

MONTGOMERY COUNTY BOARD OF COMMISSIONERS MEETING

PROPOSED 2020 BUDGET AND CAPITAL IMPROVEMENT PLAN 2020 - 2024



November 21, 2019

REVIEW OF PROPOSED 2020 BUDGET SCHEDULE

- 2020 Budget Distributed to BOC and Public:
 - The Proposed 2020 Budget and Five-year Capital Improvement Program (2020-2024) will be distributed on Nov 21st and posted on County website at www.montcopa.org
 - Copies of both budgets will be available in Norristown Public Library and County Commissioners Office
- Proposed 2020 Budget Public Hearings:
 - Scheduled for December 5th
 - ✓ Morning session begins at 10:00 AM
 - ✓ Evening session begins at 5:30 PM
- Adoption of 2020 Budget scheduled for Dec 12th

2019 GENERAL FUND (GF) YEAR END PROJECTION

| General Fund | 2019* Budget | 2019 Projected | \$ Variance vs 19 Budget | % Variance vs 19 Budget |
|---|-----------------|-------------------|--------------------------------|-------------------------------|
| Beginning Fund Balance | \$ 87.1 | \$ 87.1 | | |
| Revenues | 420.1 | 419.7 | \$ (0.4) | -0.1% |
| Expenses | 420.1 | 418.1 | (2.0) | -0.5% |
| Revenues in Excess of Expense | - | 1.6 | | |
| Ending Fund Balance (Unassigned) | \$ 87.1 | \$ 88.7 | | |
| Ending Unassigned FB as a % of Annual Operating Revenues | 20.7% | 21.1% | | |

*2019 Budget with 2018 Actual Ending Unassigned Fund Balance

- ❖ 2019 Projection estimates \$1.6 million of revenue over expense
 - 2019 Budget anticipated a flat finish – projection \$1.6 million higher
 - Revenue projection is \$400,000 lower than 2019 Budget
 - Expenditure projection is \$2.0 million lower than 2019 Budget
 - ✓ Includes \$1.6 million of negative appropriations (anticipated budgetary savings)

PROPOSED 2020 GENERAL FUND BUDGET

| General Fund | 2019* Budget | 2020 Proposed | \$ Variance vs 19 Budget | % Variance vs 19 Budget |
|---|-----------------|------------------|--------------------------------|-------------------------------|
| Beginning Fund Balance | \$ 87.1 | \$ 88.7 | | |
| Revenues | 420.1 | 419.5 | \$ (0.6) | -0.1% |
| Expenses | 420.1 | 428.5 | 8.4 | 2.0% |
| Revenues in Excess of Expense | - | (9.0) | | |
| Ending Fund Balance (Unassigned) | \$ 87.1 | \$ 79.7 | | |
| Ending Unassigned FB as a % of Annual Operating Revenues | 20.7% | 19.0% | | |

*2019 Budget with 2018 Actual Ending Unassigned Fund Balance

❖ Proposed 2020 Budget includes a \$9.0 million “Structural Imbalance”

- 2020 Revenue Budget is \$600,000 or 0.1% lower than the 2019 Budget
- 2020 Expenditure Budget is \$8.4 million or 2% higher than the 2019 Budget
- Projecting a \$9.0 million budget gap without any new additional revenue

