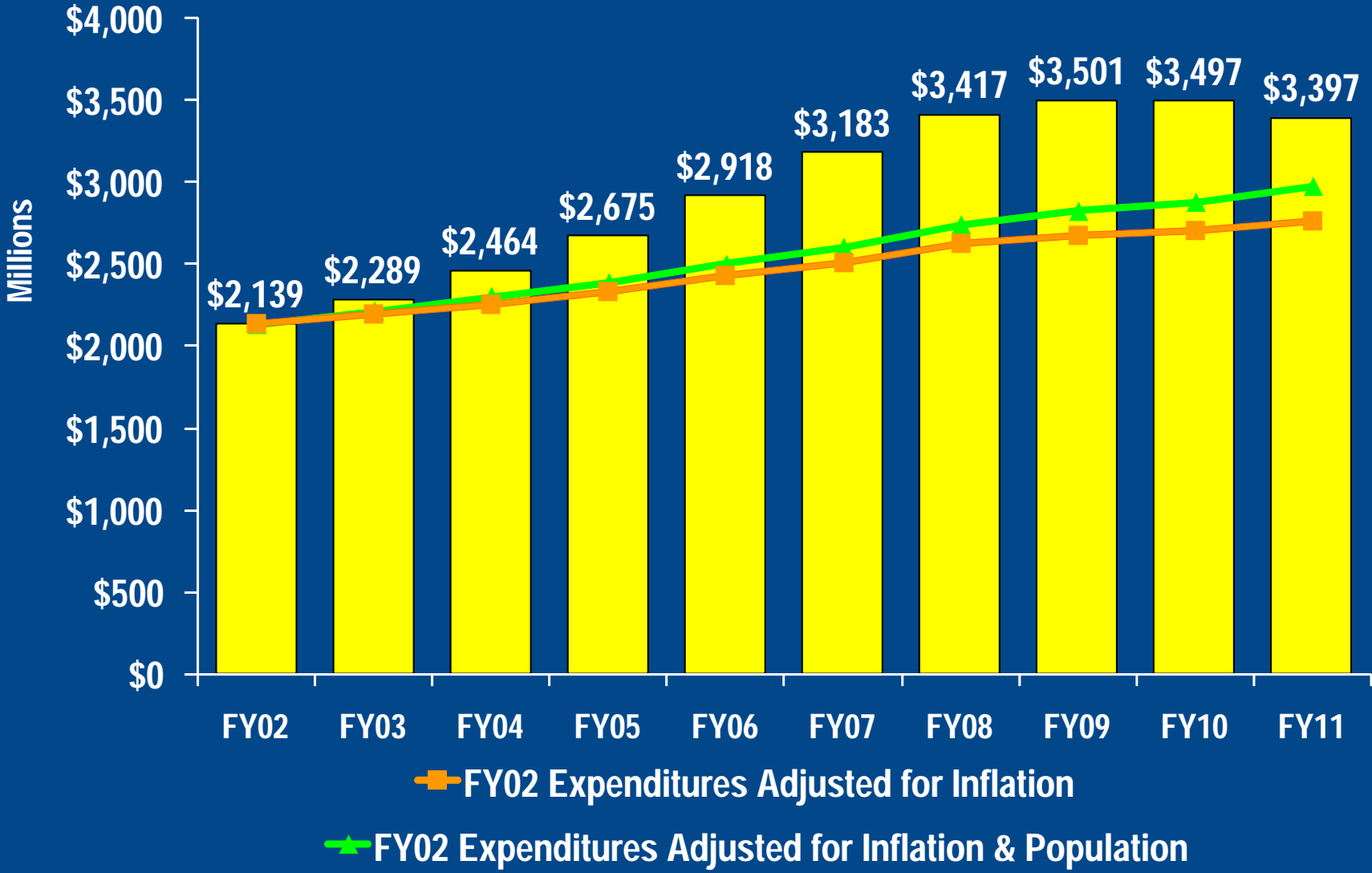


Office of Legislative Oversight Report 2011-2

**Achieving a Structurally Balanced
Budget in Montgomery County**

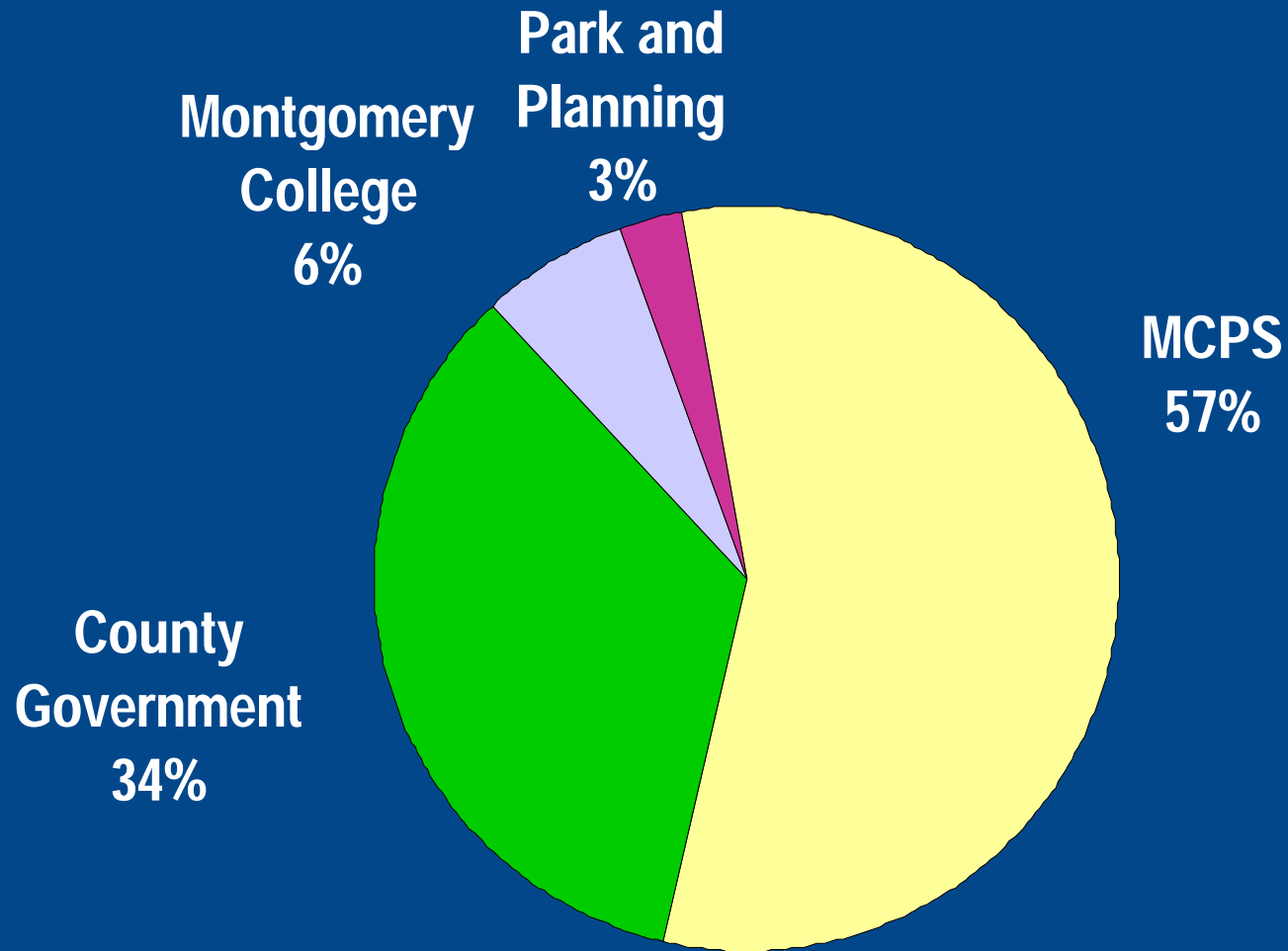
Tax Supported Expenditures

Increased 59% between FY02-FY11



FY11 Tax Supported Operating Budgets

