



Staff: Keith Levchenko, Senior Legislative Analyst
Purpose: To make preliminary decisions – straw vote expected
Keywords: #Utilities and FY21 Budget

AGENDA ITEM #5
 May 11, 2020
Worksession

SUBJECT

FY21 Budget: Utilities Non-Departmental Account (NDA) – Follow-up

EXPECTED ATTENDEES

David Dise, Director, Department of General Services (DGS)
 Ronnie Warner, Acting Chief, Office of Energy and Sustainability, DGS
 Naeem Mia, Fiscal and Policy Analyst, OMB

NOTE: *This item was first discussed by the Council on April 28. The Council asked Department of General Services (DGS) and Council staff to review the FY21 Utilities NDA budget projections in light of savings shown in the 3rd Quarter Analysis projections and the impacts of COVID-19.*

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	25,845,719	0.0 FTE
Increase (Decrease) from FY20	(\$131,582) (0.51%)	0.0 FTE 0.0%

REVISED COUNCIL STAFF RECOMMENDATION

FY21 Council Staff Recommendation	\$25,245,719	0.0 FTE
Increase (Decrease) from FY20	(731,582) (2.8%)	0.0 FTE 0%
Increase (Decrease) from CE FY21 Rec	(\$600,000) 2.3%	0.0 FTE 0%

BACKGROUND

- County Government utilities are budgeted in the Utilities NDA, which is managed by DGS. The NDA includes building utility costs (about 2/3 of the NDA budget) for all County office buildings, police stations, libraries, health and human services facilities, correctional facilities, maintenance buildings, and warehouses. Traffic signals and streetlights make up about 1/3 of the NDA costs.
- Utility costs for other tax-supported operations, which include Transit Services and Recreation, are budgeted within each special fund. Utility costs for non-tax-supported funds, which include Fleet Management Services, Parking Lot Districts, Liquor Control and Solid Waste Services, are budgeted within each enterprise fund.
- Consistent with [Council Bill 9-14](#), enacted in May 2015, County Government has purchased the equivalent of 100 percent of the County’s energy needs from renewable energy sources since FY16. The FY21 Utilities budget continues to assume this 100% clean energy purchase.

EXECUTIVE RECOMMENDATION

- The Executive’s FY21 Recommended Utilities NDA budget assumes an overall reduction of \$131,582 for FY21 which is made up of the following components:
 - Overall reduction in commodity purchases (-\$246,915): According to DGS, these reductions are attributed to the planned completion of energy efficiency projects in FY20 and FY21, advanced energy projects, the retrofit of facilities, facilities coming online and going offline due to construction, and reallocating non-electricity NDA traffic & engineering costs to the NDA facilities cost center.
 - Operating expenses are projected to increase (+\$115,333): The cost increase includes adding a new software license (EnergyCAP), adding maintenance agreements for advanced energy systems, and increased energy costs for leased facilities.

POTENTIAL ITEMS RELATED TO COVID-19

- OMB’s 3rd Quarter Analysis assumes a year-end surplus of \$1,598,435 (6.2 percent of the FY20 budget). DGS staff attribute most of this projected savings to a moderate Winter season, higher than assumed building energy performance, and the impacts from energy savings measures over the past several years. In addition, DGS estimates that the COVID-19 emergency (which led to the the partial shutdown of 36 County Government facilities) has resulted in monthly savings for the Utilities NDA of approximately \$175,000 per month. Additional energy savings have been experienced within the special fund budgets, such as Recreation.

ADDITIONAL REDUCTIONS RECOMMENDED BY COUNCIL STAFF

- Based on further discussion with DGS and OMB staff, Council Staff recommends the following:
 - The traffic signals and streetlights portion of the Utilities NDA budget has experienced significant surpluses (thanks to high efficiency LED lighting retrofits) in recent years. FY18 and FY19 surpluses were \$236,000 and \$410,000 respectively. **Council Staff recommends that \$300,000 in additional savings be assumed for FY21.**
 - **For the buildings portion of the Utilities NDA budget, Council Staff suggests assuming an additional \$300,000 in savings in FY21.** This could come from the COVID-19 emergency continuing to affect County building energy usage during the first quarter of FY21 (July 1 to September 30). Savings of \$100,000 per month would be a rate slightly more than half that experienced the past two months. Savings could also come from continued higher than expected building energy performance or from the results of new energy projects.
 - As discussed on April 28, the Council is expecting to revisit the FY21 budget through a Budget Savings Plan process in the early part of FY21. The Utilities NDA budget (and the utilities budgets in the special funds) can be revisited at that time for consideration of further adjustments.

