

MONTGOMERY COUNTY COUNCIL
Committee Agenda

The Committee Agenda is subject to change any time after printing or during the Council meeting. Please contact the Council Office to obtain updates.

Education (ED)

Michael Knapp, Chair
Phil Andrews
Valerie Ervin

Health & Human Services (HHS)

George Leventhal, Chair
Duchy Trachtenberg
Roger Berliner, Lead Member
for Libraries and Cultural Affairs

Management & Fiscal Policy (MFP)

Duchy Trachtenberg, Chair
Marilyn Praisner
Roger Berliner

**Planning, Housing &
Economic Development (PHED)**

Marilyn Praisner, Chair
Nancy Floreen
Marc Elrich

Public Safety (PS)

Phil Andrews, Chair
Michael Knapp
Marc Elrich, Lead Member
for Juvenile Issues

Transportation & Environment (T&E)

Nancy Floreen, Chair
George Leventhal
Valerie Ervin, Lead Member
for Environment

Prepared: 4/13/2007 8:15 AM

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**PLEASE CALL 240-777-7900
TO CONFIRM THIS SCHEDULE**

**PHED
Apr 17**

12:30 PM - 6CCR

- **PROPOSED CLOSED SESSION** to consider acquisition of real property for a public purpose and matters directly related thereto, and to consult with counsel to obtain legal advice, pursuant to State Government Article, Section 10-508 (a)(3) and (7). Topic is the Rafferty Center. (Michaelson/Faden)

**T&E
Apr 17**

2:00 PM - 7CHR

FY08 Capital and Operating Budgets

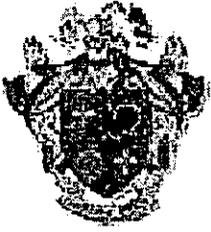
- (1) • DPWT: selected General Fund programs (Sherer)
- (2) • Washington Suburban Sanitary Commission (Levchenko)

**PS
Apr 17**

2:00 PM - 3CCR

FY08 Capital and Operating Budgets

- (1) • Fire and Rescue Services (Davidson)



Montgomery County Council
Legislative Information Services

Packet Index

Tuesday, April 17, 2007

Item Number	Note	Staff
T&E Item #2	This item will be available on Monday, April 16.	Levchenko
PS Item #1	This item will be available on Monday, April 16.	Davidson

MFP # 3
April 16, 2007

MEMORANDUM

March 31, 2007

TO: Management and Fiscal Policy Committee
FROM: *CHS*
Charles H. Sherer, Legislative Analyst
SUBJECT: Spending Affordability Guidelines for the FY08 Operating Budget

The purpose of this meeting is to discuss whether the Council should amend the guidelines adopted last December. The Council set the ceiling on property tax revenue at the staff estimate of the Charter limit, to be achieved entirely by reducing the rates. Council action to amend the guidelines is scheduled for April 17, 2007. The amended guidelines take into account the Executive's estimates of revenues and any new information regarding State aid after the Executive's March 15 budget.

Introduction Article XI of the County Code requires the Council to approve spending affordability guidelines for the operating budget no later than the third Tuesday in December; and permits the Council to amend the guidelines no later than the second Tuesday after the State General Assembly adjourns its regular session (in April).

The guidelines are:

- A ceiling on funding from real property tax revenues (In December 2006, the Council approved the Charter limit, to be achieved entirely by reducing the rates. See the discussion below on Property Taxes.)
- A ceiling on the aggregate operating budget
- Budget allocations for:
 - County Government
 - MCPS
 - Montgomery College
 - MNCPPC
 - Debt service
 - Current revenue funding of capital projects

In December, the Committee agreed to add a new category for the prefunding of retiree health costs, as explained in detail in the Allocation section at the end of this memorandum. These costs are now included in the FY08 operating budget request for each agency.

Background On November 6, 1990, the voters amended the Charter to add to section 305 the requirements that “The Council shall annually adopt spending affordability guidelines for the capital and operating budgets, including guidelines for the aggregate capital and aggregate operating budgets. The Council shall by law establish the process and criteria for adopting spending affordability guidelines.” The resulting law is in sections 20-59 through 20-63 in the Code, which states that the Council must set three guidelines for the operating budget, no later than the third Tuesday in December for the fiscal year starting the following July 1:

- 1) A ceiling on property tax revenues.
- 2) A ceiling on the aggregate operating budget, which is defined as the total appropriation from current operating revenues for the next fiscal year, including current revenue funding for capital projects, but excluding appropriations for: specific grants, enterprise funds, tuition and tuition-related charges at Montgomery College, and the Washington Suburban Sanitary Commission. Specific grants are grants for specific programs which will not be provided if the grants are not received. Note that the aggregate operating budget includes current revenue funding for the capital budget.
- 3) The allocation of the budget among current revenue funding for the capital budget, debt service, and operating expenses for MCPS, Montgomery College, County Government, and MNCPPC.

In adopting its guidelines, the Council should consider the condition of the economy, the level of economic activity in the County, and the impact of economic and population growth on projected revenues. In accordance with Section 20-61 of the County Code, each January, the Finance Director consults with independent experts from major sectors of the economy. These experts advise the County on trends in economic activity in the County and how activity in each sector may affect County revenues. The Director of Finance sends the findings to the Council each March.

Amending the resolution which set the guidelines The law permits the Council to increase or decrease the guidelines “to reflect a significant change in conditions.” The change in conditions would be an increase or decrease in the County's ability to afford the expenditures, not an increase or decrease in need. The deadline for amending the guidelines is the second Tuesday after the State General Assembly adjourns its regular session (in April). This deadline permits the Council to use the amount of State aid in the State's approved budget as revenue in the County's budget.

The guidelines can be revised by a majority of the Council members, subject to the limitations below. If the Council revises the guidelines:

- There is no limit to the amount of decrease permitted for any guideline.

- There is no limit to the amount of increase permitted to the ceiling on real property tax revenue (but see below for a restriction when you set the tax rates by June 30).
- For the ceiling on the aggregate operating budget, the law limits the increase to the projected net increase in resources, since the guideline was adopted in the fall, applying the tax rates that were assumed in adopting that guideline and considering the rates of any tax approved or repealed since that guideline was adopted.
- The agency allocations can be increased or decreased, as long as the ceiling on the aggregate operating budget is not exceeded.

June 1 Approval of the Budget Section 305 of the Charter imposes two restrictions on the aggregate operating budget:

1) “An aggregate operating budget which exceeds the aggregate operating budget for the preceding fiscal year by a percentage increase greater than the annual average increase of the Consumer Price Index for all urban consumers for the Washington-Baltimore metropolitan area, or any successor index, for the 12 months preceding December 1 of each year requires the affirmative vote of **six** Council members.” The U.S. Department of Labor Bureau of Labor Statistics provides this data. The BLS calculates this index for every odd-numbered month, and the last index (for November) is published around December 15.

2) “Any aggregate operating budget that exceeds the spending affordability guidelines then in effect requires the affirmative vote of **seven** council members for approval.”

June 30 Tax Levy Section 305 of the Charter imposes one restriction on property taxes on existing real property: seven affirmative votes are required if the amount of property tax on existing real property exceeds the previous year’s tax by more than the rate of inflation. The limit applies only to existing real property. “This limit does not apply to revenue from: (1) newly constructed property, (2) newly rezoned property, (3) property that, because of a change in state law, is assessed differently than it was assessed in the previous tax year, (4) property that has undergone a change in use, and (5) any development district tax used to fund capital improvement projects.” Finally, the limit does not apply to personal property. (Personal property generally includes furniture, fixtures, office and industrial equipment, machinery, tools, supplies, inventory, and any other property not classified as real property.)

Calculation of the guidelines The Executive revised his March 13 recommendations to take into account his March 19 budget adjustments. The major change is a decrease in estimated FY07 expenditures in the Department of Technology Services and an increase in FY08 current revenue for the County Government Technology Modernization CIP project in the same amount, \$1,686,000 **more** than assumed for current revenue in the March 13 budget (©8B). His revised recommendations are on ©1, column N. Council staff’s calculations are in column O. A comparison of resource estimates in December 2006 and in March 13, 2007 is on ©4. **The Executive’s estimate of resources available to fund the budgets in FY08 increased \$90.1 million.** Of this increase, \$55.5

million is the result of changes in resources and expenditures in FY07 and the remaining \$34.6 million is the result of changes in resources in FY08.

1. Property Taxes This is one guideline the Council must set, as explained above. For FY99, the Council approved a property tax credit as an offset to the income tax in the amount of \$11.1 million (\$50 per household), and none in FY00 – FY05.

For FY06, the Council approved the following reductions from the amount of property tax at current rates to reach the Charter limit:

Reduced the rate 4¢	\$50.4 million
Income tax offset credit	29.4 million = \$116 per household for estimated 254,260 HHs
Expanded circuit breaker credit	<u>6.0 million</u>
Total	85.8 million

Finance reported that the actual number of such credits in FY06 was 245,760.