MCPS and County Gov't account for 91% of all spending

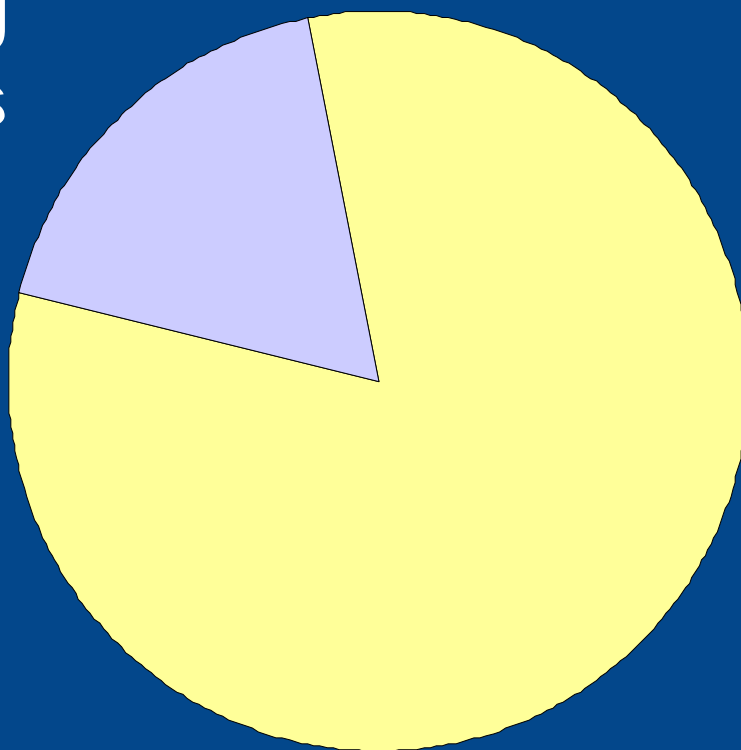


Total = \$3.4 billion

FY11 Approved Tax Supported Operating Budgets

Personnel costs account for 82% of spending

Operating
Expenses
18%

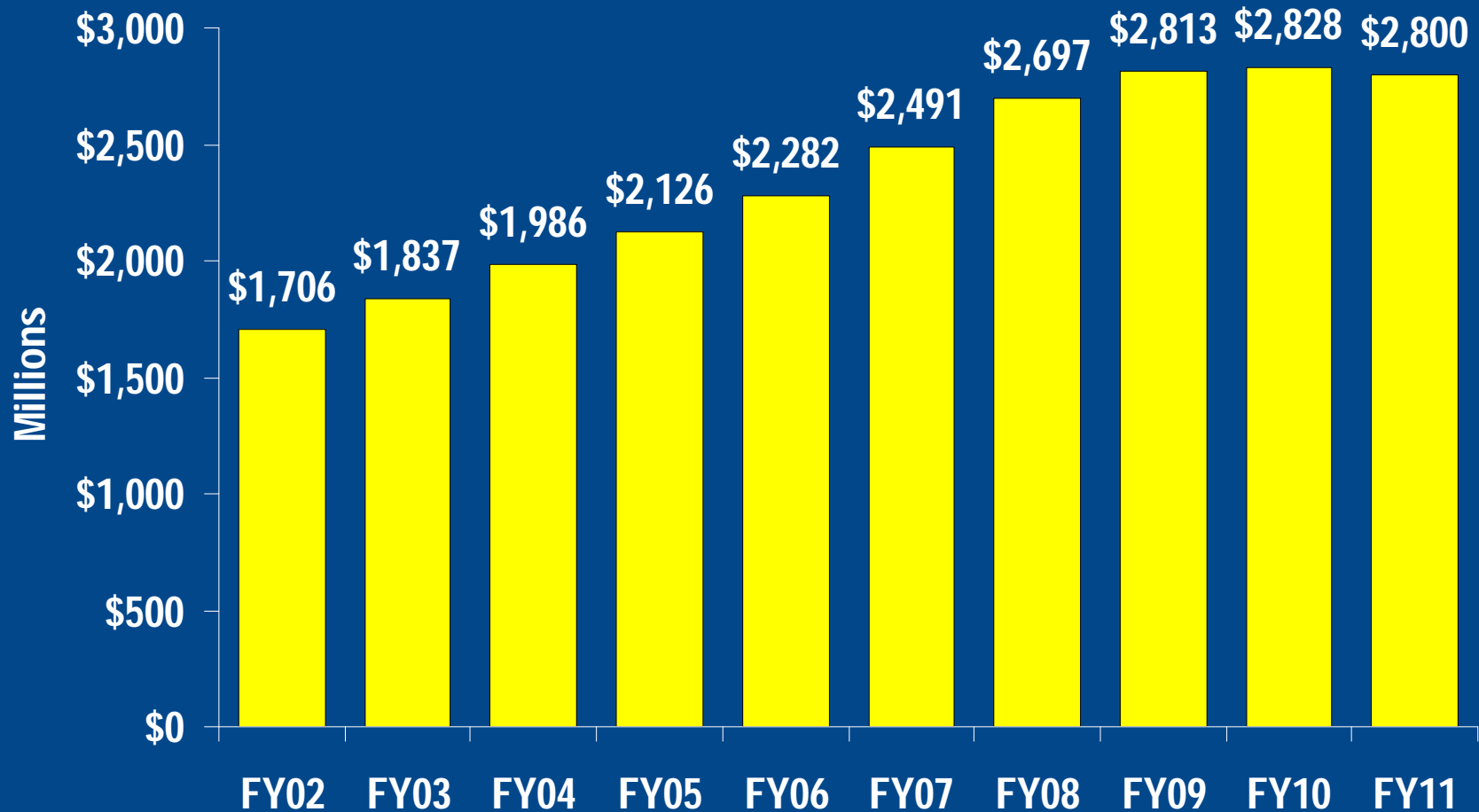


Personnel Costs
(Salaries + Benefits)
82%

Total = \$3.4 billion

Tax Supported Personnel Costs

Increased 64% from FY02-FY11



Tax Supported Workyears

	FY02	FY11	Percent Change
All Agencies	26,702	29,400	+10%
MCPS	17,085	19,439	+ 14%
County Government	7,347	7,374	+ 0.4%
Montgomery College	1,363	1,773	+30%
Park & Planning	907	814	- 10%

