



Committee: T&E
Committee Review: Completed
Staff: Naeem M. Mia, Legislative Analyst
Purpose: Final action – vote expected
Keywords: #Utilities

AGENDA ITEM #8
 May 11, 2022
Action

SUBJECT

Utilities Non-Departmental Account (NDA) - FY23 Operating Budget

EXPECTED ATTENDEES

None

FY23 COUNTY EXECUTIVE RECOMMENDATION

General Fund	FY22 Approved	FY23 CE Recommended	Change from FY22 Approved
Utilities NDA	\$23,716,495	\$25,262,597	6.5 %
Operating Costs	\$23,716,495	\$25,262,597	6.5%
Total Expenditures (All Funds)	\$23,716,495 00.00 FTEs	\$25,262,597 00.00 FTEs	6.5% 0.0%

COMMITTEE RECOMMENDATIONS

- Approve 3-0 as recommended by Council staff; as well as:
 - a. Reduce appropriation request by 10% from the CE’s recommended appropriation, or \$2,526,260
- Council staff concurs with the County Executive’s recommended operating budget

SUMMARY OF KEY ISSUES

- None

This report contains:

Staff Report

Pages 1-2

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MEMORANDUM

April 20, 2022

TO: Transportation & Environment (T&E) Committee

FROM: Naeem M. Mia, Legislative Analyst

SUBJECT: **FY23 Recommended Operating Budget – Utilities Non-Departmental Account (NDA)**

PURPOSE: Vote on recommendations for the Council’s consideration

Expected Attendees:

- David Dise, Director, Department of General Services (DGS)
- Christopher Brown, Division Chief of Energy and Sustainability, DGS
- Anita Aryeetey, Lead Fiscal and Policy Analyst, Office of Management and Budget (OMB)

A. Staff Recommendations

- 1) Approve the Executive’s Recommended FY23 Operating Budget request for the Utilities NDA.

B. Fiscal Summary

General Fund	FY22 Approved	FY23 CE Recommended	Change from FY22 Approved
Utilities NDA	\$23,716,495	\$25,262,597	6.5 %
Operating Costs	\$23,716,495	\$25,262,597	6.5%
Total Expenditures (All Funds)	\$23,716,495 00.00 FTEs	\$25,262,597 00.00 FTEs	6.5% 0.0%

C. Budget Overview

FY23 Recommended Budget for the tax-supported Utilities NDA is \$25,262,597 an increase of \$1,546,102 or 6.5 percent from the FY22 Approved Budget of \$23,716,495.

\$946,000 of the cost increase is attributable to costs related to the construction of the Brookeville bus depot microgrid.; the remaining \$600,000 is due to:

- increased commodities costs (see discussion below);
- a return to pre-pandemic levels of facility usage; and
- the addition of anticipated utility expenses for the re-opened Grey Courthouse, the newly acquired Nebel Street Homeless Shelter and the PNC building in Rockville.

Actual FY21 costs (covering the first full fiscal year during the pandemic) were \$22,600,087, or \$2,662,510, less than the FY23 recommended level.

For FY23, allocation of these utilities expenditures is approximately: electricity, 74.5 percent; natural gas, 10.4 percent; water and sewer, 9.6 percent. Renewable energy and other expenses total 5.5 percent.

The NDA includes County government utilities expenditures for both tax and non-tax supported operations. Tax-supported utilities expenditures related to the General Fund departments are budgeted in the Utilities NDA, while utilities expenditures related to special fund departments are budgeted in those funds. Some of these special funds, such as Recreation and portions of the Department of Transportation, are tax supported. Other special funds, such as Solid Waste, are supported through user fees or charges for services, instead of through taxes.

Utilities expenditures are also found in the budgets of other County agencies: Montgomery County Public Schools (MCPS), Montgomery College, WSSC Water, and the Maryland-National Capital Park and Planning Commission (M-NCPPC). The total budget request for these outside agencies in FY23 is \$70,918,478, which includes the entire bi-county area of WSSC Water.

1. Recent Trends in Commodity Pricing

According to DGS, there is an increasing trend in energy commodity costs that preceded the current inflationary period we are seeing in the broader economy. The increases in electricity commodity costs impacted energy prices in the second half of FY22 with a 15% higher supply cost than prior year contracted rates.