For FY07, the Council approved the following reductions from the amount of property tax at current rates to reach the Charter limit:

Reduced the rate 5¢	\$67.2 million
Income tax offset credit	<u>55.3 million</u> = \$221 per household for estimated 250,000 HHs
Total	122.5 million

For FY08, the Executive recommended reaching the Charter limit entirely by giving a \$613 credit for each owner-occupied principal residence:

Income tax offset credit \$149.124 million = \$613 per household for estimated 243,173 HHs

According to Finance staff, if the Charter limit were reached entirely by reducing the rates (instead of the Executive's recommended credit), the rates would be reduced 10.6¢ and the amount of decrease in property tax revenues would be roughly \$159.7 million – **the amount of revenue available to fund the budgets would be \$10.6 million less**, as shown in the table below.

\$millions	Total	Decr from curr rates	Decr from all credit
Current rates	1,356.6		
Charter limit, all credit	1,207.5	(149.1)	
Charter limit, all rate cut	1,196.9	(159.7)	(10.6)

A 1¢ change in the real property tax rate and the corresponding 2.5¢ change in the personal property tax rate will change the amount of property tax by \$14.5 million.

	Real	Personal	Total
Base	142,438,000,000	3,910,842,000	146,348,842,000
Collection factor	0.992	0.974	
Rate in ¢ per hundred	1	2.5	
Tax for each 1¢/2.5¢	14,129,850	380,916	14,510,766

Types of property and tax rates There are two types of property: real and personal. The tax rate on personal property is 2.5 times the tax rate on real property (rounded up to the nearest tenth of a cent, which is the nearest thousandth of a dollar). The County sets the following tax rates on real and personal property. Numbers 1-3 and 4a are Countywide, the rest are not.

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. General County tax 2. Mass Transit tax 3. Fire tax 4. Three taxes for MNCPPC: <ol style="list-style-type: none"> a. Advance Land Acquisition tax b. Metropolitan tax (for Parks) c. Regional tax (for Planning) 5. Recreation tax | <ol style="list-style-type: none"> 6. Storm Drainage tax 7. Three Urban District taxes 8. Two Noise Abatement District taxes 9. Four Parking Lot District taxes 10. Two Development District taxes, for the CIP. Since these taxes are for the CIP, they are not included in the following analysis. |
|--|---|

Components of property tax Property tax in the next fiscal year has the following three components:

1. Property tax on REAL property that existed in the current year (“old” construction). This is the **only** component that is limited by the Charter
2. Property tax on REAL property that did not exist in the current year (“new” construction)
3. Property tax on PERSONAL property, both old and new

In this memorandum, TOTAL PROPERTY TAX is the sum of these three components. Of the total property tax, less than 1% is for the parking districts (to provide parking lots and garages and related expenses). The remainder is for all other government services.

Charter limit Section 305 of the Charter places a restriction, referred to as the “Charter limit”, only on component #1 above: if the property tax on REAL property that existed in FY06 (the “old” construction) increases more than the rate of inflation, then the tax rates must be approved by at least seven of the nine Councilmembers. There is no limit on the increase in personal property tax nor on the amount of tax on new construction. Inflation through November 2006 is used to calculate the Charter limit for FY08. Based on data from the Federal Bureau of Labor Statistics, inflation for the

12 months ending last November was 3.6%. Property tax at the Charter limit increases roughly at the rate of inflation plus roughly 1% for new construction and personal property.

Current Rates Property tax at current rates increases at the same percentage as the assessable base increases (unless the Council approved a credit in the previous year, in which case the percentage increase is greater than the percentage increase in the assessable base. The Council sets 17 tax rates, for 17 tax districts. Finance calculates property tax at current rates by multiplying the tax rate in the current fiscal year in each district by the estimated assessable base next fiscal year in each district by the collection factor for each district, and then adding the 17 amounts.

Options to reach the Charter limit When property tax at the Charter limit is less than property tax at current rates, there are several options for reducing property tax to the Charter limit (which applies only to the old real property): entirely by reducing the rate, entirely by giving credits, and a combination of both.

1. Entirely by reducing the rates. In this case, all property (old construction, new construction, and personal) gets a reduction and total property tax is the **least** of any option.
2. By keeping rates the same (current rates) and giving property tax credits only for old/existing owner-occupied principal residence housing. The following groups do **not** get any credit: new construction, commercial property (whether new or old), new and old personal property. Since rates are not reduced in this option, new construction and personal property pay more than they would pay under option 1, so the total property tax under option 2 is the **greatest** of any option.
3. By both reducing the rates and by giving credits. Total property tax is in-between options 1 and 2.

2. Income Tax This revenue is clearly difficult to predict, due largely to variability associated with the stock market. The tax rate is 3.20% of Maryland taxable income, the maximum permitted by the State. Since December 2006, the FY07 estimate increased \$31.5 million and the FY08 estimate increased \$50.4 million, for a total increase since December 2006 of \$81.9 million (©4).

3. Transfer and Recordation Taxes On May 9, 2002, the Council approved Bill 7-02 which increased the recordation tax rates. On September 30, 2003, the Council approved Bill 24-03 which clarified that the tax resulting from the increase in rates **must** be used effective July 1, 2003 for "...capital improvements to schools and educational technology for Montgomery College..." Since this increase is no longer available for any other uses, the increase is **not** shown as revenue available for the operating budget. Both the operating budget revenue and the capital budget revenue are shown on ©12. Current rates are assumed. The March 2007 estimates for FY07 and FY08 are only \$2.9 million more combined than the December estimates.

4. Other Taxes, assuming current rates (energy, telephone, hotel-motel, and admissions). For FY04 the Council increased the FY03 energy tax rates 200% (tripled the rates), and for FY05 and all future years, the Council increased the FY04 rates 52.15%. The March 2007 estimates for FY07 and FY08 are \$3.2 million less than the December estimates.

5. State and Federal Grants There are two types, specific and general. Expenditures funded by specific grants can only be spent if the grant is received. Therefore, there is less concern about controlling or limiting these expenditures. In November, 1994, the voters approved Question B, which eliminates specific grants from the calculation of the aggregate operating budget, so these grants are no longer shown on the worksheets. Expenditures funded by general grants will occur whether the grant is received or not, so there is concern about controlling or limiting these expenditures, and these grants are still included. One issue is whether action by the General Assembly changes any of the March 15 estimates.

OMB staff told Council staff that the December 2006 estimate included \$22.7 million for MCPS for the Geographic Cost of Education Index. This is not in the Governor's budget and the Executive did not assume it in his estimate of State aid. This change accounts for most of the \$25.0 million decrease in the FY08 estimate since last December.

College staff told Council staff that the State approved \$142,025 less than the College assumed in its budget and the Executive assumed in his March 13 budget. Council staff reduced State aid and the College's allocation by that amount. The College had already added this to the amount of reduction required to reach the SAG allocation recommended by the Executive.

6. All Other Revenues This category consists of the components shown below. The FY08 estimate increased \$17.4 million since last December. The detail of the FY08 increase is shown below, in **\$millions**.

Licenses and permits	(1.8)
User fees	6.0
College tuition	1.7
Fines and forfeitures	5.0
Investment income	4.4
All other	2.1
Total	17.4

7. Transfers A transfer to one of the funds included in the calculation of the aggregate operating budget is not technically a revenue, since it was a revenue for the transferring fund, and we do not want to double count revenues. However, transfers into these funds are resources that can be used to fund the appropriations. Similarly, a transfer from one of the funds included in the calculation of the aggregate operating budget is not technically an expenditure, since it will be an expenditure in the

receiving fund, and we do not want to double count expenditures. However, transfers from these funds are uses of funds that reduce funds available to fund the appropriations.

Two sets of transfers are relevant. The detail on transfers is in Schedule A-5 of the budget (9 pages long!).

a) From the General Fund to the Revenue Stabilization Fund (RSF) The Council established this Fund effective July 1, 1994. For the RSF, the Council can make a **discretionary** transfer to the Fund at any time, and must make a **mandatory** transfer if either of two conditions occur: a) If revenues in a fiscal year from income tax, plus transfer tax, plus recordation tax, plus investment income increase faster than the average rate of increase for the previous six years; or b) If revenues as just defined in a fiscal year exceed the budget estimate the Council approved.

However, transfers into the Fund cannot cause the balance in the fund to exceed its maximum size: "The Fund must not exceed 10 percent of the average aggregate annual revenue derived from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund in the 3 preceding fiscal years."

Based on this calculation, the maximum size is roughly \$119.6 million at the end of FY07, and the current balance is now \$107.8 million, which is \$11.9 million below the maximum. When the balance in the Fund exceeds 50% of its maximum size, all interest income is transferred to the Debt Service Fund "as an offset to the approved issuance of general obligation debt." Since the balance far exceeds 50% of the maximum size, all interest income is transferred to the Debt Service Fund.