Average Annual Salary Adjustments

		County Gov't	MCPS
FY07	GWA	3.7%	3.5%
	Step	3.5%	3.5%
FY08	GWA	4.8%	4.6%
	Step	3.5%	3.5%
FY09	GWA	4.1%	5.0%
	Step	3.5%	3.5%
FY10	GWA	None	None
	Step	3.5%	3.5%
FY11	GWA	None	None
	Step	None	None

County Government Tax Supported Benefit Costs

	FY02	FY11	% Change
Active Employee			
Social Security	\$28m	\$40m	+43%
Group Insurance	\$36m	\$80m	+120%
Retirement	\$42m	\$117m	+181%
Retiree Group Insurance*	\$13m	\$31m	+131%
Total Benefits	\$119m	\$268m	125%

* Annual pay-as-you-go contribution only; no retiree group insurance trust fund (OPEB) contribution made in FY11.

MCPS Tax Supported Benefit Costs

	FY02	FY11	% Change
Active Employee			
Social Security	\$66m	\$99m	+51%
Group Insurance	\$87m	\$216m	+147%
Local Retirement Contribution	\$16m	\$62m	+287%
Retiree Group Insurance*	\$14m	\$43m	+198%
Total Local Benefits	\$183m	\$420m	+130%
State Pension Contribution	\$63m	\$170m	+168%

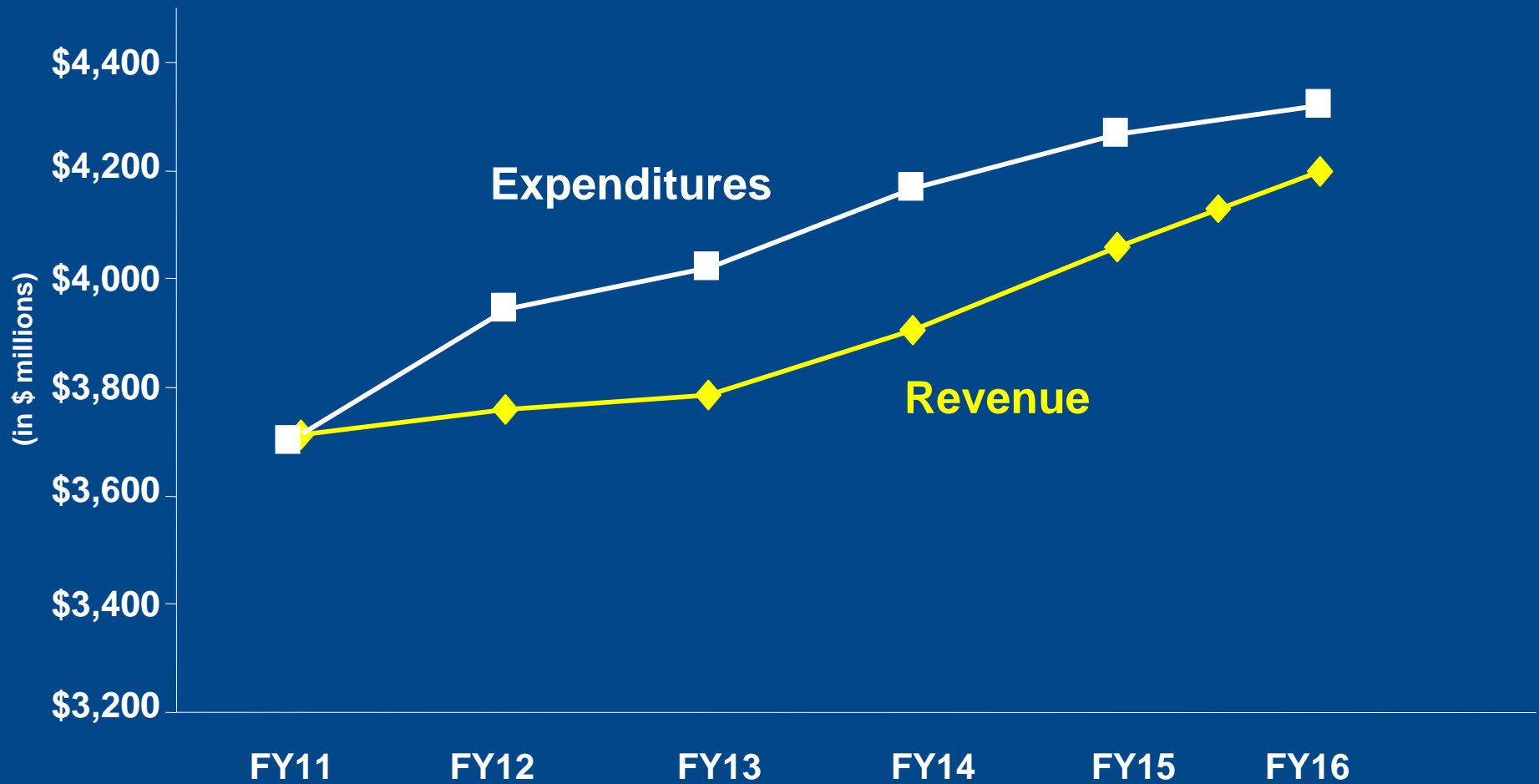
* Annual pay-as-you-go contribution only; no retiree group insurance trust fund (OPEB) contribution made in FY11.