PROPOSED 2020 GENERAL FUND BUDGET BALANCING RECOMMENDATION

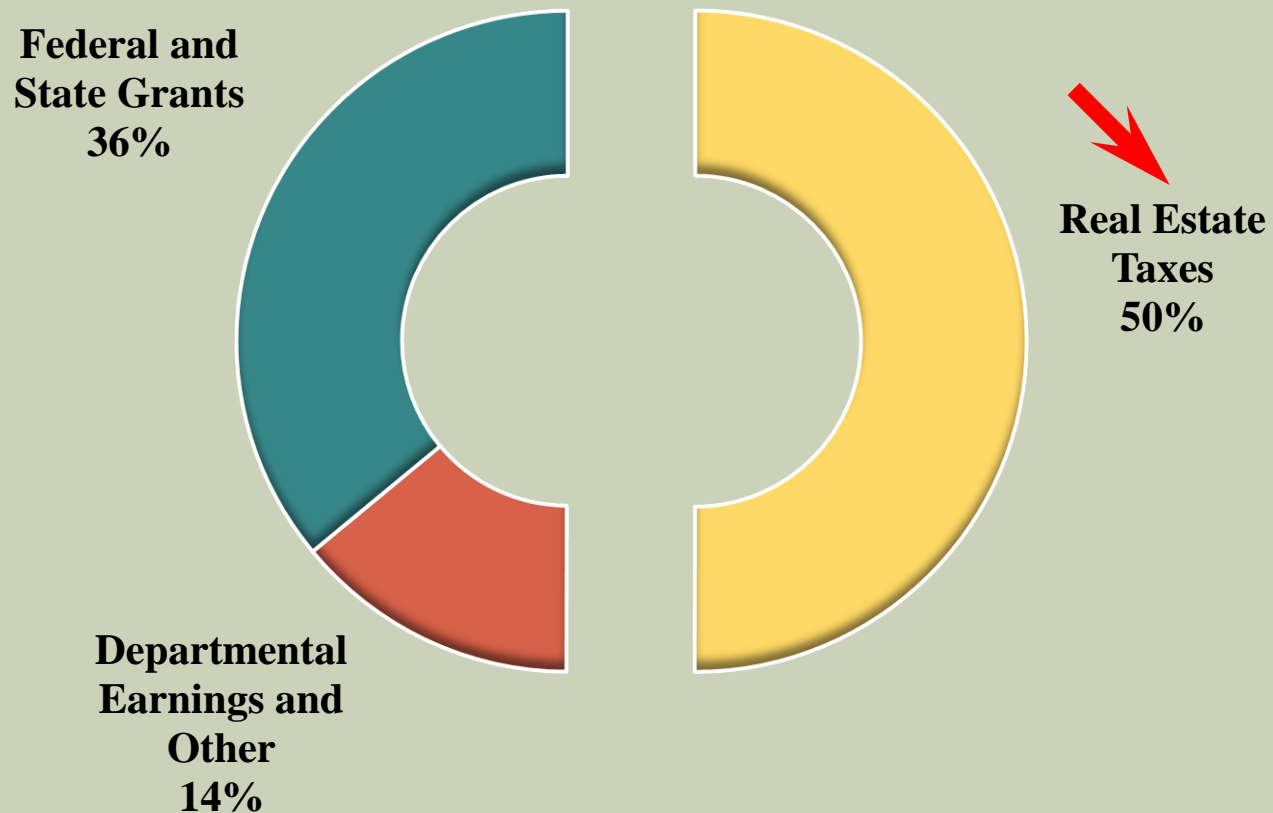
- ❖ Proposed 2020 Budget recommends no Real Estate Tax (RET) millage rate increase (unchanged from 2019)
 - Three (3) consecutive years with no RET increase
- ❖ Planned budgetary drawdown (\$9.0 million) of General Fund reserves to balance 2020 Budget
 - Planned drawdown would decrease fund balance reserves to \$79.7 million (from \$88.7)
 - 2020 ending fund balance projected at 19% of the 2020 General Fund revenues
 - 2020 Budget includes a \$1.2 million negative appropriation (anticipated overall budgetary savings)

PROPOSED 2020 GENERAL FUND BUDGET BALANCING RECOMMENDATION

- ❖ Implementation of a General Fund formal fund balance policy for 2020 and beyond
 - Proposed to maintain a General Fund reserve in the range 18% to 20% of General Fund revenues
 - ✓ Consistent with fund balance reserve levels in recent years
 - ✓ Still behind the national medians (33%) of Triple A counties (as noted by Moody's Investors Service)
 - Consistent with Government Finance Officers Association (GFOA) "Best Practice" for fund balance reserves
 - Provides for unanticipated emergencies and downturns in the economy negatively impacting revenues and expenditures