The amount of each of the two potential mandatory transfers to the Fund is 50% of the excess. Finance estimates that the relevant revenues in FY07 will exceed the budget estimate by \$60.8 million, so the **potential** mandatory transfer is \$30.4 million (half of the excess). However, only \$11.9 million will be transferred, because this amount will bring the balance to its maximum (see preceding paragraph). Since this transfer is **within** the tax-supported funds, it does not show up as a transfer on the spreadsheet. However, it does reduce the amount of undesignated reserve.

b) From funds excluded from spending affordability to funds included in spending affordability (such as the transfer from the Department of Liquor Control from profits, and the transfers from the various funds to cover the cost of overhead incurred in the General Fund). The FY08 estimate decreased \$16.7 million since last December. An increase in the transfer from the General Fund to the Montgomery Housing Initiative accounted for \$15.5 million of the change.

8. Reserve at the beginning of FY08 (Beginning Reserve)

A note on the concept of "reserve" This concept is confusing because reserves from three different periods are on the spreadsheet used to calculate the guidelines: 1) the reserve at the **beginning** of FY07 (from the end of FY06), which is one of the resources used to fund the FY07 budget; 2) the reserve at the **end** of FY07 (the beginning of FY08), which is one of the resources

which will be used to fund the FY08 budget (see #8 below); 3) the target reserve at the end of FY08, which must be at least 6% of FY08 resources minus the RSF.

The reserve at the beginning of FY08 is from the end of FY07, and will be available to fund the budgets in FY08. The latest estimate of total reserve at the end of FY07 reflects resource changes, expenditure savings if any, and supplemental or special appropriations. The detail of the FY07 supplemental appropriations and other claims not yet approved is on ©9 (these items reduce the FY07 reserve). The estimated reserve at the end of FY07 increased \$55.5 million since last December, as shown on ©4, column D.

Note that the Executive's list of pending supplemental appropriations on ©9 includes \$0 on row 22 for the City of Takoma Park gym, for which the previous Executive recommended \$360,000. OMB staff explained the Executive's position as follows: "While the County Executive supports funding for this project, he does not believe this funding is necessary in FY07 given the current status of this phase of the project." Because the Council has introduced this item and held the public hearing, Council staff added \$360,000 to the Executive's amount for potential supplemental appropriations, which reduces agency allocations in FY08 by this amount (actually, by 94% of this amount and reduces target reserve by 6% of this amount).

9. Total Resources Available for FY08 This is the sum of items 1 – 8. The change from FY07 is on ©4, columns Q and R.

10. Reserve at the end of FY08 The purpose of having a reserve is to allow for the possibilities that revenues will be less than forecast, and that expenses may be more. Both of these possibilities make it imprudent to appropriate all resources. Rather, appropriations should be less than resources, and the difference between them is the reserve:

$$\text{Reserve} = \text{Resources} - \text{Appropriations}$$

There are three components of reserve: **Revenue Stabilization Fund, designated reserve, and undesignated reserve.**

- The RSF was described above.
- Designated reserve is the amount the Council designates for possible appropriation during the year, which the Council knows about at the time of designation. The amounts and purposes are specified in the appropriation resolution(s) the Council approves in May. **Note a new category for the Office of Landlord Tenant Affairs and Common Ownership Communities, which were merged into the General Fund in FY03 (©10).**
- Undesignated reserve is available for appropriations during the year which the Council does not know about when approving the budgets, or to offset revenue shortfalls.

As noted above, total reserve has 3 components: the RSF, designated reserve, and undesignated reserve. Before FY03, the Council's and the Executive's policy was that undesignated reserve should be at least 3% of total resources.

For the FY03 operating budget, the Executive recommended a change in the fund balance policy so that the **total reserve** (the sum of the 3 reserves) should be at least 6% of resources minus the RSF. The Committee and Council agreed, and this is still the policy.

OMB provided the following policy statement:

The County will maintain total reserves for tax supported funds that include both an operating margin reserve and the Revenue Stabilization Fund (or "rainy day fund"). For tax supported funds, the budgeted total reserve of the operating margin and the Revenue Stabilization Fund should be at least 6.0 percent of total resources (i.e., revenues, transfers, prior year undesignated and designated fund balance). (Source: County Executives Recommended FY08 Operating Budget and Public Services Program p 4-6).

For FY07, the Executive recommended and the Council agreed that the reserve at the end of FY07 should be 6% **plus** \$15.3 million, to be used for MCPS capital projects in FY08 (OMB staff noted that this \$15.3 million is used to fund all FY08 expenses and cannot be specifically attributed to MCPS capital projects). This amount will be part of current revenue in FY08, not a component of designated reserve. For FY08, the Executive's reserve is at the 6% policy amount.

11. Allocation of the total appropriation among current revenue funding for the capital budget, debt service, and operating expenses for the agencies The amount allocated is total resources less the target reserve.

a) Current Revenue Funding for the Capital Budget There are two types of current revenue funding for the capital budget.

i) The first type is funding for capital projects which do not meet the criteria for bond funding and must be funded with current revenue, or not funded at all. Council staff used the Executive's FY08 recommended amount.

ii) The second type is referred to as "PAYGO from Current Revenue for Bond Offset" (pay as you go), and is funding for projects which are eligible for bond funding, but the Council has decided to use current revenues to decrease the need for bonds. The substitution of current revenues for bonds helps protect the AAA bond rating by reducing the need for bonds and also decreases the operating budget for debt service.

The Executive's FY08 recommended amount is \$26.4 million, \$15.0 million less than the \$41.4 million the Council approved last December. OMB staff told Council staff that the Executive's amount complies with the County's policy that PAYGO will be at least 10% of the general obligation bonds planned for issue that year. However, the Council amended its bond limits in February 2007 to

be \$275 million in both FY07 and FY08. To comply with the policy, Council staff used \$27.5 million in both FY07 and FY08, which is \$1.1 million more than the Executive recommended each year, and \$2.2 million total for both years.

b) Debt Service Debt service is a fixed charge that must be paid before making the allocation of any resources to the four agencies. Long-term leases are now included, since these payments are virtually identical to debt. Debt service is in the County Government’s debt service fund and also in the budget for MNCPPC. The amount of debt service next year is based on the amount of debt currently outstanding and estimated to be issued.

The Executive’s FY08 recommended amount is \$6.5 million less than OMB estimated last December, which OMB explained is the result of the deferral of a lease payment to FY09 and a lower assumed bond issue at a lower interest rate.

c) Prefund retiree health costs – GASB 45 As Mr. Firestine explained last fall, FY08 is the first year in which the Government Accounting Standards Board (GASB) requires governments to begin reporting liabilities associated with non-pension benefits for retirees, mainly for health insurance. In the past, these costs were funded on a pay-as-you-go basis where the money is used to pay only for claims related to current retirees. In the future, the financial statements will recognize the expense on an accrual basis. Under an accrual standard there is an expense for current retirees **and also** for current employees who have not yet retired but who may one day be entitled to a benefit. (Accrual accounting shows expenses when the liability is incurred, regardless of when cash is paid.)

GASB does not require governments to fund the accrued expense. However, Mr. Firestine stated last fall that “In order to retain the County’s high credit rating, I believe it will be important to create an approach that ultimately fully funds our annual servicing of the County’s other post employment benefits (OPEB) liability.” The estimate to fully pre-fund this liability would require the County to spend \$160 million more per year than under the former pay-as-you-go funding. Because of the significant fiscal impact, he noted that it will be acceptable to the bond rating agencies to ramp-up to full funding over five years. The five-year phase-in will cost the County \$32 million more than under the former pay-as-you-go funding in each of the five years FY08-FY12.

Because this amount is new and so large, Council staff showed this as a separate allocation in December. **These costs are now included in the FY08 operating budget request for each agency, in the amounts shown below, the same as last December:**

County Government	\$14,020,000
MCPS	16,060,000
Montgomery College	606,400
MNCPPC	1,210,500
Total	\$31,896,900

d) Operating expenses for the four agencies (agency allocations) The Executive's allocations require the following reductions from the agencies' requests (the reductions would have been larger without his \$15 million reduction in PAYGO):

Executive's reductions to the agencies

MCPS	19,700,000
College	7,500,000
Park & Planning	8,541,000
Total	35,741,000

As noted above under PAYGO, the Executive's \$26.4 million for FY07 and FY08 PAYGO is \$2.2 million less than 10% of the \$275 million FY07 and FY08 bond issues the Council approved in February 2007. Council staff made the following changes to the Executive's numbers:

- assumed \$27.5 million for FY07 and FY08 PAYGO, which is \$2.200 million more than the Executive
- added \$360,000 to FY07 potential supplemental appropriations, for the Takoma Park gym
- reduced the Executive's FY08 agency allocations by \$2.560 million (the sum of the above items), roughly proportionally to the Executive's allocations for these agencies, as shown below.

Council staff's additional reductions

County Government	1,000,000
MCPS	1,400,000
College	100,000
Park & Planning	100,000
Total	2,600,000

- made an additional reduction to the College's allocation of \$142,025 as described above.

Action Required: To recommend guidelines to the Council, which are based on what the County can afford, not on what might be needed.