County Tax Supported Revenues

Past and Projected (as of December 14, 2010)



Projected County Tax Supported Revenues and Expenditures

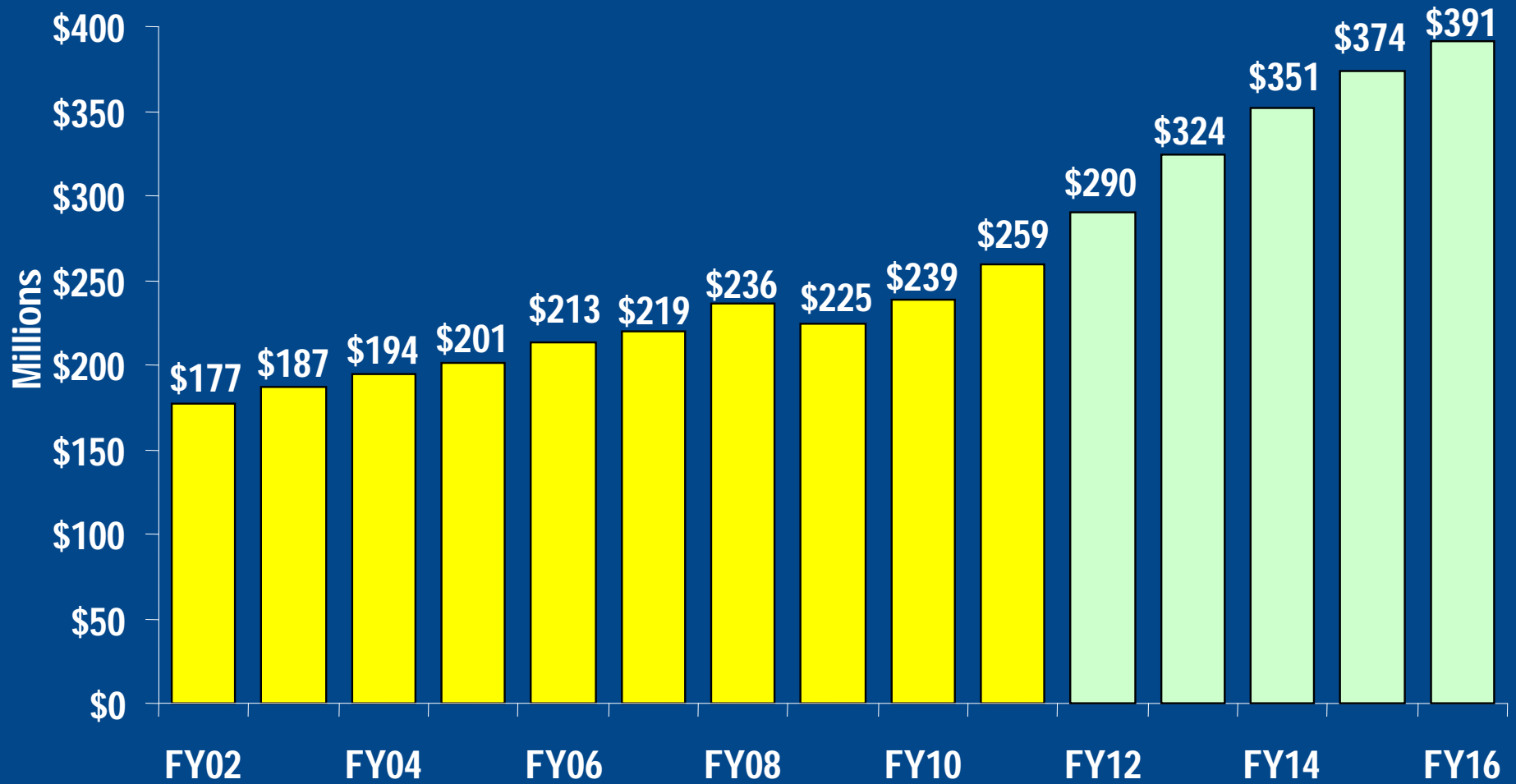


Employee/Retiree Benefits

	<u>FY11 Budgeted</u>	<u>FY16 Projected</u>
Retirement plans	\$193 million	\$264 million
Employee health insurance	\$315 million	\$487 million
Retiree health insurance	<u>\$77 million</u>	<u>\$124 million</u>
	\$585 million	\$875 million

Potential transfer of teacher pension costs
from State to County
(\$50 - \$100 million per year)

