2017 BUDGET PRESENTATION
MONTGOMERY COUNTY, PA

November 17, 2017
MONTGOMERY COUNTY
CORE FISCAL VALUES

- Maintain high level of County services
- Zero based budgeting process
- Maintain fund balance
- Continue pension fund payments
- Routine fiscal reporting and transparency in process
The County’s finances are strong and have proven to be resilient

- A structurally balanced budget with several years of annual operating surplus ($0.8 M in 2015)
- A Fund Balance above 10% which is a recommended minimum level, allowing the County to eliminate short term borrowings
- A Capital Budget which invests primarily in County infrastructure including County Buildings, Bridges, Parks, Trails and Roads
- Four consecutive years of making Pension Fund payments
A SNAPSHOT OF PROGRESS IN MONTGOMERY COUNTY

MEETING COUNTY PENSION OBLIGATIONS

2008-2012: Zero Payments
2013: $3.2 Million Payment
2014: $3.5 Million Payment
2015: $3.5 Million Payment
2016: $8 Million Payment
2017: $8 Million Payment (Proposed 2017 Budget)

YEAR-END FUND BALANCE

2011
- 58% Funded
- $24 MILLION

2016 (Projected)
- 100% Funded
- $39.6 MILLION
  (AT RECOMMENDED LEVEL)

DEBT

2012
- $4117 MILLION

2016
- $399 MILLION
  (-4.3%)

OPERATING EXPENDITURES

- 5% REDUCTION
UNANTICIPATED LOSS OF REVENUE IN 2016 IMPACTING 2017 AND BEYOND

- Commonwealth terminated an agreement to house State inmates in the County Prison (-$1M)

- Mandated telephone regulations reducing County commissions for inmate telephone services (-$0.6M)

- Commonwealth reduced funding for Court related expense (-$0.5M)

- Recent legislation passed by Commonwealth reducing Recorder of Deeds fees collected on condos ($0.1M)
PROPOSED 2017 BUDGET OVERVIEW

- Maintains core County services including support for our most vulnerable populations, assisting veterans.
- Provides for public safety including 911 and emergency services.
- Expands programming and maintenance of the County’s expanded Parks and Trails system.
- Provides County match to leverage additional State funds for Children and Youth programs.
- Continues County’s Five Year Capital Improvement Program (2017-2021)
### Proposed 2017 Budget

- **Projecting $1.3M deficit for 2016**
  - Early projection and hopeful to outperform by year end with better expenditure performance
  - Loss of Commonwealth revenues in 2016 impacting 2017 and beyond

<table>
<thead>
<tr>
<th>General Fund (Million $)</th>
<th>2016 Budget</th>
<th>2016 Projected</th>
<th>2017 Proposed</th>
<th>17 Budget v. 16 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance (Undesignated)</td>
<td>$40.6</td>
<td>$40.9</td>
<td>$39.6</td>
<td>$25.9</td>
</tr>
<tr>
<td>Revenues</td>
<td>389.7</td>
<td>389.7</td>
<td>415.6</td>
<td>19.8</td>
</tr>
<tr>
<td>Expenses</td>
<td>389.7</td>
<td>391.0</td>
<td>409.5</td>
<td>19.8</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>-</td>
<td>(1.3)</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td>Ending Fund Balance (Undesignated)</td>
<td>$40.6</td>
<td>$39.6</td>
<td>$45.7</td>
<td></td>
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<tr>
<td>Ending FB as a % of Annual Operating Revenues</td>
<td>10.4%</td>
<td>10.2%</td>
<td>11.0%</td>
<td></td>
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</table>
2017 PROPOSED BUDGET
REVENUES AND EXPENDITURES

- **Revenues increasing +6.6% or $25.9M**
  - Primarily related to proposed Dedicated Real Estate Tax (RET) Millage Rate for the Montgomery County Community College (MCCC)
  - Anticipated to provide $22.3M of annual County funding to MCCC

- **Expenditures Increasing +5% or $19.8M**
  - Includes grant funded expense (offset by grant revenue)
  - Includes contractual and non-contractual wage increases
  - Increase debt service on 2016 Series A Bond Issue
  - Include funding for County’s 911 operations

