



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: To introduce agenda item – no vote expected
Keywords: FY21 Budget

AGENDA ITEM #2D
December 7, 2021
Introduction

SUBJECT

Resolution to approve end-of-year transfers for the FY21 County Government Operating Budget

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

County departments' expenditures may not exceed the Council's appropriation, but the Executive's authority to transfer appropriations is limited by the County Charter. The Executive recommends the subject resolution to transfer unencumbered appropriation from departments that underspent in FY21 to departments that overspent in FY21 (see ©1-9).

SUMMARY OF KEY DISCUSSION POINTS

- The Council must act on the proposed resolution before the County can complete its independent audit and report its audit results to the State pursuant to §16-304 of the Local Government Article of the Maryland Code.
- The Executive has the authority to transfer unencumbered appropriations within a division or between divisions of the same department. The Executive may not transfer appropriations between departments, boards, commissions, or accounts.
- Most departments underspend the Council's original appropriation; however, some departments' expenditures exceed the appropriation. The Executive's justification and recommended transfers are on ©4-6 to balance those departments that overspent in FY21.
- The Executive's recommendation transfers excess appropriation from the fewest accounts as possible. **The County's expenditures did not exceed total tax-supported appropriation in FY21.**
- The Executive is recommending \$9.4 million in transfers for FY20. For context, the Council approved \$28.5 million for the FY19 year-end transfers and \$43.6 million for the FY20 year-end transfers. The decrease in transfers for FY21 is due to the Council's action to appropriate funding for overspent Departments, like the Department of Health and Human Services, during the fiscal year and not use the year-end transfer to balance the overspending.

This report contains:

Executive memo

© #1-2

Proposed resolution

© #3

Justifications for recommended transfers of appropriation

© #4-6

FY21 detailed transfers

© #7-9

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OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

November 30, 2021

TO: Tom Hucker, President
County Council

FROM: Marc Elrich, County Executive

SUBJECT: Year-End Transfers for the FY21 Operating Budget

The Department of Finance and the Office of Management and Budget have completed an analysis of expenditures by County Departments for FY21. The purpose of this memorandum is to transmit to Council the year-end transfers for the FY21 Operating Budget. Transfers of appropriation totaling \$9,565,300 are required for several departments to cover actual FY21 expenditures.

Some departments ended FY21 with higher spending than appropriated, consistent with our year-end projections at the end of last fiscal year. It is important to note that transfers of appropriation do not affect fund balance; the level of actual expenditures affects fund balance. Even though transfers to cover tax supported over-spending total \$9.4 million, total tax supported expenditures were less than total tax supported appropriations.

These transfers represent the following percentages of the FY21 appropriations for their respective funds and functions:

	<u>FY21</u> <u>Appropriation</u>	<u>Total</u> <u>Transfers</u>	<u>% of Total Fund</u> <u>Appropriation</u>
General Fund: Legislative	\$ 17,956,485	\$2,000	0.01%
General Fund: Judicial (incl. Sheriff)	55,727,088	0	0.00%
General Fund: Executive	861,962,780	7,762,650	0.90%
General Fund: Non-Departmental	304,071,931	1,665,000	0.55%
Special Funds: Tax Supported	432,145,064	0	0.00%
Special Funds: Non-Tax Supported	494,127,471	135,650	0.03%
Special Funds: Internal Service Funds	373,314,781	0	0.00%

Year-End Transfers for the FY21 Operating Budget

November 30, 2021

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Attached is a recommended resolution for transfers of appropriation to implement these changes. Justifications for the recommended budgetary actions are attached to the resolution.

Staff from the Office of Management and Budget and the appropriate departments will be present to provide additional information that may be requested when the Council considers these transfers. The Department of Finance is still in the process of completing its work on the year-end financial statements. Staff will provide additional information if changes to this transfer resolution are necessary prior to Council action. If you have any questions, please contact Chris Mullin at (240) 777-2800.

ME:cm

Attachment: Transfers of Appropriation for the Year-End Close Out of the FY21 Operating Budget
Justifications for Recommended Transfers of Appropriation

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Transfers of Appropriation for the Year-End Close Out of the FY 2021 Operating Budget

Background

1. Section 309 of the Charter of Montgomery County, Maryland provides that transfers of appropriation between departments, boards, and commissions, or to any new account shall be made only by the County Council upon recommendation of the County Executive.
2. The County Executive recommends the attached transfers of appropriation for the year-end close out of the FY 2021 Operating Budget as necessary and desirable. The justifications for the recommended transfers, entitled “Justifications for Recommended Transfers of Appropriation”, are also attached.

Action

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

The County Council approves the Transfers of Appropriation for the Year-End Close Out of the FY 2021 Operating Budget as recommended by the County Executive.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council

FY21
JUSTIFICATIONS FOR RECOMMENDED TRANSFERS OF APPROPRIATION

1. Board of Appeals

The total spending in the department was less than budgeted, but a year-end transfer is needed due to insufficient transferability. Personnel costs exceeded the appropriation due to actual salary and wage costs being slightly greater than budgeted.

