



**MONTGOMERY COUNTY DEPARTMENT OF PARKS**  
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MCPB Date: 09/24/2009  
Agenda Item # 6

MEMORANDUM

DATE: September 18, 2009

TO: Montgomery County Park Commission

VIA: Mary R. Bradford, Director of Parks *MB*  
Michael F. Riley, Deputy Director of Parks *MFR*  
Mary Ellen Venzke, Division Chief, Management Services *mev*

FROM: Karen Warnick, Budget Manager, Management Services *Kaw*

SUBJECT: FY11 Parks Operating Budget Work Session: Budget Priorities-Work Program

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**Staff Recommendation**

Inform the Park Commission regarding significant issues for the FY11 Proposed Park Fund budget and seek guidance on budget priorities.

**Background**

The Department of Parks proposed budget is prepared annually. The budget traditionally was prepared based on the organizational structure of the Department (Traditional Budget), until FY08 when it was determined beneficial to present the budget by work element (Program Budget). Since then, the budget has been presented to the Board and Council by program, and the format has been well received and complimented. Staff will prepare the FY11 budget as a Program Budget, but must also maintain a crosswalk to a Traditional Budget as part of the budget document.

1. Traditional Budget – A separate budget for each fund. The Park Fund is prepared and adopted at the divisional level.
2. Program Budget – Prepared by programs and sub-programs cross-divisional including multiple fund types.

The annual Park's budget includes the following fund types:

- Park Fund (tax supported)
- Enterprise Fund (revenue supported)
- Property Management Fund (revenue supported)
- Special Revenue Fund – (revenue supported)
- Advanced Land Acquisition Fund – (tax and land sale supported)

**Summary of the FY10 Adopted Budget and Impacts of Cuts**

The FY10 Proposed Park Fund budget was \$87.4 million. The Park Fund budget was adopted at \$83.7 million, a reduction of \$3.7 million or approximately 4.2% below proposed. **The Adopted FY10 Park Fund Budget grew by only \$208,000, or ¼% above the FY09 Adopted budget.** Although this is a slight increase, it is below same services in FY09 because we had to absorb required salary increases for merit, health care, retirement, and FOP COLA. This was effectively a reduction in services.

Chart 1 shows cuts taken in the FY10 proposed budget to get to the FY10 adopted budget and the impact of those cuts.

**Chart 1**

	County Council Cuts to the Parks FY10 Proposed Budget	Impact
<b>FY10 Proposed Parks Budget</b>	<b>\$87,443,900</b>	
GASB 45 (Other Post Employment Benefits – OPEB)	\$1,691,200	Eliminated entire OPEB contribution for FY10.
Utilities/Rent Reduction	\$70,000	Reduced based on re-evaluation of FY10 costs.
COLA – MCGEO & General Service	\$406,000	Eliminated entire COLA for MCGEO & General Service employees.
COLA – FOP	\$212,600	Eliminated entire COLA for FOP employees. Parks still contractually bound to pay COLA. Will “find” savings elsewhere.
Salary Lapse – Increase from 6% to 7.5%	\$876,900	Park staff believes lapse should be in the 4%-5% range but will freeze positions or delay hiring to achieve higher lapse rate.
Risk Management Fund Reduction	\$288,700	Reduced the annual contribution to the Risk Management Fund which reduces the available reserves for future claims.
Professional Services Contracts	\$150,000	Eliminated big tree aftercare contract and reduced facility assessment contract.
<b>FY10 Adopted Parks Budget</b>	<b>\$83,748,500</b>	

**Current Economic Indicators for Montgomery County**

**Employment:** Unemployment in the County rose to 5.7% in June, which is 2 percentage points higher than the same time last year. This is more encouraging than the national unemployment rate of 9.5%, however the County’s figure will still have a significant effect on



the income tax revenues in FY10 and possibly FY11. While this doesn't directly impact the Park tax revenue, it does impact the County as a whole and what the County will be able to fund.

**Construction:** The combined value of new construction for residential and non-residential projects was below \$750 million in FY09. This means that additional property assessments from construction could be at their lowest level by FY11 in over 10 years.

**Inflation:** The July index was less than a 0.4% annual rate for calendar year 2009. This may be a relief for consumers; however it may have an adverse effect on the amount of property tax revenues.

