



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

November 30, 2017

TO: Roger Berliner, Council President

FROM: Isiah Leggett, County Executive

SUBJECT: FY18 Savings Plan

The purpose of this memorandum is to inform you that, due to a significant shortfall in available resources, I will be recommending a FY18 Savings Plan for all departments and agencies, as well as instituting other immediate cost saving measures.

The County's November income tax distribution was significantly below expectations, primarily driven by a nearly 30 percent decline in income tax revenue from taxpayers filing extensions for tax year 2016. According to the Maryland Comptroller's Office, other jurisdictions in the State are also experiencing similar reductions in their November reconciliation distributions. Fiscal year to date, the County's income tax revenue trails our forecast by \$64 million. The Department of Finance (FIN) currently projects a total revenue shortfall of \$95 million for FY18 across all revenue sources. In addition, the County's General Fund closed out FY17 about \$25 million below expectations. Between the two, the operating budget is short nearly \$120 million in resources assumed for FY18.

These revenue numbers contrast with economic indicators that suggest a more robust economy. This contrast bears further analysis, which FIN is conducting. However, discussions with State revenue officials indicate the estimates are accurate. Therefore, we cannot wait to act.

I am asking all Executive Branch Departments to identify savings of 2.0 percent against their approved FY18 tax-supported budgets. Legislative and Judicial Branch departments are strongly encouraged to identify savings of 2.0 percent as well. I will also be asking that outside agencies take part in this effort. Furthermore, I am reinstating a position exemption process for all County government departments and expanding the existing procurement exemption process, as well as identifying current revenue savings in the capital budget.

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I appreciate the difficulty of this circumstance, but given the revenue shortfalls we are experiencing, this action will be necessary to maintain the County's fiscal health. I hope we can work cooperatively to achieve the required level of FY18 savings, as we've done in prior years.

You will receive my recommended FY18 Savings Plan in the coming days. I appreciate quick action by the Council. The earlier departments are able to implement savings plans, the less painful the necessary reductions are. As it stands now, given Council's recess calendar, I understand the Council will not act until their return in mid-January. This schedule will mean that County departments will have only five months to implement approved reductions. Thank you for your continued partnership as we work toward the best outcomes for our residents.

IL:jn

c: County Councilmembers
Timothy L. Firestine, Chief Administrative Officer
Jennifer A. Hughes, Director, Office of Management and Budget
Alexandre A. Espinosa, Director, Department of Finance
Steve Farber, Council Administrator