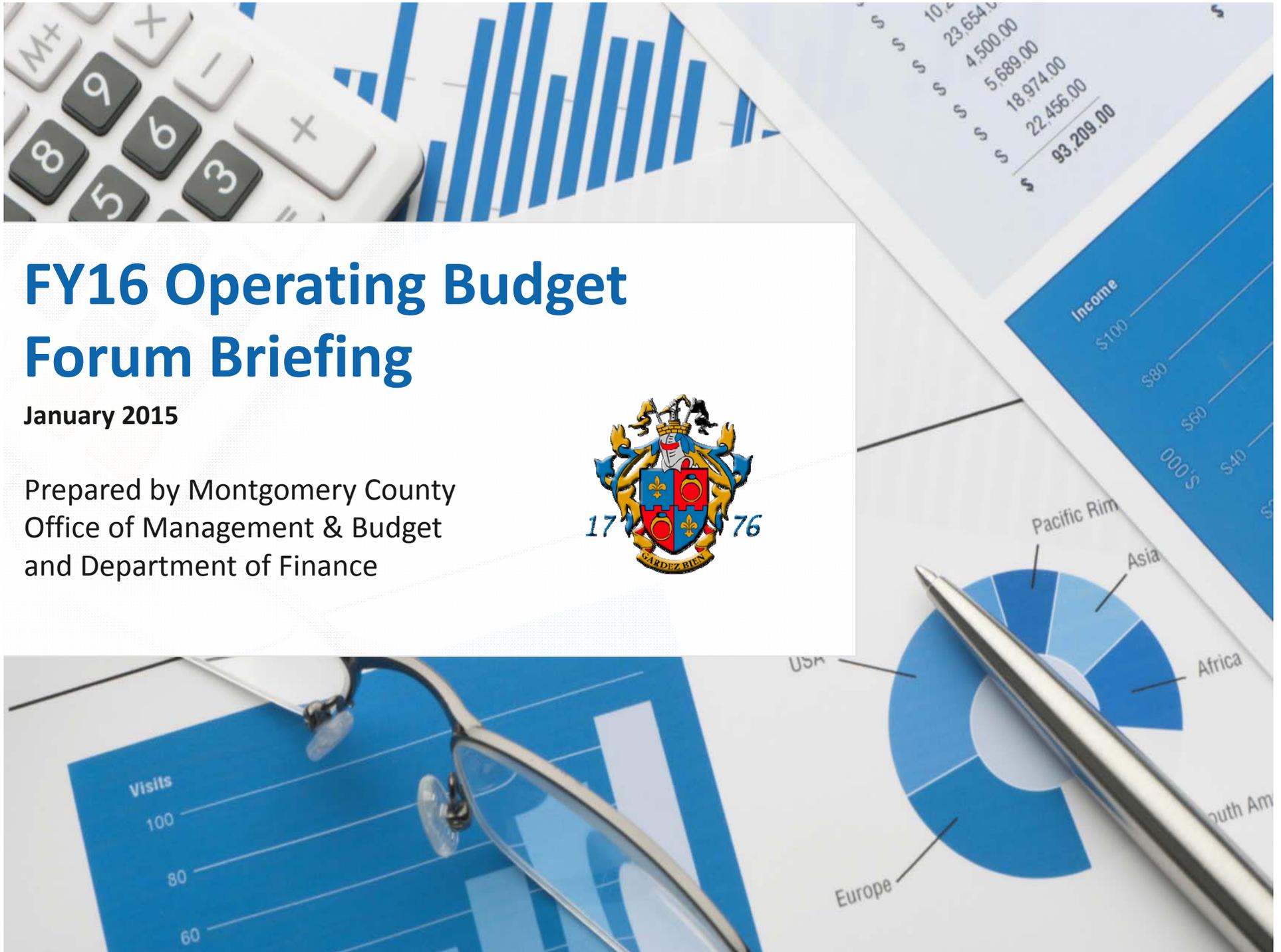


FY16 Operating Budget Forum Briefing

January 2015

Prepared by Montgomery County
Office of Management & Budget
and Department of Finance





