

Prince George's County Council Town Hall

PRINCE GEORGE'S COUNTY FINANCIAL OVERVIEW



Rushern L. Baker, III
County Executive

FEBRUARY 21, 2017

Agenda

2

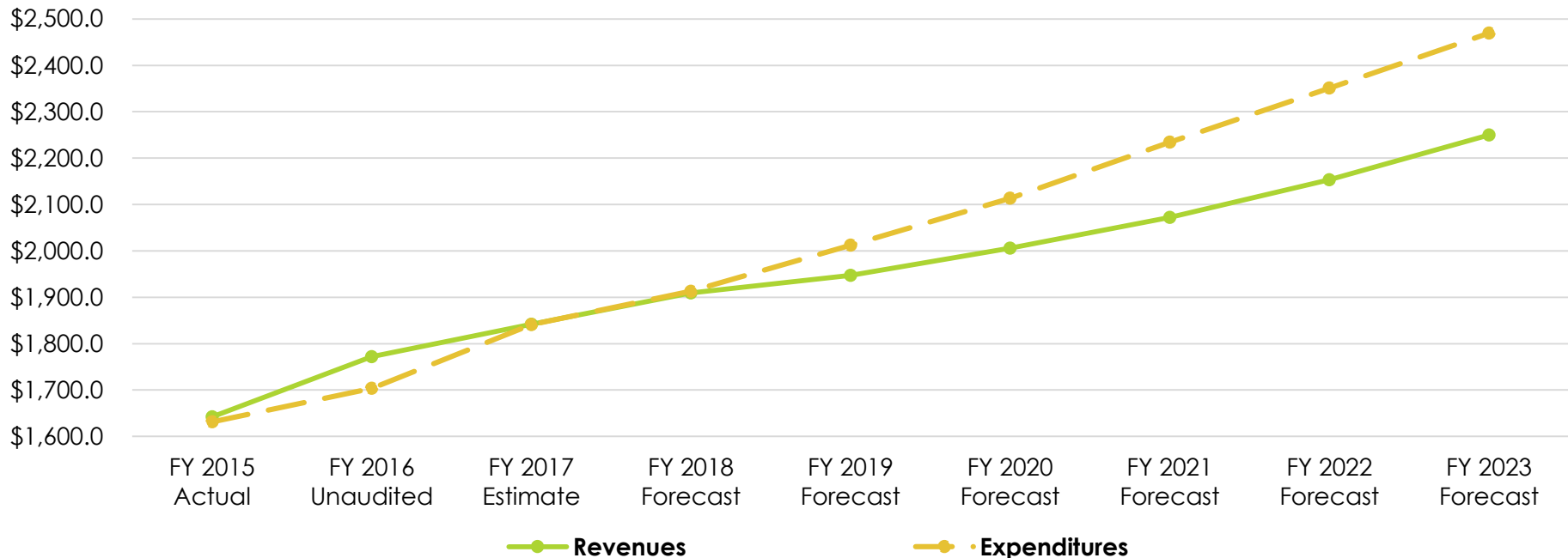
- ▶ Long-Term Fiscal Outlook
- ▶ Economic Outlook
- ▶ Revenue Outlook
- ▶ FY 2017 and FY 2018

Long-Term Fiscal Outlook

General Fund: Six Year Forecast

- ▶ In the absence of structural change, an annual budget gap of \$4~\$219 million is projected between FY 2018 ~ FY 2023, even after new revenues of \$32~\$42 million annually are added beginning in FY 2017 from the expanded National Harbor complex.

**County Source Revenues and Expenditures
FY 2015 - FY 2023
(\$ in millions)**



Fiscal Challenges: Structural Budget Gap

5

- ▶ **A structural gap between revenue growth and expenditure growth will continue unless permanent solutions are implemented.**
- ▶ Revenue growth of \$60M~\$80M per year.
- ▶ Expenditure growth of \$95~\$118M per year, primarily driven by:
 - ❑ Debt Service (\$250M new GO Bond Issuance = approximately \$24M new annual debt service payments)
 - ❑ Maintenance of Effort (MOE) contribution to the Board of Education
 - ❑ Fringe Costs – pensions, healthcare, workers compensation, OPEB, etc. The County will need to meet the new cost requirements as a result of adopting a 30 year closed amortization period for all pension plans.
 - ❑ COLA/Merits based on collective bargaining negotiation results
 - ❑ Public Safety overtime (OT) and new recruitment classes required to address attrition and the opening of new facilities
 - ❑ Various operating expenses (gas/oil, utilities, contract cost increases, etc.)

