

MONTGOMERY COUNTY FY22 BUDGET GUIDANCE AND SIX-YEAR OUTLOOK

**DISCUSSION WITH THE MONTGOMERY COUNTY PLANNING
BOARD**

SEPTEMBER 10, 2020

PRESENTATION OVERVIEW

- **Key Trends**

- Assessable Base
- Tax Rates
- Expenditure Trends
- Personnel Cost Pressure

- **FY22 BUDGET OUTLOOK**

- **Revenue Estimates**

- Property Tax Revenue

- **Expenditure Estimates**

- Internal Cost Pressures
 - Health Insurance
 - OPEB
 - Retirement
 - Compensation
 - OBI
 - Debt Service
 - Other Costs
- External Cost Pressures

- **FY22 BUDGET STRATEGY**

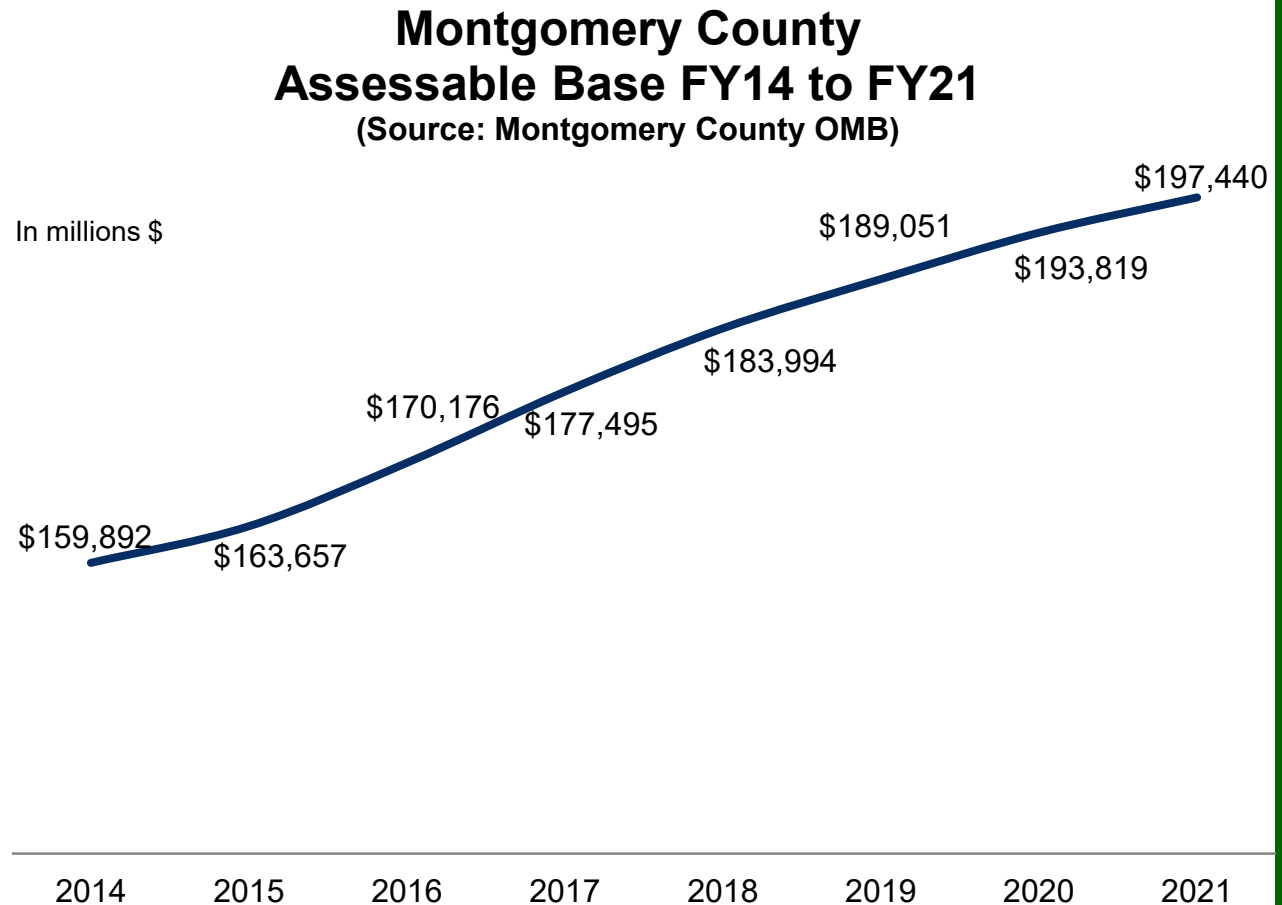
- **SIX-YEAR OUTLOOK**

- **BUDGET TIMELINE**

- **DISCUSSION AND DIRECTION**

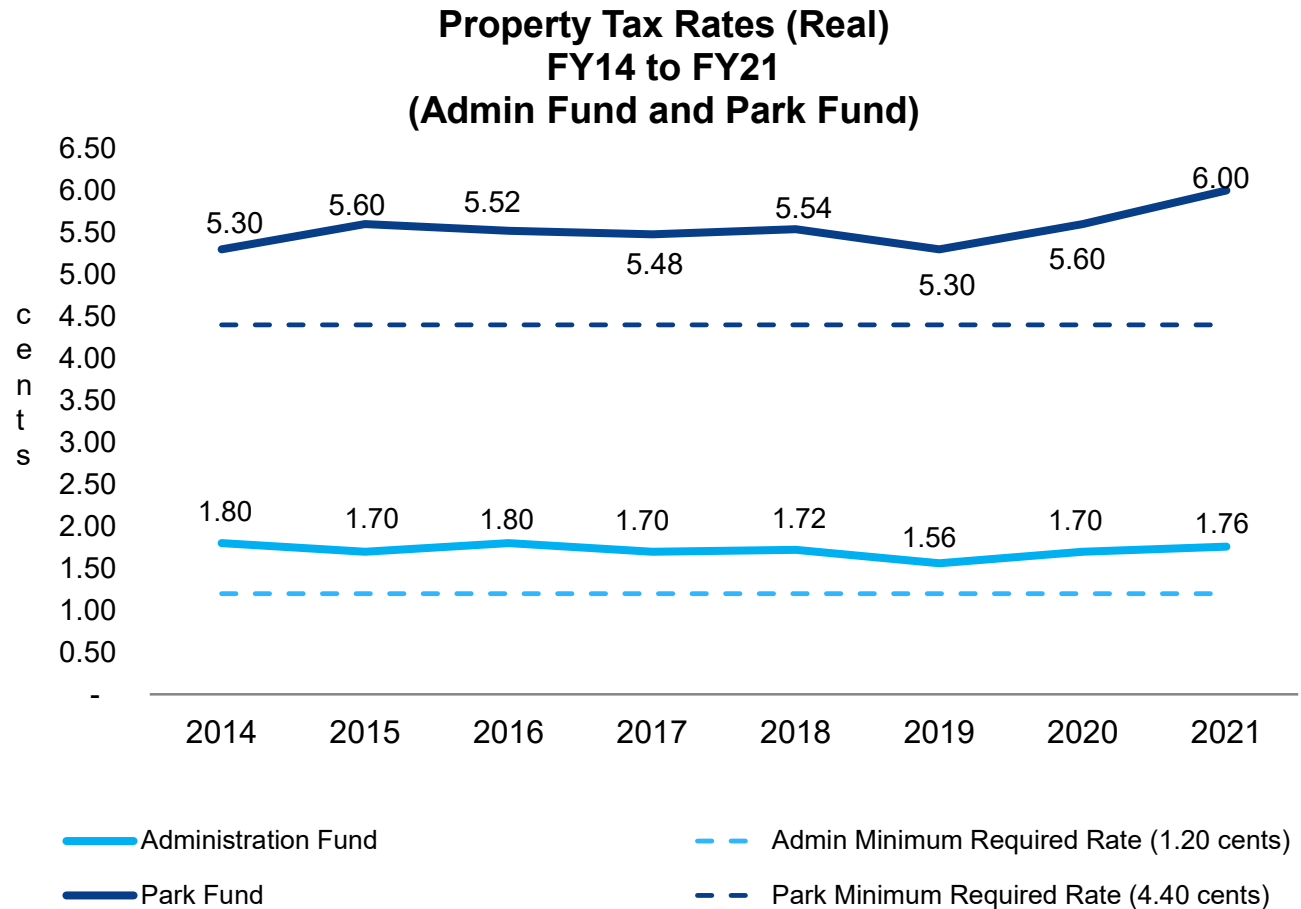
ASSESSABLE BASE TRENDS

- Real Property
- From FY14 to FY21, has grown by 23%
- Assessable base is projected to grow by 2.49% in FY22.
- Preliminary, based on March OMB estimates.



