FY16 Operating Budget Forum Briefing
January 2015

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

<table>
<thead>
<tr>
<th></th>
<th>Priority Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A Responsive and Accountable County Government</td>
</tr>
<tr>
<td>2</td>
<td>Affordable Housing in an Inclusive Community</td>
</tr>
<tr>
<td>3</td>
<td>An Effective and Efficient Transportation Network</td>
</tr>
<tr>
<td>4</td>
<td>Children Prepared to Live and Learn</td>
</tr>
<tr>
<td>5</td>
<td>Healthy and Sustainable Communities</td>
</tr>
<tr>
<td>6</td>
<td>Safe Streets and Secure Neighborhoods</td>
</tr>
<tr>
<td>7</td>
<td>A Strong and Vibrant Economy</td>
</tr>
<tr>
<td>8</td>
<td>Vital Living for All of Our Residents</td>
</tr>
</tbody>
</table>
Fiscal Update
## FY15 Tax Supported Expenditures by Function

<table>
<thead>
<tr>
<th>Tax Supported Expenditures Only</th>
<th>Appropriation</th>
<th>% of Total</th>
<th>Cum %</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. MCPS</td>
<td>$ 2,138,069,401</td>
<td>49.1%</td>
<td>49.1%</td>
<td>20,391.9</td>
</tr>
<tr>
<td>2. Public Safety</td>
<td>$ 595,942,954</td>
<td>13.7%</td>
<td>62.8%</td>
<td>3,846.8</td>
</tr>
<tr>
<td>3. Debt Service</td>
<td>$ 338,694,190</td>
<td>7.8%</td>
<td>70.5%</td>
<td>-</td>
</tr>
<tr>
<td>4. General Govt. &amp; Other Functions</td>
<td>$ 298,596,176</td>
<td>6.9%</td>
<td>77.4%</td>
<td>1,036.6</td>
</tr>
<tr>
<td>5. College</td>
<td>$ 244,520,455</td>
<td>5.6%</td>
<td>83.0%</td>
<td>1,785.1</td>
</tr>
<tr>
<td>6. Health and Human Services</td>
<td>$ 208,197,960</td>
<td>4.8%</td>
<td>87.8%</td>
<td>1,161.7</td>
</tr>
<tr>
<td>7. Transportation</td>
<td>$ 166,703,990</td>
<td>3.8%</td>
<td>91.6%</td>
<td>1,064.7</td>
</tr>
<tr>
<td>8. Retiree Health Insurance</td>
<td>$ 158,520,930</td>
<td>3.6%</td>
<td>95.2%</td>
<td>-</td>
</tr>
<tr>
<td>9. M-NCPPC (Park and Planning)</td>
<td>$ 119,162,784</td>
<td>2.7%</td>
<td>98.0%</td>
<td>836.5</td>
</tr>
<tr>
<td>10. Libraries, Culture, &amp; Recreation</td>
<td>$ 68,539,796</td>
<td>1.6%</td>
<td>99.6%</td>
<td>793.9</td>
</tr>
<tr>
<td>11. Community Dev. and Housing</td>
<td>$ 17,691,680</td>
<td>0.4%</td>
<td>100.0%</td>
<td>73.0</td>
</tr>
<tr>
<td>12. Environment</td>
<td>$ 1,850,070</td>
<td>0.0%</td>
<td>100.0%</td>
<td>13.1</td>
</tr>
<tr>
<td></td>
<td><strong>$ 4,356,490,386</strong></td>
<td></td>
<td></td>
<td><strong>31,003.2</strong></td>
</tr>
</tbody>
</table>
Office of Management and Budget: FY16 Operating Budget Forum Briefing

FY16 Fiscal Projection

<table>
<thead>
<tr>
<th>Category</th>
<th>$ millions</th>
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<tbody>
<tr>
<td>Additional Revenues</td>
<td>$23.7</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$25.3</td>
</tr>
<tr>
<td>Cash for the Capital Budget</td>
<td>$26.8</td>
</tr>
<tr>
<td>Reserves/Retiree Health Insurance</td>
<td>$209.5</td>
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<tr>
<td>Additional Fixed Obligations</td>
<td>$261.6</td>
</tr>
<tr>
<td>Fiscal Shortfall or Gap</td>
<td>$-237.9</td>
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- Additional Revenues: $23.7 million
- Debt Service: $25.3 million
- Cash for the Capital Budget: $26.8 million
- Reserves/Retiree Health Insurance: $209.5 million
- Additional Fixed Obligations: $261.6 million
- Fiscal Shortfall or Gap: $-237.9 million
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
# 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)
MCG Departments Prepare Submissions

MCPS, College, MNCPPC submit budgets to County Executive/Council

OMB Reviews Submissions and Makes Recommendations to the County Executive

County Executive Transmits Budget to the County Council

County Council Public Hearings

County Council reviews budgets

County Council Approves Budget and Taxes
### Operating Budget

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

<table>
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<tr>
<th>Tax Supported</th>
<th>Non-Tax Supported</th>
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<tbody>
<tr>
<td>Excludes grants and services supported by fees and charges (non-tax supported funds)</td>
<td>Funds are self-sustaining and generally not subject to fluctuations in tax receipts</td>
</tr>
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</table>

**Total Non-Tax Supported Funds:**

- **Grants:** $215.4 million
- **Self-Supporting funds:** $423.8 million

**Total Non-Tax Supported Funds:** $639.2 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.
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
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%.
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.

- 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)

montgomerycountymd.gov/openbudget