Proposed 2020 GF Revenue Budget

Projecting \$419.5 Million of Revenue



PROPOSED 2020 BUDGET

RET IMPACT ON COUNTY RESIDENTS

- Real Estate Tax (RET) millage rates proposed at current levels (unchanged from 2019):
 - County General Fund Operating (3.459 mills)
 - Montgomery County Community College (0.39 mills)
 - “Average Single Family Home” of \$344,600 (market value) will pay \$588 RET per year toward County General Fund Services in 2020

| RET Millage Categories | 2019 Adopted Budget | 2020 Proposed Budget | 2020 Projected Average Single Family Dwelling RE Assessment* | Annual RET |
|------------------------|---------------------|----------------------|--|------------|
| General Fund Operating | 3.459 | 3.459 | \$ 170,000 | \$ 588 |
| MCCC Dedicated Funding | 0.390 | 0.390 | 170,000 | 66 |
| Total | 3.849 | 3.849 | | \$ 654 |

**Estimated market value of Average Single Family Dwelling in Montgomery County is \$344,600*

PROPOSED 2020 GENERAL FUND REAL ESTATE TAX (RET)

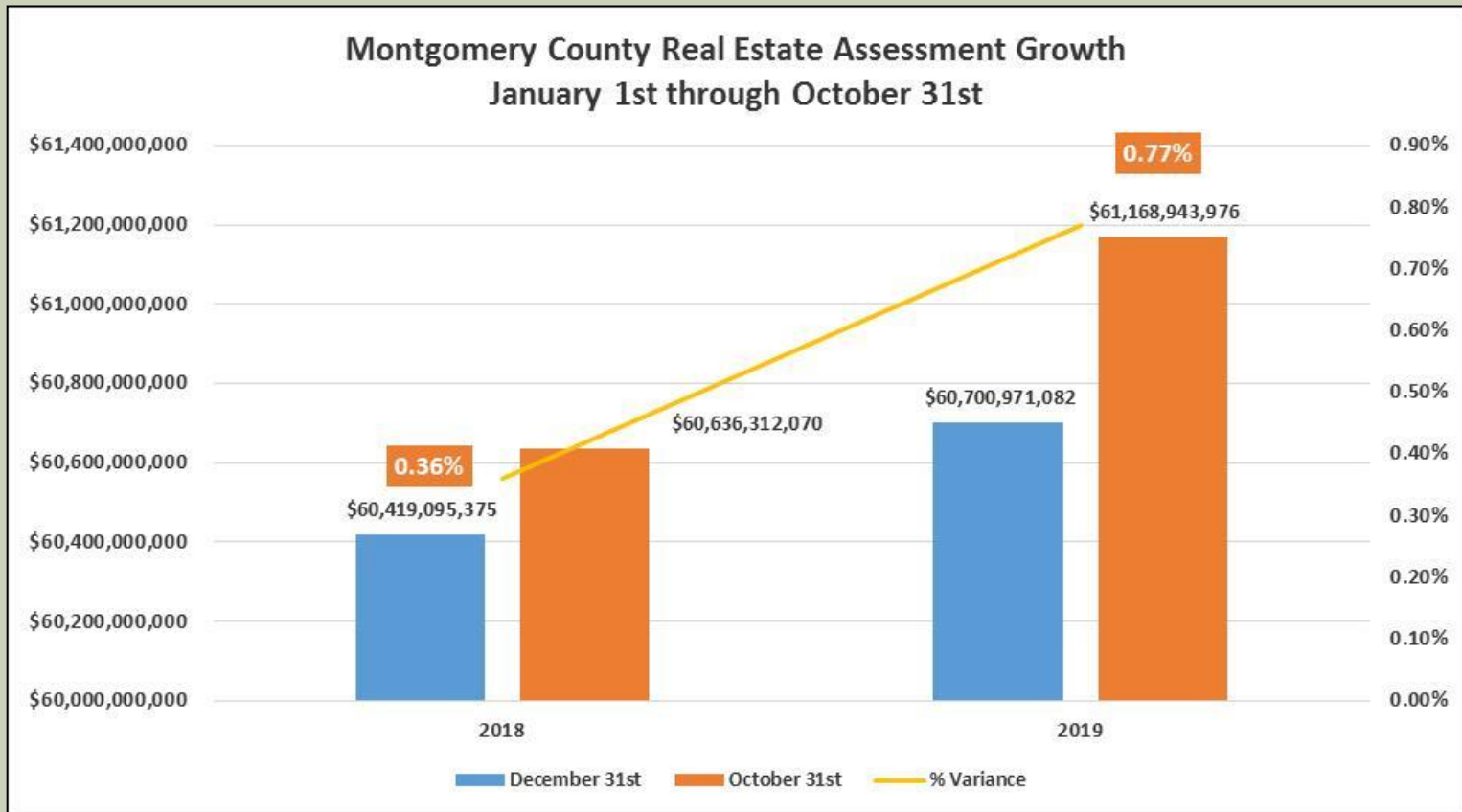
COMPARISON TO SURROUNDING COUNTIES

| County | Operating Budget (Proposed 2020) | Real Estate Millage (Proposed 2020) |
|-------------------|-------------------------------------|--|
| Bucks | \$607,237,000 | 24.45 |
| Chester | \$492,133,000 | 4.369 |
| Delaware | \$358,133,000 | 5.604 |
| Montgomery | \$428,459,000 | 3.849* |

*Includes proposed dedicated RET millage (0.39) to provide ongoing (restricted) funding to the Montgomery County Community College.

2019 COUNTY REAL ESTATE ASSESSMENT OCTOBER 2019 COMPARED TO OCTOBER 2018











- County Real Estate Assessment increased 0.77% compared to 0.36% in 2019 – anticipate negative adjustments by year end



