



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

MCPB Date: 10/29/2009

Agenda Item # 5

MEMORANDUM

DATE: October 23, 2009

TO: Montgomery County Park Commission

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

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

SUBJECT: FY11 Parks Operating Budget Work Session: 4 Scenarios

Staff Recommendation

Present the Park Commission 4 budget scenarios for the FY11 Proposed Park Fund budget emphasizing the Parks' Departments recommended scenario. Seek Park Commission's approval on the recommended budget scenario #1 – same services level as FY10 adopted budget.

Background

The FY10 budget process was very challenging. The Department of Parks received a small ¼% increase over the FY09 budget resulting in an FY10 adopted Park Fund budget of \$79,019,100 (not including debt service, reserves, or grants). This was effectively a reduction in services as the Department had to absorb required salary increases for merit, health care, retirement, and FOP COLA.

For FY11, the budget forecast is sobering. Government agencies at all levels are experiencing revenue shortfalls and all facets of work programs are under scrutiny looking for budget cuts.

Support Services

For the different scenarios, we calculated the budget numbers for each operating division. The Support Services budget contains department-wide expenses including:

- Risk Management
- CAS Chargebacks

- Unemployment Payments
- Equipment Lease payments
- Commission-wide IT initiative contribution
- Gasoline for vehicles and work equipment
- Gas, electric, propane and water for facilities
- Telephone and security lines at facilities
- Landfill tipping fees
- Trash and recycling costs at parks and facilities
- Transit Subsidy
- Employee Awards
- Diversity Events

The Support Services FY10 budget is \$12,593,600 or 16% of the Department's budget. The majority of expenses in Support Services are not within the Department's control.

The full extent of the changes in Support Service are not yet known since some of the payments, such as debt service, risk management and CAS chargebacks have not yet been finalized.

Because the majority of Support Services expenses are not within the Department's control, trying to achieve a 5% or 10% below same services may be impossible. To achieve part of this savings, the Department would remove any non-mandatory costs such as transit subsidy, employee awards, and diversity events saving approximately \$100,000. However, if any additional savings are required, it would place an unfair burden on the operating divisions since they would have to absorb any amount not absorbed in Support Services.

The Department requests that the scenario supported by the Parks Commission be for the operating divisions only, and that the Support Services budget be submitted as the mandatory expenses dictate.

4 Scenarios

For the FY11 Proposed Park Fund budget, the following Department of Parks has explored the following 4 budget scenarios:

1. Same Services as FY10
2. 5% Below Same Services
3. 10% Below Same Services
4. Same Dollar Amount as FY10

Attachment 1 is a chart that shows the fiscal impacts of each scenario. The savings required for each scenario does not take Support Services into consideration. The chart also shows the number of workyears the reduction would be equivalent to if no other non-personnel reductions are taken. This information is merely for reference and to give perspective to the reductions.

Assumptions in Preparing the Scenarios

COLA - MCGEO and non-represented career employees	Included at 2.25% effective October 1
COLA - FOP employees	Included at 3.75% effective August 1
Merit pay increases	Included at 3.5% effective on the employees anniversary date for all eligible employees
Retirement increases	Included at an average of 20.5% based on actuarial projects (as compared to 17.5% for FY10)
Annualization of FY10 pay increases	Included
Operating budget impacts (OBI) for new or developer built parks	Included
Lapse	Included at 7.5% (same as FY10 adopted budget)
Other Post Employment Benefits (OBEB or GASB 45) payments	Not included
Increases in costs for employee group health benefits	Not included
Executive pay increase	Not included

Scenario I - Same Services Level (including OBI)

This scenario keeps the same number of workyears as FY10 and includes the increased costs for retirement contributions, annualization of the FY10 salary adjustments, cost of living adjustments for union and non-represented employees, and merit increases. The lapse is at the FY10 budgeted level of 7.5%.

The non-personnel costs (supplies & materials, other services, equipment purchases) are kept at the same dollar level as FY10. Any specific line item increases for non-personnel costs are absorbed in the FY10 dollar level.

This scenario must also include the \$1.0 million in operating budget impacts for new and developer built parks in order for the budget to truly remain at the same services.