Contents

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10	Designated reserve
11	Revenue detail

A	B	C	D	K	N	O	P	S
SPENDING AFFORDABILITY GUIDELINES FOR FY08 OPERATING BUDGET (\$millions)								
=MFP								
	FY07 Approved	Dec 06 FY07 Revised	Mar 07 FY07 Revised	12/12/06 FY08 Council	3/19/07 FY08 CE	3/29/07 FY08 CS	CS - CE Blank if zero	FY08 Request
3								
4								
5								
6	Resources (\$millions)							
7	Property Tax	1,154.0	1,156.2	1,197.9	1,207.5	1,207.5		
8	Income Tax	1,079.4	1,217.3	1,236.5	1,286.9	1,286.9		
9	Transfer/Recordation Tax	225.7	178.1	193.3	193.3	193.3		
10	Other Tax	174.3	166.9	172.2	171.1	171.1		
11	General State, Federal, Other Aid	524.2	522.1	601.7	576.7	576.6	(0.142025)	
12	All Other Revenue	163.8	172.1	174.9	192.4	192.4		
13	New Revenue:							
14	Total Revenues	3,321.5	3,412.6	3,576.6	3,627.8	3,627.7	(0.142025)	
15	Net Transfers	24.6	23.8	25.4	8.6	8.6		
16	Potential supplemental appropriations & other claims							
17	Beginning reserve, total	344.0	352.2	255.3	312.6	311.1	(1.460000)	
18	Total Resources	3,690.1	3,788.6	3,857.2	3,949.1	3,947.5	(1.602025)	
19								
20	Appropriations:							
21	Current revenue, specific projects	(35.0)	(40.6)	(52.7)	(56.6)	(56.6)		
22	Current revenue, PAYGO	(26.4)	(27.5)	(41.4)	(26.4)	(27.5)	(1.100000)	
23	Prefund retiree health costs - GASB 45 - first year phase in, detail b		0.0	(31.9)	0.0	0.0		
24	MCPS	(1,724.4)	(1,724.8)	(1,787.8)	(1,839.7)	(1,838.3)	1.400000	(1,859.4)
25	College, Total	(180.2)	(176.9)	(188.2)	(192.4)	(192.2)	0.242025	(199.9)
26	Less College Tuition	58.6	58.3	61.7	61.7	61.7		61.7
27	College, Net	(121.6)	(118.6)	(126.5)	(130.7)	(130.5)	0.242025	(138.2)
28	County Government	(1,181.3)	(1,184.3)	(1,190.8)	(1,262.3)	(1,261.3)	1.000000	(1,262.3)
29	MNCPPC	(89.5)	(89.7)	(90.3)	(98.1)	(98.0)	0.100000	(106.6)
30	County Debt Service	(219.7)	(219.5)	(245.6)	(239.1)	(239.1)		
31	MNCPPC Debt Service	(4.5)	(4.5)	(4.4)	(4.7)	(4.7)		
32	Potential supplemental appropriations & other claims		(9.6)					
33	Unallocated Resources							
34	Total Appropriations	(3,461.0)	(3,477.5)	(3,633.0)	(3,719.3)	(3,717.8)	(0.136127)	
35	Aggregate Operating Budget	(3,402.4)	(3,419.2)	(3,571.3)	(3,657.6)	(3,656.1)	1.505898	1.505898

	A	B	C	D	K	N	O	P	S
3									
4									
5	Resources (\$millions)								
36	Ending Reserve, total	229.2	255.3	311.1	224.2	229.8	229.7	(0.096127)	
37	Less Revenue Stabilization Fund	(107.8)	(121.1)	(119.6)	(121.1)	(119.6)	(119.6)		
38	Less designated reserve	(18.7)	(18.7)	(20.7)	(4.0)	(5.7)	(5.7)		
39	Equals undesignated reserve	102.7	115.4	170.8	99.0	104.4	104.3	(0.096127)	
40									
41	Target total reserve, % of resources - RSF	6.0%			6.0%	6.0%	6.0%		
42	Target total reserve, \$ (amount we NEED based on policy)	214.9			224.2	229.8	229.7	(0.096122)	
43									
44	Over/(Under) total reserve target of 6.0% (row 36 - row 42)	14.2			0.0	0.0	0.0	(0.000006)	
45									
46	Inflation				3.8%	0.0			
47	Maximum AOB in FY08 without 6 votes (FY07 budget + inflation)					(3,525.6)			
48									
49	Agency SAG allocations	(3,116.9)	(3,123.3)	(3,117.4)	(3,195.3)	(3,330.8)	(3,328.1)		(3,366.5)
50	County Executive reduction to agency requests								(35.7)
51	Components of "Other taxes"								
52	Energy	124.4	119.2	118.0	120.9	119.9	119.9		
53	Hotel/motel	16.9	17.0	17.0	18.4	18.4	18.4		
54	Telephone	30.2	30.3	29.4	30.4	30.2	30.2		
55	Admissions	2.8	2.4	2.4	2.5	2.5	2.5		
56	Total Other taxes	174.3	168.8	166.9	172.2	171.1	171.1		
57									
58	Prefund retiree health costs - GASB 45								
59	County Government				(14.0)	Included in agency budgets			
60	MCPS				(16.1)				
61	College				(0.6)				
62	MNCPPC				(1.2)				
63	Total				(31.9)	0.0	0.0		

	A	B	C	D	K	N	O	P	S
3			Dec 06	Mar 07	12/12/06	3/19/07	3/29/07	CS - CE	
4		FY07	FY07	FY07	FY08	FY08	FY08	Blank	FY08
5	Resources (\$millions)	Approved	Revised	Revised	Council	CE	CS	if zero	Request
64									
65	Components of designated reserve								
66	TIF	1.9	1.9	1.9	2.3	2.3	2.3		
67	Fibernet chargebacks	1.5	1.5	1.7	1.8	1.9	1.9		
68	MCPS CIP reserve	15.3	15.3	15.3	0.0				
69	LTA/COC reserve			1.8		1.5	1.5		
70	Miscellaneous								
71	Total	18.7	18.7	20.7	4.0	5.7	5.7		

3

	A	B	C	D	K	N	O	P
1	EXECUTIVE CHANGES IN FY07 AND FY08 FROM DECEMBER 2006 TO MARCH 2007							
2								
3								
4								
5	Resources (\$millions)	Dec 06 FY07 Revised	Mar 07 FY07 Revised	Change	12/12/06 FY08 Council	3/15/07 FY08 CE	Change	
6	Property Tax	1,154.1	1,156.2	2.0	1,197.9	1,207.5	9.6	
7	Income Tax	1,185.8	1,217.3	31.5	1,236.5	1,286.9	50.4	
8	Transfer/Recordation Tax	175.2	178.1	2.9	193.3	193.3	(0.0)	
9	Other Tax	168.8	166.9	(2.0)	172.2	171.1	(1.2)	
10	General State, Federal, Other Aid	523.8	522.1	(1.7)	601.7	576.7	(25.0)	
11	All Other Revenue	173.7	172.1	(1.6)	174.9	192.4	17.4	
12	New Revenue:			0.0			0.0	
13	Total Revenues	3,381.5	3,412.6	31.1	3,576.6	3,627.8	51.2	
14								
15	Net Transfers	24.6	23.9	(0.7)	25.4	8.6	(16.7)	
16	Beginning reserve, total	348.0	352.2	4.2	255.3	310.8	55.5	
17	Total Resources	3,754.2	3,788.8	34.6	3,857.2	3,947.3	90.1	
18								
19	Appropriations:							
20	Current revenue, specific projects	(40.6)	(40.6)	0.0	(52.7)	(54.9)	(2.2)	
21	Current revenue, PAYGO	(26.4)	(26.4)	0.0	(41.4)	(26.4)	15.0	
22	Prefund retiree health costs, first year phase in		0.0	0.0	(31.9)	0.0	31.9	
23	MCPS	(1,724.8)	(1,724.8)	0.0	(1,787.8)	(1,839.7)	(51.9)	
24	College, Total	(180.2)	(176.9)	3.2	(188.2)	(192.4)	(4.3)	
25	Less College Tuition	58.6	58.3	(0.2)	61.7	61.7	0.0	
26	College, Net	(121.6)	(118.6)	3.0	(126.5)	(130.7)	(4.3)	
27	County Government	(1,187.2)	(1,186.0)	1.2	(1,190.8)	(1,262.3)	(71.6)	
28	MNCPPC	(89.7)	(89.7)	0.0	(90.3)	(98.1)	(7.8)	
29	County Debt Service	(219.7)	(219.5)	0.1	(245.6)	(239.1)	6.5	
30	MNCPPC Debt Service	(4.5)	(4.5)	0.0	(4.4)	(4.7)	(0.3)	
31	Potential supplemental appropriations	(26.0)	(9.5)	16.4			0.0	
32	Unallocated Resources			0.0			0.0	
33	Total Appropriations	(3,498.9)	(3,478.0)	21.0	(3,633.0)	(3,717.6)	(84.6)	
34	Aggregate Operating Budget	(3,440.4)	(3,419.6)	20.7	(3,571.3)	(3,655.9)	(84.6)	
35	Ending Reserve, total	255.3	310.8	55.5	224.2	229.7	5.5	
36								

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: Revisions to Spending Affordability Guidelines for the FY08 Operating Budget

Background

1. Charter section 305 and Chapter 20 of the Montgomery County Code require the Council to set spending affordability guidelines for the operating budget for the next fiscal year.
2. The guidelines must specify:
 - a) A ceiling on property tax revenues, which are used to fund the aggregate operating budget.
 - b) A ceiling on the aggregate operating budget. The aggregate operating budget is the total appropriation from current operating revenues, including appropriations for capital projects but excluding appropriations for: enterprise funds, the Washington Suburban Sanitary Commission, specific grants for which the spending is contingent on the grants, and expenditures equal to the estimated tuition and tuition-related charges at Montgomery College.
 - c) The spending allocations for the County Government, the Board of Education, Montgomery College, the Maryland-National Capital Park and Planning Commission, debt service and current revenue funding of capital projects. As noted above, the College's allocation excludes expenditures equal to the estimated tuition and tuition-related charges.
3. The legislation lists a number of economic and financial factors to be considered in adopting the guidelines, requires a public hearing before the Council adopts guidelines, and requires that the Council adopt guidelines no later than the third Tuesday in December for the fiscal year starting the following July 1.

