

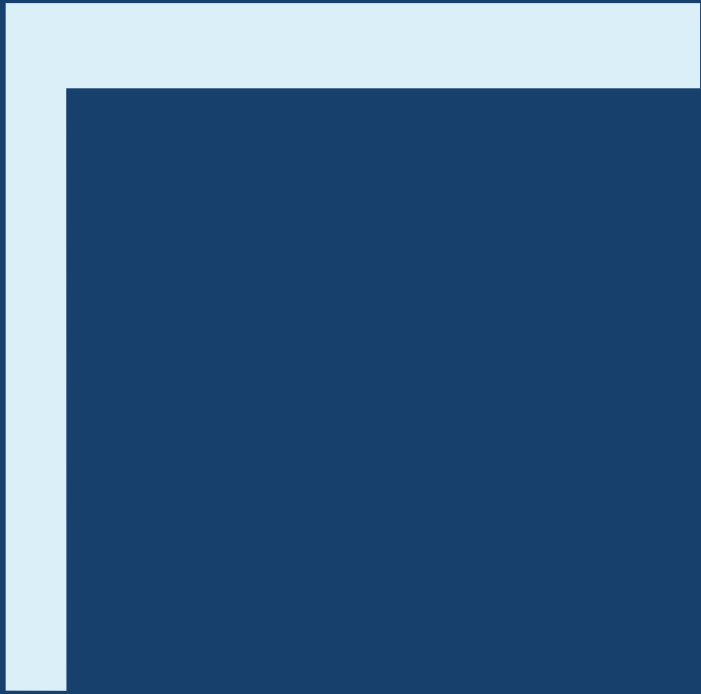
*Prince George's County Council Town Hall*

# PRINCE GEORGE'S COUNTY FINANCIAL OVERVIEW

February 26, 2019

# Agenda

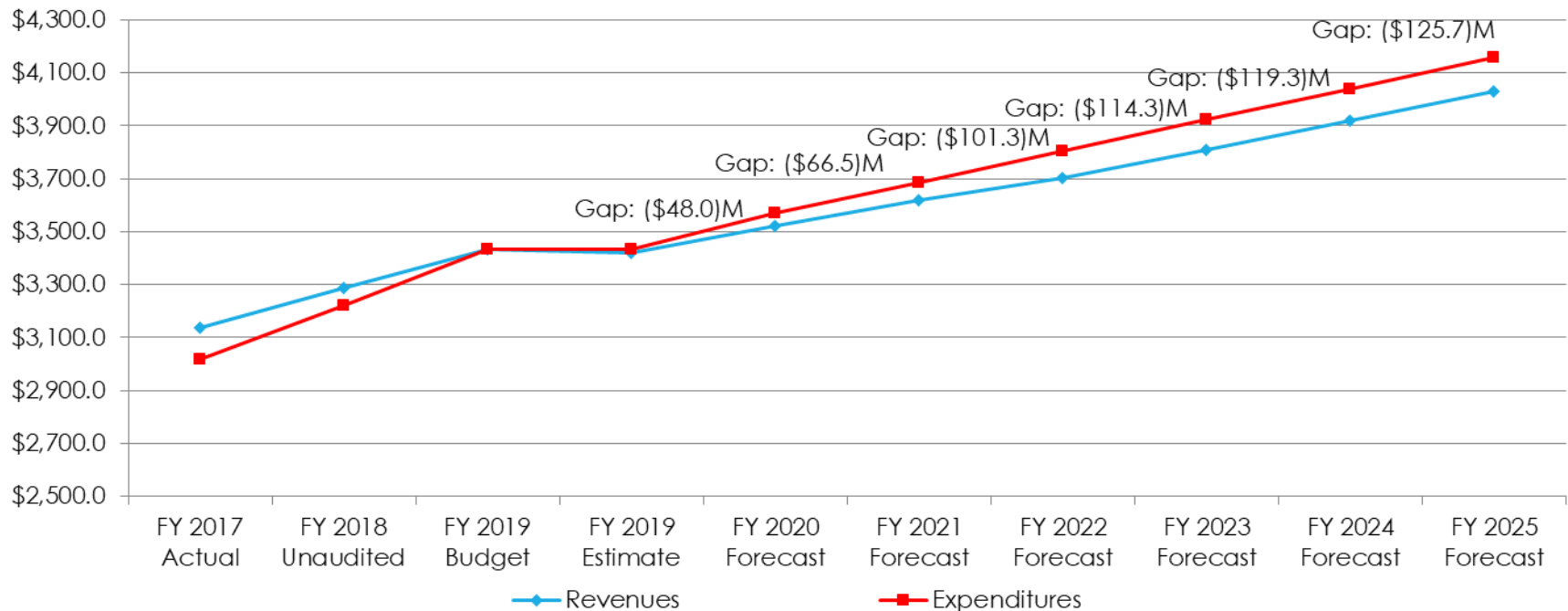
- ❑ Long-Term Fiscal Outlook
- ❑ Economic Outlook
- ❑ Revenue Outlook
- ❑ FY 2019 and FY 2020



