



Montgomery
County Council

Committee: GO
Committee Review: At a future date
Staff: Gene Smith, Legislative Analyst
Purpose: To receive testimony – no vote expected
Keywords: SAG, Budget

AGENDA ITEM #6
January 28, 2020
Public Hearing

SUBJECT

Spending Affordability Guidelines for the FY21 Operating Budget

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The Council must adopt guidelines for the next operating budget by the second Tuesday in February. The spending affordability guidelines that must be adopted are: 1) a ceiling on the funding from ad valorem real property tax revenues; 2) a ceiling on the aggregate operating budget; and 3) separate budget allocations for all agencies and certain non-agency uses.

SUMMARY OF KEY DISCUSSION POINTS

- The staff report from introduction provides analysis and recommendations for the public and the Council to consider (see pages 1-7 and attachments).
- The Government Operations and Fiscal Policy Committee will review the public comments, proposed options, and make its recommendation to the Council on February 6, 2020.

This report contains:

Staff Report	Pages 1-7
Proposed FY21 SAG resolution	©1
December 2019 Fiscal Plan update	©4
Proposed FY21 AOB calculations	©5
Approved FY20 AOB resolution	©6

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MEMORANDUM

January 9, 2020

TO: County Council

FROM: Gene Smith, Legislative Analyst

SUBJECT: Spending Affordability Guidelines for the FY21 Operating Budget

PURPOSE: Introduce proposed resolution

The Council has scheduled a public hearing on January 28, 2020 regarding the proposed resolution setting the spending affordability guidelines for the FY21 Operating Budget (see ©1-3). The Government Operations and Fiscal Policy (GO) Committee will make a recommendation for Council action on February 6, 2020. The deadline for the Council to adopt these guidelines is the second Tuesday of February each year; the deadline this year is February 11, 2020.

I. Background

Section 20-60 and 20-63 of the Council Code requires the Council to specify the following when adopting the spending affordability guidelines for the operating budget:

- 1) A ceiling on the funding from ad valorem real property tax revenues;
- 2) A ceiling on the aggregate operating budget; and
- 3) Separate budget allocations for the following:
 - County Government (“MCG”)
 - Board of Education (i.e., Montgomery County Public Schools or “MCPS”)
 - Montgomery College
 - Maryland-National Capital Park and Planning Commission (M-NCPPC)
 - Debt service; and
 - Current revenue funding of capital projects.

The Council previously set an overall spending target for Community Grants as part of its actions establishing spending affordability guidelines for the operating budget in prior years. For FY21, the County Executive and County Council Community Grants programs, applications, and corresponding budgets will be combined; therefore, an overall spending target for Community Grants will not be set for FY21 due to the transition to a single grants process and the launch of an Office of Grants Management in FY22.

Section 20-61 of the County Code states that *“the Council should consider, among other relevant factors, the condition of the economy, the level of economic activity in the County, trends in personal income, and the impact of economic and population growth on projected revenues.”*

A. Condition of the Economy

- The Washington metro area’s unemployment rate decreased year-over-year from 3.1% in October 2018 to 2.8% in October 2019.
- The County’s unemployment rate decreased year-over-year from 3.0% in October 2018 to 2.7% in October 2019.
- The Center for Regional Analysis (CRA) estimated that the Washington metro area’s annual job growth was 2.1% from September 2018 to September 2019, a gain of 38,600 jobs. The percent growth ranked 10 out of 15 of the largest U.S. job markets during the same period.
- The CRA estimates that half of the industries in the Washington metro area experienced job growth from September 2018 to September 2019. During that period, the Leisure and Hospitality sector experienced the largest growth by adding approximately 17,100 jobs, and the Retail Trade sector experienced the largest decline by shedding approximately 6,400 jobs.
- The CRA estimates that Suburban Maryland, which the County is part, added 3,800 jobs from September 2018 – September 2019, with the largest growth in the State and Local Government sector and the largest decline in the Retail Trade sector.
- Finance estimates that the annual average number of employed residents will increase from 537,460 in 2018 to 541,170 in 2019, an increase of 0.7% year-over-year. Finance estimates that the annual growth rate for this indicator will be less than 1.0% through the next six years.
- The County’s total payroll employment grew by approximately 630 jobs from June 2018 to June 2019. This growth is much less than prior years where the three-year rolling average was approximately 4,000 new jobs annually.