4. On December 12, 2005, in resolution 16-18, the Council approved the following guidelines for the FY08 Operating Budget.

a) The ceiling on property tax revenues, at the staff estimate of the Charter limit, achieved entirely by reducing the property tax rate:

Total	\$1,209.6
Less Parking Districts tax	11.7
All other	\$1,197.9

b) The ceiling on the aggregate operating budget and the agency allocations:

MCPS	\$1,787.7
Montgomery College	126.5
County Government	1,190.8
MNCPPC	90.3
Prefund retiree health costs-GASB 45, first year phase in	31.9
County Debt Service	245.6
MNCPPC Debt Service	4.4
Current Revenue, PAYGO	41.4
Current Revenue, specific projects	52.7
Unallocated Resources	0.0
AGGREGATE OPERATING BUDGET	\$3,571.3

5. Although not a guideline, the components of reserve at the end of FY08 for the tax-supported funds were:

Revenue Stabilization Fund	\$121.1
Designated reserve	4.0
Undesignated reserve	99.0
Total reserve	\$224.1

6. The legislation permits the Council to revise the guidelines no later than the second Tuesday after the State General Assembly adjourns its regular session. The General Assembly adjourned on Monday, April 9, 2007. The limit on the increase in the aggregate operating budget is the projected net increase in resources, applying the tax rates that were assumed in adopting that guideline and considering the rates of any tax approved or repealed since that guideline was adopted. On April 17, 2007, the Council revised the guidelines, as shown in the Action section.

Action

The County Council for Montgomery County approves the following resolution:

1. The revised spending affordability guidelines for the FY08 Operating Budget in **millions** of dollars are:

a) The ceiling on property tax revenues, including property taxes on new construction and on personal property.

Total	
Less Parking Districts tax	
All other	

b. The ceiling on the aggregate operating budget and the agency spending allocations are:

MCPS	
Montgomery College	
County Government	
MNCPPC	
County Debt Service	
MNCPPC Debt Service	
Current Revenue, PAYGO	
Current Revenue, other	
AGGREGATE OPERATING BUDGET	

2. Although not a guideline, the components of reserve at the end of FY08 for the tax-supported funds are:

Revenue Stabilization Fund	
Designated reserve	
Undesignated reserve	
Total reserve	

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

SPENDING AFFORDABILITY COMPARISON

(Dollars in Millions)

March 13

A	B	C	D	E	F	G
CATEGORY	FY07 CC Approved (a) 5-25-06	FY07 Estimate 3-13-07	FY08 CC SAG 12-12-06	FY08 Recommended 3-13-07	FY08 CE % Chg Rec / Bud	FY08 CE \$ Chg Rec / Bud
1 Property Tax	1,154.0	1,156.2	1,197.9	1,207.5	4.6%	53.5
2 Income Tax	1,079.4	1,217.3	1,236.5	1,286.9	19.2%	207.5
3 Transfer/Recordation Tax	225.7	178.1	193.3	193.3	-14.4%	(32.5)
4 Other Tax	174.3	166.9	172.2	171.1	-1.9%	(3.3)
5 General State/Fed/Other Aid	524.2	522.1	601.7	576.7	10.0%	52.5
6 All Other Revenue	163.8	172.1	174.9	192.4	17.4%	28.5
7 Revenues	3,321.5	3,412.6	3,576.6	3,627.8	8.2%	306.3
8 Net Transfers in (Out)	24.6	23.9	25.4	8.6	-64.9%	(16.0)
9 Set Aside: Potential Supplementals	0.0	(9.5)		0.0	n/a	0.0
10 Set Aside: Other Claims	0.0	0.0		0.0	n/a	0.0
11 Beginning Reserve: Total	344.0	352.2	255.3	310.8	-9.7%	(33.2)
12a Revenue Stabilization Fund	107.8	107.8	121.1	119.6	11.0%	11.9
12b Reserve: Designated	2.8	5.0	18.7	20.7	630.3%	17.8
12c Reserve: Undesignated	233.4	239.5	115.4	170.5	-27.0%	(62.9)
12 TOTAL RESOURCES	3,690.1	3,779.2	3,857.2	3,947.3	7.0%	257.1
13 APPROPRIATIONS						
14 Capital Budget:						
15 CIP Current Revenue	(35.0)	(40.6)	(52.7)	(54.9)	57.2%	(20.0)
16 CIP PAYGO	(26.4)	(26.4)	(41.4)	(26.4)	0.0%	0.0
17a CIP PAYGO Rec Tax Undesignated	0.0	0.0	0.0	0.0	0.0%	0.0
17 Operating Budget:						
18 MCPS	(1,724.4)	(1,724.8)	(1,787.8)	(1,839.7)	6.7%	(115.3)
19 College, Total	(180.2)	(176.9)	(188.2)	(192.4)	6.8%	(12.3)
20 Less College Tuition	58.6	58.3	61.7	61.7	5.4%	3.1
21 College, Net	(121.6)	(118.6)	(126.5)	(130.7)	7.5%	(9.1)
22 County Government	(1,181.3)	(1,186.0)	(1,190.8)	(1,262.3)	6.9%	(81.0)
23 M-NCPPC	(89.5)	(89.7)	(90.3)	(98.1)	9.5%	(8.5)
24 Other: (Unallocated) / GAP	0.0	0.0	(31.9)	0.0	n/a	0.0
25 Total Operating Budget:	(3,175.5)	(3,177.4)	(3,288.9)	(3,392.5)	6.8%	(217.1)
26 Debt Service:						
27 All County Debt Service	(206.4)	(206.9)	(245.6)	(226.1)	9.5%	(19.6)
28 M-NCPPC Debt Service	(4.5)	(4.5)	(4.4)	(4.7)	3.2%	(0.1)
29 MCG Long Term Leases (b)	(13.2)	(12.6)		(13.0)	-1.8%	0.2
30 TOTAL APPROPRIATIONS	(3,461.0)	(3,468.5)	(3,633.0)	(3,717.8)	7.4%	(256.6)
31 (incl. Capital, Operating & Debt Service)						
32 Aggregate Operating Budget	(3,402.4)	(3,410.1)	(3,571.3)	(3,655.9)	7.4%	(253.5)
33 (excludes College tuition)						
34 Revenue Stabilization Fund (new \$s)	0.0	(11.9)		0.0	n/a	0.0
35 Ending Reserve: Total	229.2	310.8	224.2	229.7	0.2%	0.5
36a Revenue Stabilization Fund	107.8	119.6	121.1	119.6	11.0%	11.9
36b Ending Reserve: Designated	18.7	20.7	4.0	5.7	-69.4%	(13.0)
36c Ending Reserve: Undesignated	102.7	170.5	99.0	104.3	1.6%	1.6
36 Maximum AOB without 6 votes (c)	(3,184.6)	n/a	(3,555.1)	(3,525.6)		
37 (Prior Year AOB + inflation as shown)	4.0%		4.0%	3.62%		

a) Based on latest revenue and expenditure estimates as prepared by Department of Finance and OMB.
 b) Long term leases of Montgomery County Government are considered equivalent to debt service.
 c) The guidelines adopted in December by the Council may be increased by "the projected net increase in available resources", applying the tax rates that were assumed in adopting that guideline, including any tax approved or repealed since adoption of the guideline MCC 20-60(c)(4).