**Housing:** The number of home sales increased 2.9% in FY09 which was attributed to strong sales in the 4<sup>th</sup> quarter. However, the average sales price decreased 15.8% in FY09. The indications are that prices will continue to decline, although at a decelerating rate, through the first half of FY10.

These economic indicators directly or indirectly affect the Park Fund budget due to their lowering the County's revenue stream. As the County struggles to cover its revenue shortfall, Montgomery Parks shares in the pain as it compounds our budget deficit.

## **CHALLENGES in FY11**

### **Impacts of Previous Major Reductions**

For the FY09 budget, Montgomery Parks reduced our efforts in technology efficiencies, staff training, professional contracts, support to outside organizations for events, many horticulture annual plantings as well as select services for managed open space, which included maintenance functions such as routine repairs, litter control and patrols in urban and neighborhood parks. These reductions remained in place in FY10 and will likely be in place in FY11. Currently, SmartParks data show a backlog of 350 small maintenance projects and 700 major maintenance projects. Montgomery Parks continues to receive comments and complaints from the public about the effects of these changes.

### **Tax Rate and Fund Balance**

Chart 2, line 7, shows that the County Council has cut the real property tax rate 1.4¢ over the past 10 years. This measure has forced the Parks to use fund balance to balance the budget. At the beginning of FY08, Parks had a \$5 million fund balance. The preliminary FY09 CAFR report shows an ending fund balance of about \$548,000.

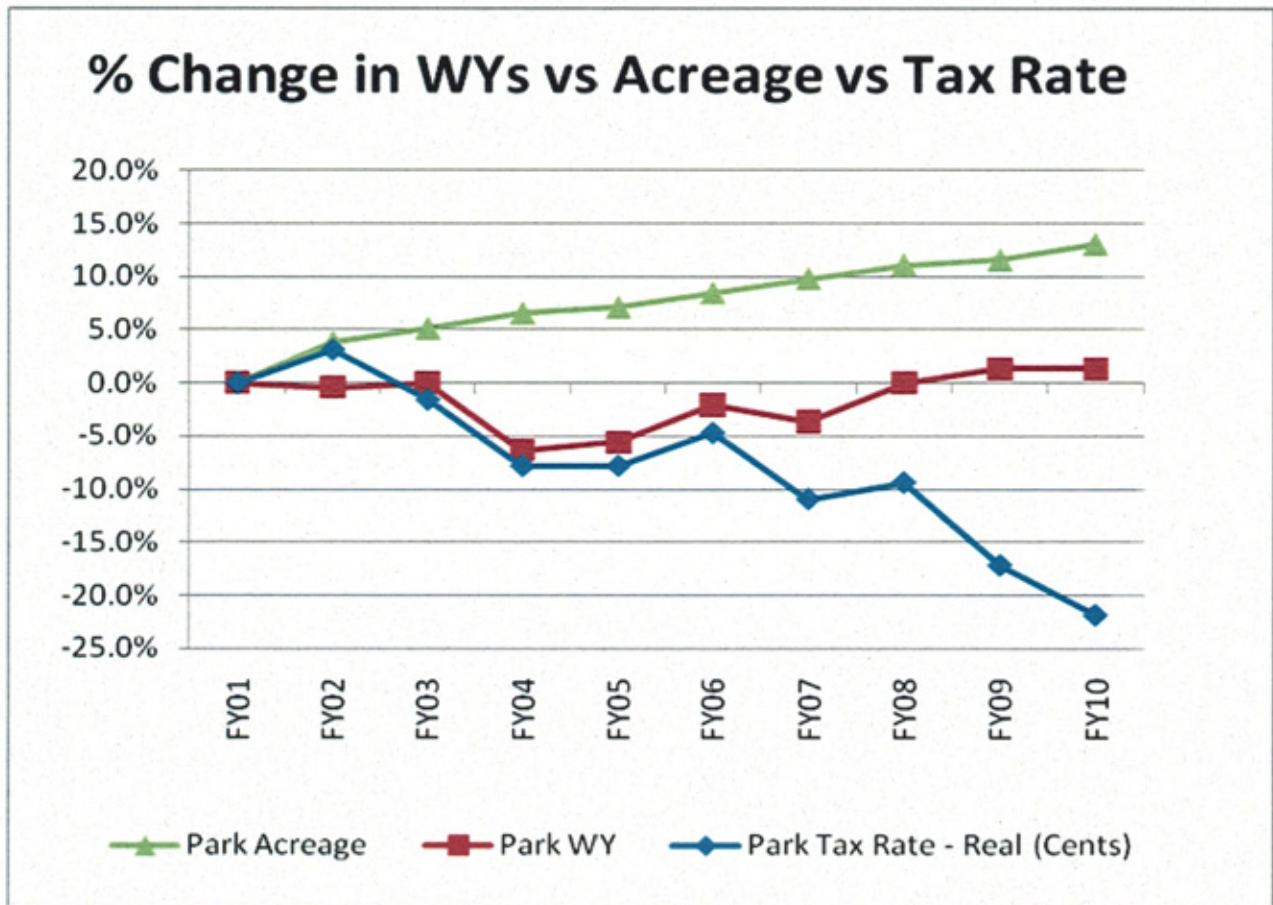
The result of reducing the tax rate has required a greater portion of our fund balance to balance the budget. The trend in using fund balance to make up the shortfall in property tax revenue has increased in the past two years. In FY09 and FY10, the County increased the amount of fund balance required to balance the budget to \$7 million each year in comparison to only \$2 million in FY08. This means that, with no fund balance to speak of, if all expenditures remained completely flat, (i.e. no compensation adjustments or increases in operating expenses, debt service, or chargebacks from other funds), the FY11 Parks budget would already be short approximately \$7 million if the funding from property taxes remains the same as in FY10.