B. Level of Economic Activity in the County

- The inflation rate for the Washington metro area was 2.0% for 2018 but was only 1.3% through September 2019.
- The County’s Class A office space average rent increased in 2019 to \$32.49 per square foot from the \$31.55 per square foot in 2018. The vacancy rate for this type of office space also increased in 2019 to an average of 13.3% from an average of 12.3% in 2018.
- The County’s Class B office space average increased in 2019 to \$26.80 per square foot from the \$26.09 per square foot in 2018. The vacancy rate for this type of office space decreased in 2019 to an average of 12.0% from an average of 12.5% in 2018.
- The net absorption of Class A and Class B office space in the County for 2019 was negative 177,105 square feet (i.e., in total the County increased its vacancy by 177,105 square feet).
- Finance states that existing home sales declined by 4.3% in 2018 and have declined by 1.0% through October 2019.

C. Trends in Personal Income

- Finance estimates that total personal income is expected to increase by 3.9% in 2019 and 4.1% in 2020. The estimated growth is less than most of the previous years' actual growth rates, which included 5.8% in 2016, 4.7% in 2017, and 3.7% in 2018. The 2019 estimate was revised downward by 0.6% in December 2019 from the approved Budget in June 2019.
- Finance estimates that wage and salary income is expected to increase by 4.0% in 2019 and 4.3% in 2020. The estimated growth is greater than most of the previous year's actual growth rates, which included 2.8% in 2016, 3.5% in 2017, and 5.5% in 2018. The 2019 estimate was revised downward by 0.3% in December 2019 from the approved Budget in June 2019.
- Social Security recipients and Federal retirees in the CSRS and FERS retirement systems will receive a COLA of 1.6% in 2020. The 2019 COLA was 2.8%.

D. Impact of Economic and Population Growth on Projected Revenues

- Finance estimates that the County's population increases by 0.8% in 2017 and 0.4% in 2018. The estimated population growth in 2019 and 2020 is 0.9%, which is estimated to bring the County's total population to 1,070,928 by the end of 2020.
- The growth in total personal income and wage and salary income is due to greater wealth or rising wages, as opposed to growth in the County's total population.
- Finance estimates a reduction in property taxes and income taxes for FY21 compared to the values estimated in June 2019. The reduction in property taxes is primarily due to a slower growth of inflation than previously estimated. The reduction in income taxes is primarily due to one-time decisions from the Tax Cut and Jobs Act passed at the end of 2017.

E. Other Relevant Factors

- The Federal Reserve lowered interest rates multiple times in 2019, when the prevailing expectation at the beginning of the year was for continued rate increases. The current expectation is for the Federal Reserve to hold interest rates steady in 2020.
- The State of Maryland's Board of Revenue Estimates revised its September 2019 estimates upward for both FY20 and FY21. The combined total includes approximately \$215 million in additional income tax revenues.

II. Spending Affordability Guidelines for the FY21 Operating Budget

A. Ceiling on Property Tax Revenue

The County Charter requires nine affirmative votes to set property tax rates in June if the amount of real property tax revenue exceeds the previous fiscal year's real property tax revenue by the rate of inflation (i.e., the "Charter Limit"). This limit applies only to real property tax revenue from existing real property and does not apply to (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. The limit applies to real property only, not personal property.

The Council’s decision, as it pertains to the guidelines, is to specify the ceiling on real property tax revenue for FY21. The combination of rate changes and credits that will achieve this ceiling will be deliberated and established during the FY21 budget process.

Council staff recommends setting the ceiling on real property tax revenue at the Charter Limit. The December 2019 Fiscal Plan update assumes this ceiling, including a \$692 Income Tax Offset Credit for qualified properties (see ©4).

B. Ceiling on Aggregate Operating Budget

The Council sets a ceiling on the AOB as a benchmark for the upcoming FY21 budget process. The Council considers multiple factors, such as the current condition of the economy and trends in personal income, when setting the AOB. The intent of this guideline is to set an AOB that is generally affordable to County residents.