County Executive Priorities

- 1 **A Responsive and Accountable County Government**
- 2 **Affordable Housing in an Inclusive Community**
- 3 **An Effective and Efficient Transportation Network**
- 4 **Children Prepared to Live and Learn**
- 5 **Healthy and Sustainable Communities**
- 6 **Safe Streets and Secure Neighborhoods**
- 7 **A Strong and Vibrant Economy**
- 8 **Vital Living for All of Our Residents**





Fiscal Update





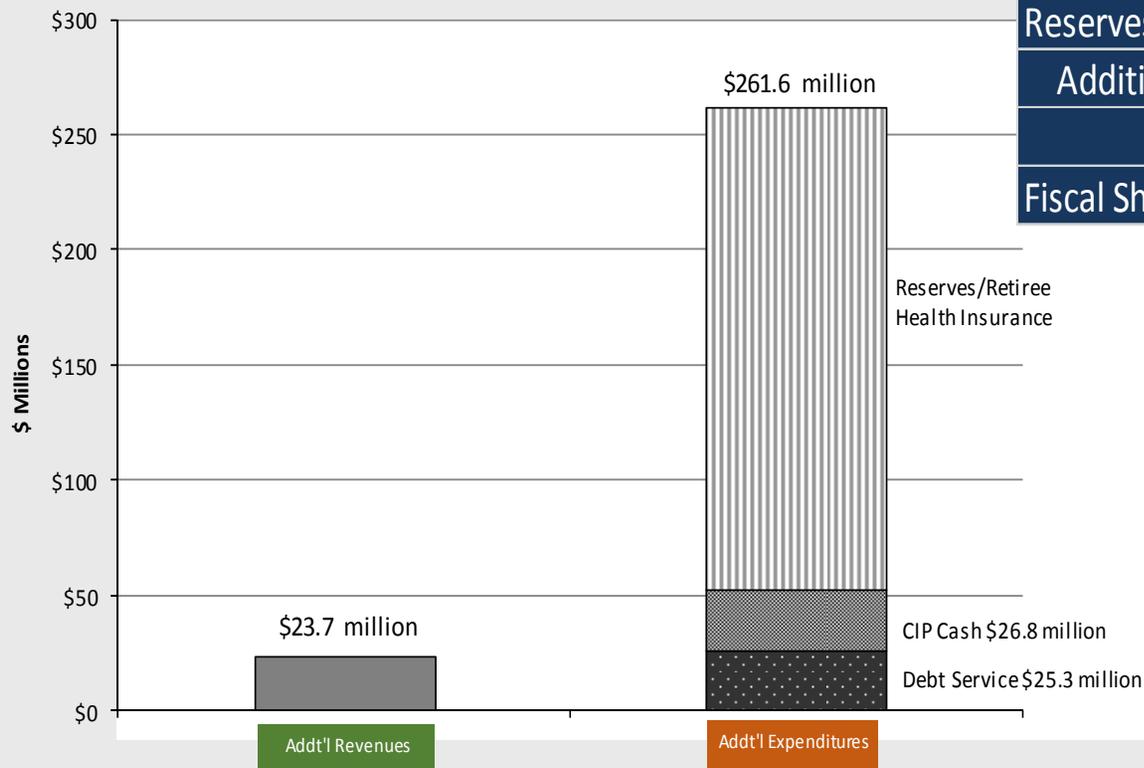
FY15 Tax Supported Expenditures by Function