# LONG-TERM FISCAL OUTLOOK

# General Fund: Six Year Forecast

**General Fund Revenues and Expenditures  
FY 2017 - FY 2025**  
(\$ in millions)



- ❑ In the absence of structural change, an annual budget gap of \$48.0 – \$125.7 million is projected between FY 2020 - FY 2025, even after new revenues of \$36~\$42 million annually are added from the expanded National Harbor complex.

# Fiscal Challenges:

## Structural Budget Gap

- ❑ *A structural gap between revenue growth and expenditure growth will continue unless permanent solutions are implemented.*
- ❑ *Revenue growth of \$102~\$114M annually*
- ❑ *Expenditure growth of \$114~\$123M per year, primarily driven by:*
  - ❑ *Annual new debt of between \$170M and \$271M between FY 2019 and FY 2025.*
  - ❑ *Maintenance of Effort (MOE) contribution to the Board of Education*
  - ❑ *Fringe Costs – 5% annually for health plans and operating expense adjustments (2% for all departments plus case by case adjustments for known items and **an additional \$5 million for increased IT costs***
  - ❑ *Annual awarding of compensation enhancements (merits and COLAs)*
  - ❑ *Public Safety Staffing – assumes a net increase of 26 Police officers per year for FY 2020 and future years and maintains the current authorized sworn strength for all other Public Safety units*
  - ❑ *Various operating expenses (gas/oil, utilities, contract cost increases, etc.)*