This report contains:

CE Recommended FY21 Budget (Utilities Excerpt)

Pages 71-1 – 71-6

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Utilities

RECOMMENDED FY21 BUDGET

\$25,845,719

FULL TIME EQUIVALENTS

0.00

 DAVID DISE, DIRECTOR

MISSION STATEMENT

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

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

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

BUDGET OVERVIEW

The FY21 Recommended Budget for the tax-supported Utilities NDA is \$25,845,719, a decrease of \$131,582 or 0.5 percent from the FY20 Approved Budget of \$25,977,301. Allocation of these utilities expenditures is approximately: electricity, 77.1 percent; natural gas, 9.6 percent; water and sewer, 9.5 percent; fuel oil, 0.1 percent; and propane, 0.1 percent. Renewable energy and other expenses total 3.6 percent.

The FY21 Recommended Budget includes County government utilities expenditures for both tax and non-tax supported operations. Tax-supported utilities expenditures related to the General Fund departments are budgeted in the Utilities NDA, while utilities expenditures related to special fund departments are budgeted in those funds. Some of these special funds, such as Recreation and portions of the Department of Transportation, are tax supported. Other special funds, such as Solid Waste, are supported through user fees or charges for services, instead of through taxes.

Utilities expenditures are also found in the budgets of other County agencies: Montgomery County Public Schools (MCPS), Montgomery College, the Washington Suburban Sanitary Commission (WSSC), and the Maryland-National Capital Park and Planning Commission (M-NCPPC). The total budget request for these outside agencies is \$72,793,448, which includes the entire bi-county area of WSSC.

The FY21 Recommended tax supported budget for Utilities Management, including both the General Fund NDA (\$25,845,719) and the other tax supported funds (\$3,955,772), is \$29,801,491, a decrease of \$119,082 or approximately 0.4 percent below the FY20

Approved utilities budget. The FY21 Recommended Budget for non-tax supported utilities expenditures is \$4,895,566, an increase of \$316 above the FY20 Approved Budget.

Increased utilities expenditures result primarily from greater consumption due to new facilities or services, increased rates, and in some cases a more precise alignment of budgeted costs with actual prior year expenditures by utility type. Energy conservation and cost-saving measures (e.g., new building design, lighting technology, energy, and HVAC management systems) help offset increased utility consumption or unit costs. Renewable energy may include credits to offset fossil fuel purchases.

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

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

TAX SUPPORTED

Department of General Services

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

Department of Transportation

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

Division of Transit Services - Mass Transit

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

Department of Recreation

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

NON-TAX SUPPORTED

Fleet Management Services

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

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

Parking Districts

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

Alcohol Beverage Services

Alcohol Beverage Services (formerly the Department of Liquor Control) funds utility expenditures associated with the operation of the liquor warehouse, administrative offices, and the County operated retail liquor stores.

Department of Environmental Protection, Solid Waste Services

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

Other Agencies

Utilities for MCPS, Montgomery College, WSSC (bi-county), and M-NCPPC are displayed in the charts on the following pages. These are the amounts requested in the budgets of those agencies.

COUNTY PRIORITY OUTCOMES

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

-  **Easier Commutes**
-  **Safe Neighborhoods**

PROGRAM CONTACTS

Contact Angela Dizelos of the Department of General Services/Utilities Management at 240.777.6028 or Naeem Mia of the Office of Management and Budget at 240.777.2786 for more information regarding this department's operating budget.

BUDGET SUMMARY

	Actual FY19	Budget FY20	Estimate FY20	Recommended FY21	%Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—

BUDGET SUMMARY

	Actual FY19	Budget FY20	Estimate FY20	Recommended FY21	%Chg Bud/Rec
County General Fund Personnel Costs	0	0	0	0	—
Operating Expenses	25,638,023	25,977,301	25,187,301	25,845,719	-0.5 %
County General Fund Expenditures	25,638,023	25,977,301	25,187,301	25,845,719	-0.5 %
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—

FY21 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY20 ORIGINAL APPROPRIATION	25,977,301	0.00
<u>Other Adjustments (with no service impacts)</u>		
Decrease Cost: Reduction in Utilities Costs [Utilities]	(131,582)	0.00
FY21 RECOMMENDED	25,845,719	0.00

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY21	FY22	FY23	FY24	FY25	FY26
COUNTY GENERAL FUND						
EXPENDITURES						
FY21 Recommended	25,846	25,846	25,846	25,846	25,846	25,846
No inflation or compensation change is included in outyear projections.						
Subtotal Expenditures	25,846	25,846	25,846	25,846	25,846	25,846

