



Committee: Directly to Council

Committee Review: N/A

Staff: Keith Levchenko, Senior Legislative Analyst, and Glenn Orlin, Senior Analyst

Purpose: preliminary decisions – straw vote expected

Keyword: #FY21PAYGO

AGENDA ITEM #8A

May 14, 2020

Worksession

SUBJECT

FY21 PAYGO

EXPECTED ATTENDEES

Mary Beck, Capital Budget Manager, Office of Management and Budget

BACKGROUND

- During the recession a decade ago, the Council adopted a policy that it would partially fund the Capital Improvements Program with PAYGO (pay as you go) funds (i.e., cash) at a level equal to or greater than 10% of the planned General Obligation (G.O.) bond expenditures each year. Therefore, in FY21, when the spending affordability guideline is to spend \$320 million in G.O. bond proceeds, the Executive has recommended spending an additional \$32 million of PAYGO. His recommendations for FYs22-26 also assume PAYGO at 10% of the spending affordability guidelines and targets in those years.
- The Council has followed the 10% PAYGO policy every year since, except in the very first year after the policy was adopted, when it decided resources were needed more to close a budget gap as a result of the recession. In that year, there was no PAYGO.

PURPOSE

- The Council's Executive Director has indicated that the Council's actions to date on the FY21 Operating Budget are sufficient to fund it. However, it is also recognized that there is likely to be significant revenue shortfall in FY21 as a consequence of the COVID-19 pandemic, and so a Savings Plan in early FY21 is anticipated. A rationale for reducing or eliminating PAYGO in FY21 is to provide more of a fiscal cushion should the Council need up to \$32 million to help bridge this impending revenue gap.
- If the Council were ever to consider PAYGO-related expenditure reductions, it would be best done now rather than in an FY21 Savings Plan later. Departments and agencies will begin using CIP funds in July, so if the Council waits until later, some (or in some cases, most) of the money will have already been spent by the time it takes up the Savings Plan. Furthermore, the PAYGO-related reductions would be Council-controlled, and concurrence from the Executive and outside agencies would not be required, as they would be in Savings Plan. If it turns out that the cuts were deeper than necessary, it would take very little effort to add back the unused cuts as CIP amendments/special appropriations, which would also be entirely Council-controlled.

OPTIONS

- Council staff has suggested how up to \$32 million of G.O. bond spending might be reduced. All the potential reductions are in level-of-effort systemic projects; none of these reductions affect CIP funds programmed in FY22 and beyond. The potential reductions are organized in three tranches, with successively deeper cuts in the Second and Third Tranches:

Potential FY21 GO Bond Expenditure Reductions to Reduce PAYGO (\$000)

	Start	Reduction	Remaining
<i>First Tranche</i>			
PLAR: MCG	2550	-300	2250
Resurfacing: Rural/Residential	10000	-1000	9000
Swimming Pool Slide Replacement	953	-953	0
Ballfield Initiatives	1750	-500	1250
HVAC: MCPS	20000	-2000	18000
PLAR: MCPS	12000	-1000	11000
Roof Replacement: MCPS	10000	-1000	9000
Sidewalk & Curb Replacement	4500	-500	4000
Resurfacing: Primary/Arterial	6750	-500	6250
Residential & Rural Road Rehabilitation	8100	-1000	7100
Library Refurbishment Level of Effort	3455	-500	2955
Trails: Hard Surface Renovation	700	-200	500
Restroom Renovations	3000	-547	2453
<i>Total Reduction, First Tranche 1</i>		<i>-10000</i>	

	Start	Reduction	Remaining
<i>Second Tranche</i>			
HVAC: MCPS	18000	-2000	16000
PLAR: MCPS	11000	-1000	10000
Roof Replacement: MCPS	9000	-1000	8000
Resurfacing: Rural/Residential	9000	-1000	8000
Roof Replacement: MCG	2240	-500	1740
PLAR: MCG	2250	-500	1750
Resurfacing: Primary/Arterial	6250	-500	5750
Residential & Rural Road Rehabilitation	7100	-1000	6100
Sidewalk & Curb Replacement	4000	-500	3500
HVAC: Fire Stations	1237	-500	737
Minor New Construction: NL Parks	700	-200	500
Library Refurbishment Level of Effort	2955	-500	2455
Child Care Renovations	2427	-500	1927
Resurfacing Park Roads and Bridges	600	-300	300
<i>Total Reduction, Second Tranche</i>		<i>-10000</i>	

	Start	Reduction	Remaining
<i>Third Tranche</i>			
HVAC: MCPS	16000	-2000	14000
PLAR: MCPS	10000	-1500	8500
Roof Replacement: MCPS	8000	-1500	6500
PLAR: College	2500	-500	2000
Capital Renewal: College	2000	-500	1500
PLAR: NL Parks: Resurfacing Lots and Paths	1000	-500	500
Resurfacing: Primary/Arterial	5750	-500	5250
Library Refurbishment Level of Effort	2955	-500	2455
Residential & Rural Road Rehabilitation	6100	-1500	4600
Sidewalk & Curb Replacement	3500	-500	3000
Permanent Patching: Rural/Res. Roads	3150	-500	2650
Resurfacing: Rural/Residential Roads	8000	-2000	6000
<i>Total Reduction, Third Tranche</i>		-12000	

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