| Tax Supported Expenditures Only | Appropriation | % of Total | Cum % | FTEs |
|--|-------------------------|-------------------|--------------|-----------------|
| 1. MCPS | \$ 2,138,069,401 | 49.1% | 49.1% | 20,391.9 |
| 2. Public Safety | \$ 595,942,954 | 13.7% | 62.8% | 3,846.8 |
| 3. Debt Service | \$ 338,694,190 | 7.8% | 70.5% | - |
| 4. General Govt. & Other Functions | \$ 298,596,176 | 6.9% | 77.4% | 1,036.6 |
| 5. College | \$ 244,520,455 | 5.6% | 83.0% | 1,785.1 |
| 6. Health and Human Services | \$ 208,197,960 | 4.8% | 87.8% | 1,161.7 |
| 7. Transportation | \$ 166,703,990 | 3.8% | 91.6% | 1,064.7 |
| 8. Retiree Health Insurance | \$ 158,520,930 | 3.6% | 95.2% | - |
| 9. M-NCPPC (Park and Planning) | \$ 119,162,784 | 2.7% | 98.0% | 836.5 |
| 10. Libraries, Culture, & Recreation | \$ 68,539,796 | 1.6% | 99.6% | 793.9 |
| 11. Community Dev. and Housing | \$ 17,691,680 | 0.4% | 100.0% | 73.0 |
| 12. Environment | \$ 1,850,070 | 0.0% | 100.0% | 13.1 |
| | | | | |
| | \$ 4,356,490,386 | | | 31,003.2 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |



FY16 Fiscal Projection

| | <u>\$ millions</u> |
|-----------------------------------|--------------------|
| Additional Revenues | \$23.7 |
| Debt Service | 25.3 |
| Cash for the Capital Budget | 26.8 |
| Reserves/Retiree Health Insurance | <u>209.5</u> |
| Additional Fixed Obligations | \$261.6 |
| Fiscal Shortfall or Gap | -\$237.9 |





FY16 Fiscal Outlook – Continuing Challenges

- ➔ **Federal budget uncertainty – sequestration**
- ➔ **State budget uncertainty – budget reductions, cuts to State Aid**
- ➔ **High structural cost increases – debt service, retiree health, reserves, compensation and benefits**
- ➔ **State-mandated Maintenance-of-Effort spending requirements (MOE) for MCPS and Montgomery College**
- ➔ **Deferred infrastructure maintenance**
- ➔ **Operating impact of new facilities – libraries, schools, college, recreation centers, and fire stations**
- ➔ **Unavoidable cost increases related to energy costs, snow removal, and inflation**



FY16 Fiscal Outlook – County is on the right path to sustainability



Closed \$2.9 billion in budget gaps over the past 8 years



Slowed the rate of growth in expenditures



Successfully implemented plan to increase reserves, on track to reaching 10% goal by 2020



Increased funding for Retiree Health Insurance (OPEB), fully funded annual requirement in FY15