2. Board of Elections

Personnel costs exceeded the appropriation due to actual overtime costs being greater than budgeted.

Operating expenses exceeded the appropriation due to additional costs associated with the 2020 Presidential General election.

3. County Attorney

Personnel costs exceeded the appropriation because the budgeted lapse assumption was not achieved.

4. Emergency Management and Homeland Security

Personnel costs exceeded the appropriation due to actual overtime costs being greater than budgeted and a delay in a grant reimbursement funding resulting in three term positions being charged to the General Fund rather than the Grant Fund.

5. Health and Human Services

Operating expenses exceeded the appropriation due to contractual staff and expenditures related to the COVID-19 pandemic response.

6. Housing and Community Affairs

Personnel costs exceeded the appropriation due to a delay in a grant reimbursement that resulted in personnel cost charges to the General Fund rather than the Grant Fund.

7. Office of Animal Services

The total spending in the department was less than budgeted, but a year-end transfer is needed due to insufficient transferability. Personnel costs exceeded the appropriation because the budgeted lapse assumptions that was not achieved.

8. Public Information

Personnel costs exceeded the appropriation due to actual overtime costs that were greater than budgeted.

Operating expenses exceeded the appropriation due to communication costs that were greater than budgeted due to the COVID-19 pandemic.

9. Technology and Business Enterprise Solutions

The total spending in the department was less than budgeted, but a year-end transfer is needed due to insufficient transferability. Operating expenses exceeded the appropriation due to unbudgeted IT costs for COVID-19 testing and vaccination sites.

10. Working Families Income Supplement

Operating expenses exceeded the appropriation due to increased formula payments.

11. Solid Waste Disposal

Personnel costs exceeded the appropriation due to actual overtime costs being greater than budgeted.

Causes for the projected appropriation surpluses, which are to be transferred, are listed below:

1. Police

The surplus in personnel costs is due to lapse savings and actual overtime costs being less than budgeted.

The surplus in operating expenses is due to actual professional services contract costs and actual motor pool vehicle costs being less than budgeted.

2. Public Libraries

The surplus in personnel costs is due to lapse and turnover savings.

The surplus in operating expenses is due to the costs of providing in-person services that were reduced because of branch closings and reduced use of temporary staff.

3. Utilities NDA

The surplus in operating expenses is due to actual electricity and sewer utility costs that were less than budgeted because many employees teleworked during the COVID-19 pandemic.

FY 21 YEAR-END TRANSFERS OF APPROPRIATION

FUND, FUNCTION, DEPARTMENT	TRANSFERS TO \$	TRANSFERS FROM \$
TRANSFERS TO:		
GENERAL FUND:		
Legislative and Judicial Branch Departments		
Board of Appeals		
Personnel Costs	2,000	
Subtotal Legislative and Judicial Branch Departments	2,000	
Executive Branch Departments		
Board of Elections		
Personnel Costs	139,530	
Operating Expenses	<u>864,260</u>	
	1,003,790	
County Attorney		
Personnel Costs	82,370	
Emergency Management and Homeland Security		
Personnel Costs	312,640	
Office of Public Information		
Personnel Costs	24,990	
Operating Expenses	<u>171,820</u>	
	196,810	
Health and Human Services		
Operating Expenses	5,586,050	
Housing and Community Affairs		
Personnel Costs	262,680	
Office of Animal Services		
Personnel Costs	65,260	
Technology and Business Enterprise Solutions		
Operating Expenses	253,050	
Subtotal Executive Branch Departments	7,762,650	

FY 21 YEAR-END TRANSFERS OF APPROPRIATION

FUND, FUNCTION, DEPARTMENT	TRANSFERS TO \$	TRANSFERS FROM \$
TRANSFERS TO:		
GENERAL FUND:		
Non- Departmental Accounts		
Working Families Income Supplement		
Operating Expenses	1,665,000	
Subtotal Non- Departmental Accounts	1,665,000	
Total General Funds	9,429,650	
TRANSFERS TO:		
SPECIAL FUNDS: Tax Supported		
Total Tax Supported	9,429,650	
TRANSFERS TO:		
SPECIAL FUNDS: Non-Tax Supported		
Solid Waste Disposal		
Personnel Costs	135,650	
TOTAL SPECIAL FUNDS: Non-Tax Supported	135,650	
TOTAL TRANSFERS TO	9,565,300	

FY 21 YEAR-END TRANSFERS OF APPROPRIATION

FUND, FUNCTION, DEPARTMENT	TRANSFERS TO \$	TRANSFERS FROM \$
TRANSFERS FROM:		
GENERAL FUND:		
Police		
Personnel Costs		2,900,000
Operating Expenses		<u>2,665,300</u>
		5,565,300
Public Libraries		
Personnel Costs		1,300,000
Operating Expenses		<u>700,000</u>
		2,000,000
Utilities NDA		
Operating Expenses		2,000,000
TOTAL GENERAL FUND		9,565,300
Total Tax Supported		9,565,300
TOTAL TRANSFERS FROM		9,565,300