Annual Debt Service, FY02-FY16



Fiscal Policies

- **Structurally Balanced Budget**
- **Fund Reserves**
- **Use of One-Time Revenues**
- **Priority on Unfunded Liabilities**
- **Current Revenue for Capital Projects**

Options for Long-Term Fiscal Balance

What Guided OLO's Selection of Options

- Experience of other jurisdictions
- Advice of subject matter experts
- Potential for substantial and recurring savings
- Legal feasibility

What Guided OLO's Selection of Options

- Reduce per employee costs
- Supplement concurrent efforts
- Role of debt service
- Revenue alternatives

Issue Papers

- A. Employee Salaries**
- B. Retirement/Pension Benefits**
- C. Health Benefits for Active Employees**
- D. Health Benefits for Retired Employees**
- E. Workforce Size**
- F. Operating Expenses**
- G. Debt Service**
- H. Revenue**

Employee Salaries

Option: Salary rollback in FY12

Amount	Estimated FY12 Savings
1% Salary Rollback	\$22.9 million
3% Salary Rollback	\$68.7 million
5% Salary Rollback	\$114.6 million

Health Benefits for Active Employees

Option: Change to 70/30 cost share

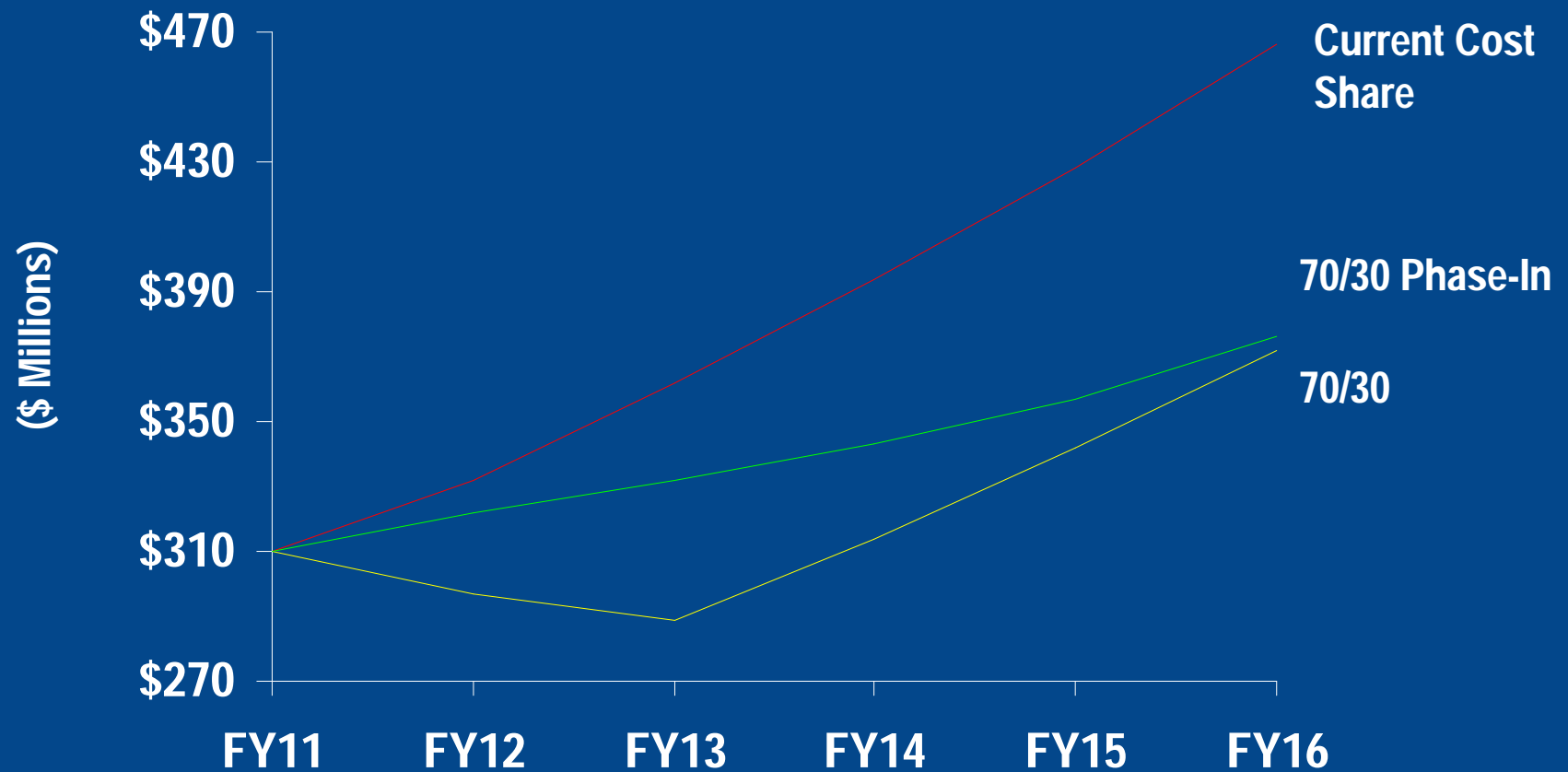
Implementation Model	Estimated FY12 Savings
Change to a 70/30 split, All-at-once	\$35.2 million
Change to a 70/30 split, 5% phase-in	\$9.7 million