2019 HOME SALES PERFORMANCE

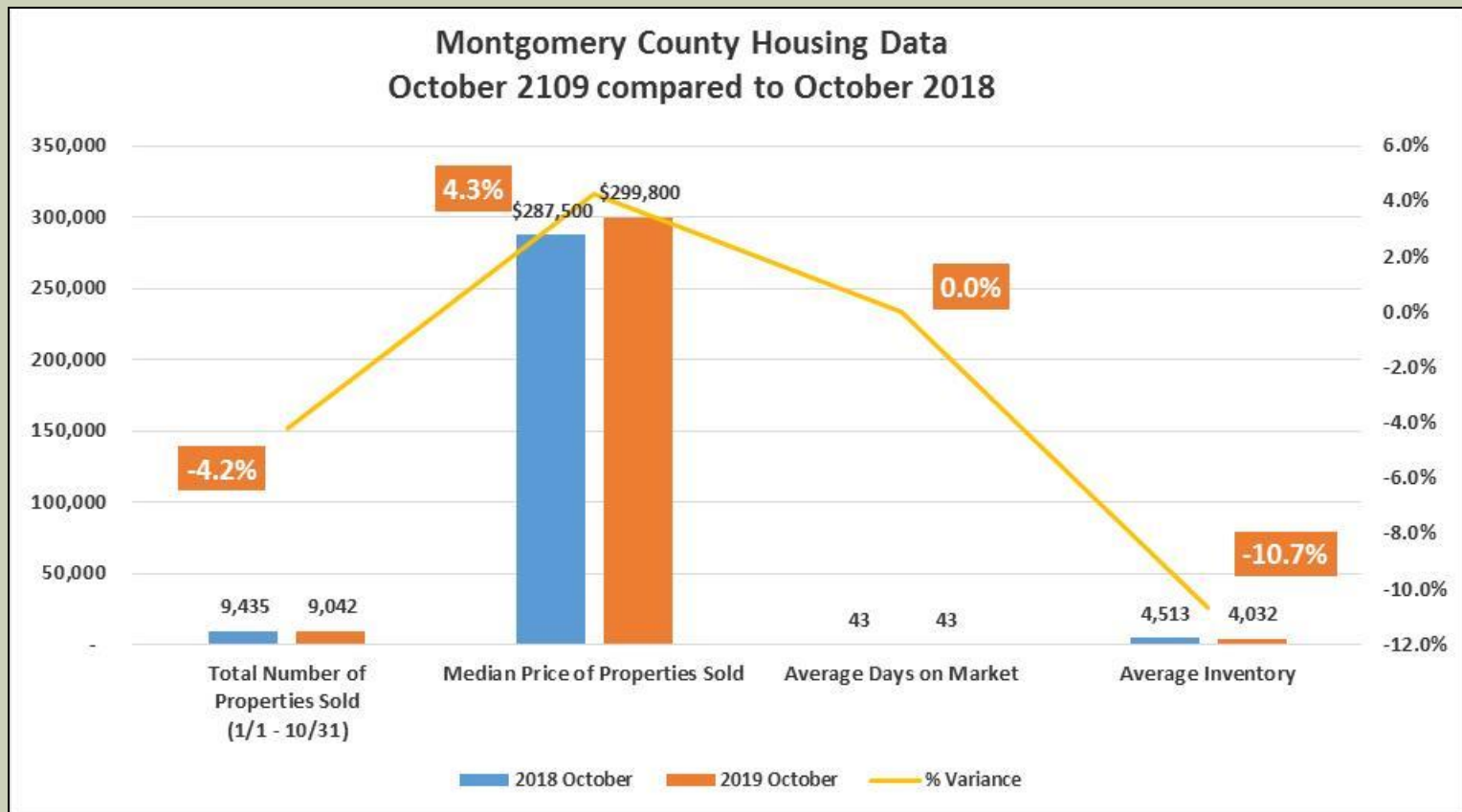
OCTOBER 2019 COMPARED OCTOBER 2018

■ Montgomery County compared to Five County Region

| Metric | 2019 October | 2018 October | Year to Year Trend | % Change 18-19 | 2017 October |
|--|-----------------|-----------------|---|-------------------|-----------------|
| No. of Properties Sold (Jan-Oct) | 9,042 | 9,435 |  | -4.2% | 9,835 |
| No. of Properties Sold (Jan-Oct) | 39,658 | 44,488 |  | -10.9% | 43,120 |
| Median Price of Properties Sold | \$ 299,800 | \$ 287,500 |  | 4.3% | \$ 272,950 |
| Median Price of Properties Sold | \$ 265,000 | \$ 252,000 |  | 5.2% | \$ 241,000 |
| Average Price of Properties Sold | \$ 347,600 | \$ 327,400 |  | 6.2% | \$ 312,600 |
| Average Price of Properties Sold | \$ 314,800 | \$ 306,800 |  | 2.6% | \$ 292,900 |
| Average Days on Market | 43 | 43 |  | 0.0% | 46 |
| Average Days on Market | 43 | 43 |  | 0.0% | 48 |
| Properties Under Contract | 1,099 | 938 |  | 17.2% | 891 |
| Properties Under Contract | 4,808 | 4,252 |  | 13.1% | 4,313 |
| Montgomery County | | | | | |
| Five County Region (Bucks, Chester, Delaware, Montgomery and Philadelphia) | | | | | |

