



Prince George's County Council Town Hall

PRINCE GEORGE'S COUNTY FINANCIAL OVERVIEW

February 25, 2020

Agenda

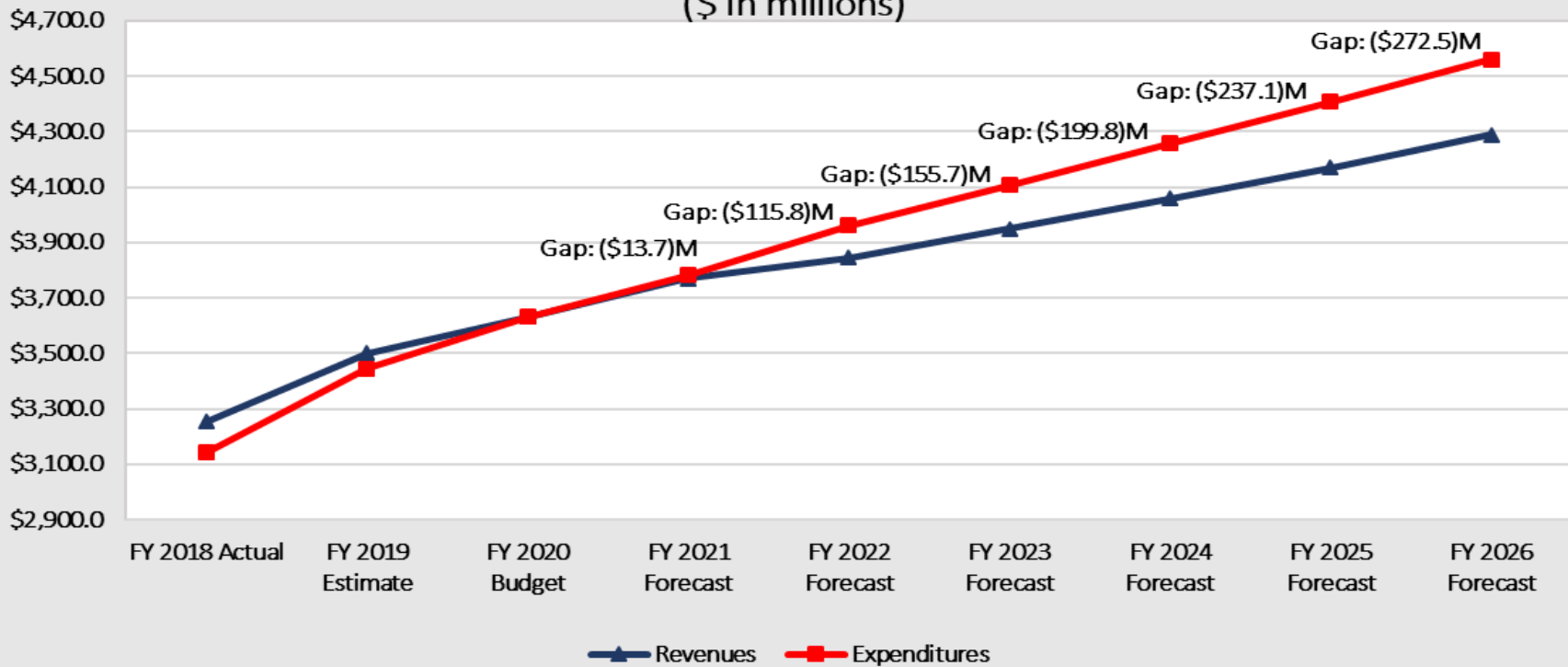
- ❑ Long-Term Fiscal Outlook
- ❑ Economic Outlook
- ❑ Revenue Outlook
- ❑ FY 2020 and FY 2021

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Long-Term Fiscal Outlook

General Fund: Six Year Forecast

General Fund Revenues and Expenditures
FY 2018 - FY 2026
(\$ in millions)



■ In the absence of structural change, an annual budget gap of \$13.7 – \$272.5 million is projected between FY 2021 - FY 2026, even after new revenues of \$44.3~\$47.6 million annually are added from the expanded National Harbor complex.