The ceiling on the AOB established by the Council in February demarcates the threshold that requires seven affirmative votes if the Council chooses to exceed that ceiling when finalizing the budget in May. Regardless of the ceiling set by the Council in February, six affirmative votes are required in May if the AOB exceeds the previous fiscal year’s AOB by the rate of inflation for the 12-month period preceding the previous December - 1.27% for FY20’s AOB. If the AOB does not exceed the previous fiscal year’s AOB by this inflation rate, five votes are required.

Section 20-59 of the County Code defines the operating budget as “*the total amount appropriated from current operating revenues for the ensuing fiscal year, including any current revenue funding for capital budgets.*” The AOB includes the operating budget minus the amounts appropriated for (1) enterprise funds; (2) the Washington Suburban Sanitary Commission; (3) expenditures equal to the tuition and tuition-related charges estimated to be received by Montgomery College; and (4) any grant which can only be spent for a specific purpose.

The AOB and its elements are defined by law, but neither the Charter nor the Code specifies how to set the ceiling. The Council has taken multiple approaches in setting the ceiling throughout its history. Below is a table detailing the Council’s method for setting the ceiling in recent fiscal years.

Fiscal Year	Method	Increase
2011	No increase	0.00%
2012	Increase by rate of inflation	1.70%
2013	Increase by estimated rate of total personal income growth	4.80%
2014	Increase by estimated rate of total personal income growth	4.76%
2015	Increase by estimated rate of total personal income growth	1.80%
2016	Increase by estimated rate of total personal income growth	2.30%
2017	Increase by estimated rate of total personal income growth	3.45%
2018	Increase by half of estimated rate of total personal income growth	2.00%
2019	Increase by COLA for Social Security	2.00%
2020	Increase by amount needed to maintain prior year funding for MCG and M-NCPPC	1.43%

Council staff presents four options on ©5 for consideration in setting the ceiling on the AOB for the FY21 operating budget. The FY20 AOB was approved in Resolution 19-133 (see ©6-8).

- Option #1 – The FY21 ceiling is held at the FY20 approved AOB (*0.0% adjustment*).
- Option #2 – The FY21 ceiling decreases from the FY20 approved AOB by the 7.0% reduction for MCG and M-NCPPC estimated by Executive Staff in the December update to address projected revenue shortfalls for FY21 and beyond (*0.86% reduction overall*).
- Option #3 – The FY21 ceiling increases the FY20 approved AOB by the estimated rate of inflation for 2019 (*1.27% increase*).
- Option #4 – The FY21 ceiling increases the FY20 approved AOB by the estimated growth rate of household income for 2019 (*2.35% increase*).

Council staff recommends establishing the ceiling on the FY21 AOB based on Option #3 – increasing the FY20 approved AOB by 1.27% or the rate of inflation. Due to the revised revenue estimates for FY21, Council staff believes that the ceiling on the FY21 AOB should be set conservatively at the current rate of inflation. **This recommended method sets the ceiling at \$5,087.8 million.**

C. AOB Allocations

Section 20-63 the County Code requires that the Council recommend budget allocations for certain portions of the budget. **These allocations are illustrative and not final.** The final allocations are set by Council during the budget process, when competing demands, priorities, and resources are evaluated. There are several factors that could change the allocations during the budget process from those set during the guideline process in February.

- Factor #1: Revenue estimates could change from the December 2019 update.
- Factor #2: Some of the non-agency uses could be shifted to fund agency uses.
- Factor #3: Reserves as a percentage of adjusted governmental revenues could be set a level different from the 10.0% in the December 2019 Fiscal Plan update.
- Factor #4: Agency allocations could increase if fund balances are re-appropriated.

The Council’s decision to establish these allocations in February does not create a supermajority requirement during the budget process. The Council’s decision will trigger a requirement for the agencies. Any agency requesting more than the Council’s allocation must submit to the Council by March 31 a memorandum recommending “(1) prioritized expenditure reductions that would be necessary to comply with the adopted budget allocation, and (2) a summary of the effect on the agency’s program of the recommended prioritization.”

State aid amounts are not known in January. As in previous years, the proposed resolution includes the following provision to account for this factor:

b) Notwithstanding the above, the Council intends that any agency spending allocations which, as a result of additional increases in State aid, exceed the ceilings specified in (b) do not trigger the requirements of §20-63(b).

