

M E M O R A N D U M

April 24, 2023

TO: Government Operations and Fiscal Policy (GO) Committee

FROM: Craig Howard, Deputy Director

SUBJECT: **FY24 Operating Budget**

- **Leases NDA (including FY23 Supplemental Appropriation)**
- **Future Federal/State/Other Grants NDA**
- **Grants to Municipalities in Lieu of Shares Tax NDA**
- **State Property Tax Services NDA**
- **Payments to Municipalities NDA**

PURPOSE: Review and make recommendation to the Council

Expected Attendees:

- Greg Ossont, Department of General Services
- Rachel Silberman, Office of Management and Budget
- Chris Mullin, Office of Management and Budget
- Abud Rauf, Office of Management and Budget
- Mike Coveyou, Department of Finance
- Jed Millard, Department of Finance

Summary of Staff Recommendations

- Approve the following FY24 NDAs as submitted by the Executive: Leases; Future Federal/State/Other Grants; Grants to Municipalities in Lieu of Shares Tax; State Property Tax Services; and Payments to Municipalities.
- FY24 increases in the Leases NDA and Payment to Municipalities NDA are required by law or contract and therefore are not required to be placed on the reconciliation list.
- Approve an FY23 Supplemental Appropriation to the Leases NDA of \$2,459,509 as recommended by the County Executive.

A. Leases NDA (©1)

1. FY24 Budget

The Department of General Services, Office of Real Estate is responsible for the County's leasing program. See the County's leases for FY24 on ©3-6. **The Executive's recommended FY24 appropriation for the Leases NDA is \$18,056,606, an increase of \$2,385,272 or 15.2% from the FY23 approved appropriation.** Table 1 below details the recommended FY24 changes to this NDA.

Table 1. Summary of Changes for Leases NDA

Leases	Expenditures	FTEs
<i>FY23 Approved</i>	<i>\$15,671,334</i>	<i>0.0</i>
Increase Cost: Net Chargebacks of Facility Leases	\$1,195,569	0.0
Increase Cost: Net Change in Lease Costs	\$1,081,583	0.0
Increase Cost: New Leases	\$108,120	0.0
<i>FY24 Recommended</i>	<i>\$18,056,606</i>	<i>0.0</i>

Overall, the County's total leased footprint has decreased in recent years due mostly to the transition of several offices to County-owned or County Agency-owned facilities. Since FY21, this appropriation has decreased by around \$3.8 million or 17%.

The recommended FY24 appropriation is increasing due to corrected chargebacks for the Wheaton garage (\$1.2 million) and built-in fixed or CPI-based increases to leases (\$1.1 million). Increased costs related to lease chargebacks for the Wheaton building are also impacting the FY23 budget as discussed in the next section below.

Council staff concurs with the Executive's recommendation for this NDA in FY24.

2. FY23 Supplemental Appropriation (©7)

On March 15, 2023, in conjunction with his FY24 recommended operating budget, the County Executive transmitted an FY23 Supplemental Appropriation for \$2,459,509 in the Leases NDA to reflect projected expenditures that are higher than budgeted. This increase is needed due to higher than anticipated costs for maintenance due to inflation and to reconcile appropriation with anticipated lease chargebacks for the Wheaton Headquarters Building.

Fiscal Impact. The Executive's FY24 recommended operating budget projects FY23 year-end general fund reserves of 14.0%. This projection already assumes the additional \$2.459 million in FY23 general fund expenditures in the Leases DNA. As a result, approving this supplementals will not impact the Executive's projected FY23 or FY24 year-end fund balance.

Racial Equity Impact Assessment. The Office of Racial Equity and Social Justice (ORESJ) finds that the Supplemental Appropriation to add \$2,459,509 to the Leases NDA in FY23 neither advances nor impedes racial equity and social justice in the County as the increased funds cover inflationary costs increases for maintenance in County leased space and costs related to County services moving into leased space in Wheaton (©10).

Council staff recommends approval of the FY23 supplemental appropriation for the Leases NDA.

B. Future Federal/State/Other Grants NDA (©13)

The Executive's recommended FY24 appropriation for this NDA is \$20.0 million and is the same amount as previous fiscal years. This NDA permits the County to receive and spend funds from grants without requesting a supplemental appropriation. **This entire appropriation is non-tax supported and may only be spent if grants are received.** If the County receives more than \$20.0 million in unexpected grants in FY24, the Council will need to approve a supplemental appropriation.

Council staff concurs with the Executive's recommendation for this NDA.

C. Grants to Municipalities in Lieu of Shares Tax (©12)

This NDA funds payments required by State law. The Maryland Code, Local Government Article §16-112 requires each County to pay an amount equal to shares tax each municipality received in FY68. The Executive's FY24 recommendation is \$28,020, same as previous fiscal years.

Council staff concurs with the Executive's recommendation for this NDA.