2011 Premium Cost Share

(Medical and Prescription Drug)

	Agency	Employee
MCPS		
HMO Medical	95%	5%
POS Medical & Prescription Drug	90%	10%
County Government		
Choice – Full/Part Time	80%	20%
Select – Full Time	76%	24%
M-NCPPC		
Employees and Appointed Officials	85%	15%
Montgomery College		
Full-time Staff and Faculty	75%	25%

Agency Health Benefit Costs



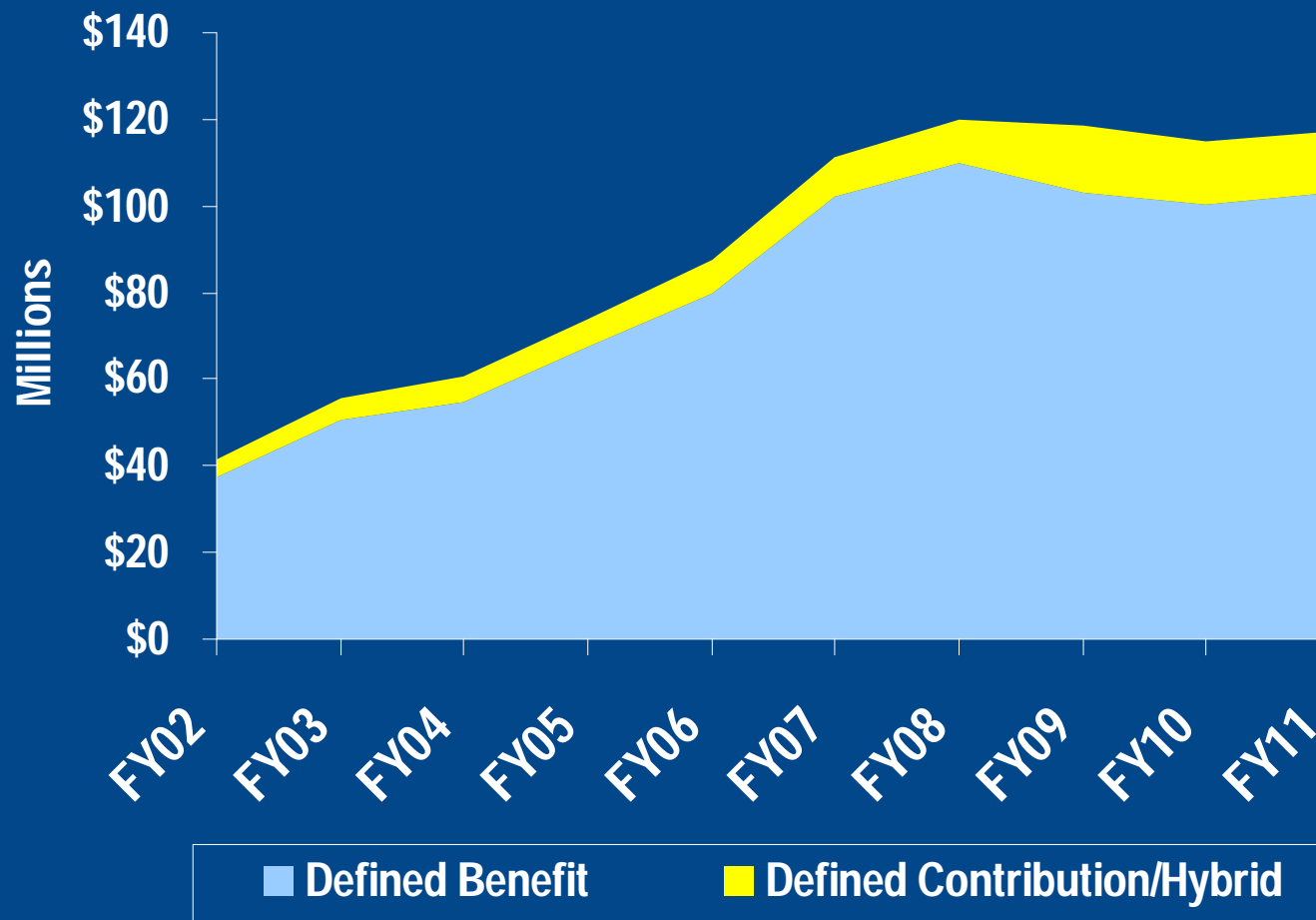
Retirement/Pension

- **Defined Benefit Plan**
 - **Pension plan**
- **Defined Contribution Plan**
 - **Similar to 401(k)**
- **Majority (~88%) of agency employees in defined benefit plans**