Economic Outlook

County Jobs Growth

- ▶ The County had an average net gain of 9,301 jobs between the second quarter of 2010 to the second quarter of 2016, with the majority of the job gains occurring between 2014 and 2015.
- ▶ The largest employment increase was in the Leisure and Hospitality sector that recorded 4,379 new jobs between the second quarters of CY 2010 and CY 2016. The State Government sector, along with the Education and Health Services, Trade, Transportation and Utilities added an additional 10,229 jobs during the same period. The largest number of jobs lost were in the Manufacturing and Federal Government sectors.

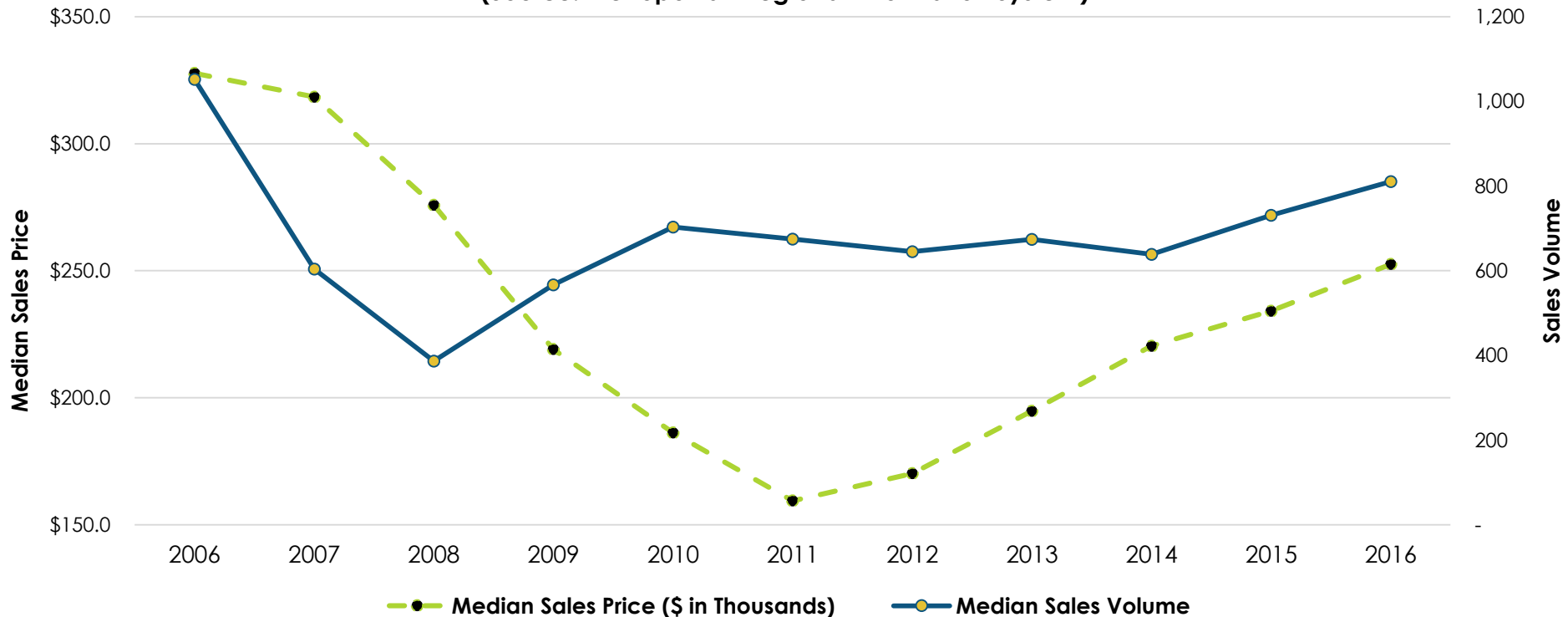
Industry	CY 2010 - 2nd Quarter	CY 2016 - 2nd Quarter	Change In # of Jobs	% Change - Quarterly Average Employment
Leisure and Hospitality	27,576	31,955	4,379	15.9%
Education and Health Services	29,319	33,310	3,991	13.6%
State Government	17,557	20,883	3,326	18.9%
Trade, Transportation, and Utilities	56,881	59,444	2,563	4.5%
Information	3,312	3,657	345	10.4%
Construction	25,655	25,659	4	0.0%
Natural Resources and Mining	147	128	-19	-12.9%
Professional and Business Services	40,392	40,206	-186	-0.5%
Financial Activities	11,859	11,419	-440	-3.7%
Other Services	9,505	8,774	-731	-7.7%
Local Government	42,779	41,868	-911	-2.1%
Federal Government	27,742	26,370	-1,372	-4.9%
Manufacturing	9,131	7,483	-1,648	-18.0%
Total Employment	301,855	311,156	9,301	3.1%