D. State Property Tax Services (©14)

This NDA reimburses the State for three programs that support the property tax billing administration conducted by the Department of Finance: the Montgomery County Homeowners Credit Supplement, the Homestead Credit Certification Program, and the County's share of the cost of conducting property tax assessments by the State Department of Assessments and Taxation (SDAT). The NDA also funds the County Renters; Property Tax Relief Supplement (Bill 21-15) enacted in 2016 and administered by Finance.

Council staff concurs with the Executive's recommendation for this NDA.

E. Payments to Municipalities (©15)

This NDA is authorized by §30A of the County Code and provides a reimbursement to municipalities to offset instances of property tax duplication. **Property tax duplication occurs when the County and municipality both levy a property tax on a municipal taxpayer to fund a service, but only the municipality provides that service.** Most of the County's property tax revenue from municipal taxpayers funds services that the municipality does not provide, such as public schools. The small portion of property tax revenue collected by the County that funds services solely provided by the municipality is the tax duplicated portion.

Maryland counties have chosen three different methods to rectify property tax duplication: provide a tax rate differential for municipal taxpayers, provide a rebate to municipalities, or provide either and let each municipality choose its preferred method. **A tax rate differential is the purest solution to resolve tax duplication because it reduces a municipal taxpayer's County property tax rate by the portion of the County's rate for those duplicated services.** This method reduces the County's revenue from municipal taxpayers, therefore eliminating any property tax duplication. The rebate method provides a grant to each municipality as pro rata amount of the County's tax supported revenue for any duplicated

services. The rebate method does not provide any direct relief to municipal taxpayers, but it provides greater flexibility to the municipalities in the use of the funds.

The County amended the law concerning the formulas for these payments in 2022. The outcome of these amendments was:

- The reimbursement formulas no longer consider property tax solely when calculating reimbursements; all revenues are included in the calculation.
- The law now includes provisions to address payments related to police forces in certain municipalities.
- The Takoma Park Police Rebate law was also amended due to the other amendment noted above, eliminating the need for the County Takoma Park Police Rebate NDA.

The Executive's recommended FY24 appropriation for this NDA is \$18,894,482, an increase of \$1,624,792 or 9.4% from the FY23 approved appropriation. The recommended appropriation is consistent with the changes to County law, which provide for a phased-in implementation of the new formula calculation for FY24 (90%) and FY25 (100%). See ©16 for a breakdown of the FY24 expenditures by municipality. This NDA also includes \$129,344 in expenditures for the municipalities spend camera allocation that is not detailed in the referenced table.

Council staff concurs with the Executive's recommendation for this NDA.

☼ Interagency Technology, Policy, and Coordination Commission

This NDA supports the operation of the Interagency Technology Policy and Coordination Committee (ITPCC). The ITPCC was chartered by the Montgomery County Council to promote strategic planning and coordination in the use of information technology across County agencies. The ITPCC reports biannually to the County Council. By regularly convening the agencies' chief executive and chief information officers, the ITPCC provides an effective forum for the coordinated implementation of technology policies and guidelines. Additionally, the ITPCC facilitates interagency communication, the evaluation and sharing of new technologies, and advises policy makers on the strategic uses of technology.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	3,000	0.00
FY24 Recommended	3,000	0.00

☼ KID Museum

KID Museum is a Montgomery County-based non-profit organization that provides experiential Science, Technology, Engineering, and Mathematics (STEM), and cultural learning for children and families in the region. In close collaboration with Montgomery County Public Schools (MCPS) and local youth development organizations, KID Museum has developed an innovative and highly effective array of educational programs to support youth of diverse backgrounds to gain critical academic and social-emotional skills, with a focus on STEM, multiculturalism, and the future of work. KID Museum's team of professional educators deliver programs directly to youth, and supports classroom teachers with curriculum and professional development to bring innovative approaches to teaching and learning into the classroom and out-of-school time settings.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	1,596,000	0.00
Shift: Community Grants Moved From the Community Grants Non-Departmental Account to the KID Museum Non-Departmental Account	216,918	0.00
Increase Cost: Three Percent Inflationary Adjustment to Non-Profit Service Provider Contracts	47,880	0.00
FY24 Recommended	1,860,798	0.00

☼ Labor Management Relations Committee

The Labor Management Relations Committee (LMRC) was established to foster cooperative labor relations between the County and employees in the Municipal and County Government Employees Organization (MCGEO) union. The committee attempts to resolve matters that affect bargaining unit employees, both County-wide and department-specific. This NDA provides funds to implement the recommendations of the LMRC.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	100,000	0.00
Decrease Cost: Funding Adjustment Due to Sufficient Rollover of Funds from FY23	(100,000)	0.00
FY24 Recommended	0	0.00