While there is a probability of a cost increase in FY23, it is not anticipated to be as significant as the increases in FY22. The gas commodities are currently experiencing volatility that may impact FY23 pricing at the end of its contract term in September 2022.

2. Status Update on the Brookeville Bus Depot Microgrid

The Council approved approximately \$382,000 in the FY22 Utilities NDA budget to begin the design and construction of a microgrid at the Brookeville bus depot to support the transition to electric buses. Per DGS, the current status of the work is as follows:

“Construction of the major microgrid components; solar panels, grid storage battery, generators, controllers and bus chargers began in November 2021 and is expected to be construction complete in June 2022.

The microgrid is expected to be operating with conditional approval from the utility pending final interconnection and system upgrades which Pepco is responsible to complete by September 2022.”

Estimated lease payments to support the operation of the microgrid of \$1.1 million is set to begin in FY24, eventually increasing to \$2.4 million by FY26. A portion of these lease payments will be eventually charged to the Transit budget.

Council staff recommendation: Approve as submitted by the County Executive.

This packet contains:

1. NDA Page from FY23 Recommended Operating Budget Book

Circle Page #

1-6



Utilities

RECOMMENDED FY23 BUDGET

\$25,262,597

FULL TIME EQUIVALENTS

0.00

 DAVID DISE, DIRECTOR

MISSION STATEMENT

The goals of the County Government relating to utility consumption are to:

- achieve energy savings by the elimination of wasteful or inefficient operation of building systems;
- continue improvements in energy efficiency in all County operations; and
- obtain required energy fuels at the most favorable cost to the County.

The Department of General Services manages the payment for over 1,500 separately metered utility accounts for these County facilities, streetlights, and traffic control signalized intersections.

BUDGET OVERVIEW

The FY23 Recommended Budget for the tax-supported Utilities NDA is \$25,262,597 an increase of \$1,546,102 or 6.5 percent from the FY22 Approved Budget of \$23,716,495. Allocation of these utilities expenditures is approximately: electricity, 74.5 percent; natural gas, 10.4 percent; water and sewer, 9.6 percent. Renewable energy and other expenses total 5.5 percent.

The FY23 Recommended Budget includes County government utilities expenditures for both tax and non-tax supported operations. Tax-supported utilities expenditures related to the General Fund departments are budgeted in the Utilities NDA, while utilities expenditures related to special fund departments are budgeted in those funds. Some of these special funds, such as Recreation and portions of the Department of Transportation, are tax supported. Other special funds, such as Solid Waste, are supported through user fees or charges for services, instead of through taxes.

Utilities expenditures are also found in the budgets of other County agencies: Montgomery County Public Schools (MCPS), Montgomery College, WSSC Water, and the Maryland-National Capital Park and Planning Commission (M-NCPPC). The total budget request for these outside agencies is \$70,918,478, which includes the entire bi-county area of WSSC Water.

The FY23 Recommended tax supported budget for Utilities Management, including both the General Fund NDA (\$25,262,597) and the other tax supported funds (\$4,604,165), is \$29,866,762, an increase of \$2,549,495 or approximately 9.3 percent above the FY22 Approved utilities budget. The FY23 Recommended Budget for non-tax supported utilities expenditures is \$4,406,111, an increase of \$4,491 above the FY22 Approved Budget.

Increased utilities expenditures result primarily from greater consumption due to new facilities or services, facilities reopening after COVID closures, increased rates, and in some cases a more precise alignment of budgeted costs with actual prior year expenditures by utility type. Energy conservation and cost-saving measures (e.g., new building design, lighting technology, energy, and HVAC management systems) help offset increased utility consumption and higher unit costs. Reductions in energy consumption at County facilities due to telework also contribute to reduced utility expenditures. Renewable energy includes the purchase of credits to offset fossil fuel purchases.

Unleaded gasoline, diesel, and compressed natural gas fuels are purchased from various providers, and are budgeted in the Department of General Services, Division of Fleet Management Services and not the General Fund Utilities NDA. The General Fund Utilities NDA also includes expenses (under the "Other" category) for consultant support and energy accounting software.