1. Staff recommended allocations

Debt Service

Debt service is a fixed charge that must be paid before making allocations to the other agencies. Long-term leases are included, since these payments are virtually identical to debt. Debt service is in the County Government's debt service fund and in the budget for M-NCPPC. **Council staff recommends that debt service be set at \$442.2 million, the amount of debt currently outstanding and estimated to be issued.** The same value was assumed in the December 2019 Fiscal Plan update.

Current Revenue Funding for the Capital Budget

There are two types of current revenue funding for the capital budget. The first type is for specific projects in the Capital Improvements Program that do not meet the criteria for bond funding and must be funded with current revenue. **Council staff recommends setting this item at \$86.5 million, consistent with the December 2019 Fiscal Plan update.**

The second type, "PAYGO" (pay as you go), is funding for projects that are eligible for bond funding but for which the Council has decided to use current revenue to decrease the need for bonds. The substitution of current revenue for bonds helps protect Montgomery County's AAA bond rating by reducing indebtedness and decreasing future operating budget expenses for debt service. **Council staff recommends setting PAYGO at \$32.0 million, consistent with the December 2019 Fiscal Plan update.**

Retiree Health Insurance Pre-funding (OPEB)

Council staff recommends allocating \$127.7 million to OPEB, consistent with the December 2016 Fiscal Plan update.

Agency Allocations (MCG, MCPS, Montgomery College, and M-NCPPC)

Council staff recommends allocations to MCPS and Montgomery College at maintenance of effort levels (MOE), including formula funding for State aid and assuming no fund balance appropriation. These are the same values that were included in the December 2019 Fiscal Plan Update. Montgomery College's allocation is reduced because FY20 included approximately \$4.4 million in appropriation for fund balance in FY19.

Council staff recommends allocating the remainder to the County Government and M-NCPPC in proportion to their FY20 allocations.

As noted above, any agency requesting more than the Council's spending affordability guidelines must submit to the Council by March 31 prioritized expenditure reductions that would be necessary to comply

with the adopted budget allocation and a summary of the effect on the agency's program of the recommended prioritization. However, Council staff recommends that the resolution for FY21—as was the case FY14 through FY20—should state that a projected increase in State aid should not, by itself, trigger this requirement.

This packet contains:

	<u>Circle #</u>
Proposed FY21 SAG resolution	1
December 2019 Fiscal Plan update	4
Proposed FY21 AOB calculations	5
Approved FY20 AOB resolution	6

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Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Spending Affordability Guidelines for the FY21 Operating Budget

Background

1. Section 305 of the Charter and Chapter 20-60 of the 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 revenue, which is 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. Chapter 20-61 of the County Code 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 second Tuesday in February for the fiscal year starting the following July 1.

4. At the public hearing on January 28, 2020, the public had the opportunity to comment on the following guidelines.
 - a) The amount of property tax revenue will not exceed the amount calculated in accordance with §305 of the Charter that would require nine affirmative votes.
 - b) The proposed ceiling on the aggregate operating budget and the agency allocations in millions of dollars are:

Debt Service	\$ 442.2
Current revenue, specific projects	\$ 86.5
Current revenue, PAYGO	\$ 32.0
Retiree health insurance prefunding	\$ 127.7
MCPS	\$ 2,515.6
Montgomery College	\$ 186.5
County Government	\$ 1,561.2
M-NCPPC	\$ 128.6
Total = Aggregate Operating Budget	\$ 5,087.8

Action

The County Council for Montgomery County approves the following resolution:

1. The spending affordability guidelines for the FY21 Operating Budget are:
 - a) The amount of property tax revenue will not exceed the amount calculated in accordance with §305 of the Charter that would require nine affirmative votes.
 - b) The ceiling on the aggregate operating budget and the agency spending allocations in millions of dollars are:

Debt Service	\$
Current revenue, specific projects	\$
Current revenue, PAYGO	\$
Retiree health insurance prefunding	\$
MCPS	\$
Montgomery College	\$
County Government	\$
M-NCPPC	\$
Total = Aggregate Operating Budget	\$

- c) Notwithstanding the above, the Council intends that any agency spending allocations which, as a result of additional increases in State aid, exceed the ceilings specified in (b) do not trigger the requirements of §20-63(b).