☼ Leases

This NDA provides the funds necessary to lease privately owned real estate to accommodate County programs. Real property

leased by the County includes office, warehouse, and retail space; childcare space in schools; parking spaces; and space for communication antennas. Leasing property allows the County the flexibility to locate programs in the communities they serve and provides space for programs to operate when there is no County-owned space available. Further, it is an economical way to procure highly specialized, location-sensitive, and/or temporary space. For FY24, approximately 73 leased facilities are budgeted. The inventory of leases is constantly shifting as new leases are added and existing leases are terminated.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	15,671,334	0.00
Increase Cost: Net Chargebacks of Facility Leases	1,195,569	0.00
Increase Cost: Net Change in Lease Costs	1,081,583	0.00
Increase Cost: New Leases	108,120	0.00
FY24 Recommended	18,056,606	0.00

Legislative Branch Communications Outreach

This NDA provides funds to strengthen the capacity of five Legislative Branch offices (the Council Office, the Office of Legislative Oversight, the Board of Appeals, the Office of Zoning and Administrative Hearings, and the Office of the Inspector General) to inform constituent communities of issues that directly affect them and to ensure that these communities' concerns are effectively taken into account. Communications efforts supported by this NDA include expanded outreach in Spanish and other languages, greater use of web and social media resources, Open Government initiatives, and improved management of constituent requests.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	2,142,152	13.00
Add: New Position to Serve as Liaison to the Asian American and Pacific Islander Community	82,703	1.00
Increase Cost: FY24 Compensation Adjustment	45,862	0.00
Enhance: Translation Services and Culturally Competent Advertising	40,000	0.00
Increase Cost: Annualization of FY23 Compensation Increases	12	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	194,028	0.00
FY24 Recommended	2,504,757	14.00

Metro Washington Council of Governments

The Metropolitan Washington Council of Governments (COG) is a voluntary association of major local governments in the Washington Metropolitan Area. COG seeks to provide regional answers to, and coordination of, area-wide issues such as air and water pollution, day care, housing, crime, water supply, land use, and transportation. This NDA reflects Montgomery County's share of the organization's operation plus special COG initiatives. Additionally, the contribution supports the Cooperative Purchasing Program and the Regional Environmental Fund. As in previous years, the Washington Suburban Sanitary Commission will provide Montgomery County's contribution to support the Water Resources Management Planning Program and the Blue Plains Users Program.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	1,684,519	0.00
Increase Cost: Increase Membership Dues	273,014	0.00

Location/Occupant	Use	FY24 Proj. Rent	FY24 Proj. Maint.	FY24 Proj. Total	New Comments
Metropolitan CAM Charges	BCC Center Office/Day care	113,215.08	-	113,215.08	
51 Monroe Street, 6th Floor (moved from 8th	Inspector General	168,562.28	-	168,562.28	moved from 8th FL 51 Monroe
18410 Muncaster Road	Ag History Farm/Coop Extension	182,552.25	-	182,552.25	
Core Pkg - 255 Rock Pk & E.Middle Ln.	85 spaces	108,180.00	-	108,180.00	
8516 Anniversary Circle	Warehouse	153,617.29	66,240.00	219,857.29	
8536 Anniversary Circle	Records Center	230,425.42	119,600.00	350,025.42	Chargeback
Page Elementary	Integrated Childcare	22,252.38	-	22,252.38	
11711 Joseph Mill Road	Viers Mill Childcare	40,989.99	-	40,989.99	
12260 McDonald Chapel Dr.	Thurgood Marshall Childcare	50,604.93	-	50,604.93	
Glen Haven Elementary	Integrated Childcare	32,635.41	-	32,635.41	
Sargent Shriver (Conn. Pk) ES	Integrated Childcare	25,037.24	-	25,037.24	
1820 Franwall Ave. - Arcola ES	Integrated Childcare	23,886.16	-	23,886.16	
12612 Galway Dr. - Galway ES	Integrated Childcare	22,185.54	-	22,185.54	
7511 Holly Ave - Takoma Park ES	Integrated Childcare	20,885.94	-	20,885.94	
Weller Road ES	Integrated Childcare	25,435.08	-	25,435.08	
13801 Rippling Brook -Bel Pre ES	Integrated Childcare	22,544.13	-	22,544.13	
Brown Station ES	Integrated Childcare	21,324.09	-	21,324.09	
Wheaton Woods Child Care	Integrated Childcare	19,108.93	-	19,108.93	
8630 Fenton St	Health Center	546,920.59	-	546,920.59	
7300 Calhoun Drive	Juvenile Assmt. Ctr.	1,178,623.05	-	1,178,623.05	
Enclave - Lockwood Dr	DTS Antenna	45,471.23	-	45,471.23	Chargebacks
NRC Bldg - White Flint	DTS Antenna	75,501.09	-	75,501.09	
Kenwood CC, River Road	DTS Antenna	20,000.00	-	20,000.00	
21200 Martinsburg Rd - Mirant	DTS Antenna	89,433.87	-	89,433.87	
Riverbend Antenna - Fairfax	DTS Antenna	3,612.36	-	3,612.36	
5202 River Rd, Bethesda - Crown Castle	DTS Antenna	54,158.95	-	54,158.95	Chargebacks
15700 River Rd, Bethesda - Bretton Woods, I	DTS Antenna	28,837.38	-	28,837.38	Chargebacks
14000 Castle Blvd., SS - Waterford Tower	DTS Antenna	33,703.73	-	33,703.73	
18500 Elmer School Rd, Dickerson	DTS Antenna	26,864.11	-	26,864.11	
111 University Blvd, E., SS - SSVFD FS16	DTS Antenna	44,035.84	-	44,035.84	Chargebacks
9404 Falls Rd, Potomac - FS30 - Cabin John	DTS Antenna	27,552.63	-	27,552.63	
10101 Grosvenor Ln, Bethesda	DTS Antenna	52,221.74	-	52,221.74	
17410 Black Rock Rd	DTS Antenna	26,357.00	-	26,357.00	Chargebacks

