As of today, the fiscal state of the County is strong

- A budget which focuses on meeting County missions to its citizens, while equalling nearly $30 million less than the 2012 Operating Budget
- A structurally balanced budget with several years of annual operating surpluses
- A Fund Balance which is at the recommended level, allowing the County to eliminate short term borrowings
- A Capital Budget which invests primarily in existing County Infrastructure including Parks, Trails, Roads, Bridges and County buildings
- Three consecutive years of making Pension Fund payments
- A twenty-first century IT infrastructure which can support a mobile workforce
If costs primarily stayed the same between 2015 and 2016, the County would be able to continue to fund current operations with current revenue levels.

There are nearly $10 million in new costs beginning in 2016:

- **Prison Health Care contract increase** ($3.2 million)
- **Increasing Debt Service Costs** ($2.6 million)
  - Increased SWAP costs from 2007 issuances ($500,000)
  - Costs associated with failed Logan Square investment in 2010 ($300,000 in 2016 and climbing thereafter)
- **Municipal interest costs for Radio Purchase Program** ($500,000)
- **Costs for new 2016 Debt for Roads, Bridges, and other County infrastructure** ($1.3 million)

**2016 NEW BUDGET CHALLENGES**
2016 New costs (continued):

- Corrections Officers Arbitration Award ($1 million)
- Departmental Mission and Inflationary Factors ($2.4 million)
  - Voters Services costs in a Presidential election year
  - Increase in IT software and licensing fees, allowing for a more efficient and mobile workforce
  - Increased Public Safety technology costs
  - Replacement of outdated and end-of-useful life equipment across multiple departments
  - Increased lab fees for the District Attorney’s Office to deal with the heroin epidemic
Attempting to cover the new expenditures at current revenue levels would require:

- Reducing or eliminating the Pension Fund Payment
- Cutting the Capital Budget and halting investment in critical infrastructure in order to reduce future Debt Service
- Significant cuts to the Community College
- Across the Board Cuts to Staff and Services
- Spending down the Fund Balance below recommended levels, while utilizing one-time funds for recurring costs (ie, deficit spending)
The alternative is a modest tax increase equal to less than $1 a week for the average taxpayer, that would continue the fiscally responsible approach to budgeting that prioritizes the government missions which serve County residents.

- Making an $8 million Pension Fund Payment (increase of $4.2 million) which should represent the full payment based on recent trends and estimates for our Actuarially Defined Contribution.
- Addressing inadequate staffing in County Parks and Security ($650,000)
- Recognizing increasing costs for Court Appointed Fees ($300,000)
- Maintains recommended Reserve Fund levels
- Investing in our workforce by providing a 1.5 percent salary increase for unrepresented employees ($1.3 million)
Additional Budget highlights:

- Continues the wide array of County services currently being provided, including support for our most vulnerable populations, assisting veterans, and providing for public safety
- Allows for expanded 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
- Funds efforts to improve Adult Probation operations
- Funds Planning initiatives to improve utilization of public transportation consistent with the 2040 Plan
- Funds efforts to identify new strategies to utilize the County’s GIS data to better serve the public
The Average Residential Assessment in Montgomery County is: $168,901

<table>
<thead>
<tr>
<th></th>
<th>Millage</th>
<th>Tax</th>
<th>Net Change from 2015 to 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Millage</td>
<td>3.152</td>
<td>$532.38</td>
<td></td>
</tr>
<tr>
<td>2016 Millage (proposed)</td>
<td>3.459</td>
<td>$584.24</td>
<td>$51.85 (9.8%)</td>
</tr>
</tbody>
</table>

Represents an increase for the average homeowner in Montgomery County of less than $1 per week.
## Millage Comparisons

<table>
<thead>
<tr>
<th>County</th>
<th>2016 Mills</th>
<th>Common Level Ratio</th>
<th>2016 County Property Tax per $100,000 Market Value *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware</td>
<td>5.604</td>
<td>67.8</td>
<td>$379.95</td>
</tr>
<tr>
<td>Bucks</td>
<td>23.2</td>
<td>10.8</td>
<td>$250.56</td>
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<tr>
<td>Chester</td>
<td>4.163</td>
<td>57.7</td>
<td>$240.21</td>
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<tr>
<td>Montgomery (proposed)</td>
<td>3.459</td>
<td>57.5</td>
<td>$198.89</td>
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</table>

* This is the standard measure for comparing effective tax rates
Given the County’s commitment to maintaining a transparent and fiscally responsible budget, which provides the services needed to meet the mission of the County, and is structurally sound, I recommend that the Commissioners agree to post the proposed budget which includes a modest tax increase.