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council

DRAFT Fiscal Plan December 2019
Tax Supported Fiscal Plan Summary

(\$ in Millions)															
	App. FY20	Est. FY20	% Chg. FY20-21	% Chg. FY20-21	Projected FY21	% Chg. FY21-22	Projected FY22	% Chg. FY22-23	Projected FY23	% Chg. FY23-24	Projected FY24	% Chg. FY24-25	Projected FY25	% Chg. FY25-26	Projected FY26
	5-23-19	12-10-19	App/Proj	Est/Proj	12-10-19										
Total Revenues															
Property Tax	1,836.8	1,793.7	-0.3%	2.1%	1,831.6	2.2%	1,872.7	2.3%	1,915.7	2.3%	1,958.4	2.3%	2,004.7	2.3%	2,050.8
Income Tax	1,640.3	1,708.4	1.5%	-2.6%	1,664.3	3.6%	1,724.5	4.5%	1,801.6	4.9%	1,890.1	4.6%	1,977.8	5.3%	2,083.2
Transfer/Recordation Tax	182.8	174.9	0.8%	5.4%	184.3	4.6%	192.8	4.9%	202.3	5.6%	213.7	5.7%	225.8	5.0%	237.1
Other Taxes	283.2	283.7	-1.2%	-1.4%	279.9	1.6%	284.2	-1.2%	280.9	1.6%	285.6	-0.7%	283.6	0.0%	283.7
Other Revenues	1,152.8	1,152.8	-1.1%	-1.1%	1,140.3	0.4%	1,144.7	0.4%	1,149.3	0.4%	1,153.9	0.4%	1,158.7	0.4%	1,163.5
Total Revenues	5,095.9	5,113.5	0.1%	-0.3%	5,100.4	2.3%	5,219.0	2.5%	5,349.7	2.9%	5,502.6	2.7%	5,650.6	3.0%	5,818.3
Net Transfers in (Out)	16.1	16.1	2.5%	2.5%	16.5	2.7%	16.9	2.7%	17.4	2.7%	17.9	2.7%	18.4	2.7%	18.8
Total Revenues and Transfers Available	5,112.0	5,129.6	0.1%	-0.2%	5,116.9	2.3%	5,235.9	2.5%	5,367.1	2.9%	5,520.5	2.7%	5,668.9	3.0%	5,837.2
Non-Operating Budget Use of Revenues															
Debt Service	430.0	430.0	4.6%	4.6%	449.6	3.0%	463.0	3.4%	478.7	-0.2%	477.8	1.6%	485.5	0.0%	485.5
PAYGO	32.0	32.0	0.0%	0.0%	32.0	-3.1%	31.0	-6.5%	29.0	0.0%	29.0	0.0%	29.0	0.0%	29.0
CIP Current Revenue	33.5	33.5	158.5%	158.5%	86.5	-14.4%	74.1	33.5%	98.9	1.0%	99.9	0.0%	99.9	0.0%	99.9
Change in Other Reserves	-19.6	-20.8	100.2%	100.2%	0.0	220.4%	0.1	35.2%	0.1	4.7%	0.1	5.1%	0.2	0.8%	0.2
Contribution to General Fund Undesignated Reserves	8.1	11.9	699.7%	445.2%	65.1	-103.1%	-2.0	352.6%	5.2	11.0%	5.7	19.0%	6.8	-4.0%	6.6
Contribution to Revenue Stabilization Reserves	23.1	23.1	-140.0%	-140.0%	-9.3	251.4%	14.0	-32.1%	9.5	-10.5%	8.5	5.9%	9.0	14.4%	10.3
Set Aside for other uses (supplemental appropriations)	1.9	16.9	842.5%	18.2%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
Total Other Uses of Resources	509.0	526.7	26.5%	22.3%	644.0	-6.8%	600.1	6.9%	641.4	-0.1%	641.1	1.4%	650.4	0.2%	651.4
Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)	4,603.0	4,603.0	-2.8%	-2.8%	4,472.9	3.6%	4,635.8	1.9%	4,725.7	3.3%	4,879.4	2.9%	5,018.5	3.3%	5,185.8
Agency Uses															
Montgomery County Public Schools (MCPS)	2,514.3	2,514.3	0.1%	0.1%	2,515.6										
Montgomery College (MC)	265.5	265.5	-1.1%	-1.1%	262.6										
MNCPPC (w/o Debt Service)	132.4	132.4	-7.0%	-7.0%	123.0										
MCG	1,690.8	1,690.8	-7.0%	-7.0%	1,571.6										
Agency Uses	4,603.0	4,603.0	-2.8%	-2.8%	4,472.9	3.6%	4,635.8	1.9%	4,725.7	3.3%	4,879.4	2.9%	5,018.5	3.3%	5,185.8
Total Uses	5,112.0	5,129.6	0.1%	-0.2%	5,116.9	2.3%	5,235.9	2.5%	5,367.1	2.9%	5,520.5	2.7%	5,668.9	3.0%	5,837.2
(Gap)/Available	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0

