Board of Commissioners
Meeting
Financial Update
April 18, 2019
General Fund 2018 Financial Update

Presentation Overview

- Update on 2018 Financial Closing and Audit
- Review of 2018 Revenue Budget Performance
- Review of 2018 Expenditure Budget Performance
2018 Financial Statement Audit Update

- Controller’s Office closing out 2018 financial books
  - 2018 Financial Audit underway
    - Current financial results are preliminary (pre-audit)
    - Anticipate year-end audit adjustments
    - Issuance of Comprehensive Annual Financial Report (CAFR) by June 30th
  - County submitted the 2017 CAFR to the Government Finance Officers Association (GFOA) for the Certificate of Achievement in Financial Reporting Award Program
    - Comprehensive review by public and private sector reviewers
    - GFOA provided detailed comments and criteria scoring
    - County will be submitting the 2018 CAFR to the Government Finance Officers Association (GFOA) in July
### 2018 General Fund Financial Results

<table>
<thead>
<tr>
<th>General Fund</th>
<th>2018* Budget</th>
<th>2018** Preliminary</th>
<th>$ Variance vs 18 Budget</th>
<th>% Variance vs 18 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>$ 82.2</td>
<td>$ 82.2</td>
<td>$ 10.4</td>
<td>2.6%</td>
</tr>
<tr>
<td>Revenues</td>
<td>407.2</td>
<td>417.6</td>
<td>8.3</td>
<td>2.1%</td>
</tr>
<tr>
<td>Expenses</td>
<td>403.4</td>
<td>411.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues in Excess of Expense</td>
<td>3.8</td>
<td>5.9</td>
<td></td>
<td>55.3%</td>
</tr>
<tr>
<td>Ending Fund Balance (Unassigned)</td>
<td>$ 86.0</td>
<td>$ 88.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending FB as a % of Annual Operating Revenues</td>
<td>21.12%</td>
<td>21.10%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*2018 Budget with Actual 2017 Ending Fund Balance
**Unaudited Preliminary Financial Results

- 2018 performance includes $5.9 million of Revenue in Excess of Expense
  - $2.1 million higher compared to 2018 budget ($3.8 million)
  - 2018 Revenues are $10.4 million higher compared to 2018 Budget
  - 2018 Expenditures are $8.3 M higher compared to 2018 Budget
  - 2018 Ending Fund Balance would be $88.1 M or 21% of Revenue
2018 GF Revenue Performance

Where the $417.6 Million of revenue came from:

- Real Estate Taxes: 49.7%
- Grants: 36%
- Departmental Earnings: 13.7%
- Other Revenue: 0.6%
2018 GF Revenue Performance

County Real Estate Tax (RET) Collections – Consistent with Historical Collections

- Collected $208.2 million of RET Revenue (all sources)
  - Represents almost 50% of General Fund Revenues
  - 2% RET Discounts = $3.8 M (as projected)
  - Strong RET collections consistent with prior years
  - Outperformed budget by $2.1 million or 1% higher

- Collected $23 million of MCCC RET Revenue
  - Increased $300,000 compared to 2017 ($22.7 million)
  - 100% of RET collected remitted to MCCC
## 2018 GF Revenue Performance
Montgomery County

### Historical Real Estate Tax Assessment Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>(As of Jan 1st) Assessed Valuation</th>
<th>Annual % Inc/(Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$57.366</td>
<td>1.00%</td>
</tr>
<tr>
<td>2008</td>
<td>$57.923</td>
<td>0.97%</td>
</tr>
<tr>
<td>2009</td>
<td>$58.303</td>
<td>0.66%</td>
</tr>
<tr>
<td>2010</td>
<td>$58.362</td>
<td>0.10%</td>
</tr>
<tr>
<td>2011</td>
<td>$58.424</td>
<td>0.11%</td>
</tr>
<tr>
<td>2012</td>
<td>$58.293</td>
<td>-0.22%</td>
</tr>
<tr>
<td>2013</td>
<td>$58.539</td>
<td>0.42%</td>
</tr>
<tr>
<td>2014</td>
<td>$58.938</td>
<td>0.68%</td>
</tr>
<tr>
<td>2015</td>
<td>$59.342</td>
<td>0.69%</td>
</tr>
<tr>
<td>2016</td>
<td>$59.646</td>
<td>0.51%</td>
</tr>
<tr>
<td>2017</td>
<td>$60.021</td>
<td>0.63%</td>
</tr>
<tr>
<td>2018</td>
<td>$60.419</td>
<td>0.66%</td>
</tr>
<tr>
<td>2019</td>
<td>$60.701</td>
<td>0.47%</td>
</tr>
<tr>
<td>2019 (YTD)</td>
<td>$60.788</td>
<td>0.14%</td>
</tr>
</tbody>
</table>
2018 GF Revenue Performance

- County Real Estate Assessment Base – moderate growth in 2018 and year-to-date 2019
  - 2019 RE Assessment base $60.701 billion at Jan 1st
    - RE Assessments increased +0.47% or $282.0 million (as compared to Jan 1, 2018)
    - Provides approximately $1 million of new County RET revenue (net)
    - Provides $110,000 of new MCCC RET revenue (net)
2018 Housing Market Update