Fiscal Challenges: Structural Budget Gap

- A structural gap between revenue growth and expenditure growth is expected to grow based on the factors below:
 - Revenue growth of \$76 million ~ \$136.9 million per year
 - Expenditure growth of \$144.6 million ~ 178.5 million per year, primarily driven by:
 - Debt Service (\$220 million new GO Bond = approximately \$15 million new annual debt service payments)
 - Maintenance of Effort (MOE) contribution to the Board of Education
 - Fringe Benefit Costs – pensions, healthcare, workers compensation, OPEB, etc.
 - COLA/Merits based on collective bargaining negotiation results
 - Public Safety personnel costs and new recruitment classes
 - Additional staffing – At-Large County Council members and support staff as well as limited new staffing for SAO, Sheriff, certain General Government and HHS agencies
 - Various operating expenses (gas/oil, utilities, contract cost increases, leases, equipment replacement costs, etc.)



ECONOMIC OUTLOOK

County Jobs Growth

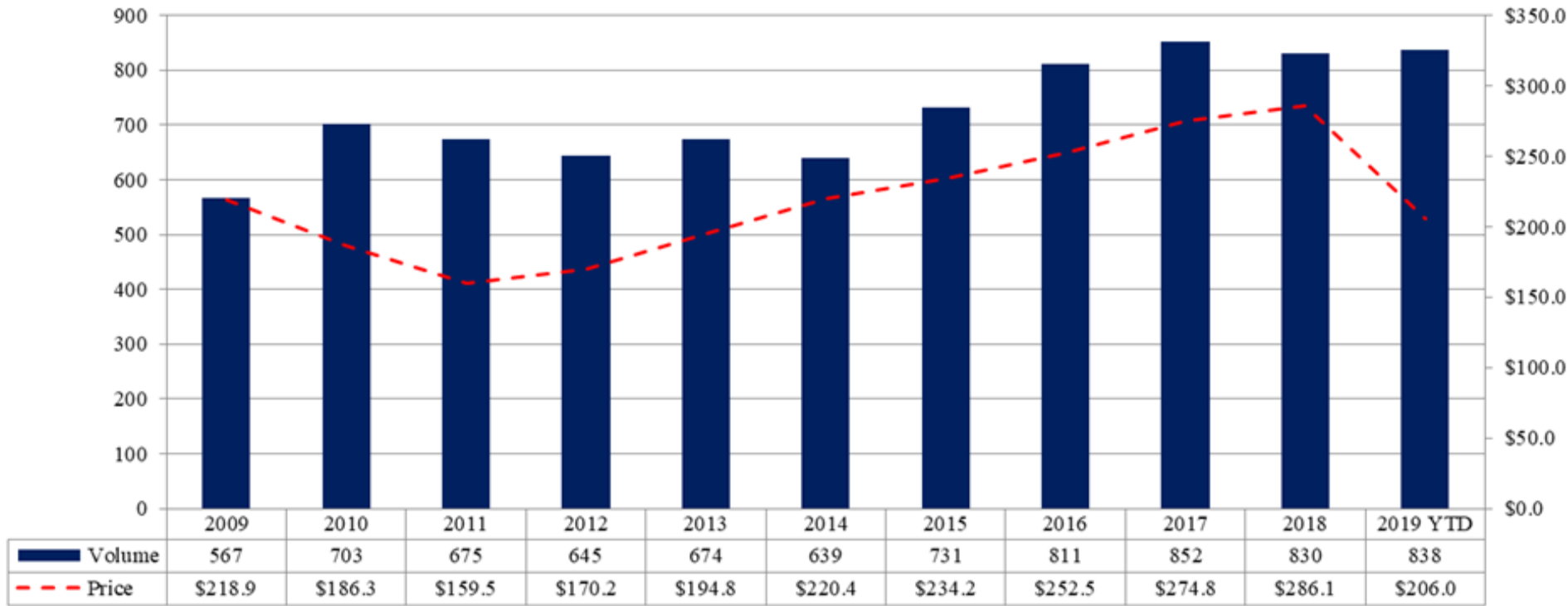
Prince George's County - 2nd Quarter - Employment Growth 2018 to 2019				
Industry	2Q 2018 - Quarterly Average Employment	2Q 2019 - Quarterly Average Employment	# Change	% Change
Other Services	9,023	12,170	3,147	34.9%
Construction	26,187	28,154	1,967	7.5%
Local Government	41,487	42,550	1,063	2.6%
State Government	21,612	22,301	689	3.2%
Leisure and Hospitality	36,480	37,057	577	1.6%
Education and Health Services	35,035	35,119	84	0.2%
Federal Government	26,750	26,826	76	0.3%
Financial Activities	11,714	11,773	59	0.5%
Manufacturing	7,569	7,615	46	0.6%
Natural Resources and Mining	101	111	10	9.9%
Unclassified	2	0	-2	-100.0%
Trade, Transportation, and Utilities	59,918	59,665	-253	-0.4%
Information	3,649	2,827	-822	-22.5%
Professional and Business Services	40,955	39,897	-1,058	-2.6%
Total Employment	320,482	326,065	5,583	1.7%