Retirement/Pension Benefits

Option: Enroll all new County Government employees in a defined contribution plan

County Government Budgeted Retirement Contributions, FY02 – FY11



Workforce Size

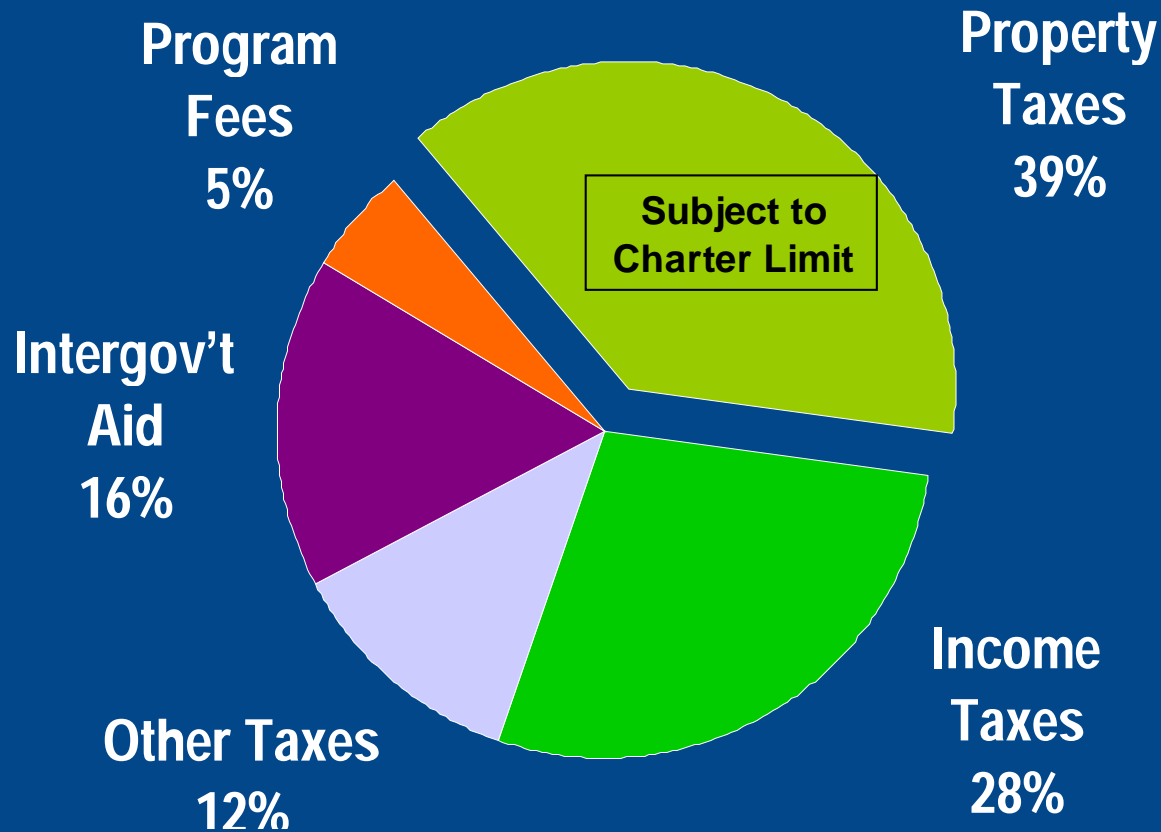
Agency	Average Cost (salaries + benefits) per Workyear	# of Workyears Equal to \$10 Million in Personnel Costs
County Government		
Public Safety Workyear	\$112,900	89 workyears
Non-Public Safety Workyear	\$91,700	109 workyears
MCPS		
Agency Average Workyear	\$87,800	114 workyears
Teacher "New Hire" Workyear	\$65,200	153 workyears
M-NCPPC		
Agency Average Workyear	\$84,000	119 workyears
Montgomery College		
Agency Average Workyear	\$79,000	127 workyears

Examples of What \$10 Million in Workyears Represents

\$10 Million in Personnel Costs Pays for.....	Which Represents.....
County Government 89 Public Safety Workyears	<ul style="list-style-type: none"> • 100% of career firefighters assigned to the following stations combined: Silver Spring #1, Kensington #18, and Gaithersburg #28
MCPS 153 Teacher "New Hire" Workyears	<ul style="list-style-type: none"> • 85% of elementary school music teachers
Montgomery College 127 Agency Average Workyears	<ul style="list-style-type: none"> • 25% of all Instructional Faculty across all three campuses
M-NCPPC 119 Agency Average Workyears	<ul style="list-style-type: none"> • 83% of all Planning Department Staff

Revenue

FY11 Tax Supported Revenue by Source



Total = \$3.78 billion