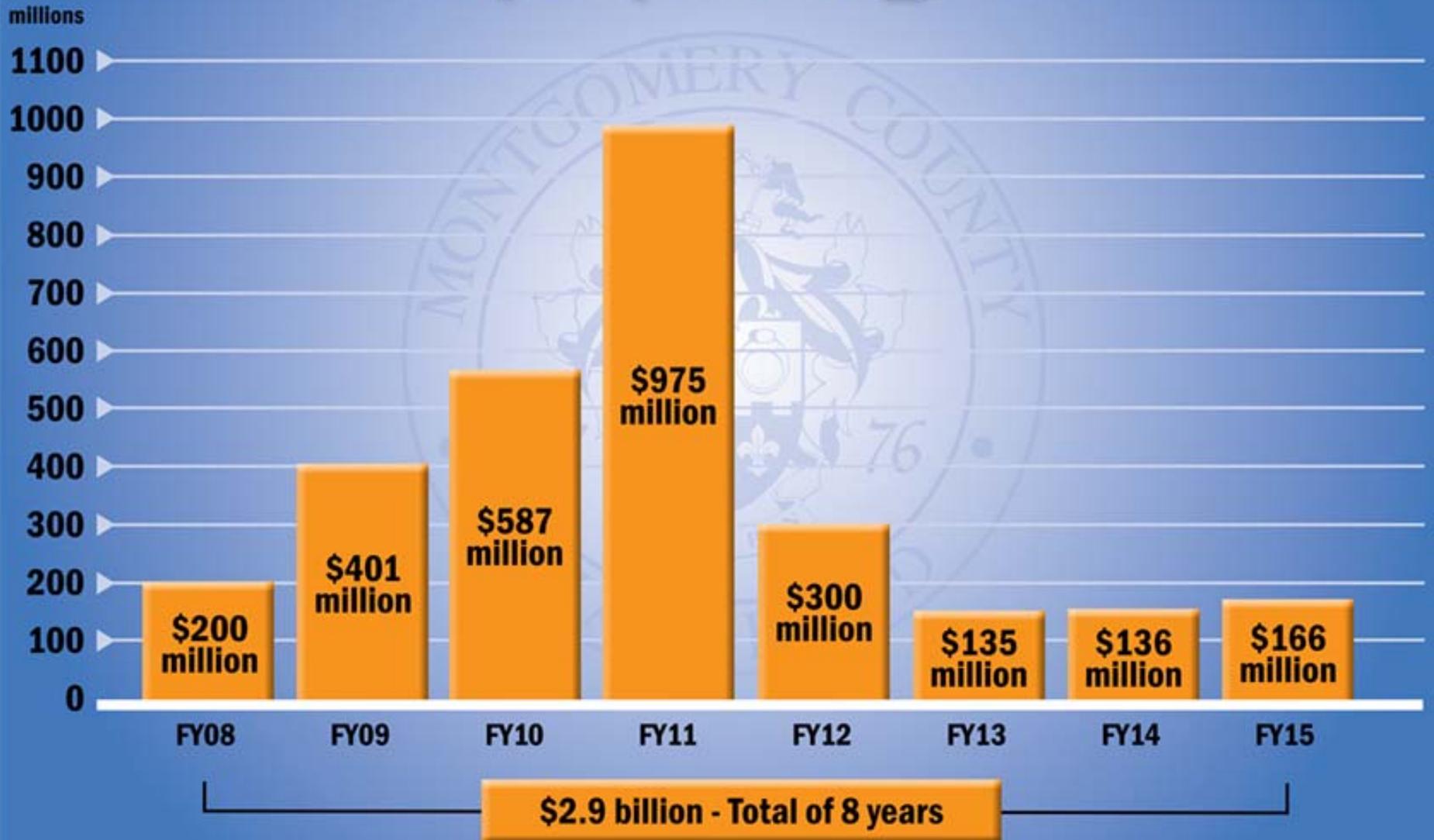


Permanent long-term cost reductions for:

- Employee compensation, group insurance, retiree health insurance, and pensions
- Reduced over 1200 positions in the FY08-12 period

