



OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett  
County Executive

Timothy L. Firestine  
Chief Administrative Officer

MEMORANDUM

December 6, 2016

TO: Executive Branch Department and Office Directors

FROM: Timothy L. Firestine, Chief Administrative Officer

Handwritten signature of Timothy L. Firestine in black ink.

SUBJECT: FY18 Reduction Targets

As we had previously suggested was a possibility, FY18 operating budget reductions will be necessary to produce a balanced budget next year. The December Fiscal Plan update, which incorporates the revised revenue forecast, projects a gap of \$130 million compared to the current approved budget. The projected gap does not include an assumption for negotiated compensation agreements. The target reduction amount is two percent of the FY17 approved operating budget. However, the County Executive has indicated that if necessary, he may ask for an additional one percent reduction at a later time, for a total of three percent. Therefore, while the Office of Management and Budget (OMB) instructions will assume a two percent reduction, you should also be preparing options for an additional one percent reduction.

While I expect that these reductions will be difficult to identify, keep in mind that the two percent level only totals about \$26 million, well short of the current projected gap. Additional adjustments may still be necessary after the revenue forecast is updated again in late February. The OMB will send you the target reduction amount and revised MARC for your department in a separate communication from your budget analyst along with budget submission instructions.

It is possible that budget cuts of these amounts could reduce service levels, or even the elimination of services. Please note that it is permissible to consider the complete elimination of certain services if needed to meet your target reduction. To address these potential service disruptions and facilitate decisions in the FY18 budget, we are providing the following guidance:

Guidance:

- Target reductions are a starting point. The development of the FY18 budget will be an iterative process that will require your ongoing engagement.
- You should assume that the submitted reductions will be accepted, but keep in mind that the County Executive may substitute cuts or add more cuts.
- Focus reductions on:
  - non-core service areas (for example, non-mission critical, discretionary, or not legally mandated programs and services);
  - services duplicated by another level of government (State and/or Federal government);
  - services duplicated by another County department, agency, or non-profit;

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- services unique to Montgomery County (not provided by other jurisdictions in Maryland, the region, or nationally);
  - services that could be or are partially performed in a more cost effective way by non-profits or contractors;
  - services that could be privatized or outsourced;
  - under-performing services;
  - services with high per client costs or a small client base; and
  - facility consolidation (savings in energy, leasing, maintenance, staffing, etc.).
- Identify any existing local regulations, statutes, or policies that would need to be amended to implement a reduction you are recommending.
  - Expenditure reductions should not cause revenue reductions.
  - If necessary, discuss the County's reduction-in-force procedures with the Office of Human Resources prior to or soon after submitting your plan.
  - Do not include reductions to CIP projects as counting toward your reduction targets. CIP reductions are being considered separately from this process.
  - Do not include staff furloughs or any other reductions to existing pay and benefit levels that are subject to collective bargaining.
  - Please coordinate your recommended reductions with other affected departments to the extent possible.
  - Some savings may be directed top-down based on Executive priorities. Any top-down reductions will be coordinated with the appropriate departments.

Your reduction proposals will be due to OMB on December 14. Please contact your OMB budget analyst for additional information.

I understand that these fiscal constraints continue to challenge us as we deliver services to our community. I believe that prudent fiscal management, along with the strengths and resilience of our management and staff, will ensure we continue to move forward.

TLF:jah

cc: Assistant Chief Administrative Officers  
Special Assistants to the County Executive  
Regional Services Center Directors  
Administrative Service Coordinators and Functioning Equivalents  
Office of Management and Budget Staff  
Stephen B. Farber, Council Administrator