Location/Occupant	Use	FY24 Proj. Rent	FY24 Proj. Maint.	FY24 Proj. Total	New Comments
4301 Brookville Road	DTS Antenna	29,064.42	-	29,064.42	Chargebacks
19627 Fisher Ave.	Poolesville Library	222,906.04	32,200.00	255,106.04	
455 E. Gude Drive	DSWS Storage	8,081.81	-	8,081.81	Chargeback
47 State Circle, Annapolis	Legislative Affairs	77,651.69	-	77,651.69	
701-C Dover Road	MCFRS Warehouse	735,131.56	153,874.60	889,006.16	
22610 Gateway Center	Clarksburg Interim FS	22,563.11	6,419.38	28,982.49	
2-1 & 2-4 Metropolitan Court	Libraries Materials Mngmnt	218,399.00	91,080.00	309,479.00	
7-1 Metropolitan Ct	Mercy Clinic	246,581.00	33,120.00	279,701.00	
8434 Helgerman	Public Safety	51,799.50	13,606.80	65,406.30	
14935 Southlawn	Public Safety	2,103,815.62	538,200.00	2,642,015.62	
4901-43 Nicholson Ct	Transit Small Buses	1,793,700.12	-	1,793,700.12	Chargeback to Transit
23201 Stringtown Road	Clarksburg Cottage	13,481.92	6,210.00	19,691.92	
600 E. Jefferson St 1	Family Justice Center +Pkng	858,619.36	-	858,619.36	
600 E. Jefferson St 2	Family Justice Center Expansion	171,401.77	-	171,401.77	
18753 N. Frederick Ave. 1	Board of Elections	1,044,343.31	249,274.00	1,293,617.31	
18753 N. Frederick Ave. 2	Board of Elections Expansion	174,746.25	63,677.80	238,424.05	
45 W. Watkins Mill Road	Interim 6th District Police Station	663,149.49	87,050.40	750,199.89	
451 Hungerford, Suite 700	Risk Management	136,196.22	-	136,196.22	Chargeback
7676 New Hampshire Ave	HHS - Youth Opportunity Center	46,535.84	-	46,535.84	Chargeback
Rockville Town Center Garage	Library parking	100,000.00	-	100,000.00	Chargeback
199 E. Montgomery	Sheriff	109,961.25	-	109,961.25	
2301 Research Blvd, 2nd FL	Stress Management Unit	59,000.00	-	59,000.00	
5320 Marinelli	HHS Shelter	261,093.80	38,465.20	299,559.00	
Rockville Town Center Garage	HHS Parking	28,644.30	-	28,644.30	Chargeback
1401 Rockville Pike	CRC/MC311/HHS/DHCA/AAHP	3,145,512.13	-	3,145,512.13	
11002 Veirs Mill Rd 7th FL Wheaton Westvie	Proyecto Salud & Adult Behav Heal	430,275.06	-	430,275.06	
11002 Veirs Mill Rd. 5th Fl Wheaton Westvie	Gilchrist Center	187,759.30	-	187,759.30	
9615 Dewitt Ave	Carroll House	29,214.38	59,340.00	88,554.38	
Germantown- Century	DGS Admin	478,636.88	-	478,636.88	
2 Taft Court	HHS Shelter	258,454.34	-	258,454.34	
7730 Woodmont Ave, Bethesda	Bethesda Cares	-	2,000.00	2,000.00	
11425 Grandview Ave.	Wheaton Day Laborers	110,772.81	16,077.00	126,849.81	
8900 Georgia Ave - SSUMC	HHS Prkng for 8818 Georgia	43,200.00	-	43,200.00	Chargeback to HHS