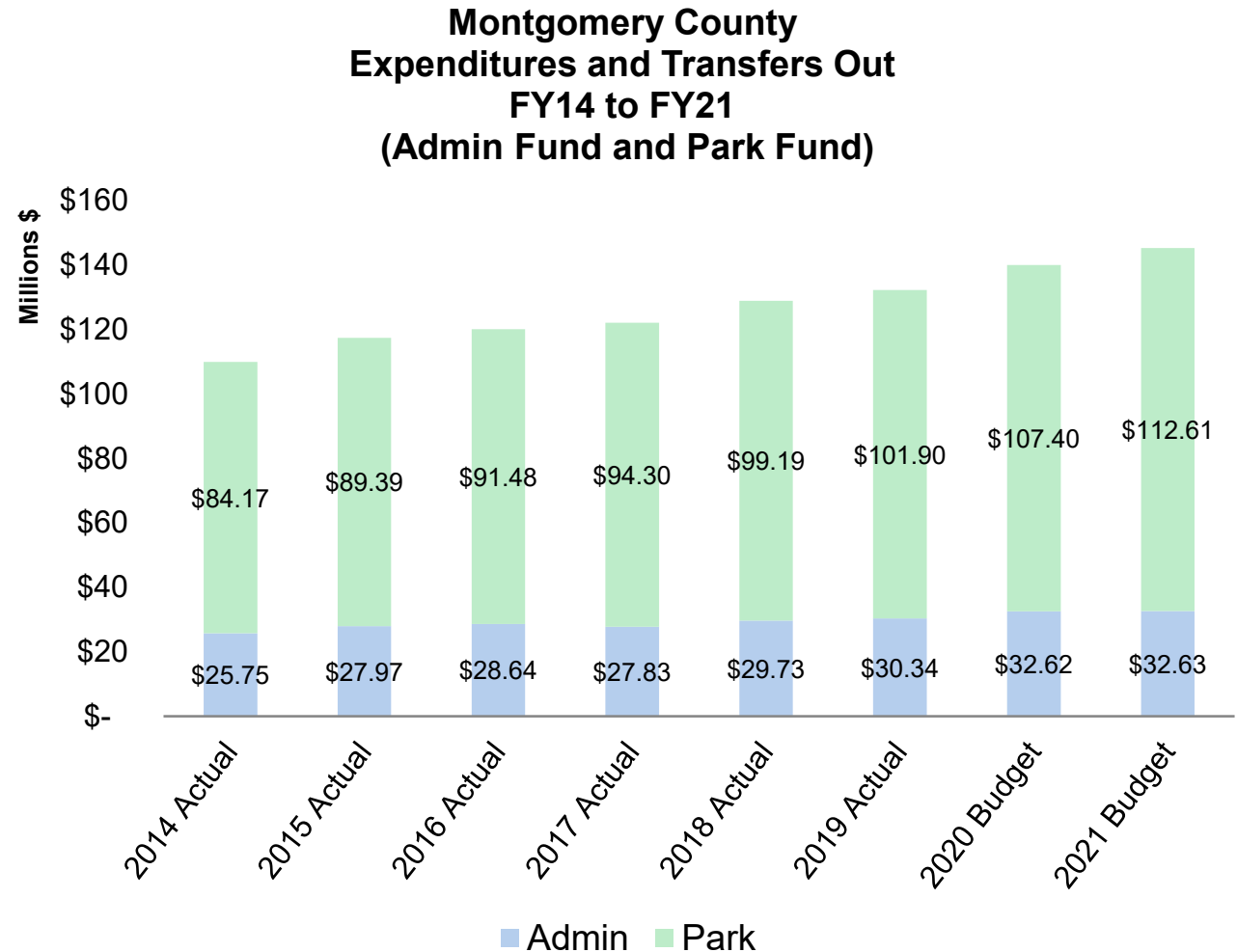
PROPERTY TAX RATE TREND

- County Council sets tax rate each year
- Rate for each fund cannot be lower than the minimum per the Land Use Article
- For FY2010, the Administration Fund rate was increased by 0.06 cent to 1.76 cents, and the Park Fund rate was increased by 0.40 cent to 6.00 cents
- Preliminary projections require the tax rates to increase in the Admin Fund, but not the Park Fund for FY22



EXPENDITURE TRENDS

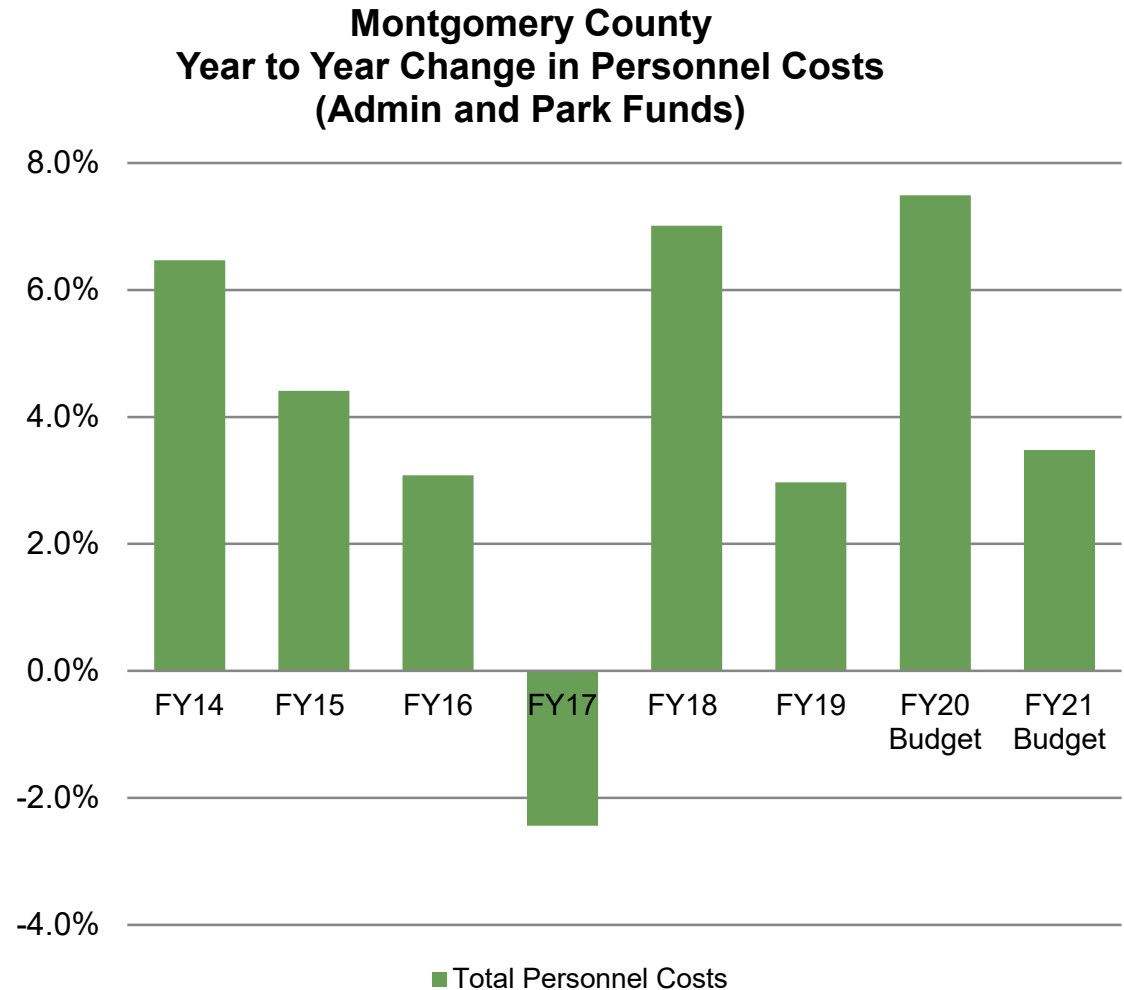
- In FY12, expenditures were cut substantially from the prior year
- Beginning in FY13, expenditure levels began a slow recovery. Minimal growth continued through FY20
- Pandemic related effects resulted in a same service level budget for FY21