EXPENDITURES BY DEPARTMENT/AGENCY							
	ACTUAL FY17	ACTUAL FY18	ACTUAL FY19	APPROVED FY20	RECOMMENDED FY21	CHANGE BUD/REC	% CHANGE BUD/REC
COUNTY GOVERNMENT TAX SUPPORTED OPERATIONS							
NON-DEPARTMENTAL ACCOUNT							
Facilities	16,610,750	16,038,873	16,082,064	17,260,105	17,805,914	545,809	3.2%
Traffic Signals and Streetlighting	8,992,294	8,480,641	8,480,641	8,717,196	8,039,805	(677,391)	-7.8%
GENERAL FUND NDA EXPENDITURES	25,603,044	24,519,514	24,562,705	25,977,301	25,845,719	(131,582)	-0.5%
OTHER TAX SUPPORTED OPERATIONS							
Transit Services	147,363	145,044	24,529	188,700	201,200	12,500	6.6%
Recreation	3,675,506	3,661,407	3,618,163	3,754,572	3,754,572	0	0.0%
SUBTOTAL	3,822,869	3,806,451	3,642,692	3,943,272	3,956,772	12,500	0.3%
TOTAL TAX SUPPORTED	29,425,913	28,325,965	28,205,397	29,920,573	29,801,491	(119,082)	-0.4%
COUNTY GOVERNMENT NON-TAX SUPPORTED OPERATIONS							
Fleet Management Services	997,885	1,034,918	362,824	1,630,392	1,630,392	0	0.0%
Parking Districts	2,441,011	2,486,172	2,175,297	2,358,396	2,358,396	0	0.0%
Alcohol Beverage Services	713,674	715,910	700,605	725,810	725,810	0	0.0%
Environmental Protection (Solid Waste Services)	160,147	122,019	122,020	180,652	180,968	316	0.2%
TOTAL NON-TAX SUPPORTED	4,312,717	4,359,019	3,360,747	4,895,250	4,895,566	316	0.0%
SUMMARY - COUNTY GOVERNMENT							
TOTAL TAX SUPPORTED	29,425,913	28,325,965	28,205,397	29,920,573	29,801,491	(119,082)	-0.4%
TOTAL NON-TAX SUPPORTED	4,312,717	4,359,019	3,360,747	4,895,250	4,895,566	316	0.0%
TOTAL COUNTY GOVERNMENT	33,738,630	32,684,984	31,566,143	34,815,823	34,697,057	(118,766)	-0.3%
OUTSIDE AGENCIES TAX AND NON-TAX SUPPORTED OPERATIONS							
Montgomery County Public Schools	37,634,363	38,544,627	37,955,846	40,062,130	40,479,040	416,910	1.0%
Montgomery College	7,540,902	7,533,147	7,461,385	7,830,311	7,467,066	(363,245)	-4.6%
Washington Suburban Sanitary Commission	22,510,591	20,302,204	19,897,561	19,784,417	20,708,400	923,983	4.7%
M-NCPPC	3,182,797	3,223,435	3,421,877	3,499,695	4,138,942	639,247	18.3%
TOTAL OTHER AGENCIES EXPENDITURES	70,868,653	69,603,413	68,736,669	71,176,553	72,793,448	1,616,895	2.3%
TOTAL UTILITIES EXPENDITURES	104,607,283	102,288,397	100,302,812	105,992,376	107,490,505	1,498,129	1.4%