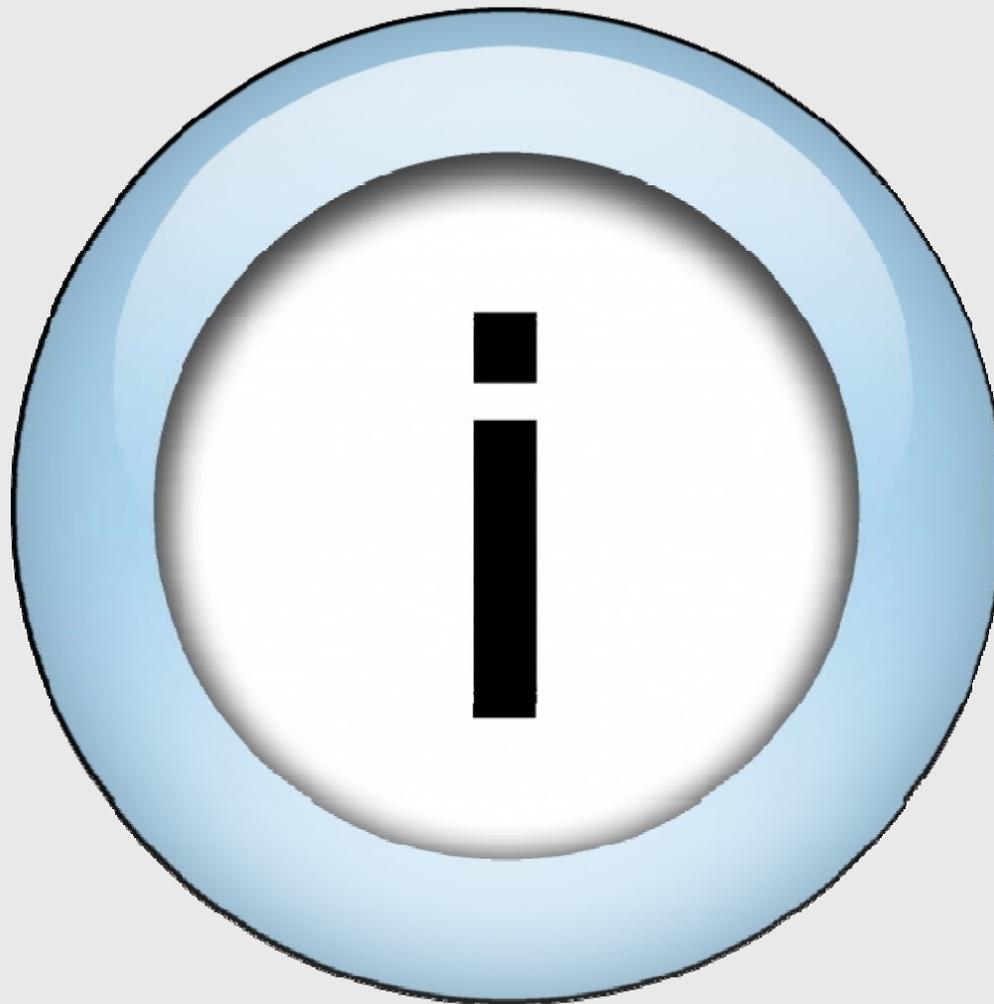
Budget Shortfalls Closed

by County Executive Leggett





Background





Two Budgets

Operating Budget: Services

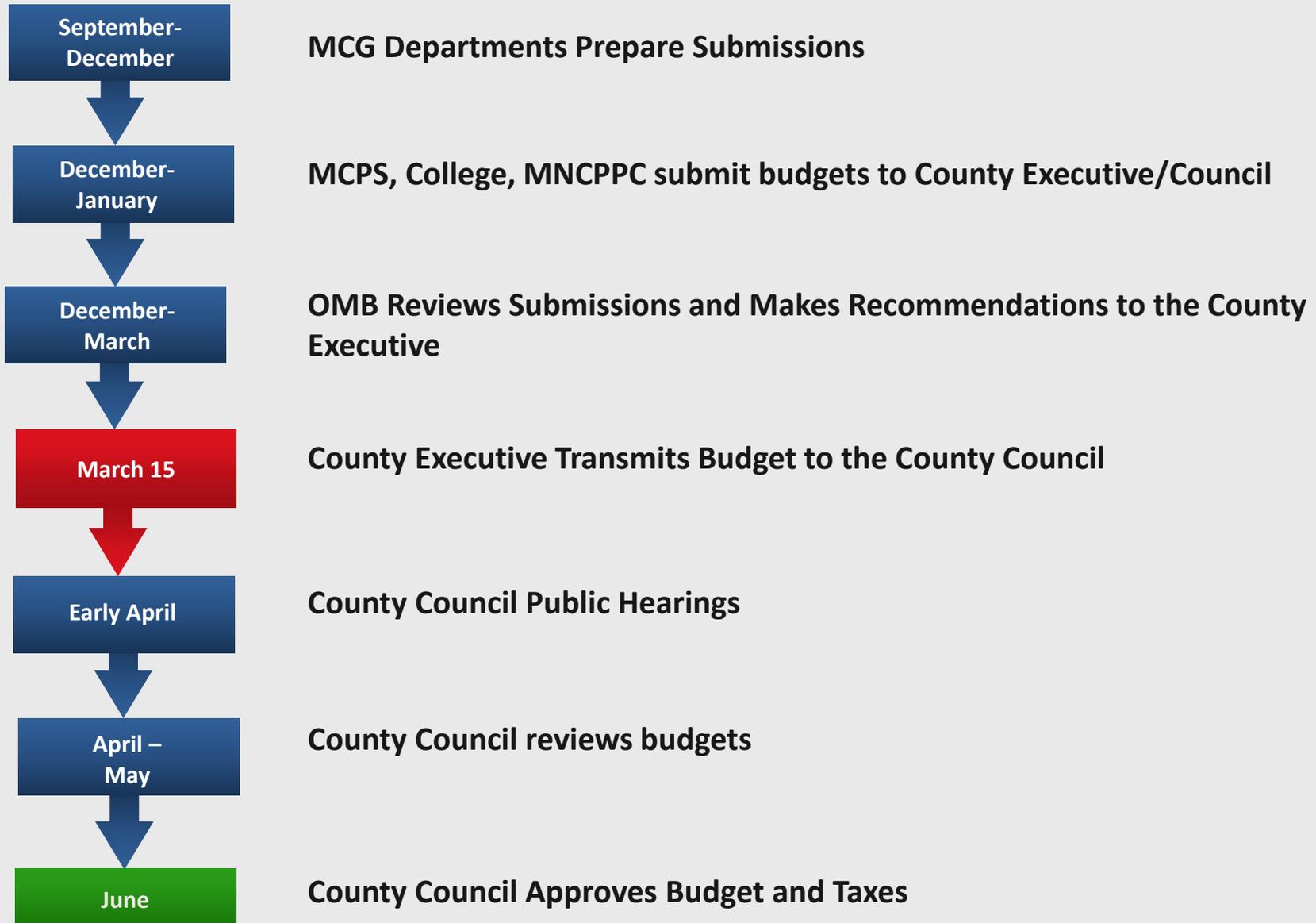
- ✓ K-12 education
- ✓ Community College education
- ✓ Public safety: Police, Fire, Courts, Corrections
- ✓ Transportation: Roads, Traffic, Bus
- ✓ Social Services: Health, Income Maintenance, other
- ✓ Environmental protection
- ✓ Parks, recreation, and libraries
- ✓ Land use planning and regulation
- ✓ Trash collection and disposal
- ✓ Economic development
- ✓ Debt Service

Capital Budget: Facilities

- ✓ Schools, College facilities
- ✓ Roads and bridges
- ✓ Water and sewer facilities
- ✓ Information technology infrastructure
- ✓ Libraries
- ✓ Police and fire stations
- ✓ General government facilities
- ✓ Funded primarily through the issuance of bonds (borrowing)



Operating Budget Process





Operating Budget

County Budget is divided into two parts: Tax Supported and Non-Tax Supported

Tax Supported

- ❌ Excludes grants and services supported by fees and charges (non-tax supported funds)

Non-Tax Supported

- ✅ Funds are self-sustaining and generally not subject to fluctuations in tax receipts

Total Non-Tax Supported Funds:
\$639.2 million

Grants:
\$215.4 million

Self-Supporting funds:
\$423.8 million



County Executive's Fiscal Plan

Resources

- ➔ Net transfers to and from the General Fund
- ➔ Revenues



Uses of Resources

- ✔ Debt service
- ✔ Current revenue to support the Capital Budget
- ✔ Year-end reserves
- ✔ Agency expenditures

Balanced Budget

The budget is balanced when projected resources are equal to projected uses, including funding reserves to the policy level.