Location/Occupant	Use	FY24 Proj. Rent	FY24 Proj. Maint.	FY24 Proj. Total	New Comments
17811 Georgia Ave, Olney	MCPD Substation 517sf	10,000.00	-	10,000.00	
Wheaton Lease Payment to MNCPPC		1,649,916.45	-	1,649,916.45	Chargeback;
WMATA Fleet Parking Payment in Wheaton		389,435.17	-	389,435.17	Chargeback;
8528 Anniversary Circle	COVID Warehouse	75,000.00	33,120.00	108,120.00	
701 Dover Road	Additional 16,000 SF	225,000.00	74,198.00	299,198.00	
2301 Research Blvd Suite 1st FL	Consolidate Operations into 3,332 l	30,000.00	15,824.00	45,824.00	
1500 E. Gude Dr.	OAS	318,370.00	98,440.00	416,810.00	
600 E Jefferson, Suite 440	FJC Expansion	68,191.00	9,563.40	77,754.40	
8703 Flower Ave., Takoma Park	TESS Center	7,249.31	10,580.00	17,829.31	
Subtotal		20,170,589.93	1,818,160.58	21,988,750.51	
New Leases Added FY24:					
8512 Anniversary Circle	PPE Warehouse Exp.	75,000.00	33,120.00	108,120.00	New Lease
Subtotal New Leases in FY24		75,000.00	33,120.00	108,120.00	
Other Leasing Cost:					
Contractor for Property Database		55,000.00		55,000.00	
Closed School Revenue Sharing		100,400.00		100,400.00	
Moving & buildout expenses		100,000.00		100,000.00	
Subtotal Other Leasing costs		255,400.00	-	255,400.00	
Total Gross Leases Budget		20,500,989.93	1,851,280.58	22,352,270.51	
LESS CHARGEBACKS:					
Location/Occupant	Use				New Comments
Wheaton Office Building	DPS - 65,814 sf	613,381.84		613,381.84	Chargeback;
Wheaton Office Building	DEP - WQPF - 29,139	271,573.43		271,573.43	Chargeback;
Wheaton Office Building	CUPF - 10,108	94,205.85		94,205.85	Chargeback;
Wheaton Office Building	Recreation - 22,463	209,353.58		209,353.58	Chargeback;
Wheaton Office Building	Solid Waste - 16,390	152,753.65		152,753.65	Chargeback;
WMATA Wheaton Metro Garage	Permitting Services	190,095.16		190,095.16	Chargeback;
WMATA Wheaton Metro Garage	DEP - WQPF	125,567.45		125,567.45	Chargeback;
WMATA Wheaton Metro Garage	CUPF	1,743.99		1,743.99	Chargeback;
WMATA Wheaton Metro Garage	Recreation	17,439.92		17,439.92	Chargeback;
455 E. Gude Drive	DSWS Storage	8,081.81		8,081.81	Chargeback
2301 Research Blvd, 2nd FL	Stress Management	59,000.00		59,000.00	Chargeback
8536 Anniversary Circle	DGS Ops Records Center	230,425.42	-	230,425.42	Chargeback

Location/Occupant	Use	FY24 Proj. Rent	FY24 Proj. Maint.	FY24 Proj. Total	New Comments
4901-43 Nicholson Ct	Transit Small Buses	1,793,700.12		1,793,700.12	Chargeback to Transit
7676 New Hampshire Ave	HHS - Youth Opportunity Center	46,535.84		46,535.84	Chargeback
Rockville Town Center Garage	Library parking	100,000.00		100,000.00	Chargeback
Rockville Town Center Garage	HHS Parking	28,644.30		28,644.30	Chargeback
451 Hungerford, Suite 700	Risk Management	136,196.22		136,196.22	Chargeback
8900 Georgia Ave - SSUMC	HHS Prkng for 8818 Georgia	43,200.00		43,200.00	Chargeback to HHS
15700 River Rd, Bethesda - Bretton Woods, I	DTS Antenna	28,837.38		28,837.38	Chargebacks
4301 Brookville Road	DTS Antenna	29,064.42		29,064.42	Chargebacks
17410 Black Rock Rd	DTS Antenna	26,357.00		26,357.00	Chargebacks
Enclave - Lockwood Dr	DTS Antenna	45,471.23		45,471.23	Chargebacks
111 University Blvd, E., SS - SSVFD FS16	DTS Antenna	44,035.84		44,035.84	Chargebacks
Subtotal Chargebacks		4,295,664.45	-	4,295,664.45	
TOTAL NET LEASES BUDGET		16,205,325.48	1,851,280.58	18,056,606.06	



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

M E M O R A N D U M

March 15, 2023

TO: Evan Glass, President
Montgomery County Council

FROM: Marc Elrich, County Executive *Marc Elrich*

SUBJECT: Supplemental Appropriation #23-90 to the FY23 Operating Budget
Montgomery County Government
Leases Non-Departmental Account (NDA)
\$2,459,509 (Source of Funds: General Fund Undesignated Reserve)

I am recommending a supplemental appropriation to the FY23 Operating Budget of the Leases Non-Departmental Account in the amount of \$2,459,509. This appropriation will fund costs to lease privately owned real estate to accommodate County programs.