EXPENDITURES BY ENERGY SOURCE							
	ACTUAL FY17	ACTUAL FY18	ACTUAL FY19	APPROVED FY20	RECOMMENDED FY21	CHANGE BUDGET/REC	% CHANGE BUDGET/REC
COUNTY GOVERNMENT TAX SUPPORTED OPERATIONS							
NON-DEPARTMENTAL ACCOUNT							
Electricity	21,301,895	20,408,033	19,915,118	19,671,955	19,926,929	254,974	1.3%
Water & Sewer	2,470,899	2,122,577	2,122,577	3,153,116	2,455,120	(697,996)	-22.1%
Fuel Oil	51,198	6,091	6,091	91,829	33,833	(57,996)	-83.2%
Natural Gas	1,747,702	1,962,939	1,962,939	1,930,638	2,491,488	560,830	29.0%
Propane	31,382	19,874	19,874	63,402	16,872	(46,530)	-73.4%
Renewable Energy	0	0	129,936	239,782	228,158	(11,624)	-4.8%
Other	0	0	406,170	826,582	693,339	(133,243)	-16.1%
GENERAL FUND NDA EXPENDITURES	25,603,044	24,519,514	24,562,705	25,977,304	25,845,719	(131,585)	-0.5%
OTHER TAX SUPPORTED OPERATIONS							
Electricity	2,655,166	2,438,611	2,281,110	2,681,840	2,694,340	12,500	0.5%
Water & Sewer	670,521	797,245	786,298	533,822	533,822	0	0.0%
Fuel Oil	4,791	11,135	11,135	9,628	9,628	0	0.0%
Natural Gas	449,634	496,852	479,844	616,679	616,679	0	0.0%
Propane	42,757	62,608	62,608	57,910	57,910	0	0.0%
Renewable Energy	0	0	0	0	0	0	0.0%
Other	0	0	21,697	43,393	43,393	0	0.0%
SUBTOTAL	3,822,899	3,806,451	3,642,692	3,943,272	3,955,772	12,500	0.3%
TOTAL TAX SUPPORTED	29,425,913	28,325,965	28,205,397	29,920,576	29,801,491	(119,085)	-0.4%
NON-TAX SUPPORTED OPERATIONS							
Electricity	3,831,897	3,832,139	3,182,562	4,277,259	4,277,574	315	0.0%
Water & Sewer	179,439	204,621	38,395	211,235	211,235	0	0.0%
Fuel Oil	1,592	3,617	3,888	4,162	4,162	0	0.0%
Natural Gas	299,544	318,342	97,435	354,727	354,727	0	0.0%
Propane	0	0	0	1,040	1,040	0	0.0%
Renewable Energy	0	0	0	0	0	0	0.0%
Other	0	0	38,467	46,827	46,829	2	0.0%
TOTAL NON-TAX SUPPORTED	4,312,472	4,359,019	3,360,747	4,895,250	4,895,567	317	0.0%
SUMMARY - COUNTY GOVERNMENT							
Electricity	27,788,958	26,678,783	25,378,790	26,631,054	26,898,843	267,789	1.0%
Water & Sewer	3,320,829	3,124,743	2,947,271	3,898,173	3,200,177	(697,996)	-17.9%
Fuel Oil	57,579	20,843	21,113	105,619	47,623	(57,996)	-54.9%
Natural Gas	2,496,880	2,778,133	2,540,218	2,902,044	3,482,874	580,830	19.3%
Propane	74,139	82,482	82,482	122,352	75,822	(46,530)	-38.0%
Renewable Energy	0	0	129,936	239,782	228,158	(11,624)	-4.8%
Other	0	0	466,333	916,802	783,561	(133,241)	-14.5%
TOTAL COUNTY GOVERNMENT	33,738,385	32,684,984	31,660,143	34,815,826	34,697,058	(118,768)	-0.3%
OUTSIDE AGENCIES TAX AND NON-TAX SUPPORTED OPERATIONS							
Electricity	57,578,814	55,090,789	54,934,998	56,003,004	56,922,748	919,742	1.6%
Water & Sewer	6,484,799	6,344,748	6,888,725	7,236,591	8,259,848	1,023,057	14.1%
Fuel Oil	57,738	312,892	218,622	125,242	150,028	24,786	19.8%
Natural Gas	6,504,738	7,552,826	6,392,977	7,397,292	7,043,357	(353,935)	-4.8%
Propane	242,564	302,358	246,965	308,607	319,530	10,923	3.5%
Renewable Energy	0	0	54,384	105,817	98,139	(7,678)	-7.3%
Other	0	0	0	0	0	0	0.0%
SUBTOTAL	70,868,653	69,603,413	68,736,689	71,176,553	72,793,448	1,616,895	2.3%
TOTAL UTILITIES EXPENDITURES							
Electricity	85,367,772	81,769,572	80,313,788	82,634,058	83,821,589	1,187,531	1.4%
Water & Sewer	9,805,628	9,469,491	9,835,998	11,134,764	11,459,825	325,061	2.9%
Fuel Oil	115,317	333,535	239,735	230,881	197,651	(33,210)	-14.4%
Natural Gas	9,001,618	10,330,959	8,933,195	10,299,336	10,506,231	206,895	2.0%
Propane	316,703	384,840	329,447	430,959	395,352	(35,607)	-8.3%
Renewable Energy	0	0	184,320	345,599	326,297	(19,302)	-5.6%
Other	0	0	466,333	916,802	783,561	(133,241)	-14.5%
TOTAL UTILITIES EXPENDITURES	104,607,038	102,288,397	100,302,812	105,962,379	107,490,506	1,498,127	1.4%