2019 HOME SALES PERFORMANCE OCTOBER 2019 COMPARED TO OCTOBER 2018










■ Snapshot of Montgomery County Housing Data



2020 GF REVENUE PERFORMANCE

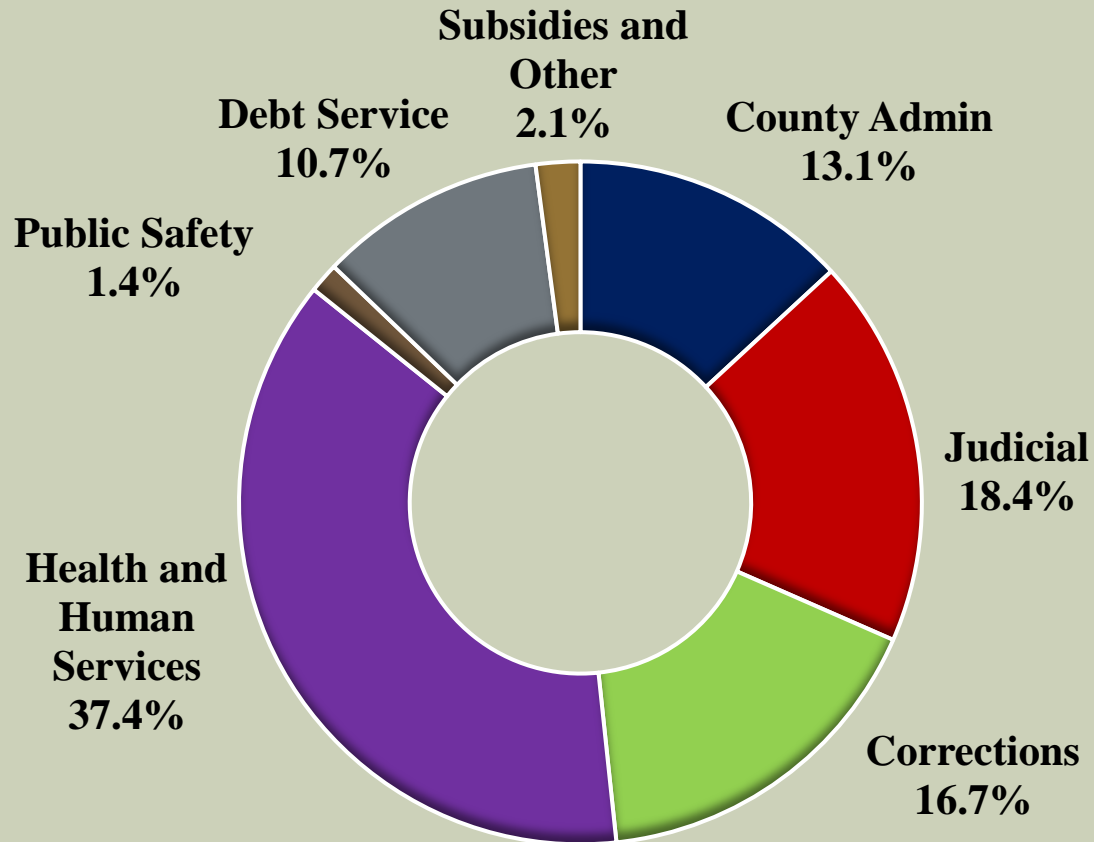
EMERGING REVENUE TRENDS

❖ 2020 Revenue Trends Compared to 2019

- Investment Income 
- Register of Wills Fees 
- Health Dept. Grants (net) 
- Gaming Revenue 
- Recording of Deeds 
- Clerk of Courts Fines 
- Tax Claim 
- Prothonotary 
- MCCF Revenue 

Proposed 2020 General Fund Expenditure Budget

Projecting \$428.5 Million of Expense



PROPOSED 2020 GF EXPENDITURE BUDGET

■ The Proposed 2020 GF Expenditure Budget Highlights

- Projecting \$9.0 million of new personnel costs – approximately 4.8% higher than 2019 and includes:
 - ✓ Full staffing levels in 2020
 - ✓ Approximately 26 new full-time equivalents across various service areas (Courts, Human Health Services, Security and Voters Services)
 - ✓ \$13.5 million of annual funding for the County Pension Plan (100% of required contribution in 2020)
 - ✓ Stable employee healthcare costs (medical, prescription, dental and vision)

PROPOSED 2020 EXPENDITURE BUDGET

■ The Proposed 2020 GF Expenditure Highlights

➤ Non-contractual Employee Base Wage Increases

- ✓ The County completed implementation of the County Compensation Study in 2019
 - Provided funding for positions requiring market adjustments spread over a planned 2 year period (2018 - 2019)
- ✓ The 2020 Budget includes new funding for non-contractual base wages
 - Assumes a minimum +2.75% base wage increase effective January 1, 2020