The following is a description of utility service requirements for departments which receive tax or non-tax supported appropriations for utilities expenditures. The utilities expenditures for the non-tax supported operations are appropriated within their respective operating funds but are described in the combined utilities presentation for reader convenience.

TAX SUPPORTED

Department of General Services

The Department of General Services is responsible for managing all utilities for general County operations including all County office buildings, police stations, libraries, health and human services facilities, correctional facilities, maintenance buildings, and warehouses.

Department of Transportation

The Department of Transportation manages all County streetlights, traffic signals, traffic count stations, and flashing school signs. The utilities expenditures for these devices are budgeted here as this Department designs, installs, controls, and maintains them. In addition, minimal utility costs for the Operations Center and Highway Maintenance Depots are budgeted in the Traffic Engineering component of the General Fund NDA.

Division of Transit Services - Mass Transit

The Department of Transportation Mass Transit Facilities Fund supports all utilities associated with the Ride On transit centers and Park and Ride Lots.

Department of Recreation

The Department of Recreation funds all utility costs for its recreational facilities located throughout the County, such as swimming pools, community recreation centers, and senior centers.

NON-TAX SUPPORTED

Fleet Management Services

The Department of General Services - Fleet Management Services utility expenditures are displayed in the Special Fund Agencies - Non-Tax Supported section, to reflect that Fleet Management Services expenditures are appropriated in the budgets of other departments, and are not appropriated in Fleet Services.

The Department of General Services - Fleet Management Services Motor Pool Internal Service Fund supports all utilities associated with the vehicle maintenance garages in Rockville, Silver Spring, and Gaithersburg. Fuel for the County's fleet is also budgeted in that special fund, but these costs are not included in the utilities expenditures displayed in this section.

Parking Districts

The Parking Districts fund utility expenditures associated with the operation of all County-owned parking garages and parking lots.

Alcohol Beverage Services



Alcohol Beverage Services funds utility expenditures associated with the operation of the liquor warehouse, administrative offices, and the County operated retail liquor stores.

Department of Environmental Protection, Recycling and Resource Management

Recycling and Resource Management funds utility expenditures associated with the operation of the County's Solid Waste Management System. Utilities expenditures associated with the operation of the Oaks Sanitary Landfill maintenance building, the County's Recycling Center, the Resource Recovery Facility, and most of the Solid Waste Transfer Station are currently the responsibility of the operators. Only the site office and maintenance depot costs continue to be budgeted as an identifiable utilities expenditure in the Solid Waste Disposal Fund.

COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following are emphasized:

-  **Easier Commutes**
-  **A Greener County**

PROGRAM CONTACTS

Contact Angela Dizelos of the Department of General Services/Utilities Management at 240.777.6028 or Anita Aryeetey of the Office of Management and Budget at 2407772784 for more information regarding this department's operating budget.

BUDGET SUMMARY

	Actual FY21	Budget FY22	Estimate FY22	Recommended FY23	%Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
County General Fund Personnel Costs	0	0	0	0	—
Operating Expenses	22,600,087	23,716,495	23,716,495	25,262,597	6.5 %
County General Fund Expenditures	22,600,087	23,716,495	23,716,495	25,262,597	6.5 %
PERSONNEL					

BUDGET SUMMARY

	Actual FY21	Budget FY22	Estimate FY22	Recommended FY23	%Chg Bud/Rec
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—

FY23 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY22 ORIGINAL APPROPRIATION	23,716,495	0.00
Other Adjustments (with no service impacts)		
Increase Cost: Annualization of FY22 Operating Expenses	1,546,102	0.00
FY23 RECOMMENDED	25,262,597	0.00

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY23	FY24	FY25	FY26	FY27	FY28
COUNTY GENERAL FUND						
EXPENDITURES						
FY23 Recommended	25,263	25,263	25,263	25,263	25,263	25,263
No inflation or compensation change is included in outyear projections.						
Brookville Microgrid Payments	0	1,155	2,136	2,371	2,371	2,371
These payments fund the solar microgrid installation at the Brookville Bus Depot in Silver Spring. In the future, a portion of these costs will be charged to the Transit budget where there will also be offsetting fuel cost savings. The exact cost allocations will vary based on the pace and scope of bus fleet electrification.						
Subtotal Expenditures	25,263	26,418	27,399	27,634	27,634	27,634