The total funding increase in the operating divisions for the same services level is \$4,835,000 or 7.3% higher than the FY10 adopted budget.

Scenario 2 – 5% Below Same Services Level

In this scenario, the budget request would be for \$67,697,500 without Support Services. This represents an increase of \$1,272,000 or 1.9% over the FY10 adopted budget. This is \$3,563,000 below the same services level.

The Department would have to reduce the personnel costs to a point where all future vacancies for FY10 and FY11 would be frozen as they occur. This budget level may be able to be

achieved without a reduction in force if we have vacancies, but the non-personnel cuts would be deep and have significant programmatic impacts.

Eliminating the proposed COLAs and perhaps the merit increases would make this reduction easier to achieve but would still require freezing all positions and significant non-personnel cuts.

Scenario 3 - 10% Below Same Services Level

In this scenario, the budget request would be for \$71,260,500 without Support Services. This represents a decrease of \$2,291,100 or (3.4%) below the FY10 adopted budget. This is \$7,126,100 below the same services level.

This scenario cannot be achieved without a reduction in force in addition to deep programmatic non-personnel cuts even with the elimination of the proposed COLA and merit increases.

Scenario 4 – Zero Dollar Growth

In this scenario, the budget request would be for \$66,425,500 without support Services. This is equal to the FY10 adopted budget and is \$4,835,000 below the same services level.

This scenario is slightly lower than the Scenario #2 – 5% Below Same Services and would necessitate the same measures as outlined in that scenario – freezing all vacancies and deep non-personnel cuts. This level may not be able to be achieved without a reduction in force.

Impacts of Reductions Below Same Services

Staff has held preliminary meetings to determine the impacts on the Department's core services in the event of a budget reduction. Attachment 2 is a list of the work program elements included in our budget. Staff reviewed the mission, vision and values of the Department. In addition, staff reviewed the last comprehensive public survey of what people did in the parks where the top reported use was to enjoy nature, and to use the trails, playgrounds, and picnic shelters.

The overriding goal of the discussion has been to identify selected services/programs/facilities that are not rated as the top priorities of the Department that can be reduced or eliminated rather than spreading reductions across all divisions causing an overall degradation of services.

One challenge met by staff was that regardless of priority level, most of the Department's amenities are not able to be closed (ball fields, play grounds, etc.) and any reduction in service greatly impacts the functionality and safety of our parks. Many of the recreational facilities in the parks are primarily operated by the Enterprise Fund and while closing them would create some Park Fund savings, it would have a negative impact on the Enterprise Fund's profitability. Also, closing some facilities even for a short period of time, such as the public gardens, would create a situation where staff would have to virtually start over again when/if the facility reopened.

To meet the FY10 savings plan, supplies and materials have been reduced to a minimum. These measures would continue in FY11. All contracts are being reviewed to determine if they are central to meeting the Department's mission or if they can be reduced or eliminated until better budget times.

Areas that were rated as low priority and would be reduced or eliminated are:

Partnerships	No longer accept unsolicited partnership proposals unless the proposal supports the Parks' mission at no cost to the Parks including an endowment to cover all future expenses for 10 years.
Property Management Park Owned Houses	Review all leases for all Park-owned houses that are not historic to determine if the rent collected on these houses covers the leasing expenses and maintenance. If it does not, then look to mothball these buildings.
Property Management Properties used for Governmental Purposes	These facilities do not generate enough rent to cover expenses. Many of these facilities have political implications.
3 rd Party Support	The Parks would continue to provide 3 rd party support for properties on park land. For special events on park land, the Department will charge a fee to cover expenses. All off-property support would be eliminated.
Dog Parks	All dog parks would be locked and closed.
Park Activity Buildings	Close all park activity buildings to save custodial costs, maintenance costs, utilities, and permit costs. Turn over any buildings to the Recreation Department as requested. There would be a partially offsetting reduction in revenue.

Summary

The Department of Parks seeks the Park Commission's approval on the recommended budget scenario #1 – same services level as FY10 adopted budget.

The Department of Parks budget was not fully funded in FY09 or FY10 which, in effect, was a reduction in services. At the same time, the acreage and number of parks to maintain has increased and we have not received funding for any operating budget impacts. The 7.5% lapse rate imposed on the Department is the highest in the Commission and hampers our ability to provide quality services.