PERSONNEL COST PRESSURE

With the largest portion of the budget being personnel, the outlook continues to be most heavily impacted by these costs:

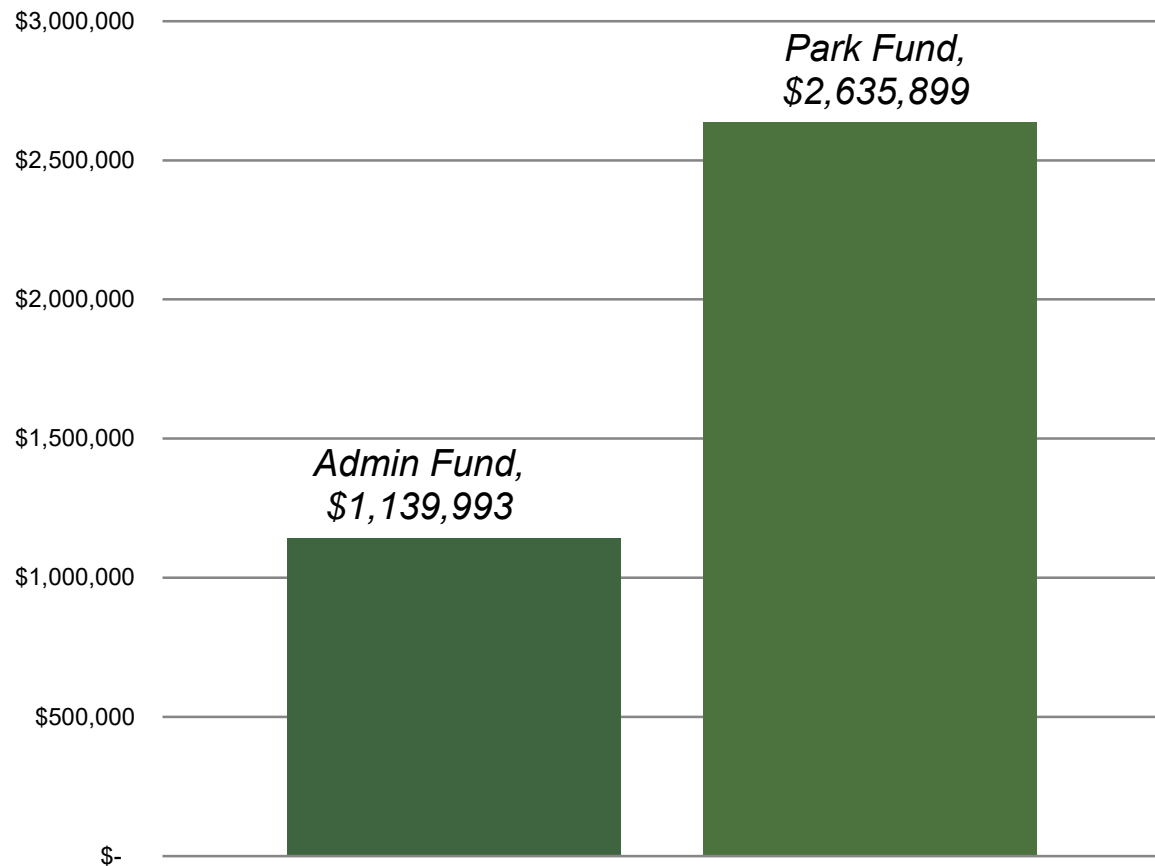
- Wage Increases
- Health Insurance
- Retirement
- OPEB



FY22 BUDGET OUTLOOK: PROPERTY TAX REVENUE CHANGE

- As of the March 2020 MC-OMB estimates, assessable base will grow by 2.49%
- These estimates assume the following changes in the tax rates for FY22
 - 0.02 cent – Admin
 - No change - Park

**Preliminary Estimate of Property Tax Revenue
Projected for FY22**

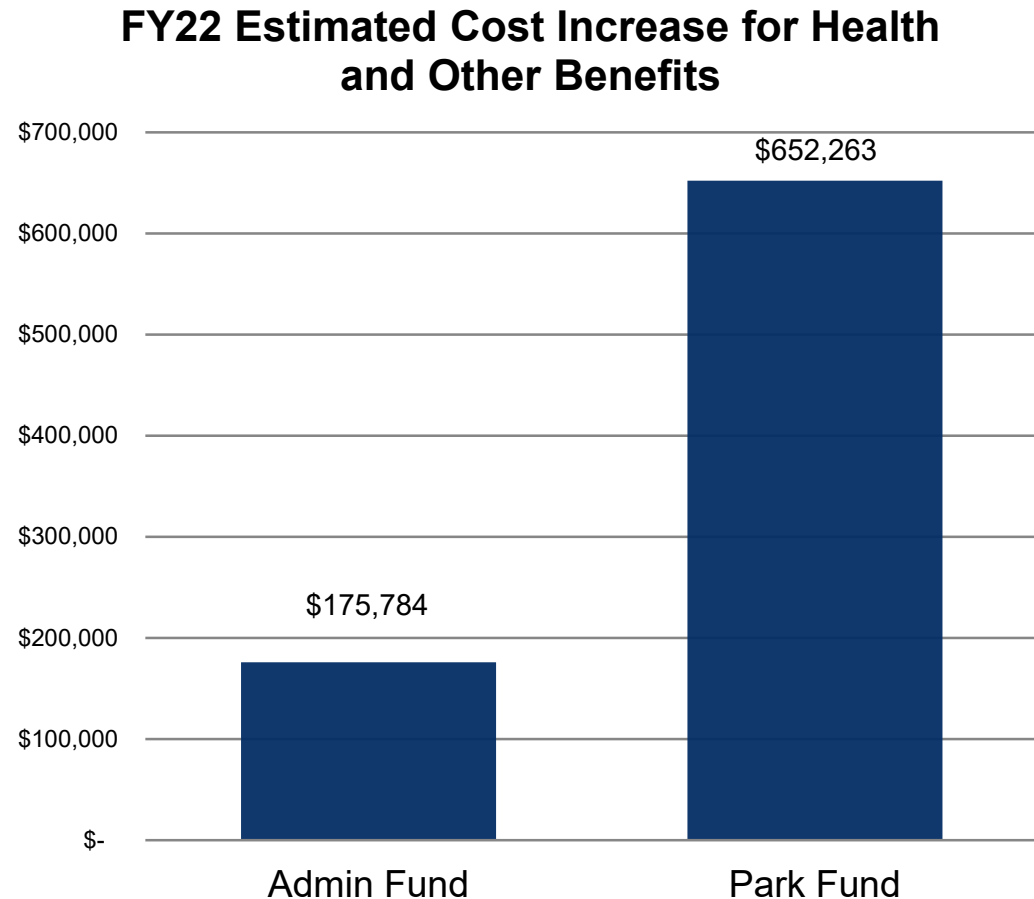


FY22 BUDGET OUTLOOK: INTERNAL COST PRESSURES

- **Health Insurance**
- **OPEB Pay-Go**
- **Retirement**
- **Employee Compensation**
- **OBI (Operating Budget Impact for new facilities)**
- **Debt Service**