EXPENDITURES BY DEPARTMENT/AGENCY						
	ACTUAL FY20	ACTUAL FY21	APPROVED FY22	RECOMMENDED FY23	CHANGE BUD/REC	% CHANGE BUD/REC
COUNTY GOVERNMENT TAX SUPPORTED OPERATIONS						
NON-DEPARTMENTAL ACCOUNT						
Facilities	15,684,882	15,270,604	17,290,948	18,837,050	1,546,102	8.9%
Traffic Signals and Streetlighting	8,350,406	7,232,053	6,425,547	6,425,547	0	0.0%
GENERAL FUND NDA EXPENDITURES	24,035,288	22,502,657	23,716,495	25,262,597	1,546,102	6.52%
OTHER TAX SUPPORTED OPERATIONS						
Transit Services	301,264	371,501	201,200	201,200	0	0.0%
Recreation	3,062,654	2,877,105	3,399,572	4,402,965	1,003,393	29.5%
SUBTOTAL	3,363,918	3,248,606	3,600,772	4,604,165	1,003,393	27.9%
TOTAL TAX SUPPORTED	27,399,207	25,751,263	27,317,267	29,866,762	2,549,495	9.33%
COUNTY GOVERNMENT NON-TAX SUPPORTED OPERATIONS						
Fleet Management Services	902,966	827,696	1,630,392	1,630,392	0	0.0%
Parking Districts	1,666,666	1,319,048	1,863,700	1,863,700	0	0.0%
Alcohol Beverage Services	467,333	514,972	725,810	725,810	0	0.0%
Environmental Protection (Recycling and Resource Management)	150,693	194,018	181,718	186,209	4,491	2.5%
TOTAL NON-TAX SUPPORTED	3,187,657	2,855,734	4,401,620	4,406,111	4,491	0.10%
SUMMARY - COUNTY GOVERNMENT						
TOTAL TAX SUPPORTED	27,399,207	25,751,263	27,317,267	29,866,762	2,549,495	9.3%
TOTAL NON-TAX SUPPORTED	3,187,657	2,855,734	4,401,620	4,406,111	4,491	0.1%
TOTAL COUNTY GOVERNMENT	30,586,864	28,606,997	31,718,887	34,272,873	2,553,986	8.05%
OUTSIDE AGENCIES TAX AND NON-TAX SUPPORTED OPERATIONS						
Montgomery County Public Schools	33,493,460	32,558,896	39,175,590	39,744,415	568,825	1.5%
Montgomery College	6,287,782	5,292,575	7,155,720	8,073,607	917,887	12.8%
Washington Suburban Sanitary Commission	15,755,410	18,435,744	18,722,400	19,058,619	336,219	1.8%
M-NCPPC	2,872,503	3,102,025	4,018,017	4,041,837	23,820	0.6%
TOTAL OTHER AGENCIES EXPENDITURES	58,409,155	59,389,240	69,071,727	70,918,478	1,846,751	2.67%
TOTAL UTILITIES EXPENDITURES	88,996,019	87,996,237	100,790,614	105,191,351	4,400,737	4.37%