# ECONOMIC OUTLOOK

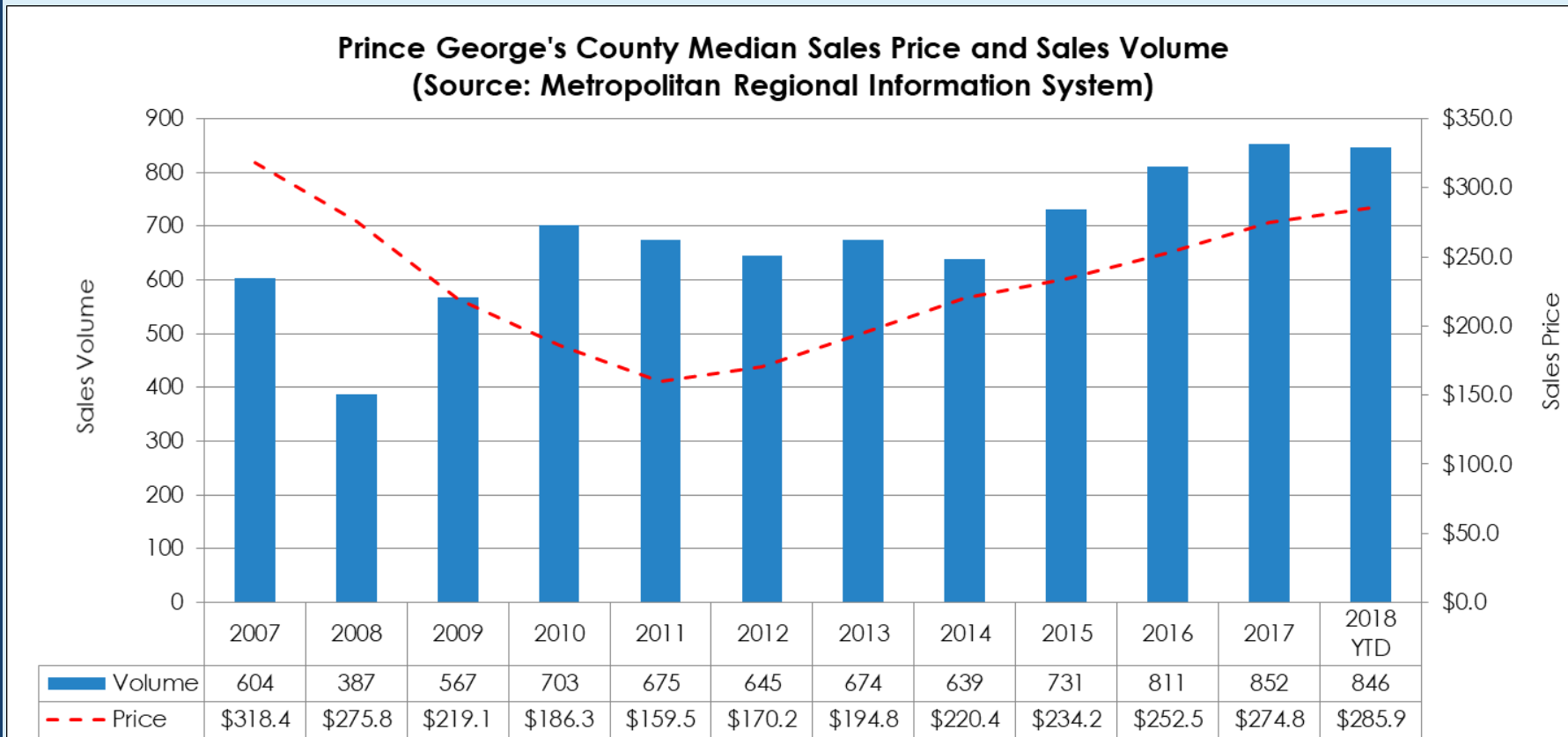
# County Jobs Growth

Prince George's County - 1st Quarter - Employment Growth 2017 to 2018				
Industry	1Q 2017 - Quarterly Average Employment	1Q 2018 - Quarterly Average Employment	# Change	% Change
Education and Health Services	33,782	34,386	604	1.8%
Construction	25,465	26,058	593	2.3%
Professional and Business Services	39,674	40,199	525	1.3%
State Government	21,233	21,582	349	1.6%
Financial Activities	11,198	11,427	229	2.0%
Federal Government	27,040	27,055	15	0.1%
Natural Resources and Mining	111	95	-16	-14.4%
Information	3,660	3,635	-25	-0.7%
Other Services	8,878	8,786	-92	-1.0%
Manufacturing	7,750	7,588	-162	-2.1%
Leisure and Hospitality	34,085	33,766	-319	-0.9%
Trade, Transportation, and Utilities	59,994	59,732	-262	-0.4%
Local Government	41,492	40,856	-636	-1.5%
<b>Total Employment</b>	<b>314,393</b>	<b>315,169</b>	<b>776</b>	<b>0.2%</b>

Source: Maryland Department of Labor, Licensing and Regulation

- ❑ The County had an average net gain of 776 jobs or 3.4% between the first quarter of 2017 to the first quarter of 2018.
- ❑ The County experienced employment increases in the Education and Health Services, Construction, Professional Services, State, Financial Activities and the Federal sectors.

# Housing Trends – Median Home Sales Price & Volume



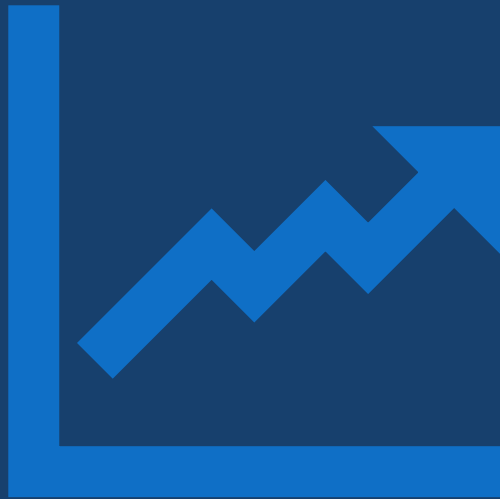
- ❑ The average median home sales price from January to November increased from \$274,300 in calendar year 2017 to \$285,900 in calendar year 2018. The sales volume decreased by 14.0% during in the same period.