Assumptions:

- Property taxes are at the Charter Limit with a \$692 credit. Other taxes are at current rates.
- Reserve contributions are consistent with legal requirements and the minimum policy target.
- PAYGO, debt service, and current revenue reflect the Amended FY19-24 Capital Improvements Program.
- State Aid, including MCPS and Montgomery College, is not projected to increase from FY21-26.
- Projected FY21 allocations for MCPS and Montgomery College assume funding at maintenance of effort. The allocations do not include potential increases to State Aid or other possible agency resources, such as use of additional fund balance. Additional State Aid or use of fund balance would increase the rate of growth for MCPS and Montgomery College.

FY20 Approved AOB=\$5,023,849,028

\$5,023.8

	A	B	C	D	E	F	G
Table 1: Spending Affordability Guideline 2 (Ceiling on the FY 21 AOB, Smillions)							
FY20 Approved AOB		5,023.8		Option 1	Option 2	Option 3	Option 4
1. No change FY18 to FY19				+0.00%			
2. Reduce agency allocations by 7% (MCG, MNCPPC)					-0.86%		
3. Increase by inflation CY19						+1.27%	
4. Increase by change in average HH income CY19							+2.35%
Ceiling on FY21 AOB				\$5,023.8	\$4,980.6	\$5,087.8	\$5,142.1
Table 2: Spending Affordability Guideline 3 (Allocation of FY 21 AOB, Smillions)							
	FY20 App			Option 1	Option 2	Option 3	Option 4
A. Non agency allocations							
Debt service							
County debt service		423.2		442.2	442.2	442.2	442.2
MNCPPC debt service		6.8		7.4	7.4	7.4	7.4
Current revenue, specific projects		33.5		86.5	86.5	86.5	86.5
Current revenue, PAYGO		32.0		32.0	32.0	32.0	32.0
Retiree health insurance prefunding (OPEB)							
OPEB for MCPS		78.5		85.0	85.0	85.0	85.0
OPEB for Montgomery College		5.4		5.5	5.5	5.5	5.5
OPEB for MNCPPC		2.8		2.7	2.7	2.7	2.7
OPEB for County Government		34.7		34.5	34.5	34.5	34.5
Subtotal, non-agencies		616.9		695.9	695.9	695.9	695.9
B. Agency allocations							
	FY20 App	% agency		Option 1	Option 2	Option 3	Option 4
MCPS	2,514.3	57.1%		2,515.6	2,515.6	2,515.6	2,515.6
College excl. expen. funded by tuition	190.9	4.3%		186.5	186.5	186.5	186.5
MNCPPC	129.6	2.9%		123.8	120.5	128.6	132.8
County Government	1,572.2	35.7%		1,502.1	1,462.2	1,561.2	1,611.3
Subtotal, agencies	4,407.0			4,328.0	4,284.7	4,391.9	4,446.2
Aggregate Operating Budget	5,023.8			5,023.8	4,980.6	5,087.8	5,142.1
Table 3: Change in Agency Allocations, FY20 approved to FY21 recommended							
				Option 1	Option 2	Option 3	Option 4
MCPS				+0.05%	+0.05%	+0.05%	+0.05%
College excl. expen. funded by tuition				(2.31%)	(2.31%)	(2.31%)	(2.31%)
MNCPPC				(4.46%)	(7.00%)	(0.70%)	+2.49%
County Government				(4.46%)	(7.00%)	(0.70%)	+2.49%
Total Agency Allocation				(1.79%)	(2.77%)	(0.34%)	+0.89%

Notes:

1. FY21 MNCPPC debt service assumes Park Fund: \$7,294,501; ALARF Fund: \$142,200.
2. All FY20 allocations are from Resolution 19-133.
3. All FY21 non-agency allocations are from the December Fiscal Plan Update.
4. FY21 Montgomery College allocation is from the December Fiscal Plan Update, excluding tuition-funded expenditures and assumes no appropriation from FY20 fund balance.
5. FY21 MCPS allocation is from the December Fiscal Plan Update and assumes no appropriation from FY20 fund balance.