PROPOSED 2020 GF EXPENDITURE BUDGET

■ The Proposed 2020 GF Expenditure Budget Highlights

➤ Contractual Employee Base Wage Increases

- ✓ Includes contractual wage increases for two of the five represented labor groups (Montgomery County Correctional Facility and Youth Detention Center)
- ✓ County currently in negotiations with remaining three labor groups (Detective Bureau, Court Appointed and Court Related)

PROPOSED 2020 GF EXPENDITURE BUDGET

■ The Proposed 2019 GF Expenditure Budget Highlights

- County contribution to Employee Retirement Fund increased to \$9.0 Million in 2018
 - ✓ Projected to fund \$10.6 million in 2019 and increasing current level to \$13.5 million in 2020
 - ✓ The 2020 contribution would be 100% of required annual pension contribution
 - ✓ Meets Board budget goal to continue increasing annual pension contributions toward 100% funding in 2020 and beyond

PROPOSED 2020 GF EXPENDITURE BUDGET

■ Historical County Contributions to Pension Plan

| Montgomery County Schedule of Employer Contributions | | | |
|--|-----------------------------------|---------------------|---------------------------------|
| Year | Actuarially Determined Rate (ADR) | County Contribution | County Contribution as % of ADR |
| 2008 | \$0 | \$0 | - |
| 2009 | \$8,155,700 | \$0 | 0.0% |
| 2010 | \$7,857,000 | \$0 | 0.0% |
| 2011 | \$9,318,600 | \$0 | 0.0% |
| 2012 | \$11,798,200 | \$0 | 0.0% |
| 2013 | \$11,000,300 | \$3,382,900 | 30.8% |
| 2014 | \$10,736,100 | \$3,778,000 | 35.2% |
| 2015 | \$9,689,900 | \$3,588,800 | 37.0% |
| 2016 | \$10,880,100 | \$8,703,100 | 80.0% |
| 2017 | \$10,745,100 | \$8,982,800 | 83.6% |
| 2018 | \$10,588,800 | \$9,040,700 | 85.4% |
| 2019 Projected | \$12,078,200 | \$10,600,000 | 87.8% |
| Proposed 2020 Budget | \$13,490,000 | \$13,490,000 | 100.0% |

PROPOSED 2020 GF EXPENDITURE BUDGET

- County planning for New Money Borrowing in 2020 to fund Capital Improvement Program
 - ✓ \$70 million for County capital projects
 - Adds new General Fund debt service beginning in 2021
 - ✓ \$12 million for Road and Bridge Capital Projects
 - Adds new debt service 100% funded through Motor Vehicle Registration Fund
 - ✓ Planning with County Financial Advisor and Bond Counsel to begin in early 2020
 - Long-term interest rates hit historic lows in 2019
 - County Financial Advisor continues to monitor potential bond refinancing opportunities