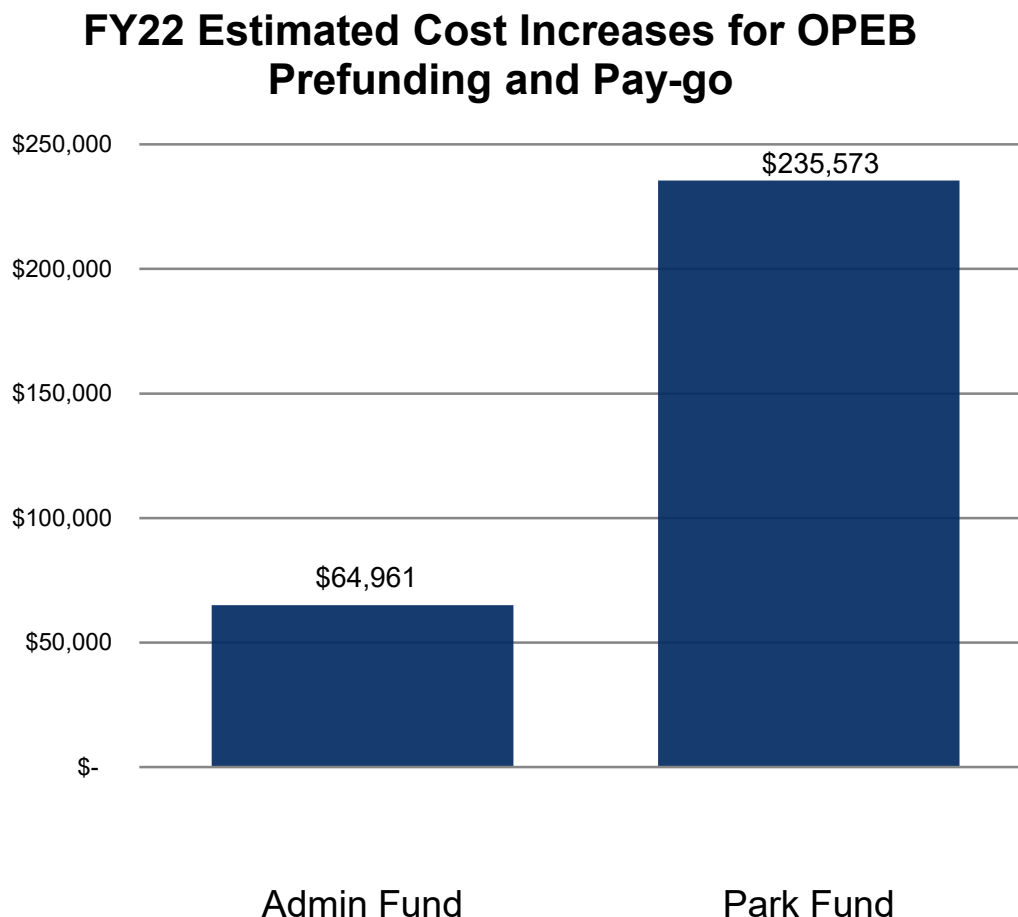
FY22 BUDGET OUTLOOK: ESTIMATED COST INCREASE FOR BENEFITS

- The changes in health insurance and other benefit rates are preliminarily estimated to result in an increase of 5.21% in FY22.



FY22 BUDGET OUTLOOK: ESTIMATED COST INCREASE FOR OPEB

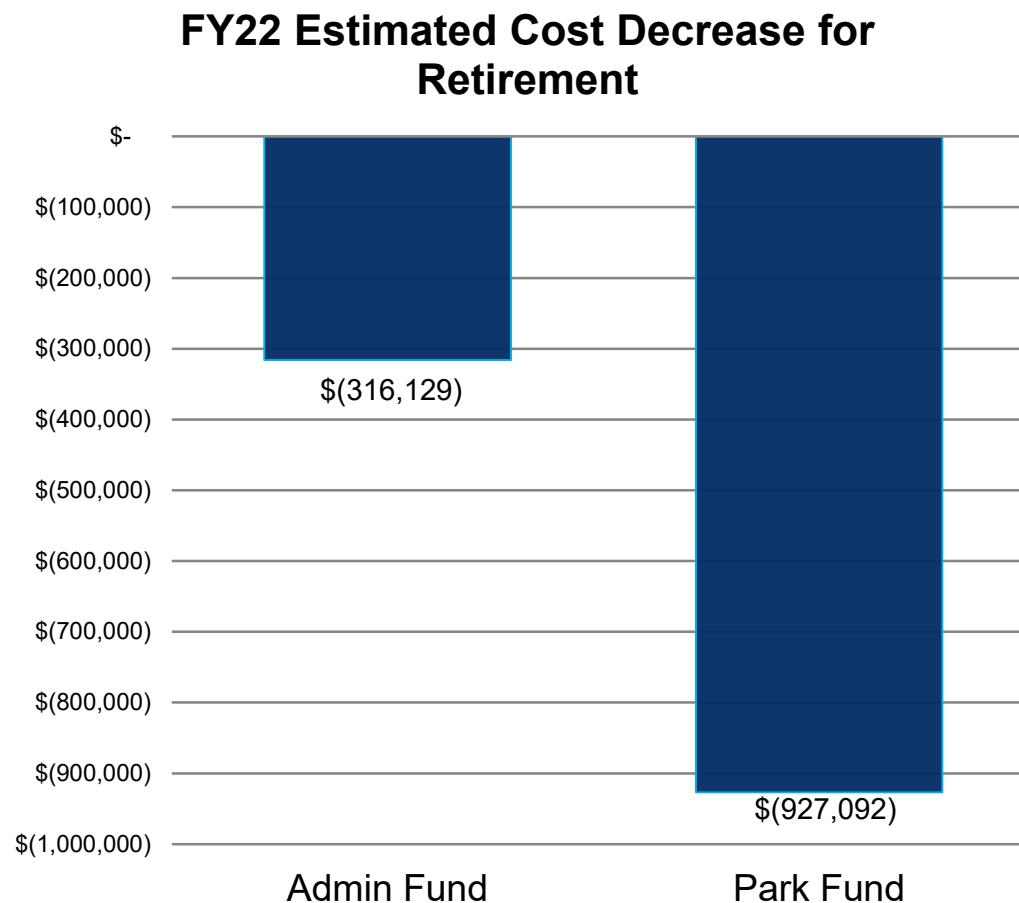
- The Commission successfully achieved full prefunding of the actuarially determined contribution to OPEB in FY15. We continue to fully fund.
- Preliminary estimates indicate that the OPEB cost could increase by 3.97%.
- Total OPEB increase is approximately \$301 thousand.



Note: these estimates will be updated when the actuarial report for July 1, 2020 is completed

FY22 BUDGET OUTLOOK: RETIREMENT

- The preliminary actuarial forecast shows an decrease of about 13.85% for FY22.
- Total decrease in cost is about \$1.24 million for the two funds.



Note: these estimates will be updated when the actuarial report for July 1, 2020 is completed

FY22 BUDGET OUTLOOK: EMPLOYEE COMPENSATION

- At this initial stage of budget development, an estimated compensation dollar marker of \$4.5M is included in the projections for FY22.

Costs for Compensation Adjustments	
	Total
Admin Fund	\$1,226,746
Park Fund	\$ 3,285,123
Totals	\$ 4,511,869

FY22 BUDGET OUTLOOK: COMPENSATION RECOMMENDATION

Considerations

- FOP – wage and benefits re-opener
- MCGEO – full contract negotiations

Recommendation

- Budget a compensation dollar marker at the fund level in the proposed budget
- Dollar amount should be determined by the Commission

FY22 BUDGET OUTLOOK: CIP RELATED

- Operating Budget Impact (OBI)

- General Getty Neighborhood Park
- Martin Luther King Jr. Recreational Park – Ballfield Irrigation
- Northwest Branch Recreational Park – Ballfields Irrigation
- Piedmont Woods Local Park
- Seneca Landing Special Park

Preliminary Estimate of FY22 CIP Related	
New Facilities/amenities	\$ 250,000
Debt Service	(\$281,805)
Total CIP Related	(\$31,805)

- Debt Service

- Based on \$6.5 million new bond issue

FY22 BUDGET OUTLOOK: SUMMARY OF ESTIMATED MAJOR COST CHANGES

	HEALTH AND OTHER INS	OPEB	RETIRE- MENT	COMP MARKER	OBI	DEBT SERVICE	CAS SPACE NEEDS	MAJOR KNOWN COMMIT- MENTS*	TOTAL EST COST PRESSURE
ADMIN	\$ 175,784	\$ 64,961	(\$ 316,129)	\$ 1,226,746	\$ -	\$ -	\$ 118,658	\$ 525,000	\$ 1,795,020
PARK	\$ 652,263	\$ 235,573	(\$ 927,092)	\$ 3,285,123	\$ 250,000	(\$ 281,805)	\$ -	\$ 1,004,357	\$ 4,218,419
TOTAL	\$ 828,047	\$ 300,534	(\$1,243,221)	\$ 4,511,869	\$ 250,000	(\$ 281,805)	\$ 118,658	\$ 1,529,357	\$ 6,013,439