This increase is needed due to higher than anticipated costs for maintenance due to inflation and to reconcile appropriation with anticipated lease chargebacks for the Wheaton Headquarters Building.

I recommend that the County Council approve this supplemental appropriation in the amount of \$2,459,509 and specify the source of funds as General Fund Undesignated Reserve. This supplemental will reduce County General Fund Undesignated Reserves by \$2,459,509 and is consistent with the fund balance policy for tax supported reserves. These funds were assumed in my March transmittal of the FY24 budget.

I appreciate your prompt consideration of this action.

ME:rs

Enclosure: Supplemental Appropriation #23-90

cc: Jennifer R. Bryant, Director, Office of Management and Budget
David Dise, Director, Department of General Services

Resolution: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #23-90 to the FY23 Operating Budget
Montgomery County Government
Leases Non-Departmental Account
\$2,459,509 (Source of Funds: General Fund Undesignated Reserve)

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of six Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of seven Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
2. The County Executive has requested the following FY23 Operating Budget appropriation increases for the Leases Non-Departmental Account:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$2,459,509	\$2,459,509	General Fund Undesignated Reserve

3. This increase is needed due to higher than anticipated costs for maintenance due to inflation and to reconcile appropriation with anticipated lease chargebacks for the Wheaton Headquarters Building.
4. The County Executive recommends a supplemental appropriation to the FY23 Operating Budget in the amount of \$2,459,509 for the Leases Non-Departmental Account and specifies that the source of funds will be General Fund Undesignated Reserve.
5. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the FY23 Operating Budget of the Leases Non-Departmental Account is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$2,459,509	\$2,459,509	General Funds Undesignated Reserve

This is a correct copy of Council action.

Judy Rupp
Clerk of the Council



OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE


Marc Elrich
County Executive

Tiffany Ward
Director and Chief Equity Officer

MEMORANDUM

April 11, 2023

To: Jennifer Bryant, Director
Office of Management and Budget

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice 

Re: Racial Equity Impact Assessment (REIA) Supplemental Appropriation (SA) #23-90
FY23 Operating Budget -Leases Non-Departmental Account

- I. **FINDING:** The Office of Racial Equity and Social Justice (ORESJ) finds that Supplemental Appropriation #23-90 to add \$2,459,509 to the Leases Non-Departmental Account (NDA) FY23 operating budget neither advances nor impedes racial equity and social justice in the County as the increased funds cover inflationary costs increases for maintenance in County leased space and costs related to County services moving into leased space in Wheaton.
- II. **BACKGROUND:** The Leases NDA provides the funds necessary to lease privately owned real estate to accommodate County programs. Leasing property provides the County with opportunities to locate programs in the communities they serve and provides space for programs to operate when there is no County-owned space available. The purpose of SA #23-90 is to increase the appropriation in the Leases NDA to fund inflationary increases caused by higher than anticipated maintenance costs and to reconcile anticipated lease chargebacks for the Wheaton Headquarters building.

Numerous government offices operate out of space in the Wheaton Headquarters building, including the Montgomery County Planning and Parks Departments. Additionally, the County leases space in the building to house several County departments, including: Montgomery County Department of Permitting Services; Montgomery County Department of Environmental Protection; Mid-County Regional Services Center –

Wheaton Urban District; Community Use of Public Facilities; Montgomery County Health and Human Services; and the Montgomery County Department of Recreation. Around 900 government employees will operate out of the Wheaton Headquarters building-helping not only with plans for the revitalization of Wheaton but also giving down county residents more convenient access to government services.¹

The appropriation for Leases has decreased over the years as the County has been consolidating employees out of leased spaces into county-owned facilities. Budgeted funds for the Leases NDA peaked at \$27.1 million in FY22, and were recently budgeted as low as \$15.7 million in FY23, but this SA would add an additional \$2.5 million to the FY23 appropriation. Efforts are currently underway for the Office of Real Estate to “examine square footage requirements in the post-Covid environment on all renewals and new requirements, with the goal of decreasing the leased footprint”². The goal of reducing the County’s leased footprint is both fiscally prudent and beneficial towards freeing resources that could go towards racial equity and social justice programming.

cc: David Dise, Director, Department of General Services
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¹ <https://montgomeryplanningboard.org/wheatonhq/>

² DGS FY21 Annual Report. Available at:
https://www.montgomerycountymd.gov/DGS/Resources/Files/DGS_FY21AnnualReport_508.pdf

☼ Grants To Municipalities in Lieu Of Shares Tax

This NDA funds payments required in accordance with State law. The 1968 Session of the General Assembly revised the tax structure to include a County income tax. As part of this restructuring, the shared tax on banks and financial institutions was eliminated, and a provision was adopted which requires counties to pay annually to municipalities the amount (\$28,020) that had been received by the municipalities in FY68.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	28,020	0.00
FY24 Recommended	28,020	0.00

☼ Group Insurance Retirees

Group insurance is provided to retired County employees and survivors, as well as retirees of participating outside agencies. Employees hired before January 1, 1987, are eligible upon retirement to pay 20 percent of the premium for health and life insurance for the same number of years (after retirement) that they were eligible to participate in the group insurance plan as an active employee. The County government pays the remaining 80 percent of the premium. Thereafter, these retirees pay 100 percent of the premium. Employees hired before January 1, 1987, are also offered the option at retirement to convert from the 20/80 arrangement to a lifetime cost sharing option.

