

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**

FISCAL STATE OF THE COUNTY

- **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

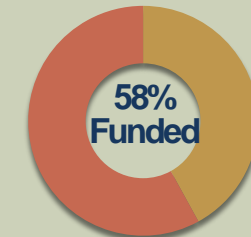
2015: \$3.5 Million Payment

2016: \$8 Million Payment

2017: \$8 Million Payment (Proposed 2017 Budget)

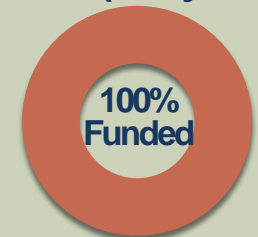
YEAR-END FUND BALANCE

2011



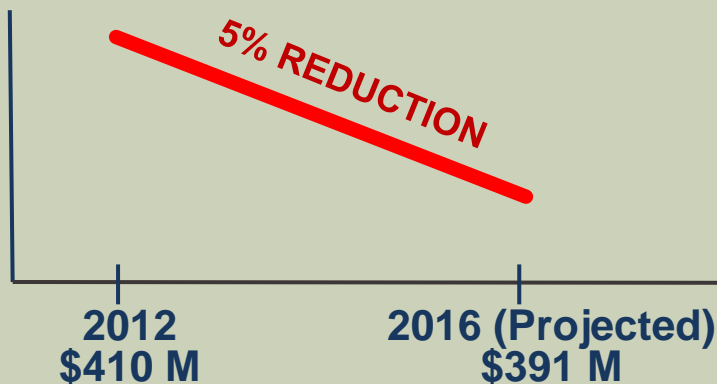
\$24 MILLION

2016 (Projected)



\$39.6 MILLION
(AT RECOMMENDED LEVEL)

OPERATING EXPENDITURES



DEBT

2 0 1 2
\$417
MILLION

-4.3%

2 0 1 6
\$399
MILLION

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

General Fund (Million \$)	2016 Budget	2016 Projected	2017 Proposed	17 Budget v. \$ Inc	16 Budget % Inc
Beginning Fund Balance (Undesignated)	\$ 40.6	\$ 40.9	\$ 39.6		
Revenues	389.7	389.7	415.6	25.9	6.6%
Expenses	389.7	391.0	409.5	19.8	5.1%
Surplus/(Deficit)	-	(1.3)	6.1		
Ending Fund Balance (Undesignated)	\$ 40.6	\$ 39.6	\$ 45.7		
Ending FB as a % of Annual Operating Revenues	10.4%	10.2%	11.0%		

■ 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

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%**

DEDICATED MILLAGE FOR COMMUNITY COLLEGE

- **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

DEDICATED MCCC RET MILLAGE INCREASE IMPACT

Average Residential Assessment
in Montgomery County is \$169,000

RET Millage	Rates	RET
General Fund Operating	3.456	\$584
MCCC Dedicated RET (proposed)	0.39	\$66

Represents and increase for the average Montgomery County homeowner of \$66 per year.

CAPITAL BUDGET

- **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

CAPITAL BUDGET HIGHLIGHTS

- 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

CAPITAL BUDGET HIGHLIGHTS

- 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

NEXT STEPS

- The proposed budget will be posted to County website.
- Two Public Hearings on the Proposed 2017 Budget:
 - December 1st: 11:30 AM (immediately following the Board meeting)
 - December 1st: 4:00 PM
- Final approval of the 2017 Budget scheduled for December 15th 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