SPENDING AFFORDABILITY COMPARISON

(Dollars in Millions)

March 19

A CATEGORY	B FY07 CC Approved (a) 5-25-06	C FY07 Estimate 3-19-07	E FY08 Recommended 3-19-07	F FY08 CE % Chg Rec / Bud	G FY08 CE \$ Chg Rec / Bud
1 Property Tax	1,154.0	1,156.180342	1,207.534619	4.6%	53.5
2 Income Tax	1,079.4	1,217.310000	1,286.890000	19.2%	207.5
3 Transfer/Recordation Tax	225.7	178.100000	193.260000	-14.4%	(32.5)
4 Other Tax	174.3	166.870000	171.050000	-1.9%	(3.3)
5 General State/Fed/Other Aid	524.2	522.108120	576.725437	10.0%	52.5
6 All Other Revenue	163.8	172.081321	192.372249	17.4%	28.5
7 Revenues	3,321.5	3,412.649783	3,627.832305	9.2%	306.3
8 Net Transfers In (Out)	24.6	23.752178	8.643796	-64.9%	(16.0)
9 Set Aside: Potential Supplementals	0.0	(9.272980)	0.000000	n/a	0.0
10 Set Aside: Other Claims	0.0	0.000000	0.000000	n/a	0.0
11 Beginning Reserve: Total	344.0	352.224081	312.578705	-9.1%	(31.4)
12a Revenue Stabilization Fund	107.8	107.786618	119.647618	11.0%	11.9
12b Reserve: Designated	2.8	4.978080	20.673790	630.3%	17.8
12c Reserve: Undesignated	233.4	239.459383	172.257297	-26.2%	(61.1)
12 TOTAL RESOURCES	3,690.1	3,779.353062	3,949.054806	7.0%	258.9
13 APPROPRIATIONS					
14 Capital Budget:					
15 CIP Current Revenue	(35.0)	(40.552000)	(56.621000)	62.0%	(21.7)
16 CIP PAYGO	(26.4)	(26.400000)	(26.400000)	0.0%	0.0
17a CIP PAYGO Rec Tax Undesignated	0.0	0.000000	0.000000	0.0%	0.0
17 Operating Budget:					
18 MCPS	(1,724.4)	(1,724.796735)	(1,839.677747)	6.7%	(115.3)
19 College, Total	(180.2)	(176.932732)	(192.438872)	6.8%	(12.3)
20 Less College Tuition	58.6	58.349885	61.720476	5.4%	3.1
21 College, Net	(121.6)	(118.582847)	(130.718396)	7.5%	(9.1)
22 County Government	(1,181.3)	(1,184.345830)	(1,262.343160)	6.9%	(81.0)
23 M-NCPPC	(89.5)	(89.684810)	(98.060300)	9.5%	(8.5)
24 Other: (Unallocated) / GAP	0.0	0.000000	0.000000	n/a	0.0
25 Total Operating Budget:	(3,175.5)	(3,175.760107)	(3,392.520079)	6.8%	(217.1)
26 Debt Service:					
27 All County Debt Service	(206.4)	(206.892810)	(226.076320)	9.5%	(19.6)
28 M-NCPPC Debt Service	(4.5)	(4.523000)	(4.669000)	3.2%	(0.1)
29 MCG Long Term Leases (b)	(13.2)	(12.646440)	(13.003970)	-1.8%	0.2
30 TOTAL APPROPRIATIONS	(3,461.0)	(3,466.774357)	(3,719.290369)	7.5%	(258.3)
31 (Incl. Capital, Operating & Debt Service)					
32 Aggregate Operating Budget	(3,402.4)	(3,408.424472)	(3,657.569893)	7.5%	(255.1)
33 (excludes College tuition)					
34 Revenue Stabilization Fund (new \$\$)	0.0	(11.861000)	0.000000	n/a	0.0
35 Ending Reserve: Total	229.2	312.578705	229.764437	0.3%	0.6
36a Revenue Stabilization Fund	107.8	119.647618	119.647618	11.0%	11.9
36b Ending Reserve: Designated	18.7	20.673790	5.721010	-69.4%	(13.0)
36c Ending Reserve: Undesignated	102.7	172.257297	104.395809	1.7%	1.7
36 Maximum AOB without 6 votes (c)	(3,184.6)	n/a	(3,525.591510)		
37 (Prior Year AOB + inflation as shown)	4.0%		3.62%		

a) Based on latest revenue and expenditure estimates as prepared by Department of Finance and OMB.

b) Long term leases of Montgomery County Government are considered equivalent to debt service.

c) The guidelines adopted in December by the Council may be increased by "the projected net increase in available resources", applying the tax rates that were assumed in adopting that guideline, including any tax approved or repealed since adoption of the guideline MCC 20-60(c)(4).

(8A)

Reconciliation of Changes to the March 13, 2007 Fiscal Plan		
Date: March 28, 2007		
(Note: positive numbers mean an increase in resources, negative numbers mean a decrease in resources)		
	\$000	\$000
	FY07	FY08
A. Resources		
1. Net Transfers		
a. MCG FRS SAFER Grant -- transfer local match to Grant Fund	(147.950)	
Total Change in Available Resources	(147.950)	1,793.620
B. Use of Resources		
1. Pending Supplemental Appropriations		
a. MCG FRS SAFER Grant -- approved by Council	147.950	
b. MCNCPPC Wheaton Tennis Bubble Current Revenue	(117.000)	
c. Reduction to ADA Consultant	225.000	
d. MCG Snow Supplemental set-aside	(0.380)	
Total change in pending supplemental appropriations	255.570	
2. MCG Expenditures		
a. Revised DTS FY07 expenditure estimate	1,686.000	
3. Non-Agency Uses		
a. MCG Technology Modernization CIP Current Revenue		(1,686.000)
C. Reserves		
1. Change in reserves due to change in available resources		(107.617)
Total Change in Uses (reduction in uses, increase in available resources)	1,941.570	(1,793.617)
Net Change in Available Resources	1,793.620	0.003

FY07 TAX SUPPORTED SUPPLEMENTAL APPROPRIATIONS

	AMOUNT
Operating Budget	
15-1539 MCG FRS Apparatus Management Plan (approved 7/11/06)	2,590,000
15-1561 MCG DHHS Adult Dental Services (approved 7/25/06)	293,580
15-1589 MCG OSA Health Benefits for State's Attorney's Scholars (approved 8/1/06)	22,050
15-1607 MCG NDA National Philharmonic (approved 9/19/06)	80,000
15-1619 MNCPPC Soccer Club game fee subsidies at Soccerplex (approved 10/3/06)	142,450
15-1641 MCG SAO Family Violence Unit (approved 10-24-06)	81,400
15-1642 MCPS Automated External Defibrillator Program (approved 10/24/06)	400,000
15-1646 MCG DED Conference and Visitor's Bureau NDA (approved 10-24-06)	126,800
15-1660 MCG AHC NDA Levine School of Music (approved 10-31-06)	50,000
15-1684 MCG AHC NDA Warren Historic District Restoration (approved 10/31/06)	25,000
MCG DHHS Senior Nutrition Services \$60,240(introduced 10/3/06,withdrawn 10/17/06)	0
15- MCG FRS Fire Code Enforcement - Fire Safety Code - total supplemental \$2,582,630 - source \$2,221,510 fees, \$361,120 Consolidated Fire Tax District (approved 11/28/06)	2,582,630
16-03 MCG REC Paint Branch Sports Academy (approved 12/12/06)	172,250
16-03 MCG REC Springbrook Sports Academy (approved 12/12/06)	172,250
16-03 MCG REC Wheaton Sports Academy (approved 12/12/06)	129,680
16-03 MCG REC Administrative Specialist I (approved 12/12/06)	24,000
16-60 MCG DOCR Pre-Trial Services Division (approved 2-28-07)	40,820
16-68 MCG FRS SAFER Grant General Fund Match (approved 3-8-07)	147,950
Subtotal Approved PSP	7,080,860
CIP Current Revenue	
15-1628 MCG DED Germantown Business Incubator (approved 10/3/06)	1,600,000
15-1629 MC Goldenrod Building Renovation (approved 10/3/06)	4,000,000
15-1654 MNCPPC Lake Needwood Dam Remediation (approved 10/31/06)	1,057,000
15-1659 MNCPPC Wheaton Tennis Bubble Renovation- substitute Program Opens Space for Current Revenue (approved 10/31/06)	(1,057,000)
Subtotal CIP CR	5,600,000
Subtotal Approved:PSP and CIP CR	12,680,860
FY07 Pending Supplemental Appropriations	
City of Takoma Park Gymnasium Bond Bill Match (introduced 11-28-06, CE)	0
Set Aside for Potential Supplemental Appropriations (see below for details)	9,272,980
Subtotal:Pending Tax Supported Supplemental Appropriations	9,272,980
FY07 Potential Supplemental Appropriations	
MCG Snow Supplemental and other unanticipated items	8,678,100
Wheaton Tennis Bubble March Supplemental	117,000
MCG Parking for Rockville Library	227,880
DPWT ADA Consultant	150,000
Grant to M.C. Historical Society for Waters Barn Project	100,000
Subtotal:Potential Tax Supported Supplemental Appropriations	9,272,980
FY07 Pending & Potential Supplemental Appropriations to Cover 2nd Quarter Analysis Exp.	
→ THESE ARE ALREADY INCLUDED IN FY07 EXPENDITURES	
MCG DOCR Detention Services - Montgomery County Correctional Facility (intro.12/12/06, CE)	759,730
MCG NDA Working Families Income Supplement	1,079,080
MCG OHR Occupational Medical Services Contract (TBD)	823,120
Transit Small Bus Contract	973,437
Board of Elections FY07 Projected Overexpenditure	1,046,640
Subtotal: Pending & Potential Suppl. To Cover 2nd Quarter Exp.	4,682,007