Employees hired after January 1, 1987, are eligible upon retirement for a lifetime cost sharing option under which the County pays 70 percent of the premium and the retiree pays 30 percent of the premium for life for retirees who were eligible to participate in the County group insurance plan for 15 or more years as active employees. Minimum participation eligibility of five years as an active employee is necessary to be eligible for the lifetime plan. The County will pay 50 percent of the premium for retirees with five years of participation as an active employee. The County contribution to the payment of the premium increases by two percent for each additional year of participation up to the 70 percent maximum.

On March 5, 2002, the County Council approved a one-time opportunity for retirees still under the 20/80 arrangement with an expiration date to elect the lifetime cost sharing arrangement. The new percentage paid by the County for those electing this arrangement ranges from 50 percent to 68 percent, depending upon years of active eligibility under the plan and years since retirement. The cost sharing election process has been completed. The budget does not include employer contributions from participating outside agencies.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	48,928,437	0.00
Increase Cost: Additional Cost for Increased Claims Expense	2,510,066	0.00
FY24 Recommended	51,438,503	0.00

☼ Guaranteed Income

The Guaranteed Income Non-Departmental Account will fund a three-year pilot of the Guaranteed Income program, whose purpose is to provide direct, recurring cash payments to targeted groups of people without strings attached. The goals of the program are to alleviate poverty, provide a form of financial stability, and give people the ability to make their own choices to improve their economic position. Guaranteed Income is seen as one strategy to address income and wealth inequality.

to departments and employees through the County's IT Help Desk, which receives over 70,000 requests for service annually. DCM is based on a best-practices approach to maintaining a modern and cost-effective computing environment.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	12,999,985	0.00
Increase Cost: Microsoft Enterprise Agreement Renewal	525,210	0.00
Increase Cost: DCM Seat Service Contract	276,000	0.00
FY24 Recommended	13,801,195	0.00

Early Care and Education

In March 2019, the County Executive and County Council launched the Early Care and Education Initiative, an interagency and stakeholder group with representatives from the Montgomery County Department of Health and Human Services (DHHS), Montgomery County Public Schools (MCPS), and Montgomery College to address the need for comprehensive support of quality early care and education opportunities in Montgomery County with a targeted and strategic focus on:

- Sustainability: provide new and ongoing resources to sustain partnerships and high-quality early childhood education across types of child care providers;
- Access & Affordability: provide ease of access and affordable options for families with children ages 0-5;
- Alignment: create partnerships and alignment of services for ease and access for families of young children, early educators, and the public; and
- Expansion: expand the supply and options for high quality early education programs in multiple settings.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	10,992,589	17.96
Increase Cost: FY24 Compensation Adjustment	2,838	0.00
Eliminate: FY23 One-Time Funding for Recreation Summer School Wrap Around Program	0	(9.96)
Shift: Existing Expense from Operating Expense to Personnel Cost to Reflect Addition of Four Merit Staff Positions That Will Support the Early Care and Education Initiative	0	4.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	183,099	0.00
FY24 Recommended	11,178,526	12.00

Future Federal/State/Other Grants

This NDA enables the County to implement new grant-funded programs up to \$200,000 each and provides funds for grant continuations and enhancements without having to process individual supplemental appropriations through the County Council. Upon approval by the County Executive, funds in this program are transferred to the receiving department's grant account.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	20,000,000	0.00
FY24 Recommended	20,000,000	0.00

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	276,480	0.00
Increase Cost: Three Percent Inflationary Adjustment to Non-Profit Service Provider Contracts	8,294	0.00
FY24 Recommended	284,774	0.00

Small Business Support Services

This NDA provides funding to support and augment the County Business Center's efforts through the County's resource partners that provide specialized assistance and programs for small businesses and entrepreneurs. Support includes technical assistance and coaching for business owners interested in starting and growing their business in the County. This NDA also supports the County's Minority, Female, and Disabled-Owned initiative that provides targeted programs and support for those businesses. For FY24, this funding was shifted from the Incubator Programs NDA to delineate better the small business support services that are not specifically performed by the County's Business Innovation Network.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	0	0.00
Shift: Shift from Incubator Programs NDA to Small Business Support Services	1,675,000	0.00
Add: Funding for Procurement and Technical Assistance Center Services	50,000	0.00
FY24 Recommended	1,725,000	0.00