Source: Maryland Department of Labor, Licensing and Regulation

Housing Trends – Median Home Sales Price & Volume

- ▶ Between 2006 and 2016, the average median home sales price and number of homes sold decreased by approximately 23% over the 10 year period.
- ▶ The average median home sales price increased 7.8% from \$234,200 in calendar year 2015 to \$252,500 in calendar year 2016. The sales volume increased by 10.9% during in the same period.

Prince George's County Median Sales Price and Average Home Sales Volume
(Source: Metropolitan Regional Information System)



Revenue Outlook

Preliminary FY 2018 SAC Recommendations

10

FY 2018 General Fund Revenue (\$ in millions)							
Spending Affordability Committee Recommendations							
	FY 2016	FY 2017	FY 2017	% Change	FY 2018	% Change	% Change
	Unaudited	Budget	Estimate	FY 2017 Estimate v. FY 2016 Unaudited	Forecast	FY 2017 Budget	FY 2017 Estimate
COUNTY SOURCE REVENUES							
Real Property Tax	\$ 704.3	\$ 716.0	739.5	5.0%	\$ 761.9	6.4%	3.0%
Personal Property Tax	76.5	72.1	68.9	-9.9%	73.1	1.4%	6.1%
Income Tax Receipts	549.9	561.3	577.6	5.0%	606.7	8.1%	5.0%
Income Disparity Grant	23.1	30.2	26.6	15.2%	26.6	-11.8%	0.0%
Transfer Tax	107.8	105.5	109.9	2.0%	108.0	2.3%	-1.7%
Recordation Tax	44.5	45.3	45.3	1.9%	43.3	-4.4%	-4.4%
Energy Tax	66.4	69.2	66.6	0.3%	66.8	-3.5%	0.3%
Telecommunications Tax	31.2	32.3	33.0	5.7%	30.4	-5.9%	-7.9%
Other Local Taxes	26.1	29.6	30.6	17.3%	44.6	50.5%	45.8%
State-shared Taxes	3.5	3.7	3.4	-3.4%	3.5	-6.2%	2.9%
Licenses and Permits	37.4	44.4	45.8	22.4%	56.1	26.3%	22.5%
Use of Money and Property	6.4	5.0	6.0	-6.5%	5.9	18.6%	-1.7%
Charges for Services	43.1	41.8	39.5	-8.4%	39.0	-6.8%	-1.3%
Intergovernmental Revenue	37.3	39.2	34.2	-8.4%	30.3	-22.7%	-11.4%
Miscellaneous Revenue	15.0	14.2	14.9	-0.9%	12.9	-9.3%	-13.4%
Other Financing Sources	-	0.1	0.1	0.0%	-	-100.0%	-100.0%
Subtotal County Sources	\$ 1,772.6	\$ 1,809.9	\$ 1,841.9	3.9%	\$ 1,909.1	5.5%	3.6%
OUTSIDE AID REVENUE							
Board of Education	\$ 1,172.3	\$ 1,225.5	\$ 1,225.5	4.5%	\$ 1,270.0	3.6%	3.6%
Community College	70.5	73.1	73.1	3.7%	73.9	1.0%	1.0%
Library	8.0	8.3	8.3	3.7%	8.4	1.0%	1.0%
Subtotal Outside Aid	\$ 1,250.8	\$ 1,307.0	\$ 1,307.0	4.5%	\$ 1,352.3	3.5%	3.5%
TOTAL	\$ 3,023.4	\$ 3,116.9	\$ 3,148.9	4.1%	\$ 3,261.4	4.6%	3.6%

FY 2017 and FY 2018

General Fund Fiscal Summary

General Fund Outlook (\$ in Millions)