FY16-FY21 Fiscal Plan

Selected Fiscal Assumptions: Resources

- ➔ Property tax revenues are projected at the Charter Limit
- ➔ Other tax revenues and user fees are projected at their current rates
- ➔ Level (flat) funding of existing intergovernmental aid formulas, which could change after the Governor releases the State budget
- ➔ Latest revenue estimate: Net **decrease** in anticipated County revenues of \$179.4 million (\$40.8 million in FY15 and \$138.6 million in FY16) compared to estimates assumed at the time the FY15 budget was approved
 - ➔ By law, the greater of 50% of excess revenue or 0.5% of revenues must be allocated to the reserves



FY16-FY21 Fiscal Plan

Selected Fiscal Assumptions: Expenditures

- ➔ Under these assumptions, total agency expenditures must be reduced 6.1% to produce a balanced budget in FY16.
- ➔ Because of State law requiring a certain level of funding for MCPS and Montgomery College, County Government and Park and Planning could sustain reductions of nearly 15%.



County Executive's Six Point Economic Plan

1

Move/Build Program

2

MC Squared

3

Independent Transit Authority

4

Streamlining Developments

5

Ultra Montgomery

6

Montgomery Moving Forward Workforce Coalition





County Executive's Six Point Economic Plan

- ➔ Move/Build Program
 - ➔ A business attraction and retention tool that turns office space and vacant land into tax revenues.
 - ➔ MOVE provides leasing subsidy for new office tenants. BUILD provides tax abatement for class A office building construction.
- ➔ MC Squared
 - ➔ A set of new incubator and accelerator programs that nurture tech entrepreneurship.
 - ➔ Includes a health IT accelerator, a mentoring program and a partnership with DC's 1776 tech incubator.
- ➔ Independent Transit Authority
 - ➔ A new public agency with dedicated attention and resources to oversee all aspects of transit matters in the County and move the planned transit projects forward.



County Executive's Six Point Economic Plan

- ➔ Streamlining Developments
 - ➔ Further streamline development approval through a 30-day building permit turn-around and a new Development Ombudsperson position in the Office of the County Executive to facilitate problem-solving.
- ➔ Ultra Montgomery
 - ➔ Develops ultra fast (100 gigabit) fiber and WiFi networks to connect business, academic, and federal institutions along major corridors and transit-oriented smart-growth communities.
- ➔ Montgomery Moving Forward Workforce Coalition
 - ➔ A lead entity to consolidate and coordinate all workforce programs in the County.
 - ➔ Develop innovative ways to address both community needs and market demands, such as creating additional vocational apprenticeship programs.

For further information visit: <http://montgomerycountymd.gov/exec/6point-econ-plan.html>



Community Participation

- ✔ Letters/emails to the County Executive and Councilmembers
- ✔ Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council
- ✔ Executive Branch sponsored budget forums across the County, where residents and businesses provide input on their priorities
- ✔ County Executive meets with business leaders, directors of non-profit organizations, and other advocacy groups
- ✔ County Charter requires the Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive
- ✔ Public hearings related to budgets, legislation, and regulations are advertised in local press
- ✔ County Council town hall meetings
- ✔ Letters to local press
- ✔ Citizen participation groups (Taxpayers' League, etc.)



Open Budget – Comprehensible. Intuitive. Accessible.

montgomerycountymd.gov/openbudget

- ✔ **Interactive** (*maps, charts, spreadsheets, videos, tutorials...*)
- ✔ **Accessible** (*ADA, mobile, translatable, searchable, archiving, user friendly*)
- ✔ **Sharable** (*data, tables, visualizations*)
- ✔ **Customizable** (*create your own views, charts and graphs*)
- ✔ **Printable** (*but you only need to print the section you need...not the WHOLE book*)