- **Projected 2017 budget increases fund balance reserve to 11%**
MCCC is seeking dedicated County funding ($24.5) - matching the Commonwealth’s current funding level

- MCCC proposed to the County a dedicated RET millage, providing a consistent source of budget funding in 2017 and beyond

- This would provide $22.3 M in revenue for the college
  - Additionally County provides existing campus land and buildings at no cost (estimated $2.2 million annual value)
COST DRIVERS FOR 2017

- New debt service expense (from 2016 A New Money Bond Issue) to fund the 2016/2017 Capital Investment Program ($2.8M)

- Medical Insurance costs higher than anticipated on a budget to budget basis ($3.7M)
  - Continue to evaluate and implement new cost containment opportunities with healthcare coverage
COST DRIVERS FOR 2017

- General Fund Subsidy to 911 fund ($1M)
  - State Revenue (fees assessed on cellular and land line telephone bills) lower than anticipated in 2016
  - New funding formula implemented in 2016 generating lower than expected funding for the County

- Pension Contribution at 2016 level ($8M)
  - More than double the amount contributed by the County in 2013-2015
  - Critical to fund the County Pension Plan at appropriate levels
ONGOING COST CONTAINMENT

- Operational expenditure reductions realized across organization

- Refinancing of 2006 and 2009 Bonds and elimination of associated Swaps provide future debt savings and eliminate interest rate risk

- In 2016 County locked into significantly lower electricity rates - anticipated to produce future cost savings ($0.7M)

- Leveraging cooperative purchasing contracts – anticipate lower road salt costs in 2017
Average Residential Assessment in Montgomery County is $169,000

<table>
<thead>
<tr>
<th>RET Millage</th>
<th>Rates</th>
<th>RET</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Operating</td>
<td>3.456</td>
<td>$584</td>
</tr>
<tr>
<td>MCCC Dedicated RET (proposed)</td>
<td>0.39</td>
<td>$66</td>
</tr>
</tbody>
</table>

Represents an increase for the average Montgomery County homeowner of $66 per year.
Proposed 2017 Capital Budget provides $118 million for County infrastructure projects

- $118 million comprises:
  - $89 million (75%) in County capital funds
  - $29 million (25%) in Federal, State, and other funding
- 25 projects (18% of all 2017 projects) account for $187 million, 74% of total budget

Proposed 2017-2021 Capital Plan provides $552 million for planned County infrastructure projects

- $552 million comprises:
  - $397 million (72%) in County capital funds
  - $155 million (28%) in Federal, State, and other funding
93 cents of every dollar in the 2017-2021 five year capital plan is allocated for spending on county infrastructure.

36 bridge projects are included in the five year capital plan, representing an investment of $75 million in improving county bridges.

$115 million will upgrade, improve, and maintain county roads.

$16 million in Farmland Preservation Program funds over the five year capital plan will enable the County to preserve an estimated 240 acres of farmland annually.
In addition to over $28 million being invested between 2017 and 2021 in improving and upgrading the County's parks and trails, $14.8 million is allocated for preservation and expansion of new open space.

The five year capital plan provides over $15 million in funding for economic development and the execution of the Montco2040 plan.

The County Campus Redevelopment project is underway and funded in the five year plan as a major initiative to provide modern, secure facilities for our employees, our courts, and our constituents.
The proposed budget will be posted to County website.

Two Public Hearings on the Proposed 2017 Budget:
- December 1\textsuperscript{st}: 11:30 AM (immediately following the Board meeting)
- December 1\textsuperscript{st}: 4:00 PM

Final approval of the 2017 Budget scheduled for December 15\textsuperscript{th} at the Board of Commissioner Meeting
RECOMMENDATION

- Dedicated millage for Montgomery County Community College of 0.39
- Continue investment to maintain service levels of county functions
- Continue Maintaining Fund Balance reserves at 10% or above
- Continue funding Pension Plan contributions at current levels or above
- Provide 2.75% salary increase for non-represented employees