

Office of the County Auditor

Auditor's Analysis

Council Resolution No. 100-2020

Introduced: June 1, 2020

Auditor: Owen Clark

Fiscal Impact:

Our office anticipates this resolution will have a minimal fiscal impact on the County.

The staffing and resources required to comply with this resolution's revised submission date and reporting requirements already exist within the County.

Noted below is the Administration's fiscal impact of this legislation, which our office believes is overstated. We do not agree that additional hiring of staff will be required, nor do we agree that certain inputs are not available or could not be rescheduled to earlier dates.

We have noted that Montgomery County relies on similar information and releases their Operating Budget on March 15 and Capital Budget on January 15. This change would require the Budget Office to establish a budget timeline that begins earlier in the year and is equal in duration to the current practice.

Purpose:

The purpose of this legislation is to amend Section 603 of the County Charter to require the County Executive's proposed operating and capital budget submission to the Council by March 1 along with the following new reporting requirements:

- A statement of actual revenue received through January 31 of the current fiscal year.
- A statement of actual revenue received through January 31 of the current fiscal year from all borrowing and from other sources for capital projects.
- An update of these statements to Council by April 15 with data through March 31.

Other Comments:

This resolution's non-fiscal impacts will require an amended budget planning timeline and coordination with departments, component units, the planning board, and the Spending Affordability Advisory Committee.

However, the Administration has estimated a potential fiscal impact ranging from \$300,000 (for 2.5 new budget analysts) to \$1.2 million (for 10 new budget analysts). Their estimate assumes:

- The budget timeline can only be condensed rather than started at an earlier date because certain critical inputs¹ will not yet be available.

- The condensed timeline will require hiring 2.5 to 10 new budget analysts, based on the assumed productivity of each analyst, to handle the required workload.

NOTE: Please see our office's compilation of concerns noted by the Administration, as well as our responses to their concerns, in Exhibit A.

Charter amendments must be approved by a two-thirds Council vote and are then submitted to the voters of Howard County for their adoption or rejection.

Any amendment to the Charter must be published in at least one newspaper of general circulation within the County for five successive weeks prior to the election.

The next general election in Maryland is scheduled for Tuesday, November 3, 2020.

Exhibit A

The Administration has indicated various concerns related to moving the existing budget cycle to an earlier date. Please see the below table that summarizes information provided by the Administration, as well as our office's response.

Topic of Concern	Budget Office's Analysis	Auditor Response
Moving up the budget preparation 'kick-off'	The first property assessable base projection for the upcoming fiscal year and the first quarter income tax distribution are both received by early December. This information is critical in preparing a preliminary revenue estimates which serve as a basis to develop the guidance provided to agencies as they prepare their budget requests.	Departments currently prepare their budget requests based upon providing a maintenance of effort or certain percentage increase or decrease from their prior year approved budget. We see no reason the 'kick off' of Departmental budget efforts could not be moved to an earlier date and evaluated in aggregate alongside the new data received in December.
Moving up the budget preparation 'kick-off'	The current timeline provides agencies with at least 4 months of actual current year spending activity to help them analyze how they will likely complete the year and to also better assess the needs they will have in the upcoming budget year.	Departments could still utilize their recent expenditure trends and engage vendors on prospective price increases if they started developing their budget request earlier. Also, Departments are engaged in multi-year Departmental planning with the Administration which should facilitate their ability to determine budgetary needs.
Availability of State Revenue Forecasts	In early April, Budget revises initial revenue projections based on YTD collections, including the 2nd quarter income tax distribution received from the State Comptroller's Office and the revised property assessable base received from the State Department of Assessments around the end of March.	It's not unusual for more fiscal data to become available after a budget is submitted to the Council. This year there was additional guidance provided by the State's Bureau of Estimates on May 14 that covered FY 2021 General Fund Revenue projections which did not require any amendment from the Administration. The County could still amend the proposed budget for dramatic changes.
Availability of Debt Service Projections	Debt service projections are based on the projected amount of bond sale and interest rate assumptions and opportunities to refund existing debt. Our assumptions become more reliable the closer we are to the actual bond sale date.	The bond sale could be moved to an earlier date if desired. Over the last ten years the County has issued bonds in February, March, April, May, and December.

<p>Availability of Spending Affordability Advisory Report</p>	<p>This report is not available until March 1 and includes critical data, such as County revenue projections, that is considered when preparing the budget.</p>	<p>Prince George's County requires their report to be published by January 1 of each year. We see no reason why this effort could not be moved up to an earlier date.</p>
<p>Availability of Personnel Information</p>	<p>Personnel information that is critical to preparing the budget will not be ready early enough to support the budget preparation cycle being moved to an earlier date.</p>	<p>Currently personnel information used to develop the budget request is from October. During this past budget cycle, the Administration provided personnel vacancy data in early May which differed from the original personnel data. We see no reason why this effort could not be moved to an earlier date.</p>
<p>Consulting fees to build new reporting</p>	<p>We would need to bring a consultant to modify the budget book layout in many tables/exhibits to accommodate the extra field that will be required to display the YTD information requested. We have not reached out to a consultant to price this change which is why we did not include an exact amount. As noted in our response, this information is already available in the financial system.</p>	<p>The Budget Office has expert programming staff available who have made reporting changes in the past. Therefore, we believe the existing staff can make these routine modifications. Also, the additional reporting could be provided as a supplement or appendix to the proposed budget.</p>

ⁱ Source: “(The Administration) cannot simply move up the start of the budget process to accommodate the timeline changes proposed in this resolution due to the fact critical data (state revenue forecast, county SAAC revenue forecast, personnel and bond information, etc.) will not be available earlier.” – Holly Sun, Director of Budget (e-mail on June 9, 2020)