# REVENUE OUTLOOK

# Preliminary FY 2020 SAC Recommendations

FY 2020 General Fund Revenue (\$ in millions)								
Spending Affordability Committee Recommendations								
	FY 2018 Unaudited	FY 2019 Budget	FY 2019 Estimate	% Change FY 2019 Estimate v. FY 2018 Unaudited	FY 2020 Forecast	% Change FY 2019 Budget	% Change FY 2019 Estimate	
<b>COUNTY SOURCE REVENUES</b>								
Real Property Tax	\$ 778.4	\$ 825.8	\$ 819.4	5.3%	\$ 855.7	3.6%	4.4%	
Personal Property Tax	83.1	88.2	88.2	6.1%	89.9	2.0%	2.0%	
Income Tax Receipts	567.9	600.5	600.5	5.7%	627.5	4.5%	4.5%	
Income Disparity Grant	30.9	34.1	34.1	10.4%	35.6	4.5%	4.5%	
Transfer Tax	138.5	126.7	124.3	-10.3%	128.0	1.0%	3.0%	
Recordation Tax	56.8	52.6	51.6	-9.1%	53.2	1.0%	3.0%	
Energy Tax	77.0	72.4	72.4	-6.0%	75.7	4.7%	4.7%	
Telecommunications Tax	25.2	27.8	25.6	1.7%	23.6	-15.4%	-8.0%	
Other Local Taxes	28.7	32.1	31.0	8.2%	31.4	-2.4%	1.1%	
State-shared Taxes	3.5	3.4	3.4	-0.8%	3.5	2.8%	2.8%	
Licenses and Permits	60.3	58.7	61.7	2.2%	63.5	8.2%	3.0%	
Use of Money and Property	5.4	3.1	7.9	46.5%	9.0	193.1%	14.1%	
Charges for Services	51.0	49.7	49.7	-2.6%	52.6	5.9%	5.9%	
Intergovernmental Revenue	34.6	36.1	36.1	4.1%	34.4	-4.6%	-4.6%	
Miscellaneous Revenue	16.3	19.0	14.4	-11.6%	15.0	-21.3%	3.8%	
Other Financing Sources	-	33.7	33.7	100.0%	20.0	-40.6%	-40.6%	
<b>Subtotal County Sources</b>	<b>\$ 1,957.6</b>	<b>\$ 2,063.9</b>	<b>\$ 2,053.9</b>	<b>4.9%</b>	<b>\$ 2,118.7</b>	<b>2.7%</b>	<b>3.2%</b>	
<b>OUTSIDE AID REVENUE</b>								
Board of Education	\$ 1,247.0	\$ 1,284.2	\$ 1,284.2	3.0%	\$ 1,316.3	2.5%	2.5%	
Community College	75.1	75.2	75.2	0.1%	77.0	2.5%	2.5%	
Library	8.5	8.7	8.7	2.2%	8.9	2.5%	2.5%	
<b>Subtotal Outside Aid</b>	<b>\$ 1,330.7</b>	<b>\$ 1,368.1</b>	<b>\$ 1,368.1</b>	<b>2.8%</b>	<b>\$ 1,402.3</b>	<b>2.5%</b>	<b>2.5%</b>	
<b>TOTAL</b>	<b>\$ 3,288.2</b>	<b>\$ 3,432.0</b>	<b>\$ 3,422.0</b>	<b>4.1%</b>	<b>\$ 3,521.0</b>	<b>2.6%</b>	<b>2.9%</b>	



FY 2019  
AND  
FY 2020

# General Fund Fiscal Summary

## General Fund Outlook

(\$ in millions)

	FY 2018 Budget	FY 2018 Unaudited	FY 2019 Budget	FY 2019 Estimate	FY 2020 Projected	FY 2020 Recommended
<b>Revenues</b>	\$ 3,251.5	\$ 3,288.2	\$ 3,432.0	\$ 3,422.0	\$ 3,521.0	\$ 3,521.0
% Change		1.1%		-0.3%		
<b>Expenditures</b>	\$ 3,251.5	\$ 3,241.1	\$ 3,432.0	\$ 3,422.0	\$ 3,569.0	\$ 3,521.0
% Change		-0.3%		-0.3%		
<b>Surplus/Deficit</b>		\$ 47.1		\$ (0.0)	\$ (48.0)	\$ -

\* The FY 2018 unaudited total is preliminary as of 12/2018.

- ☐ In FY 2018, the County anticipates a \$47.1 million surplus. Unaudited revenues increased by \$36.7 million over the budget. Expenditures are \$10.4 million under the FY 2018 budget.
- ☐ In FY 2019, preliminary estimates indicate that revenues will be \$10.0 million below the budget. Expenditures are also projected to be 10.0 million below the budget.
- ☐ The preliminary SAC FY 2020 forecast projects a \$48 million deficit. Revenues are estimated to be \$89.0 million or 2.6% over the FY 2019 budget. The expenditure forecast is \$137.0 million above the FY 2019 budget and \$147.0 million above the FY 2019 estimated level.