DESIGNATED RESERVES	FY07 Approved		FY07 Estimate		FY07 Estimate		FY08 Rec	
	Begin Year	End Of Year	Begin Year	End Of Year	Begin Year	End Of Year	Begin Year	End Of Year
Revolving Funds and/or Long Term Designated Reserves								
TIF	1.611620	1.940040	1.611620	1.940040	1.940040	2.268460	1.940040	2.268460
MCPS CIP Reserve	0.000000	15.300000	0.000000	15.300000	15.300000	0.000000	15.300000	0.000000
LTA/COC Reserve	0.000000	0.000000	1.941790	1.775080	1.775080	1.512180	1.775080	1.512180
Fibernet Chargebacks	1.219300	1.467800	1.424670	1.658670	1.658670	1.940370	1.658670	1.940370
Subtotal	2.830920	18.707840	4.978080	20.673790	20.673790	5.721010	20.673790	5.721010
TOTAL	2.830920	18.707840	4.978080	20.673790	20.673790	5.721010	20.673790	5.721010
Net Designated \$\$ (Unused + New)=		15.87692		15.695710		-14.952780		-14.952780

COUNTY INCOME TAX ESTIMATE
MONTGOMERY COUNTY, MARYLAND

FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13

Current Law
Collect \$1,044,561,989
% change 11.0%

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Forecast								
Old (11/06)			\$1,236,480,071	\$1,314,590,000	\$1,392,720,000	\$1,486,200,000	\$1,576,420,000	\$1,671,450,000
New (03/07)			\$1,286,890,056	\$1,360,540,000	\$1,440,520,000	\$1,542,570,000	\$1,641,100,000	\$1,746,300,000
Difference			\$50,409,985	\$45,950,000	\$47,800,000	\$56,370,000	\$64,680,000	\$74,850,000
% change			4.3%	6.3%	5.9%	6.7%	6.1%	6.0%
Old (11/06)			13.5%	5.7%	5.9%	7.1%	6.4%	6.4%
New (03/07)			16.5%	5.7%	5.9%	7.1%	6.4%	6.4%

Montgomery County Department of Finance March 2007

**TRANSFER & RECORDATION TAXES ESTIMATE
MONTGOMERY COUNTY, MARYLAND**

FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13

Current Law
Collect (incl school CIP) \$286,579,336
% change 9.8%
Average

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
- TRANSFER (excl. condo conversion)	\$145,478,479	\$111,120,000	\$120,810,000	\$128,820,000	\$136,700,000	\$143,930,000	\$151,500,000	\$159,500,000
% change	8.8%	-23.6%	8.7%	6.6%	6.1%	5.3%	5.3%	5.3%
- RECORDATION	\$96,239,932	\$66,980,000	\$72,450,000	\$76,750,000	\$80,970,000	\$84,760,000	\$89,240,000	\$93,980,000
% change	9.8%	-30.4%	8.2%	5.9%	5.5%	4.7%	5.3%	5.3%
- RECORDATION (INCLUDING SCHOOL FUNDING)	\$141,100,857	\$97,380,000	\$105,250,000	\$111,550,000	\$117,670,000	\$123,160,000	\$129,640,000	\$136,480,000
	10.8%	-31.0%	8.1%	6.0%	5.5%	4.7%	5.3%	5.3%
TOTAL TRANSFER AND RECORDATION TAX:								
Old (11/06)	\$205,100,000	\$205,100,000	\$226,100,000	\$237,410,000	\$247,560,000	\$258,610,000	\$271,250,000	\$283,490,000
New (03/07)	\$208,500,000	\$208,500,000	\$226,060,000	\$240,570,000	\$254,370,000	\$267,020,000	\$281,400,000	\$295,980,000
Difference	\$3,400,000	(\$40,000)	(\$40,000)	\$29,960,000	\$6,810,000	\$8,480,000	\$9,890,000	\$12,490,000
% change		-28.4%	10.2%	5.0%	4.3%	4.5%	4.9%	5.3%
Old (11/06)								
New (03/07)								

Montgomery County Department of Finance March 2007

	FY07	FY08	FY09	FY10	FY11	FY12	FY13
	Estimated						
	\$30,400,000	\$32,800,000	\$34,800,000	\$56,700,000	\$38,400,000	\$40,400,000	\$42,500,000
	31.2%	31.2%	31.2%	31.2%	31.2%	31.2%	31.2%
School CIP Share of Total							
	\$44,860,925						
	31.8%						

FUEL / ENERGY TAX ESTIMATES
MONTGOMERY COUNTY, MARYLAND

FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13

Current Law
Collect \$117,381,196
% change 2.2%

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
FORECAST								
Forecast								
Old (11/06)	\$119,160,000	\$120,900,000	\$122,250,000	\$123,420,000	\$124,520,000	\$125,640,000	\$126,790,000	
New (03/07)	\$118,000,000	\$119,300,000	\$122,050,000	\$124,130,000	\$126,010,000	\$127,790,000	\$129,110,000	
Difference	(\$1,160,000)	(\$970,000)	(\$200,000)	\$710,000	\$1,490,000	\$2,150,000	\$2,620,000	
Growth Factor	0.5%	1.6%	1.8%	1.7%	1.5%	1.4%	1.3%	
% change								
Old (11/06)	1.5%	1.5%	1.1%	1.0%	0.9%	0.9%	0.9%	
New (03/07)	0.5%	1.6%	1.8%	1.7%	1.5%	1.4%	1.3%	
Growth Factors:								
- Households (Calendar Year)	0.8%	1.4%	1.4%	1.4%	1.1%	1.1%	1.1%	1.1%
- Businesses (I)	2.2%	1.7%	1.9%	2.0%	1.7%	1.6%	1.4%	1.4%
Total	3.0%	3.1%	3.3%	3.1%	2.8%	2.6%	2.4%	
Weighted Average								
Growth Factor:	1.8%	1.6%	1.8%	1.7%	1.5%	1.4%	1.3%	
- Add factor (weather and consumption)	0.4%	-1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Agricultural Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rate change	2.2%	1.6%	1.8%	1.7%	1.5%	1.4%	1.3%	
Total								

	FY06	FY07 est.	FY08 est.	FY09 est.	FY10 est.	FY11 est.	FY12 est.	FY13 est.
Energy Tax from Residential	\$33,696,649	\$33,146,181	\$33,630,189	\$34,005,712	\$34,331,165	\$34,637,147	\$34,948,692	\$35,268,382
Number of households	351,000	356,000	361,000	366,000	370,000	374,000	378,000	382,000
Average Tax per Household	\$96	\$93	\$93	\$93	\$93	\$92	\$92	\$92
Energy Tax from Non-Residential	\$84,729,817	\$86,013,819	\$87,269,811	\$88,244,288	\$89,088,835	\$89,882,853	\$90,691,308	\$91,521,418

Montgomery County Department of Finance March 2007

**HOTEL/MOTEL TAX ESTIMATE
MONTGOMERY COUNTY, MARYLAND**

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Current Law								
Collect	\$15,869,779							
Tax Rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
% change	12.1%							

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Forecast								
Old (11/06)	\$17,000,000	\$18,410,000	\$18,410,000	\$18,950,000	\$18,280,000	\$19,800,000	\$21,660,000	\$23,600,000
New (03/07)	\$17,000,000	\$18,410,000	\$18,410,000	\$18,950,000	\$18,280,000	\$19,800,000	\$21,660,000	\$23,600,000
Difference	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Growth Factor	7.1%	8.3%	2.9%	-3.5%	8.3%	9.4%	9.0%	9.0%

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
% change								
Old (11/06)	7.1%	8.3%	2.9%	-3.5%	8.3%	9.4%	9.0%	9.0%
New (03/07)	7.1%	8.3%	2.9%	-3.5%	8.3%	9.4%	9.0%	9.0%

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
thru February								
Collections								
Share of FY								
Year ?								