**CHART 2**  
**Montgomery County Department of Parks**  
**Park Acreage vs Workyears vs. Park Tax Rate - Real Comparison**  
**For 10 Years from FY01-FY10**

Fiscal Year	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
1 Park Acreage	30,728	31,894	32,299	32,739	32,903	33,321	33,733	34,133	34,273	34,733
2 Change from FY01	-	1,166	1,571	2,011	2,175	2,593	3,005	3,405	3,545	4,005
3 Percentage Change	0.0%	3.8%	5.1%	6.5%	7.1%	8.4%	9.8%	11.1%	11.5%	13.0%
4 Park WY	679	676	679	636	641	665	654	679	688	688
5 Change from FY01	0	(3)	0	(43)	(38)	(14)	(25)	0	9	9
6 Percentage Change	0.0%	(0.4%)	0.0%	(6.3%)	(5.6%)	(2.1%)	(3.7%)	0.0%	1.3%	1.3%
7 Park Tax Rate - Real (Cents)	6.4	6.6	6.3	5.9	5.9	6.1	5.7	5.8	5.3	5.0
8 Change from FY01	-	0.20	(0.10)	(0.50)	(0.50)	(0.30)	(0.70)	(0.60)	(1.10)	(1.40)
9 Percentage Change	0.0%	3.1%	(1.6%)	(7.8%)	(7.8%)	(4.7%)	(10.9%)	(9.4%)	(17.2%)	(21.9%)

*Park Acreage growth in FY10 based on acquisition projections*





**New Parks**

Chart 2, line 1 shows that Montgomery Parks has acquired over 4,000 acres in the last 10 years. This is a 13% increase. There are current 409 parks in the park system. Chart 3 indicates the increase in the number of parks over the past 10 years.

**Chart 3**

	Developed Parks	Undeveloped Parks	Total # of Parks
Increase over 10 Years	33	31	64

**Work Years and Salary Lapse**

Parks has only gained 9 work years since FY01. This is a **1.3% increase**. Part of the reason for the low number of work years is the higher than normal lapse that has been imposed upon the Parks. In the past two years, Parks normal lapse has been in the 4.5%-6.0% range. In order to meet savings plans and requirements of the County Council, the Parks Department has had to freeze positions to keep the lapse rate closer to 8%-10%. In addition, in FY09, through the Retirement Incentive Program, 17 employees retired. Fourteen of these positions will remain frozen throughout FY10 and likely FY11 to meet the higher than normal lapse rate.

While a higher than normal lapse is one means to lower costs, it compounds the problem of a growing backlog of maintenance projects. Infrastructure suffers and the overall level of service provided to our residents is lower.

Currently, the number of vacancies in Parks allows us to meet the 7.5% lapse in FY10. If we are forced to take any further cuts, this would result in a reduction in force.