	FY 2016 Budget	FY 2016 Unaudited	FY 2017 Budget	FY 2017 Estimate	FY 2018 Projected	FY 2018 Recommended
Revenues	\$ 2,950.4	\$ 3,023.4	\$ 3,116.9	\$ 3,148.9	\$ 3,261.4	\$ 3,261.4
<i>% Change from Estimate</i>				4.2%	3.6%	3.6%
Expenditures	\$ 2,950.4	\$ 2,946.8	\$ 3,116.9	\$ 3,148.1	\$ 3,265.4	\$ 3,261.4
<i>% Change from Estimate</i>				6.8%	3.7%	3.6%
Surplus/Deficit		\$ 76.6	\$ -	\$ 0.8	\$ (4.0)	\$ -
Fund Balance						
Restricted (5%)		\$ 151.2		\$ 157.4		\$ 163.1
Committed (2%)		60.5		63.0		65.2
Unassigned		101.3		93.3		85.4
Total		\$ 312.9		\$ 313.7		\$ 313.7
FB as a % of the budget		10.3%		10.0%		9.6%

▶ In FY 2016, the County anticipates a \$76.6 million surplus. Unaudited revenues increased by \$73.0 million over the budget. Expenditures are \$3.6 million under the FY 2016 budget.

▶ In FY 2017, preliminary estimates indicate that revenues will be \$32.0 million higher than the budget. Expenditures are projected to be \$31.2 million over the budget. The increase in expenditures is driven by the Board of Education supplemental request, overtime, and unanticipated operational costs.

▶ The FY 2018 forecast projects a \$4 million deficit. The expenditure forecast is \$148.5 million above the FY 2017 budget and \$117.3 million above the FY 2017 estimated level.

▶ The preliminary SAC FY 2018 recommendation is \$144.5 million over the FY 2017 budget.

* The FY 2016 Unaudited total is preliminary at this time. Adjustments will be made to designate amounts for the Summer Youth Program and Local Impact Grant funds.

Preliminary FY 2018 Projections

13

▶ The County's overall fiscal outlook is cautiously optimistic; yet, we have not returned to pre-recession growth rates. The County has experienced modest economic gains. However, the slow pace of our economic recovery combined with our long-term fiscal challenges requires us to continue to exercise fiscal prudence.

\$ in millions	FY 2017 Approved	FY 2018 Forecast	\$ Change	% Change
Revenues	\$ 3,116.9	\$ 3,261.4	\$ 144.5	4.6%
Expenditures	3,116.9	3,265.4	148.5	4.8%
Gap	\$ -	\$ (4.0)		

* The FY 2018 Forecast reflects preliminary projections before final comment from the County's Spending Affordability Committee.

▶ The FY 2018 projected revenue growth is \$144.5 million or 4.6% over the FY 2017 budget. Expenditures are expected to increase \$148.5 million or 4.8% above the FY 2017 budget. The preliminary forecast estimates a projected budget gap of approximately \$4.0 million. This shortfall is attributable to the fact that projected revenue growth lags behind non-controllable cost increases for county agencies, non-departmental expenditures (including an increase in debt service), the County contribution to the Board of Education, contributions to meet the new County requirements for pension plans, and a deficit in the Risk Management Fund.

FY 2018 Projected Budget Gap - Expenditures

14

- ❖ The FY 2018 expenditure forecast is \$148.5 million above the FY 2017 budget and \$101.7 million above the FY 2017 estimated level. The higher forecast for FY 2018 reflects the following:
 - Reflects annual awarding of compensation enhancements (merits and COLAs);
 - Reflects fringe (6% annually) and operating expense adjustments (2.3%-6% for Gen Govt., 3% for Env./HHS, 2%-5% for ID, 4.5% for PS);
 - Annual Public Safety Classes - 3 classes of 50 for Police, 2 classes of 30 for Fire and 3 classes of 25 for Corrections;
 - Additional staffing and funding vacant positions for certain general government agencies, Circuit Court, SAO, Sheriff, Homeland Security, HHS, Environment and Infrastructure & Development sectors;
 - Education sector contribution increase of 5.25% for Board of Ed, 5% for Community College, 3% for Library;
 - Reflect Purple Line and new Hospital obligations in debt service costs;
 - \$4M for OPEB/Workers' Compensation obligations in Non-Departmental; and
 - Non-Departmental – 18% increase in FY 2018 to reflect full year of VLT investments and 1% increase from FY19-FY23 - Grants/Transfers; 6-11% increase for Other.
 - Through the FY 2018 budget process, the County will align revenues and expenditures for a balanced budget.



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Q & A