State Positions Supplement

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland Appellate Courts.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	60,756	0.00
FY24 Recommended	60,756	0.00

State Property Tax Services

This NDA funds the reimbursement to the State for three programs that support the property tax billing administration conducted by the Department of Finance: the Montgomery County Homeowners Credit Supplement, the Homestead Credit Certification Program, and the County's share of the cost of conducting property tax assessments by the State Department of Assessments and Taxation. This NDA also funds the County Renters' Property Tax Relief Supplement (Bill 21-15) enacted in 2016 and administered by the Department of Finance.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	3,565,615	0.00
FY24 Recommended	3,565,615	0.00

State Retirement Contribution

This NDA provides for the County's payment of two items to the State Retirement System:

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	0	0.00
FY24 Recommended	0	0.00

☀️ Montgomery County Green Bank

The Montgomery County Green Bank seeks to leverage public and private investments to reduce greenhouse gas emissions and is funded with both County and private money. Residents and businesses can obtain financing for things like weatherization, high efficiency HVAC systems, and renewable and clean energy projects. Bill 44-21 requires the County to appropriate 10 percent of the revenue received by the County from the fuel energy tax each year to the Montgomery County Green Bank. The amount reflected below represents 10 percent of the estimated energy tax revenue to be collected in FY24.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	18,647,957	0.00
Increase Cost: Adjustment for Revenue Estimate	667,184	0.00
FY24 Recommended	19,315,141	0.00

☀️ Motor Pool Fund Contribution

This NDA funds the acquisition of new, additional Motor Pool fleet vehicles, as opposed to replacement vehicles, which are financed through an established chargeback mechanism.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	66,490	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(66,490)	0.00
FY24 Recommended	0	0.00

☀️ Payments to Municipalities

The Montgomery County Municipal Revenue Program, authorized by Chapter 30A of the Montgomery County Code, reimburses municipalities for those public services they provide that would otherwise be provided by the County. The current reimbursement policy goes beyond State law, Section 6-305 of the Tax-Property Article, which requires the County to provide to municipalities only the Property Tax-funded portion of those costs. The County Executive negotiated a new formula with the County's municipal partners over the course of 2021. Changes to the calculation formula were adopted by the County Council on March 1, 2022, with the enactment of Expedited Bill 2-22.

Under Expedited Bill 2-22, a municipality would be reimbursed by the County based upon the County Executive's approximation of the costs that the County would incur if it were to provide the municipality with transportation, police, crossing guards, and park maintenance services. Specifically, as the exact payment amount for the current year cannot be determined until both municipal and County books are closed, reimbursements are based on the final audited cost of performing eligible services during the fiscal year two years prior to the budget year. The new law also provides for a phased-in implementation of the new formula calculation for FY24 (90 percent of the calculation), and FY25 (100 percent of the calculation). The amounts included in the FY24 budget for this program reflect the required 90 percent phased-in payment.

Payments to Municipalities - FY24 Recommended

Municipality	FY24 Payment
Brookeville	16,359
Chevy Chase, Sec. III	59,835
Chevy Chase View	83,516
Chevy Chase Village	310,085
Town of Chevy Chase	255,739
Drummond	9,334
Friendship Heights	114,884
Gaithersburg	3,936,730
Garrett Park	98,083
Glen Echo	42,004
Kensington	282,334
Laytonsville	47,801
Martin's Additions	54,285
North Chevy Chase	51,092
Oakmont	6,632
Poolesville	570,761
Rockville	7,382,680
Somerset	112,394
Takoma Park	5,239,704
Washington Grove	90,886
Total	18,765,138

This does not include the estimated Municipalities' Speed Camera Allocation of \$129,344

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	17,269,690	0.00
Increase Cost: FY24 Required Increase	1,495,448	0.00
Increase Cost: Estimated FY24 Speed Camera Payment to Municipalities	129,344	0.00
FY24 Recommended	18,894,482	0.00

Police Accountability Board

This NDA provides funding for the Police Accountability Board (PAB) and the Administrative Charging Committee (ACC) in accordance with the Maryland Police Accountability Act of 2021, and pursuant to Montgomery County Bill 49-21. The purpose of the PAB and the ACC is to review police data, and adjudicate on law enforcement officers being investigated or charged for disciplinary infractions. Funding in the NDA would accommodate the projected administrative needs of the anticipated nine PAB members and five ACC members. Administrative and operating costs incurred by those bodies include expenses for annual meetings, staffing support, salary compensation for PAB and ACC members, office supplies, printing, interpreter services, legal advice, and dependent care for board and committee members. The NDA will also accommodate training costs for board and committee members, however until those costs can be finalized by the Maryland Police Training and Standards Commission