EXPENDITURES BY ENERGY SOURCE						
	ACTUAL	ACTUAL	APPROVED	RECOMMENDED	CHANGE	% CHANGE
	FY20	FY21	FY22	FY23	BUDGET/REC	BUDGET/REC
COUNTY GOVERNMENT TAX SUPPORTED OPERATIONS						
NON-DEPARTMENTAL ACCOUNT						
Electricity	18,857,369	17,091,175	17,507,954	18,809,445	1,301,491	7.4%
Water & Sewer	2,145,924	2,110,017	2,412,325	2,412,325	0	0.0%
Fuel Oil	50,313	33,466	33,833	33,833	0	0.0%
Natural Gas	2,259,007	2,519,352	2,491,468	2,636,079	144,611	5.8%
Propane	18,047	23,504	16,872	16,872	0	0.0%
Renewable Energy	228,158	220,607	228,158	228,158	0	0.0%
Other	476,471	504,536	1,025,885	1,125,885	100,000	9.7%
GENERAL FUND NDA EXPENDITURES	24,035,288	22,502,657	23,716,495	25,262,597	1,546,102	6.52%
OTHER TAX SUPPORTED OPERATIONS						
Electricity	2,059,053	1,989,849	2,339,340	2,707,598	368,258	15.7%
Water & Sewer	511,618	586,619	533,822	674,957	141,135	26.4%
Fuel Oil	3,066	0	9,628	9,628	0	0.0%
Natural Gas	12,965	595,840	616,679	616,679	0	0.0%
Propane	39,819	32,906	57,910	57,910	0	0.0%
Renewable Energy	694,004	0	0	0	0	0.0%
Other	43,393	43,393	43,393	537,393	494,000	1138.4%
SUBTOTAL	3,363,918	3,248,606	3,600,772	4,604,165	1,003,393	27.9%
TOTAL TAX SUPPORTED	27,399,207	25,751,263	27,317,267	29,866,762	2,549,495	9.33%
NON-TAX SUPPORTED OPERATIONS						
Electricity	2,637,457	2,210,435	3,766,876	3,768,687	1,811	0.0%
Water & Sewer	144,988	295,765	223,234	224,341	1,107	0.5%
Fuel Oil	2,904	3,702	4,162	4,289	127	3.1%
Natural Gas	289,893	284,078	358,727	358,727	0	0.0%
Propane	61,577	0	1,040	1,040	0	0.0%
Renewable Energy	0	0	0	0	0	0.0%
Other	50,840	61,754	47,581	49,027	1,446	3.0%
TOTAL NON-TAX SUPPORTED	3,187,657	2,855,734	4,401,620	4,406,111	4,491	0.10%
SUMMARY - COUNTY GOVERNMENT						
Electricity	23,553,879	21,291,459	23,614,170	25,285,730	1,671,560	7.1%
Water & Sewer	2,802,530	2,992,401	3,169,381	3,311,623	142,242	4.5%
Fuel Oil	56,283	37,168	47,623	47,750	127	0.3%
Natural Gas	2,561,864	3,399,270	3,466,874	3,611,485	144,611	4.2%
Propane	119,442	56,410	75,822	75,822	0	0.0%
Renewable Energy	922,162	220,607	228,158	228,158	0	0.0%
Other	570,704	609,683	1,116,859	1,712,305	595,446	53.3%
TOTAL COUNTY GOVERNMENT	30,586,864	28,606,997	31,718,887	34,272,873	2,553,986	8.05%
OUTSIDE AGENCIES TAX AND NON-TAX SUPPORTED OPERATIONS						
Electricity	45,442,336	47,282,473	53,058,031	53,858,117	800,086	1.5%
Water & Sewer	5,909,604	4,880,570	8,236,998	8,718,333	481,335	5.8%
Fuel Oil	81,994	84,993	178,028	167,775	(10,253)	-5.8%
Natural Gas	6,684,781	6,671,850	6,930,431	7,422,468	492,037	7.1%
Propane	192,095	190,674	293,965	241,247	(52,718)	-17.9%
Renewable Energy	98,345	98,346	96,736	233,000	136,264	140.9%
Other	0	180,334	277,538	277,538	0	0.0%
SUBTOTAL	58,409,155	59,389,240	69,071,727	70,918,478	1,846,751	2.67%
TOTAL UTILITIES EXPENDITURES						
Electricity	68,996,215	68,573,932	76,672,201	79,143,847	2,471,646	3.2%
Water & Sewer	8,712,134	7,872,971	11,406,379	12,029,956	623,577	5.5%
Fuel Oil	138,277	122,161	225,651	215,525	(10,126)	-4.5%
Natural Gas	9,246,645	10,071,120	10,397,305	11,033,953	636,648	6.1%
Propane	311,537	247,084	369,787	317,069	(52,718)	-14.3%
Renewable Energy	1,020,507	318,953	324,894	461,158	136,264	41.9%
Other	570,704	790,017	1,394,397	1,989,843	595,446	42.7%
TOTAL UTILITIES EXPENDITURES	88,996,019	87,996,237	100,790,614	105,191,351	4,400,737	4.37%