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Growth Factors:								
- Inflation (fiscal year)	4.1%	3.1%	3.1%	2.8%	2.7%	2.7%	2.6%	2.6%
- Add factor	7.1%	1.0%	1.0%	-2.5%	1.0%	1.1%	1.1%	1.2%
Room Rates	11.2%	6.5%	4.0%	0.3%	3.7%	3.7%	3.7%	3.7%
- Occupancy	-1.9%	-5.1%	3.2%	2.7%	-3.2%	0.1%	0.0%	0.0%
- Room supply	4.4%	4.5%	0.6%	0.6%	0.6%	0.6%	0.6%	2.1%
- Add factor	-0.2%	0.0%	0.2%	0.0%	-0.1%	0.0%	0.0%	0.1%
Sub-Total	13.5%	5.6%	8.0%	3.7%	1.0%	4.4%	4.4%	5.9%
- Add factor	-1.4%	1.5%	0.3%	-0.8%	-4.5%	3.9%	5.1%	3.0%
Total	12.1%	7.1%	8.3%	2.9%	-3.5%	8.3%	9.4%	9.0%

Occupancy	66.9%	63.5%	65.5%	67.3%	65.2%	65.2%	65.2%	65.2%
Room Rate	\$120.29	\$128.14	\$133.32	\$133.77	\$138.74	\$143.89	\$149.23	\$154.77
	11.2%	6.5%	4.0%	0.3%	3.7%	3.7%	3.7%	3.7%
MoCo Conference and Visitors Bureau		\$595,000	\$644,350	\$663,250	\$639,800	\$693,000	\$758,100	\$826,000
(3.5%)	\$555,442							
MoCo Conference Center		\$4,857,143	\$5,260,000	\$5,414,286	\$5,222,857	\$5,657,143	\$6,188,571	\$6,742,857
(2/7)								

TELEPHONE TAX ESTIMATE
MONTGOMERY COUNTY, MARYLAND

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
<u>Current Law</u>								
Collect	\$29,176,263							
% change	-2.4%							
<u>Rates:</u>								
- land centrex	\$0.200	\$0.200	\$0.200	\$0.200	\$0.200	\$0.200	\$0.200	\$0.200
- land regular	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000
- wireless	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000
<u>Forecast</u>								
- landlines	\$12,487,136	\$10,930,000	\$11,380,000	\$12,010,000	\$12,120,000	\$12,390,000	\$12,710,000	\$13,010,000
% change	-6.0%	-12.4%	4.1%	5.5%	0.9%	2.3%	2.6%	2.4%
- wireless	\$16,689,128	\$18,510,000	\$19,010,000	\$19,530,000	\$20,040,000	\$20,490,000	\$20,940,000	\$21,390,000
% change	8.7%	10.9%	2.7%	2.7%	2.6%	2.2%	2.2%	2.1%
<u>Results</u>								
Old (11/06)	\$30,250,000	\$30,430,000	\$30,740,000	\$31,210,000	\$31,820,000	\$32,460,000	\$33,110,000	\$33,420,000
New (03/07)	\$29,440,000	\$30,220,000	\$31,360,000	\$31,980,000	\$32,700,000	\$33,470,000	\$34,220,000	\$34,970,000
Difference	(\$810,000)	(\$210,000)	\$620,000	\$770,000	\$880,000	\$1,010,000	\$1,110,000	\$1,110,000
% change	3.7%	0.6%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%
Old (11/06)								
New (03/07)								
<u>Growth Factors:</u>								
<u>LANDLINES</u>								
Households (Calendar Year)	0.8%	1.4%	1.4%	1.4%	1.1%	1.1%	1.1%	1.1%
Businesses (1)	2.2%	2.1%	1.7%	1.9%	2.0%	1.7%	1.5%	1.3%
Adj. factor (prio year collections)	-9.0%	-15.9%	1.0%	2.2%	-2.2%	-0.6%	0.0%	0.0%
Rate Increase (weighted avg.)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	-6.0%	-12.4%	4.1%	5.5%	0.9%	2.3%	2.6%	2.4%
<u>WIRELESS</u>								
Market Share	73.0%	80.0%	81.2%	82.3%	83.5%	84.7%	85.9%	87.0%
Population	953,000	964,000	976,000	988,000	1,000,000	1,008,000	1,016,000	1,024,000
Number of Phones	695,380	771,250	792,083	813,750	835,000	853,750	872,500	891,250

Montgomery County Dept of Finance March 2007

**ADMISSIONS & AMUSEMENT TAX ESTIMATES
MONTGOMERY COUNTY, MARYLAND**

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Current Law								
Collect	\$2,365,311							
Tax Rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
% change	-23.7%							

Constant Law
 Adjustments \$0
 New Total \$2,365,311
 % change -23.7%

\$5,528,358
 (\$5,528,358)

	FORECAST								
Forecast									
New (11/06)	\$2,430,000	\$2,490,000	\$2,550,000	\$2,600,000	\$2,660,000	\$2,720,000	\$2,770,000		
New(03/07)	\$2,430,000	\$2,490,000	\$2,550,000	\$2,600,000	\$2,660,000	\$2,720,000	\$2,770,000		
Difference	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Growth Factor	2.7%	2.5%	2.4%	2.0%	2.3%	2.3%	2.3%	1.8%	1.8%
% change									
New (11/06)	2.7%	2.5%	2.4%	2.0%	2.3%	2.3%	2.3%	1.8%	1.8%
New(03/07)	2.7%	2.5%	2.4%	2.0%	2.3%	2.3%	2.3%	1.8%	1.8%
Growth Factors:									
Inflation	4.1%	2.9%	2.8%	2.7%	2.7%	2.7%	2.6%	2.6%	2.6%
Population	1.2%	1.2%	1.2%	1.2%	0.8%	0.8%	0.8%	0.8%	0.8%
Add factor	-28.9%	-1.6%	-1.6%	-1.9%	-1.2%	-1.1%	-1.1%	-1.6%	-1.6%
Rate adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	-23.7%	2.5%	2.4%	2.0%	2.3%	2.3%	2.3%	1.8%	1.8%

Montgomery County Department of Finance March 2007

STATE-SHARED HIGHWAY USER FUND ESTIMATES
MONTGOMERY COUNTY, MARYLAND

FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13

Current Law
Collect \$36,623,789
% change 20.7%

Constant Law
Adjustments
New Total
% change

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Forecast								
Old (11/06)		\$39,934,700	\$40,545,405	\$41,106,975	\$41,556,232	\$42,005,488	\$42,454,745	\$42,904,001
New (03/07)		\$38,169,037	\$38,739,054	\$39,291,541	\$39,720,956	\$40,150,372	\$40,579,788	\$41,009,204
Difference		(\$1,765,663)	(\$1,796,351)	(\$1,815,435)	(\$1,835,275)	(\$1,855,116)	(\$1,874,957)	(\$1,894,798)
Growth Factor								
% change		9.0%	1.5%	1.4%	1.1%	1.1%	1.1%	1.1%
Old (11/06)		42%	15%	14%	11%	11%	11%	11%
New (03/07)								

Montgomery County Department of Finance March 2007

**COUNTY TAX-SUPPORTED INVESTMENT INCOME ESTIMATE
MONTGOMERY COUNTY, MARYLAND**

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
<u>Current Law</u>								
Collect	\$21,538,429							
% change	102.4%							

	FORECAST								
	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	
<u>Forecast</u>									
Old (11/06)	\$29,602,000	\$27,489,000	\$29,501,000	\$30,520,000	\$33,297,000	\$34,989,000	\$36,513,000		
New (03/07)	\$29,609,000	\$31,874,000	\$32,478,000	\$34,072,000	\$36,022,000	\$38,136,000	\$40,154,000		
Difference	\$7,000	\$4,385,000	\$2,977,000	\$3,554,000	\$2,725,000	\$3,147,000	\$3,641,000		
<u>% change</u>									
Old (11/06)	37.4%	-7.1%	7.3%	3.5%	9.1%	5.1%	4.4%		
New (03/07)	37.5%	17.6%	19.6%	49.7%	57.7%	59.6%	53.7%		

Montgomery County Department of Finance March 2007

REVENUE STABILIZATION FUND COMPUTATION

	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Balance Begin Year	\$101,177,287	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603
- Mandatory Contribution	\$6,609,329	\$0	\$0	\$0	\$0	\$0	\$0
- Discretionary Contribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance During Year	\$101,177,287	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603
Interest Earned	\$4,719,842	\$6,161,852	\$5,982,380	\$5,982,380	\$6,042,204	\$6,102,028	\$6,161,852
Rate	4.12%	5.15%	5.00%	5.00%	5.05%	5.10%	5.15%
Balance End Year	\$112,506,458	\$125,809,455	\$123,629,983	\$125,629,983	\$125,689,807	\$125,749,631	\$125,809,455
- Transfer to PAYGO	\$4,719,842	\$6,161,852	\$5,982,380	\$5,982,380	\$6,042,204	\$6,102,028	\$6,161,852
Final Balance	\$107,786,616	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603	\$119,647,603
Fund Limit	\$107,790,520	\$129,164,602	\$134,464,224	\$136,416,722	\$141,640,532	\$147,467,557	\$153,852,239
- Transfer @ 50%	\$53,895,260	\$64,582,301	\$67,232,112	\$68,208,361	\$70,820,266	\$73,733,778	\$76,926,119
CAFR (check)							

DIFFERENCE BETWEEN FUND LIMIT AND REVISED BALANCE FOR FY06:	\$11,860,987.13
AVAILABLE FOR TRANSFER:	\$30,412,825
TRANSFER TO RSF:	\$11,860,987
NO TRANSFER TO RSF:	\$18,551,838

EXPLANATION:
 (Balance During Year = Balance Begin Year + Discretionary Contribution)
 (Balance End Year = Balance During Year + Mandatory Contribution)
 (Final Balance = Balance End Year - PAYGO Contribution)
 (Interest earned = Balance During Year • Interest rate)

Montgomery County Department of Finance March 2007