**GASB 45 - Other Post Employment Benefits (OPEB)**

The Commission was on an 8-year plan to fund the OPEB contribution required by GASB 45. Last budget season, the Council eliminated the \$1.6 million OPEB contribution for FY10. We do not know yet what OPEB amount will be required for FY11 but, regardless of the amount, it will be an increase over the FY10 amount that must be absorbed.

**FY11 BUDGET PROCESS**

**Preparing the FY11 Budget**

The Parks Department had the FY10 budget kickoff on September 11, 2009 for both for the Program Budget and Traditional Budget. Despite complaints from the community and a growing back log of deferred maintenance on our buildings, staff was directed to prepare a maintenance level budget at the FY10 service level--still below same services in FY08.

All divisions will itemize and submit justification for all non-personnel items. We intend to closely analyze divisional budget requests by requiring more details of proposed expenditures and concrete examples of program efficiencies. Program work years are being refined and justified from SmartParks information where applicable.



In addition, staff was directed to prepare a 5% below maintenance level budget in anticipation of the difficult budget year. We asked staff to provide their information in priority order.

We will continue to work closely with the Planning Department on the format and presentation of the proposed budget document to ensure the consistency continues between the two departments.

Although information is very preliminary and we have not received all budgetary information from CAS, we know that the same services budget will be higher than FY10 due to negotiated employee compensation increases, OPEB, rising benefit costs, etc.

### **Program Elements and Performance Measures**

The program budget committees are meeting to re-evaluate and refine the program elements and performance measures to better reflect the work program of the Parks.

Last year, Parks worked diligently to revamp all the Performance Measures. We are compiling SmartParks data, customer satisfaction surveys, and ball field inspection data to report on the measures. To further substantiate our performance measure data regarding customer satisfaction, we intend to hire students and/or interns next summer to canvass our park visitors to survey them on their park experience. This will help us to determine what we are doing well and where we need to improve.

### **Expansion in the Park System**

In addition to adding acreage through the Acquisition program, the Department continues to expand existing parks with new amenities and provides new developed parks through the Capital Improvement Program (CIP), Developer Built Projects, Partnerships and projects resulting from the Inter-County Connector.

The last time the Department received any new workyears for Park expansion was in FY09. The lapse that year was 7.5% forcing Parks to freeze all of the new positions. Parks did not request any new workyears in FY10 due to budget constraints.

Staff is currently compiling the staffing and non-personnel impacts of the projects completed in FY10 and projects expected to be completed in FY11. Examples of projects coming on-line with significant impacts on the work programs include the following:

- Woodstock Riding Rings
- Piedmont Woods Local Park
- Aurora Hills Local Park

### **MCPS Ballfield Contract**

The Department of Parks has maintained the MCPS ball fields for the past several years. During the FY10 budget cycle, Parks staff brought to the Council's attention that the residents of Montgomery County pay a metropolitan tax which provides for the operation and maintenance of parks, and that by using funds from this tax to maintain those fields, the metropolitan tax payers are in effect subsidizing the general county tax payers. Parks made the case that it



would seem appropriate that all County tax payers contribute to the maintenance of MCPS ball fields.

The Council agreed with our assertion, but also felt that if the funds were included in the MCPS budget, the funds would be spent elsewhere. The Council directed the Office of Management and Budget (OMB) to research the best method to fund the MCPS ball field maintenance in the future.

The Department of Parks staff has been in contact with OMB this fall to continue the discussion of how to fund this maintenance. We are proposing that this cost be covered by the County or MCPS through a transfer to a special revenue account.

**Budget Calendar**

Sept 17	"Briefing on Budget – Parks and Planning Multi-year Projections
Sept 24	FY 11 Budget Priorities - All Departments
Oct 8	FY 11 Operating Budget Worksession – Park Fund and Enterprise Fund
Oct 15	FY 11 Operating Budget Worksession – Administration Fund Planning Budget
Oct 22	FY 11 Operating Budget Worksession – Park Fund and Enterprise Fund
Oct 29	FY 11 Operating Budget Worksession – Administration Fund Planning Budget
Nov 12	Final Session - Budget

**Conclusion**

We seek guidance from the Park Commission on its goals for the FY11 Proposed Park Fund Budget.