#15 - Aggregate Operating Budget – Requires 7 affirmative votes

Resolution No.:	<u>19-133</u>
Introduced:	<u>May 23, 2019</u>
Adopted:	<u>May 23, 2019</u>

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Approval of the FY 2020 Aggregate Operating Budget

Background

1. Section 305 of the County Charter requires the affirmative vote of 7 Councilmembers to approve the aggregate operating budget if that budget exceeds the adopted spending affordability guidelines then in effect. Section 305 excludes from the aggregate operating budget:
 - Specific grants;
 - Enterprise Funds;
 - Tuition and tuition-related charges at Montgomery College;
 - Washington Suburban Sanitary Commission.
2. Section 20-60 of the County Code requires the Council to set spending affordability guidelines by resolution no later than the second Tuesday in February. The guidelines must specify a ceiling on the aggregate operating budget for FY 2020.
3. Section 305 of the Charter requires that at least 6 Councilmembers must approve the aggregate operating budget if that budget exceeds the budget for the preceding year by more than the rate of inflation, as measured by the annual average increase in the Consumer Price Index for All Urban Consumers for the Washington-Arlington-Alexandria Core Based Statistical Area for the 12-month period preceding December 1, which was 2.07% percent for the 12-month period preceding December 1, 2018.
4. On May 24, 2018, in Resolution 18-1149, the Council approved the FY 2019 aggregate operating budget in the amount of \$4,876,842,446. If that aggregate operating budget increased at the 2.07% percent rate of inflation for the 12-month period preceding December 1, 2018, it would be \$4,977,605,850.

5. In Resolution No. 19-38 adopted February 12, 2019, the Council adopted the following spending affordability guideline for the FY 2020 aggregate operating budget.

- FY 2020 ceiling on the aggregate operating budget \$4,946,418,772

Action

The County Council for Montgomery County, Maryland approves the following resolution:

The Council approves the FY 2020 aggregate operating budget in the amount of \$5,023,849,028, as calculated on the attached page. Because the FY 2020 aggregate operating budget exceeds the FY 2020 ceiling on the aggregate operating budget of \$4,946,418,772, 7 affirmative votes are required to adopt this resolution.

This is a correct copy of Council action.


Megan Davey Limarzi, Esq.
Clerk of the Council

The FY 2020 aggregate operating budget excludes enterprise funds, specific grants, and tuition and tuition-related charges at the College and is calculated as follows.

Fund or District	Appropriation (\$)
General Fund	1,272,190,434
Fire District	222,831,619
Economic Development Fund	5,439,361
Mass Transit	140,039,971
Recreation District	41,206,548
Urban District	9,110,898
Montgomery County Public Schools	2,514,314,537
Montgomery College	265,468,350
Maryland-National Capital Park and Planning Commission:	
Administration Fund	32,344,879
Park Fund	100,021,551
Debt Service on County Bonds and Leases	423,238,640
Debt Service on Park Bonds	6,769,610
Current Revenue for the Capital Budget	33,464,000
Current Revenue for PAYGO	32,000,000
Total Appropriations	5,098,440,398
Less College Tuition and Tuition-Related Charges	(74,591,370)
FY 2020 AGGREGATE OPERATING BUDGET	5,023,849,028
SUMMARY:	
Montgomery County Public Schools	2,514,314,537
Montgomery College	265,468,350
County Government	1,572,214,001
Maryland-National Capital Park and Planning Commission	129,554,174
Retiree Health Insurance Pre-Funding	121,417,086
Debt Service on County Bonds and Park Bonds	430,008,250
Current Revenue and PAYGO for Capital Budget	65,464,000
Total Appropriations	5,098,440,398
Less College Tuition and Tuition-Related Charges	(74,591,370)
FY 2020 AGGREGATE OPERATING BUDGET	5,023,849,028
Aggregate Operating Budget for FY 2019	4,876,842,446
\$ increase	147,006,582
% change	3.01%

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