- 2018 Median Prices for Homes Sold increased +3.5% compared to 2017

- 6% higher as compared to prerecession median prices ($278,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Properties Sold</th>
<th>Annual % Inc/(Dec)</th>
<th>Median Price of Properties Sold</th>
<th>Annual % Inc/ (Dec)</th>
<th>Average Days on Market</th>
<th>Annual % Inc /(Dec)</th>
<th>Average Inventory</th>
<th>Annual % Inc/ (Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>12,546</td>
<td></td>
<td>$ 278,000</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Prerecession</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>9,623</td>
<td>-23.3%</td>
<td>$ 269,700</td>
<td>-3.0%</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Postrecession</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>11,441</td>
<td></td>
<td>$ 278,500</td>
<td>3.3%</td>
<td>69</td>
<td></td>
<td>3,787</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>12,202</td>
<td>6.7%</td>
<td>$ 285,000</td>
<td>2.3%</td>
<td>53</td>
<td>-23.2%</td>
<td>3,160</td>
<td>-16.6%</td>
</tr>
<tr>
<td>2018</td>
<td>12,036</td>
<td>-1.4%</td>
<td>$ 295,000</td>
<td>3.5%</td>
<td>45</td>
<td>-15.1%</td>
<td>2,827</td>
<td>-10.5%</td>
</tr>
</tbody>
</table>

Source: Montco Planning Department and Berkshire Hathaway Home Services
2018 GF Revenue Performance

Overall – Stable Real Estate Market through 2018

- Number of properties sold decreased 1.4% compared to 2017
  - Could be due to lower housing inventory
- Median price of properties sold increased 3.5% to $295,000 (from $285,000)
- Average days on Market decreased 15%
  - Decreased to 45 days (from 51)
## 2018 GF Revenue Performance

### New State Gaming Revenue for General Fund in 2018

- County received $1.6 million of State gaming revenue
- Outperformed budget by $621,000 or 62% higher
- Anticipate above inflationary growth in short-term

### General Fund State Gaming Revenue

<table>
<thead>
<tr>
<th></th>
<th>2018 Q1</th>
<th>2018 Q2</th>
<th>2018 Q3</th>
<th>2018 Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Slot Machines</strong></td>
<td>$426,000</td>
<td>$465,000</td>
<td>$438,000</td>
<td>$455,000</td>
<td>$1,784,000</td>
</tr>
<tr>
<td><strong>Table Games</strong></td>
<td>$102,000</td>
<td>$93,000</td>
<td>$96,000</td>
<td>$88,000</td>
<td>$379,000</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$528,000</td>
<td>$558,000</td>
<td>$534,000</td>
<td>$543,000</td>
<td>$2,163,000</td>
</tr>
<tr>
<td><strong>Less Pass Through Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mission Kids</td>
<td>66,000</td>
<td>70,000</td>
<td>67,000</td>
<td>68,000</td>
<td>271,000</td>
</tr>
<tr>
<td>Laurel House</td>
<td>56,000</td>
<td>59,000</td>
<td>56,000</td>
<td>57,000</td>
<td>228,000</td>
</tr>
<tr>
<td>Women's Center</td>
<td>10,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>43,000</td>
</tr>
<tr>
<td><strong>Total Pass Through Revenue</strong></td>
<td>132,000</td>
<td>140,000</td>
<td>134,000</td>
<td>136,000</td>
<td>542,000</td>
</tr>
<tr>
<td><strong>Net County Revenue</strong></td>
<td>$396,000</td>
<td>$418,000</td>
<td>$400,000</td>
<td>$407,000</td>
<td>$1,621,000</td>
</tr>
</tbody>
</table>
2018 GF Revenue Performance

Other Major Revenue Variances Compared to Budget

- Grant revenue is $6.5 million or 4.7% higher than budget
  - Higher than expected grant funding allocations
  - Offset by expenditures primarily in contracted services

- Investment income finished at $2 million
  - $1.4 million higher than budget
  - Federal short-term interest rates increased significantly since November of 2017 (when 2018 Budget was proposed)

- State Act 315 Health Department funding $1.3 million higher than budget ($2.1 M)
  - Primarily related to reallocation of revenue State-wide
2018 GF Expenditure Performance

How the $411.7 Million was Spent

Controllable Costs Includes:
- Contracted/Provider Services
- 911 Subsidy
- Materials and Supplies
- Equipment Purchases
- Outside Agency Contributions

Personnel Expense 42.7%

All Other Expenses 4.3%

Debt Service 11%

Controllable Expense 42%
2018 GF Expenditure Performance

- 2018 Actual expenses $8.2 Million or 2.1% higher than Budget

- Overall actual personnel expense is $2.3 million or 1.3% lower than budget (consistent with 2017 performance)
  - Better healthcare experience resulted in $1.3 million of budgetary savings
  - Overtime costs approximately $1.1 million higher – offset by staff vacancy cost savings
2018 GF Expenditure Performance

Other expenditure savings in 2018

- Contracted provider services ($10.6 M higher)
  - Offset by grant revenues across all departments
- General Fund subsidy to 911 Fund ($0.2 M higher)
- Debt Service interest expense ($0.7 M lower)
  - Refinancing of outstanding debt in 2018 (termination of Swap)
- Tax refunds ($0.4 M lower)
- Training ($0.4 M lower)
- Risk management costs ($0.3 M lower)
- Information technology ($0.3 M lower)
2018 GF Expenditure Performance

Next steps:

- Further discussion with BOC in weeks ahead regarding fund balance reserves prior to closing the books
- Complete audit between now and June
- Controller’s Office to issue Comprehensive Annual Financial Report (CAFR) prior to June 30th (target date)
End of Presentation