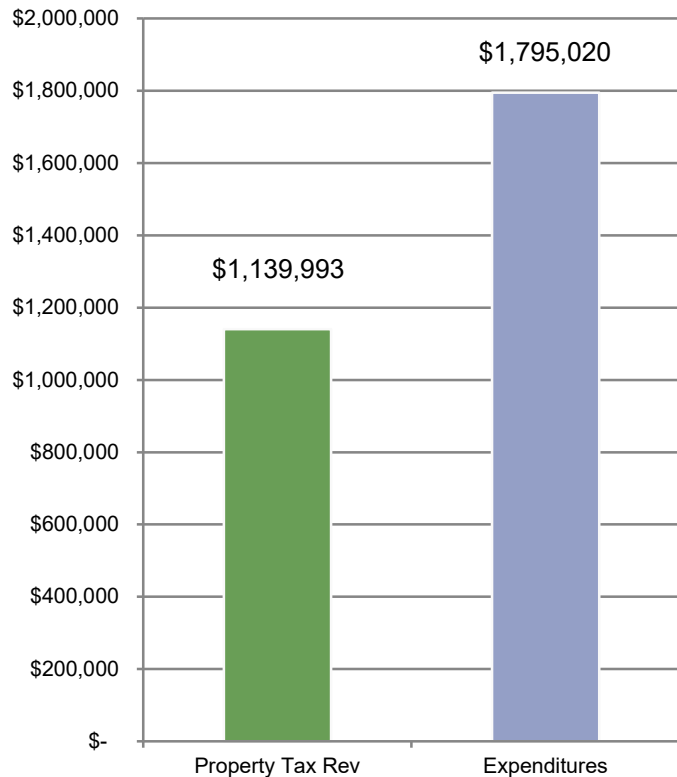
*includes \$500,000 in the Administration Fund for transfer to Development Review SRF

FY22 BUDGET OUTLOOK: EXTERNAL COST PRESSURES

Montgomery County Government revenue challenges

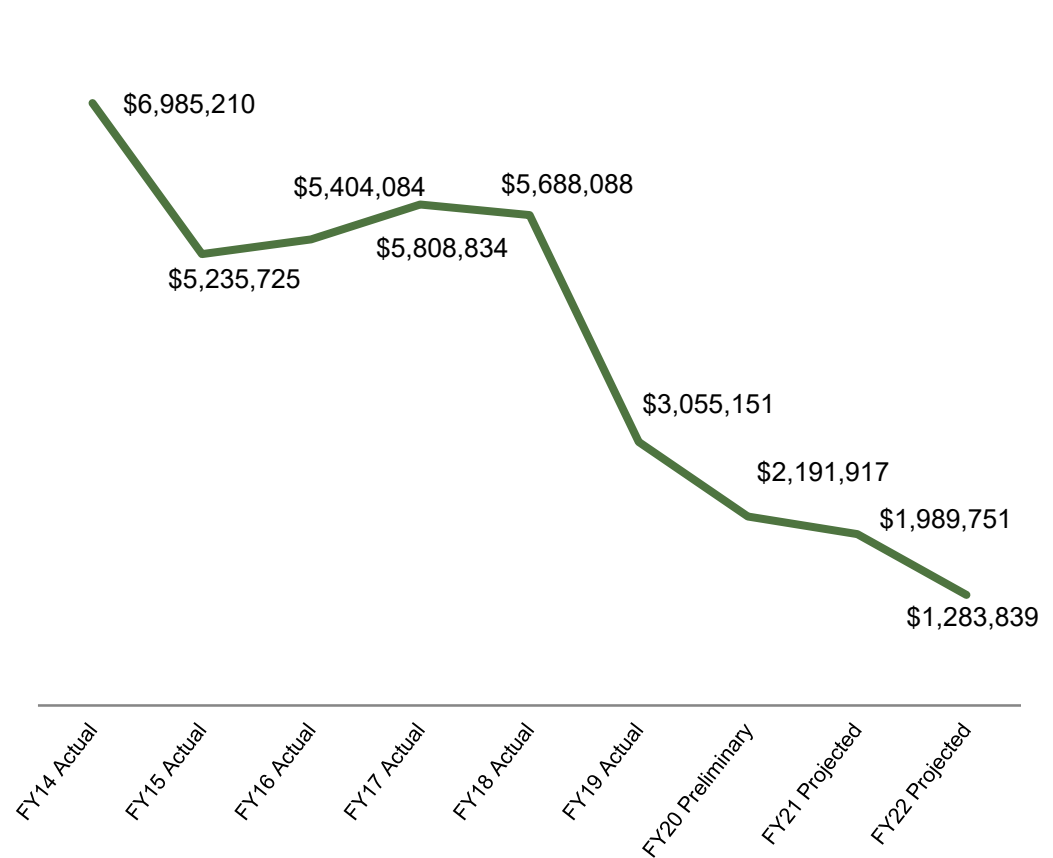
FY22 BUDGET OUTLOOK: PRELIMINARY FINANCIAL CONDITION OF ADMINISTRATION FUND

ESTIMATE OF CHANGES IN REVENUE AND EXPENSES



Revenues reflect a **0.02** cent property tax rate increase

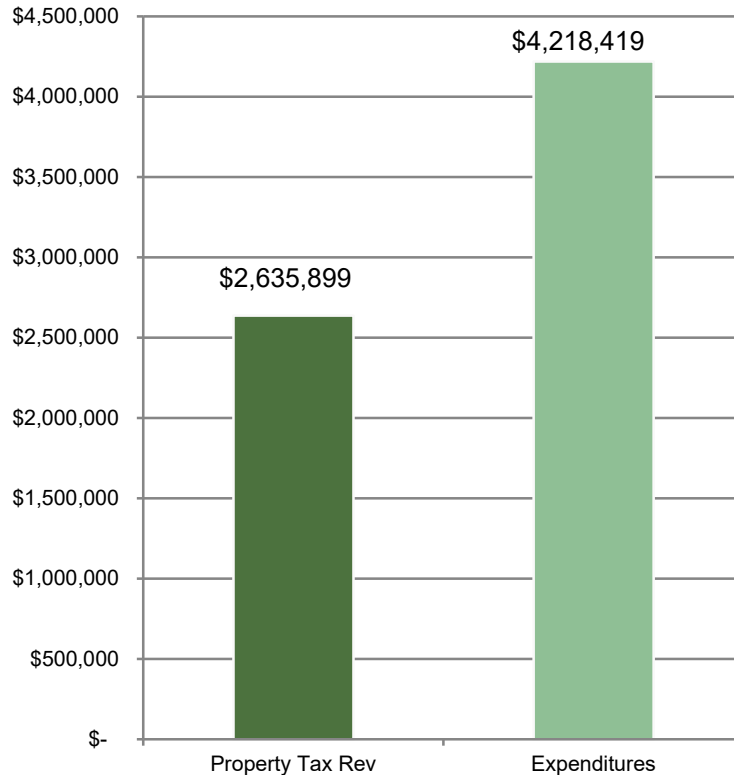
PROJECTED ENDING FUND BALANCE JUNE 30, 2022



Note: As in FY21, fund balance estimate for FY22 incorporates a 3% budgetary reserve, of \$1,013,400

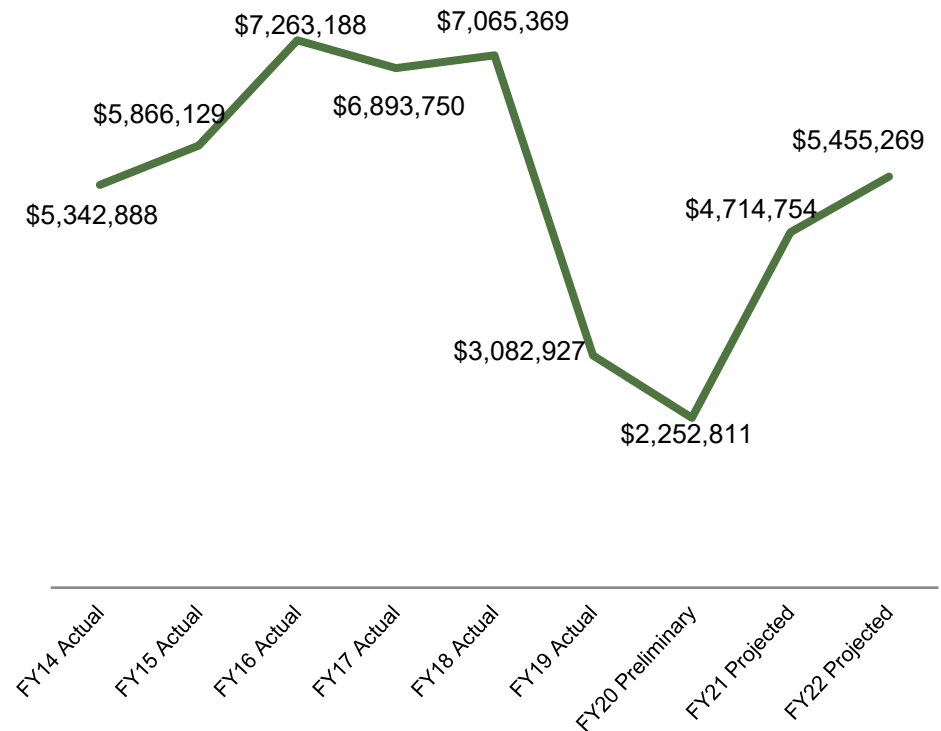
FY22 BUDGET OUTLOOK: PRELIMINARY FINANCIAL CONDITION OF PARK FUND

ESTIMATE OF CHANGES IN REVENUE AND EXPENSES



Revenues reflect **no** property tax rate change

PROJECTED ENDING FUND BALANCE JUNE 30, 2022



FY22 BUDGET STRATEGY

Financial Condition:

Administration Fund:

- County balanced FY21 by using fund balance and increasing the tax rate
- Costs are growing faster than revenues
- Preliminary need for a 0.02 cent tax rate change in FY22, prior to inclusion of critical needs that the departments may identify

Park Fund:

- County balanced FY21 by increasing the tax rate
- Costs are growing faster than revenues
- No preliminary need for a tax rate change in FY22, prior to inclusion of critical needs that the department may identify

FY22 BUDGET STRATEGY

Employee Compensation

- Compensation assumptions to be presented in a Commission closed session

Critical Needs

- Propose critical needs which are legally mandated, or necessary to our operations

COVID-related Adjustments

- Propose adjustments to reflect expected operational and service provision changes due to pandemic effects

SIX YEAR OUTLOOK: ASSUMPTIONS

SUMMARY OF MAJOR ASSUMPTIONS APPLIED TO OPERATING FUNDS

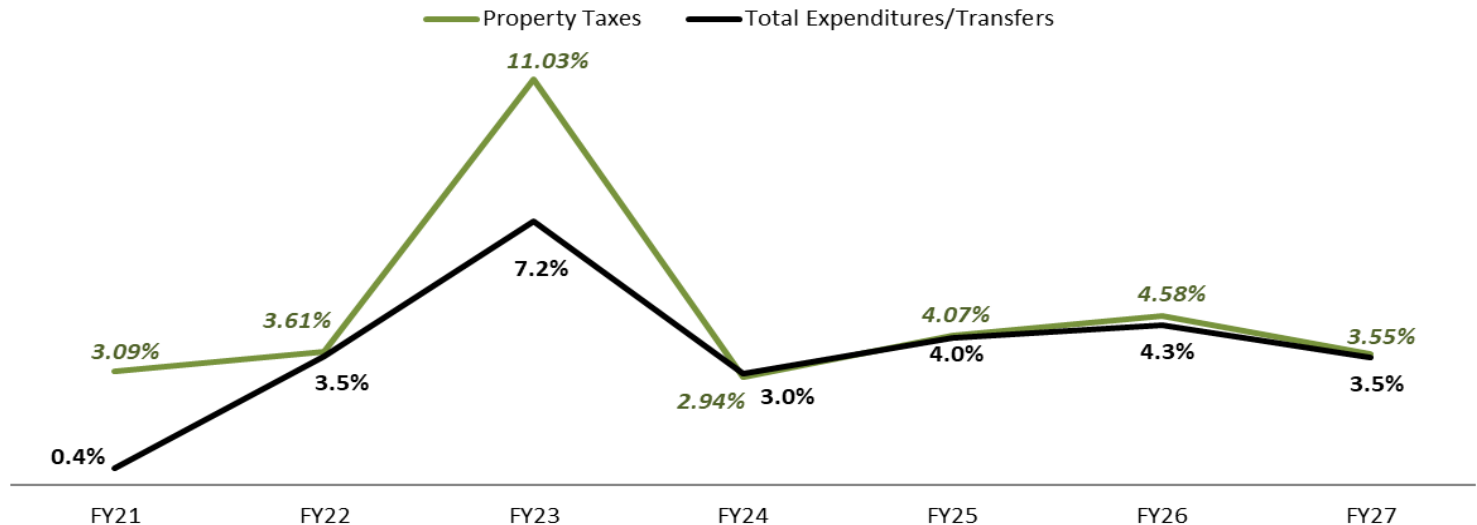
	FY22	FY23	FY24	FY25	FY26	FY27
Assessable Base	2.49%	2.48%	2.49%	2.53%	2.55%	2.58%
Wage Assumptions	\$\$ marker	\$\$ marker	\$\$ marker	\$\$ marker	\$\$ marker	\$\$ marker
Health Benefits	5.3%	5.2%	5.1%	5.0%	4.8%	4.7%
OPEB Prefunding	-3.1%	-1.5%	-1.4%	-1.1%	-1.2%	-1.2%
OPEB Pay-go	8.6%	7.7%	7.4%	7.2%	7.0%	7.0%
Retirement	-13.85%	8.01%	0.92%	0.10%	0.33%	0.33%
Services and Supplies	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<u>Administration Fund Specific Assumptions</u>						
CAS Office Space Needs	\$118,658	\$555,042	\$50,997	\$46,333	(\$69,702)	(\$18,058)
Transfer to Dev Rev SRF	\$500,000	\$800,000	\$900,000	\$1,000,000	\$1,100,000	\$1,100,000
<u>Park Fund Specific Assumptions</u>						
OBI	\$250,000	\$475,000	\$300,000	\$260,000	\$350,000	\$260,000
Debt Issuance	\$6.5M	\$6.5M	\$6.5M	\$6.5M	\$6.5M	\$6.5M

SIX YEAR OUTLOOK: ADMINISTRATION FUND

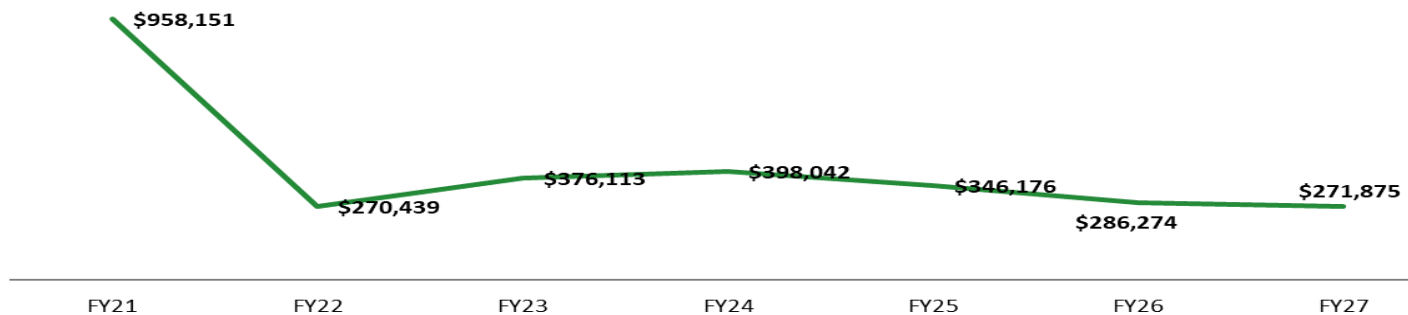
Fund balances are utilized by the County in conjunction with final tax rate decisions.

Tax rate increases are projected in order to maintain minimal fund balance above the required reserve level.