# Preliminary FY 2020 Projections

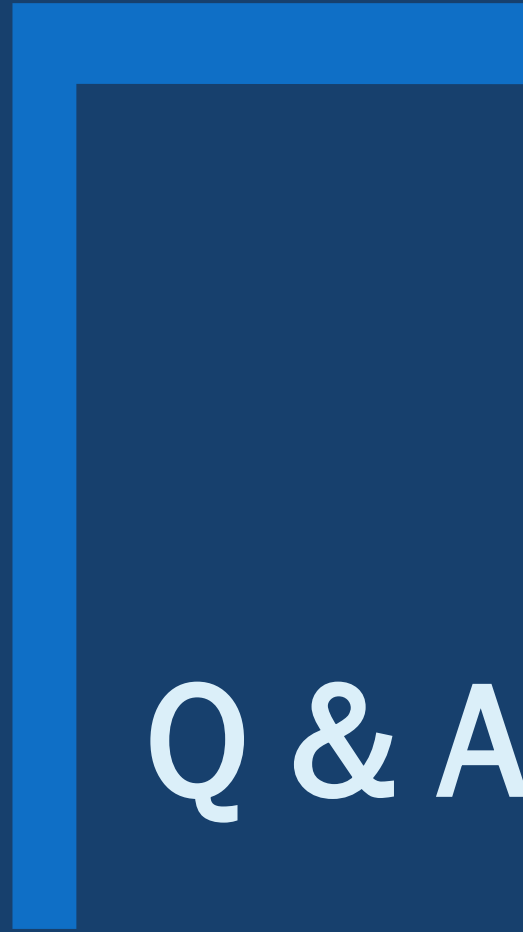
	FY 2019	FY 2020	\$	%
\$ in millions	Budget	Forecast	Change	Change
Revenues	\$ 3,432.0	\$ 3,521.0	\$ 89.0	2.6%
Expenditures	3,432.0	3,569.0	137.0	4.0%
<b>Gap</b>	<b>\$ -</b>	<b>\$ (48.0)</b>		

\*The FY 2020 Forecast reflects preliminary projections before final comments from the County's Spending Affordability Committee.

- ❑ 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.
- ❑ The FY 2020 projected revenue growth is \$89.0 million or 2.6% over the FY 2019 budget. Expenditures are expected to increase \$137.0 million or 4.0% above the FY 2019 budget. The preliminary forecast estimates a projected budget gap of approximately \$48.0 million. This shortfall is attributable to the fact that projected revenue growth lags behind required cost increases for county agencies, non-departmental expenditures (including an increase in debt service payments), the County's contribution to the Board of Education, Library and College, and contributions to meet the County's requirements for pension plans.

# FY 2020 Projected Budget Gap - Expenditures

- ❑ The County's overall fiscal outlook is cautiously optimistic. 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.
- ❑ The FY 2020 forecast projects a \$48.0 million deficit. The \$137.0 million of projected increased expenditures above the FY 2019 budget reflects the following:
  - ❑ Annual awarding of compensation enhancements (merits and COLAs);
  - ❑ Fringe (5% for health plans) and operating expense adjustments (2% for general government);
  - ❑ Annual Public Safety Classes for Police, Fire, Corrections, and Homeland Security.
  - ❑ Education sector – average annual contribution increase of 4.0% for Board of Education, 2.5% for Community College and 2.5% for Library
  - ❑ Assume annual new debt between \$170 million and \$271 million between FY 2020 and FY 2025 for debt service costs
  - ❑ OPEB/Worker's Compensation in Non-Departmental
  - ❑ The new pension actuary study reduced the expected rate of return from 7.5% to 7.25% and has had the effect of increasing pension contribution to \$16 million per year
  - ❑ Non-Departmental – continued grant support for DDA service providers; continued VLT investments; increase insurance premiums by 3% annually; anticipated debt schedule for COPS (based on \$25 million annually); 1.5% annual inflationary increase for utilities (electricity, fuel, oil, gas, coal, water & sewage).
- ❑ Through the FY 2020 budget process, the County will align revenues and expenditures for a balanced budget.



Q & A