CAPITAL IMPROVEMENT PROGRAM

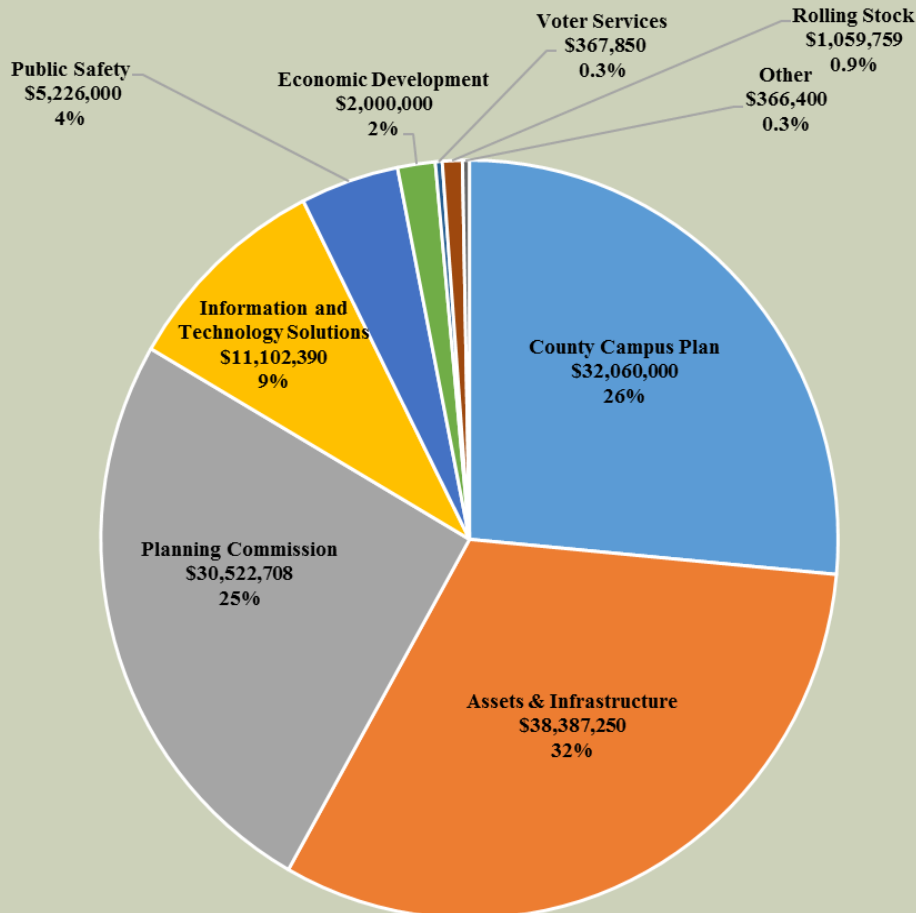
MONTGOMERY COUNTY

PROPOSED

FIVE YEAR (2019 – 2023) CAPITAL IMPROVEMENT PLAN

MONTGOMERY COUNTY PROPOSED 2020 CAPITAL IMPROVEMENT PROGRAM

Use of Funds By Major Capital Program Area
Includes federal, state, county, & other sources of funding



PROPOSED CAPITAL IMPROVEMENT PROGRAM (2020-2024)

Proposed Changes to 2020 Capital Fund Budget Compared to 2019 Budget

| Capital Projects Fund | 2019 Budget | 2020 Proposed | \$ Variance vs 19 Budget | % Variance vs 19 Budget |
|--|----------------|------------------|--------------------------------|-------------------------------|
| Beginning Fund Balance | \$ - | \$ 15.0 | | |
| Revenues: | | | | |
| Capital Fund Bond Proceeds | \$ 57.7 | \$ 69.7 | \$ 12.0 | 20.8% |
| Motor Vehicle Registration Bond Proceeds | 14.6 | 11.5 | (3.1) | -21.2% |
| Federal Grants | 17.4 | 12.9 | (4.5) | -25.9% |
| State Grants | 9.1 | 11.7 | 2.6 | 28.6% |
| Other | 1.9 | 0.3 | (1.6) | -84.2% |
| Total Revenues | \$ 100.7 | \$ 106.1 | \$ 5.4 | 5.4% |
| Expenditures: | | | | |
| County Campus Plan | \$ 23.4 | \$ 32.1 | \$ 8.7 | 37.2% |
| Assets and Infrastructure | 21.7 | 38.4 | 16.7 | 77.0% |
| Planning Commission | 31.8 | 30.5 | (1.3) | -4.1% |
| Information and Technology Solutions | 7.8 | 11.1 | 3.3 | 42.3% |
| Public Safety | 4.7 | 5.2 | 0.5 | 10.6% |
| Economic Development | 2.0 | 2.0 | - | 0.0% |
| Voter Services | 8.1 | 0.4 | (7.7) | -95.1% |
| Rolling Stock | 1.0 | 1.1 | 0.1 | 10.0% |
| Other | 0.2 | 0.4 | 0.2 | 100.0% |
| Total Expenditures | \$ 100.7 | \$ 121.1 | \$ 20.4 | 20.3% |
| Revenues in Excess of Expense | - | - | | |
| Ending Fund Balance (Unassigned) | \$ - | \$ - | | |

END OF PRESENTATION