Montgomery County Administration Fund
Comparative Percent Change of Property Tax Revenue and Total Expenditures/Transfers
FY21 to FY27



Montgomery County Administration Fund
Projected Fund Balance (undesignated)
FY21 to FY27

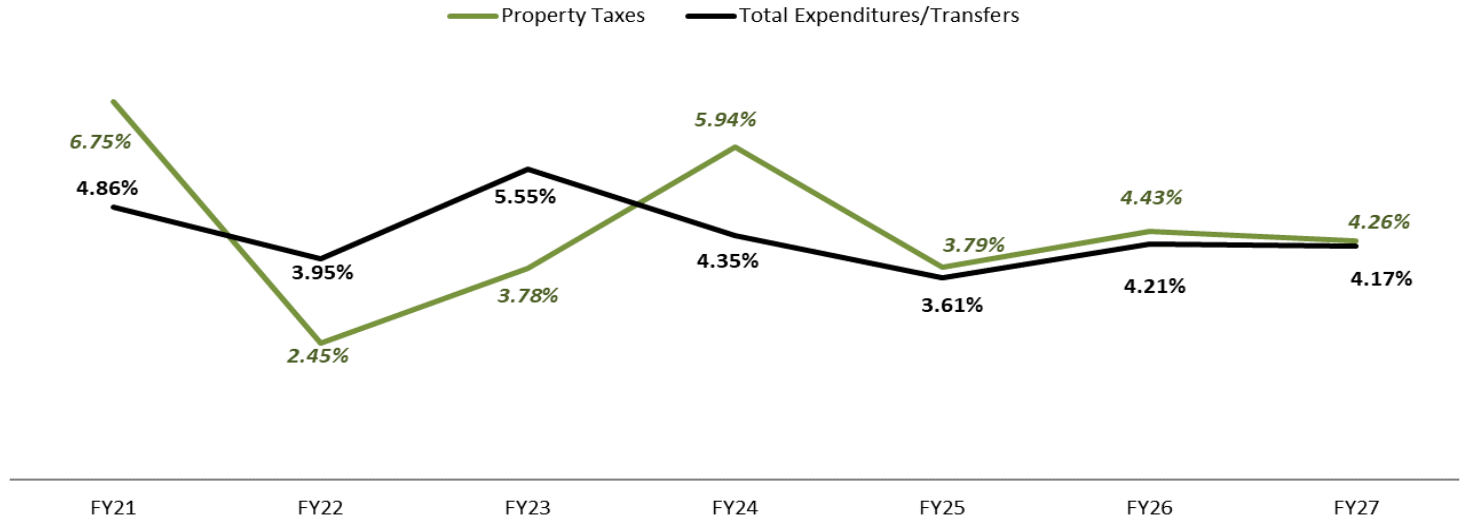


SIX YEAR OUTLOOK: PARK FUND

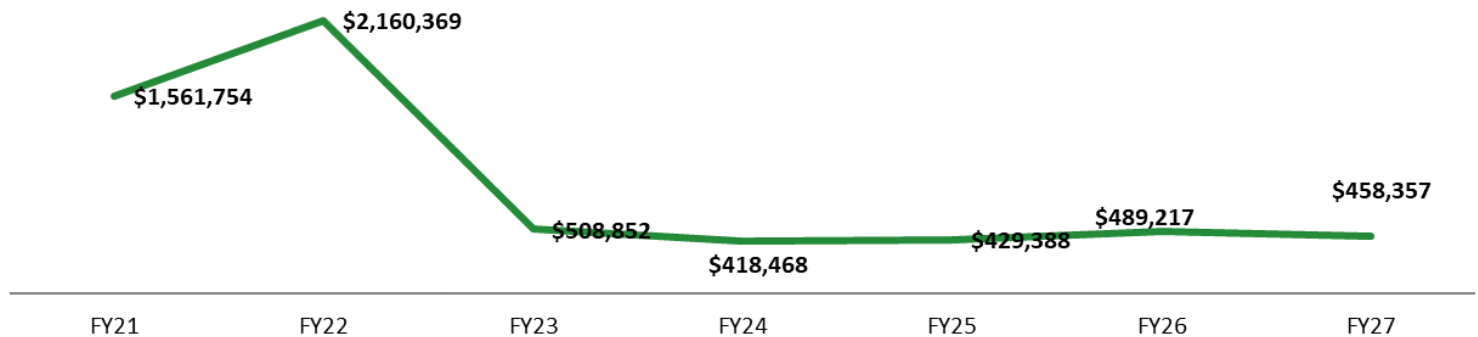
Fund balances are utilized by the County in conjunction with final tax rate decisions.

Tax rate increases are projected in order to maintain minimal fund balance above the required reserve level.

Montgomery County Park Fund
Comparative Percent Change of Property Tax Revenue and Total Expenditures/Transfers
FY21 to FY27



Montgomery County Park Fund
Projected Fund Balance (undesignated)
FY21 to FY27



BUDGET DEVELOPMENT TIMELINE

• Staff Develops Budget Parameters	July to August
• Budget Overview with Planning Board	September to November
• Staff Develops Budget	September to November
• Planning Board Work Sessions	October to November
• Commission Approves Proposed Budget	December 16
• Staff Produce Proposed Budget Book	December to January
• Submit Proposed Operating Budget to County Executive and County Council	January 15
• County Executive Makes Recommendations	January 15 to March 15
• County Council Holds Public Hearings - Board Chair provides testimony	April
• County Council Reviews Budget	April
• County Councils Meet Jointly	May
• County Councils Adopt Budget	By June 1
• Commission Adopts Budget Resolution	June 16

DISCUSSION AND DIRECTION

ATTACHMENTS

Detailed Six-Year Plans for each operating fund

The Maryland-National Capital Park and Planning Commission
Montgomery County
Administration Fund

SUMMARY STATEMENT OF REVENUES EXPENDITURES AND CHANGE IN FUND BALANCE

	FY21 Adopted	FY21 Estimated	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected	FY26 Projected	FY27 Projected
Revenues by Type:								
Tax Revenues	31,562,507	31,562,500	32,702,500	36,310,000	37,376,700	38,899,200	40,681,500	42,123,800
Intergovernmental Revenues	565,600	565,600	565,600	565,600	565,600	565,600	565,600	565,600
Sales	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Charges for Services	203,500	203,500	203,500	203,500	203,500	203,500	203,500	203,500
Interest Revenue	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Miscellaneous Revenue	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Budgetary Revenue (use of fund balance)	1,181,159	-	-	-	-	-	-	-
Total Revenues	33,613,966	32,432,800	33,572,800	37,180,300	38,247,000	39,769,500	41,551,800	42,994,100
Expenditures by Type:								
Personnel	30,200,433	30,200,433	31,313,004	32,928,142	34,474,648	36,078,247	37,758,214	39,519,297
Supplies and Materials	669,872	669,872	683,269	696,935	710,874	725,091	739,593	754,385
Other Services and Charges	7,156,292	7,156,292	7,443,685	8,521,193	8,348,446	8,527,241	8,844,832	8,818,165
Capital Outlay	1,473	1,473	1,513	1,554	1,596	1,639	1,683	1,728
Chargebacks	(5,393,104)	(5,393,104)	(5,662,759)	(5,945,897)	(6,243,192)	(6,555,352)	(6,883,119)	(7,227,275)
Total Operating Expenditures	32,634,966	32,634,966	33,778,712	36,201,926	37,292,371	38,776,866	40,461,202	41,866,299
Transfers Out								
Transfer to Special Revenue Fund	-	-	500,000	800,000	900,000	1,000,000	1,100,000	1,100,000
Transfer to Park Fund	-	-	-	-	-	-	-	-
Total Expenditures	32,634,966	32,634,966	34,278,712	37,001,926	38,192,371	39,776,866	41,561,202	42,966,299
Excess of Revenues over (under) Expenditures and Transfers Out	(202,159)	(202,166)	(705,912)	178,374	54,629	(7,366)	(9,402)	27,801
Fund Balance - Budget Basis, Beginning	1,264,421	2,191,917	1,989,751	1,283,839	1,462,213	1,516,842	1,509,476	1,500,074
Fund Balance - Budget Basis, Ending	1,062,262	1,989,751	1,283,839	1,462,213	1,516,842	1,509,476	1,500,074	1,527,875
Classification of Fund Balance								
Designated for Reserve 3% of Expenditures	1,031,600	1,031,600	1,013,400	1,086,100	1,118,800	1,163,300	1,213,800	1,256,000
Undesignated	30,662	958,151	270,439	376,113	398,042	346,176	286,274	271,875
Total	1,062,262	1,989,751	1,283,839	1,462,213	1,516,842	1,509,476	1,500,074	1,527,875
Estimated Budget Deficit	No Deficit	No Deficit	No Deficit	No Deficit	No Deficit	No Deficit	No Deficit	No Deficit
Adjustments to Tax Rate and Operating Budget								
Tax Rate Change -enter as a cents (1.0 = one cent)			0.02	0.15	0.01	0.03	0.04	0.02
One-time Investments for Critical Needs			-	-	-	-	-	-
CAS Office Space Needs			118,658	555,042	50,997	46,333	(69,702)	(18,058)
Operating Changes - Wheaton Move								
Operating Changes - Other			25,000	375,000	(375,000)	(25,000)	224,000	(175,000)