Parks staff recommends the same services level for the FY11 budget to maintain the current level of services which are already below the level desired by the residents of Montgomery County.

FY11 Budget Preparation - 4 Scenarios for the Parks' Operating Divisions

22-Oct-09

FY10 Adopted Budget (doesn't include debt service, reserves, or grants)	\$79,019,100	
FY10 Support Services	\$12,593,600	
FY10 Adopted Budget less Support Services	\$66,425,500	
New Funding Requirements		Equivalent # of Workyears
Retirement Increases (avg of 20.5%)	1,230,000	14
Employee Group Health Insurance Increases	-	-
Annualization of FY10 adjustments	960,000	11
Operating Budget Impacts (Preliminary)	1,000,000	12
Compulsory		
SUBTOTAL Compulsory Requirements	3,190,000	37
Optional		
COLA - MCGEO & Non-Represented Merit Career	780,000	9
2.25% in October or 1.69% annualized (w/ benefits)		
COLA - FOP	230,000	3
3.75% in August or 3.67% annualized (w/ benefits)		
Merit - 3.5% on Anniversary (w/ benefits)	635,000	7
Other Post Employment Benefits (OPEB)	-	-
Non Personnel Cost Increases	-	-
SUBTOTAL Optional Requirements	1,645,000	19
TOTAL New Funding Requirements	4,835,000	56
Maintenance Level Budget for FY11 w/out Support Services	\$71,260,500	
Percent increase over FY10 Budget w/out Support Services	7.3%	

Assumptions:

Current vacancy level = 7.5% which is our budgeted lapse - 52.17 workyears

Average salary for 1 workyear = \$86,000/year fully loaded

Equivalent # work years is provided to for reference and to give perspective

SCENARIO #2					
5% Below Maintenance Level FY11 Budget					
Maintenance Level Budget w/out Support Services	\$71,260,500				
5% below maintenance level					
5% Reduction	3,563,000	New Budget Amount	67,697,500	% change from FY10 budget	1.9%
				% change from FY10 budget	1,272,000
Equivalent # of Workyears	41	% of Work Force	5.7%	# Lapse Workyears	52
				# Workyears including Lapse	93

SCENARIO #3					
10% Below Maintenance Level FY11 Budget					
Maintenance Level Budget w/out Support Services	\$71,260,500				
10% below maintenance level					
10% Reduction	7,126,100	New Budget Amount	64,134,400	% change from FY10 budget	-3.4%
				% change from FY10 budget	(2,291,100)
Equivalent # of Workyears	83	% of Work Force	11.4%	# Lapse Workyears	52
				# Workyears including Lapse	135

SCENARIO #4					
FY11 Budget w/ Zero Dollar Growth					
Zero Dollar Growth Budget w/out Support Services	\$66,425,500				
To include new funding requirements					
New Funding Requirements	4,835,000	Budget Amount	66,425,500	% change from FY10 budget	0.0%
				% change from FY10 budget	0
Equivalent # of Workyears	56	% of Work Force	7.7%	# Lapse Workyears	52
				# Workyears including Lapse	108

Attachment 1

FY11 Proposed Park Fund Budget – Work Program Elements

1. Management and Administration
2. Partnerships
3. Property Management (Includes equestrian centers)
4. 3rd Party Support (Includes MCRD pools and MCRA golf courses)
5. Park Planning
6. Athletic Fields (Includes baseball/softball and field sports)
7. Multi-use Courts
8. Tennis (both indoor and outdoor)
9. Ice Skating
10. Seasonal Park Amenities (Includes trains, carousel, camping, boating, miniature golf, splash playground)
11. Community Open Space
12. Permitted Picnic Facilities (Includes picnic shelters and group picnic areas)
13. Playgrounds
14. Dog Exercise Areas
15. Park Activity Buildings
16. Event Centers
17. Scenic Parkway Experiences
18. Trails – Paved Surface
19. Arboriculture
20. Horticulture
21. Natural Resource Management
22. Cultural Resources (Includes archaeology, historic site management, interpretive)
23. Streams
24. Trails – Natural Surface
25. Agricultural Support
26. Nature Centers
27. Public Gardens
28. Capital Investment