- The County had an average net gain of 5,583 jobs or 1.7% between the second quarter of 2018 to the second quarter of 2019.
- The County experienced employment increases in the Other Services, Construction, Local Government, State Government and the Leisure and Hospitality sectors.

Housing Trends – Median Home Sales Price & Volume

Prince George's County Median Sales Price and Sales Volume

(Source: Metropolitan Regional Information System)



- The average median home sales price from calendar year 2018 to calendar year 2019 from \$286.5 to \$306.7. The sales volume increased by 1.0% during in the same period.

A large blue speech bubble graphic with a white outline, pointing downwards. The text "REVENUE OUTLOOK" is centered inside the bubble in white, uppercase letters. The background of the slide features faint, curved lines in shades of gray and blue.

REVENUE OUTLOOK

FY 2021 SAC Recommendations

FY 2021 General Fund Revenue Spending Affordability Committee

(\$ in millions)	FY 2019 Unaudited	FY 2020 Budget	FY 2020 Estimate	% Change FY 2020 Estimate v. FY 2019 Unaudited	% Change FY 2020 Estimate v. FY 2020 Budget	FY 2021 Forecast	% Change FY 2020 Budget	% Change FY 2020 Estimate
COUNTY SOURCE REVENUES								
Real Property Tax	\$ 813.2	\$ 855.7	\$ 855.7	5.2%	0.0%	\$ 882.3	3.1%	3.1%
Personal Property Tax	82.9	89.9	84.6	2.0%	-5.9%	85.4	-5.1%	0.9%
Income Tax Receipts	635.9	627.5	648.6	2.0%	3.4%	673.9	7.4%	3.9%
Income Disparity Grant	34.1	36.2	36.2	6.2%	0.0%	36.8	1.7%	1.7%
Transfer Tax	117.7	128.0	128.0	8.8%	0.0%	132.6	3.6%	3.6%
Recordation Tax	51.3	53.2	53.2	3.7%	0.1%	55.1	3.6%	3.6%
Energy Tax	83.9	78.7	78.7	-6.2%	0.0%	93.3	18.5%	18.6%
Telecommunications Tax	20.8	23.6	20.8	-0.2%	-11.7%	20.0	-15.1%	-3.8%
Other Local Taxes	28.6	31.4	29.2	2.0%	-6.9%	29.7	-5.3%	1.7%
State-shared Taxes	5.1	3.5	3.5	-32.0%	-0.8%	3.6	2.1%	2.9%
Licenses and Permits	64.7	64.7	68.7	6.2%	6.2%	70.7	9.3%	2.9%
Use of Money and Property	21.2	11.0	21.3	0.4%	94.1%	21.7	97.7%	1.9%
Charges for Services	50.0	52.6	52.6	5.2%	-0.1%	62.8	19.3%	19.4%
Intergovernmental Revenue	35.2	35.5	31.0	-12.0%	-12.7%	30.9	-13.0%	-0.3%
Miscellaneous Revenue	13.9	16.4	16.4	17.9%	-0.2%	16.4	-0.2%	0.0%
Other Financing Sources	-	37.5	37.5	0.0%	0.0%	30.0	-20.0%	-20.0%
Subtotal County Sources	\$ 2,058.6	\$ 2,145.5	\$ 2,166.0	5.2%	1.0%	\$ 2,245.2	4.6%	3.7%
Subtotal Outside Aid	1,441.5	1,486.5	1,486.6	3.1%	0.0%	1,523.7	2.5%	2.5%
GRAND TOTAL	\$ 3,500.1	\$ 3,632.0	\$ 3,652.6	4.4%	0.6%	\$ 3,768.9	3.8%	3.2%