The Maryland-National Capital Park and Planning Commission
Montgomery County
Administration Fund

Control Totals Before Modeling	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Total Revenues			33,572,800	37,180,300	38,247,000	39,769,500	41,551,800	42,994,100
Change to Revenue from Modeling			-	-	-	-	-	-
Expenditures and Transfers			34,278,712	37,001,926	38,192,371	39,776,866	41,561,202	42,966,299
Change to Expenditures and Transfers from Modeling			-	-	-	-	-	-
Other Major Cost Assumptions	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Pension Cost Change %			-13.85%	8.01%	0.92%	0.10%	0.33%	0.33%
Modify Baseline (Yes/No)			No	No	No	No	No	No
Modified Pension Assumption								
Health Insurance (Medical/Rx/Dental/Vision) Baseline Cost Change%			5.3%	5.2%	5.1%	5.0%	4.8%	4.7%
Modify Baseline (Yes/No)			No	No	No	No	No	No
Health Insurance (Medical/Rx/Dental/Vision) Modified								
General Cost Changes (modify by entering new percentage)	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Supplies and Materials			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other Services and Charges			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Chargebacks			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Property Tax Growth Assumptions	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Baseline Rate of Change			2.49%	2.48%	2.49%	2.53%	2.55%	2.58%
Modify Baseline (Yes/No)			No	No	No	No	No	No
Modified Rate of Change								
Year over Year Change after Modifications			2.49%	2.48%	2.49%	2.53%	2.55%	2.58%
Salary Lapse Savings - Planning	(808,300)	(808,300)	(848,715)	(891,151)	(935,709)	(982,494)	(1,031,619)	(1,083,200)
Salary Lapse Savings - CAS	(100,999)	(100,999)	(106,049)	(111,351)	(116,919)	(122,765)	(128,903)	(135,348)
Salary Lapse as % of Personnel Costs - Planning	-4.47%	-4.47%	-4.47%	-4.47%	-4.47%	-4.47%	-4.47%	-4.47%
Salary Lapse as % of Personnel Costs - CAS	-1.26%	-1.26%	-1.26%	-1.26%	-1.26%	-1.26%	-1.26%	-1.26%

Park Fund

SUMMARY STATEMENT OF REVENUES EXPENDITURES AND CHANGE IN FUND BALANCE

	FY21 Adopted	FY21 Estimated	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected	FY26 Projected	FY27 Projected
Revenues by Type:								
Tax Revenues	107,629,001	107,629,100	110,264,900	114,428,500	121,223,200	125,818,900	131,393,200	136,991,300
Intergovernmental Revenues	3,985,896	3,985,896	4,057,614	4,130,766	4,205,382	4,281,489	4,359,119	4,438,301
Sales	5,000	5,000	-	-	-	-	-	-
Charges for Services	2,473,793	2,473,793	2,473,793	2,473,793	2,473,793	2,473,793	2,473,793	2,473,793
Rentals/Concessions Revenues	755,000	755,000	791,850	830,543	871,170	913,828	958,620	1,005,650
Interest Revenue	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Miscellaneous Revenue	102,100	102,100	107,205	112,565	118,194	124,103	130,308	136,824
Transfers In - Administration Fund	-	-	-	-	-	-	-	-
Transfers In - Capital Projects Fund (Interest)	25,000	25,000	10,000	10,000	10,000	10,000	10,000	10,000
Transfers In - Capital Equipment Fund	-	-	-	-	-	-	-	-
Budgetary Revenue (use of fund balance)	691,156	-	-	-	-	-	-	-
Total Revenues	115,766,946	115,075,889	117,805,362	122,086,167	129,001,738	133,722,113	139,425,040	145,155,869
Expenditures by Type:								
Personnel	83,642,758	83,642,758	86,780,753	91,267,705	95,538,148	99,960,959	104,586,394	109,432,413
Supplies and Materials	8,033,467	8,033,467	8,194,136	8,358,019	8,525,179	8,695,683	8,869,597	9,046,989
Other Services and Charges	16,336,288	16,336,288	17,926,707	19,433,054	20,451,664	20,217,094	20,963,744	21,969,468
Capital Outlay	464,268	464,268	476,803	489,677	502,898	516,476	530,421	544,743
Chargebacks	(3,378,245)	(3,378,245)	(3,547,157)	(3,724,515)	(3,910,741)	(4,106,278)	(4,311,592)	(4,527,171)
Total Operating Expenditures	105,098,536	105,098,536	109,831,242	115,823,940	121,107,149	125,283,934	130,638,564	136,466,441
Transfers Out								
Transfer to Debt Service Fund - Existing	7,165,410	7,165,410	5,542,960	5,447,360	4,958,954	4,883,516	4,611,584	4,549,913
Transfer to Debt Service Fund - New	-	-	1,340,645	1,936,585	2,517,519	3,068,443	3,604,362	3,645,575
Transfer to Capital Projects Fund - Paygo	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Total Expenditures	112,613,946	112,613,946	117,064,847	123,557,885	128,933,622	133,585,893	139,204,510	145,011,929
Excess of Revenues (under) Expenditures and Transfers Out	2,461,844	2,461,943	740,515	(1,471,718)	68,116	136,220	220,530	143,940
Fund Balance - Budget Basis, Beginning	2,035,724	2,252,811	4,714,754	5,455,269	3,983,552	4,051,668	4,187,888	4,408,417
Fund Balance - Budget Basis, Ending	4,497,568	4,714,754	5,455,269	3,983,552	4,051,668	4,187,888	4,408,417	4,552,357
Classification of Fund Balance								
Designated for Reserve 3% of Expenditures	3,153,000	3,153,000	3,294,900	3,474,700	3,633,200	3,758,500	3,919,200	4,094,000
Undesignated	1,344,568	1,561,754	2,160,369	508,852	418,468	429,388	489,217	458,357
Total	4,497,568	4,714,754	5,455,269	3,983,552	4,051,668	4,187,888	4,408,417	4,552,357
Estimated Budget Deficit	No Deficit	No Deficit	No Deficit	No Deficit	No Deficit	No Deficit	No Deficit	No Deficit
Adjustments to Tax Rate and Operating Budget								
Tax Rate Change -enter as a cents (1.0 = one cent)				0.08	0.21	0.08	0.12	0.11
One-Time Investments for Critical Needs			-	-	-	-	-	-
Operating Changes - Other			1,004,357	666,000	313,100	(957,000)	(103,900)	238,100

The Maryland-National Capital Park and Planning Commission
Montgomery County

Park Fund

Control Totals Before Modeling	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Revenues			117,805,362	122,086,167	129,001,738	133,722,113	139,425,040	145,155,869
Change to Revenue from Modeling			-	-	-	-	-	-
Expenditures and Transfers			117,064,847	123,557,885	128,933,622	133,585,893	139,204,510	145,011,929
Change to Expenditures and Transfers from Modeling			-	-	-	-	-	-

Other Major Cost Assumptions	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Pension Cost Change %			-13.85%	8.01%	0.92%	0.10%	0.33%	0.33%
Modify Baseline (Yes/No)			No	No	No	No	No	No
Modified Pension Assumption								
Health Insurance (Medical/Rx/Dental/Vision) Baseline Cost Change%			5.3%	5.2%	5.1%	5.0%	4.8%	4.7%
Modify Baseline (Yes/No)			No	No	No	No	No	No
Health Insurance (Medical/Rx/Dental/Vision) Modified								

General Cost Changes (enter percentage to modify assumption)	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Supplies and Materials			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other Services and Charges			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Chargebacks			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Property Tax Growth Assumptions	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Baseline Rate of Change			2.49%	2.48%	2.49%	2.53%	2.55%	2.58%
Modify Baseline (Yes/No)			No	No	No	No	No	No
Modified Rate of Change								
Year over Year Change after Modifications			2.49%	2.48%	2.49%	2.53%	2.55%	2.58%

OBI Assumptions	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Net OBI			250,000	475,000	300,000	260,000	350,000	260,000

Debt Assumptions	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
New Issues	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000

Salary Lapse Savings	FY21	FY21	FY22	FY23	FY24	FY25	FY26	FY27
	464,268	464,268	476,803	489,677	502,898	516,476	530,421	544,743