FY 2020 - FY 2021

General Fund Fiscal Summary

(\$ in million)

	FY 2019 Budget	FY 2019 Unaudited	<i>% Change</i>	FY 2020 Budget	FY 2020 Estimate	<i>% Change</i>	FY 2021 Projected
Revenues	\$ 3,432.0	\$ 3,500.1	2.0%	\$ 3,632.0	\$ 3,652.6	0.6%	\$ 3,768.9
Expenditures	3,432.0	3,446.2	0.4%	3,632.0	3,600.3	-0.9%	3,782.6
Difference	\$ -	\$ 53.9		\$ -	\$ 52.3		\$ (13.7)
Fund Balance		FY 2019 Unaudited			FY 2020 Estimate		FY 2021 Projected
Restricted (5%)		\$ 172.1			\$ 182.6		\$ 188.4
Committed (2%)		68.9			73.1		75.4
Unassigned		235.6			236.3		198.2
Total		\$ 476.6			\$ 492.0		\$ 462.0
Fund Balance as % of General Fund Revenues		13.6%			13.5%		12.3%

- In FY 2019, the County anticipates a \$53.9 million surplus. Unaudited revenues increased by \$68.1 million or 2.0% over the budget. Expenditures are \$14.2 million or 0.4% over the FY 2019 budget. The overall fund balance total for the three major components is expected to totals \$476.6 million.
- In FY 2020, revenues and expenditures are estimated to be \$20.6 million above the approved budget. The FY 2020 budget includes the planned use of \$36.9 million in fund balance with \$20 million allocated for the Purple Line.
- The preliminary SAC FY 2021 forecast projects a \$13.7 million deficit. Revenues are estimated to be \$136.87 million or 3.8% over the FY 2020 budget. The expenditure forecast is \$150.61 million above the FY 2020 budget and \$182.3 million above the FY 2020 estimated level. In FY 2021, the revenue projection includes a planned use of \$30 million of fund balance, of which \$20 million is dedicated to support the County's contribution for the Purple Line and the remaining \$10 million is for undefined one-time expenses.

FY 2021 Projections

	FY 2020	FY 2021	\$	%
(\$ in million)	Budget	Forecast	Change	Change
Revenues	\$ 3,632.0	\$ 3,768.9	\$ 136.9	3.8%
Expenditures	3,632.0	3,782.6	150.6	4.1%
Surplus/(Deficit)	\$ -	\$ (13.7)		

*The FY 2021 Forecast growth reflects preliminary projections before final comments from the County's Spending Affordability Committee.

- The County's overall fiscal outlook remains cautiously optimistic; we have steady but relatively modest growth rates. The County continues to have slow, but steady economic growth. While there will be economic variance, we do anticipate this to be the trend for the upcoming years.
- The FY 2021 projected revenue growth is \$136.9 million or 3.8% over the FY 2020 budget. Expenditures are expected to increase \$150.6 million or 4.1% above the FY 2020 budget. The preliminary forecast estimates a projected budget gap of approximately \$13.7 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 2021 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 2021 forecast projects a \$13.7 million deficit. The expenditure forecast is \$137.0 million above the FY 2020 budget (\$139.2 million above the FY 2020 estimated level). The forecast for FY 2021 reflects the following:
 - Annual awarding of compensation enhancements (merits and COLAs)
 - Fringe (9% annually for health plans for FY 2021 and 7% growth each year after) and operating expense adjustments (2% for general government)
 - Annual Public Safety Classes
 - Education sector – average annual contribution increase of 5.0% for Board of Ed., 2.5% for Community College and 2.5% for Library
 - Assume annual new debt between \$158.6 million and \$209.0 million between FY 2021 and FY 2026 for debt service costs
 - OPEB/Worker's Compensation in Non-Departmental
 - Through the FY 2021 budget process, the County will align revenues and expenditures for a balanced budget



Q & A