

MONTGOMERY COUNTY BOARD OF COMMISSIONERS MEETING

PROPOSED 2021 BUDGET AND CAPITAL IMPROVEMENT PLAN 2021 - 2025



November 19, 2020
(Updated)

REVIEW OF PROPOSED 2021 BUDGET SCHEDULE

- 2021 Budget Distributed to BOC and Public:
 - The Proposed 2021 Budget and Five-year Capital Improvement Program (2021-2025) will be distributed on Nov 19th 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 2021 Budget Public Hearings:
 - Scheduled for December 3rd
 - ✓ Morning session begins at 10:00 AM
 - ✓ Evening session begins at 5:30 PM

- Adoption of 2021 Budget scheduled for Dec 17th

2020 GENERAL FUND (GF) YEAR END PROJECTION

General Fund	2020 Budget	2020 Forecast	\$ Variance vs 20 Budget	% Variance vs 20 Budget
Beginning Fund Balance	\$ 88.7	\$ 92.4		
Revenues	419.5	442.9	23.4	5.58%
Expenses	428.5	425.1	(3.4)	-0.79%
Revenues in Excess of Expense	(9.0)	17.8		
Ending Unassigned Fund Balance	\$ 79.7	\$ 110.2		
Ending Unassigned FB as a % of Annual Operating Revenues	19.0%	24.9%		

❖ 2020 Projection estimates \$17.8 million of revenue over expense

- 2020 Budget anticipated a planned drawdown of fund balance
- CARES Act funding is projected to provide \$24 million of one-time revenue for reimbursement of eligible costs to manage the COVID-19 pandemic in 2020
- Expenditure projection is \$3.4 million lower than 2020 Budget
 - ✓ Includes \$1.2 million of negative appropriations (anticipated budgetary savings)

PROPOSED 2021 GENERAL FUND BUDGET

General Fund	2020 Budget	2021 Proposed	\$ Variance vs 20 Budget	% Variance vs 20 Budget
Beginning Fund Balance	\$ 88.7	\$ 110.2		
Revenues	419.5	444.5	25.0	5.96%
Expenses	428.5	461.6	33.1	7.72%
Revenues in Excess of Expense	(9.0)	(17.1)		
Ending Unassigned Fund Balance	\$ 79.7	\$ 93.1		
Ending Unassigned FB as a % of Annual Operating Revenues	19.0%	20.9%		

- ❖ Proposed 2021 Budget includes a \$17.1 million “Structural Budget Deficit”
 - 2021 Revenue Budget is \$25 million or 6% higher than the 2020 Budget
 - Primarily attributed to \$21 million of one-time State grant funding to manage the pandemic
 - 2021 Expenditure Budget is \$33.1 million or 7.7% higher than the 2020 Budget
 - Includes \$21 million of expense offsetting State grant revenue

PROPOSED 2021 GENERAL FUND BUDGET BALANCING RECOMMENDATION

- ❖ Proposed 2021 Budget recommends a combination of the following financial steps to balance the budget:
 - Assign \$14.5 million of projected 2020 ending fund balance for future pension and debt service costs in 2021 and beyond
 - ✓ Recognizes utilization of one-time revenues for growing costs in critical areas
 - ✓ Preserves funds on the balance sheet for specific future uses
 - ✓ Requires formal Board approval before closing the 2020 financial books
 - Proposed 2021 Budget recommends increasing the County's operating Real Estate Tax (RET) millage rate to 3.632 mills (from 3.459 mills)
 - ✓ The County RET millage rate has remained flat since 2017 – three consecutive years with no change
 - ✓ The Proposed 2021 millage rate increase would add \$10.5 million of new net real estate tax revenue

PROPOSED 2021 GENERAL FUND BUDGET BALANCING RECOMMENDATION

- ❖ Planned budgetary drawdown (\$6.7 million) of General Fund reserves to balance 2021 Budget
 - Planned drawdown would decrease fund balance reserves to \$88.9 million (from \$95.5)
 - 2021 ending fund balance projected at 19.6% of the 2021 General Fund revenues
 - 2021 Budget includes a \$1.3 million negative appropriation (anticipated overall budgetary savings)

- ❖ 2021 Ending fund balance within the County's fund balance policy goal range of 18% - 20% of revenues
 - Provides capacity to manage in a volatile economy and a pandemic
 - Need to be cautious and plan carefully with COVID-19 surging and realize the 2021 budget could underperform due to these factors

PROPOSED 2021 GENERAL FUND BUDGET BALANCING RECOMMENDATION

❖ Result of Implementing 2021 Budget Balancing Recommendation:

General Fund	2020 Forecast	2021 Proposed	\$ Variance vs 20 Budget	% Variance vs 20 Budget
Beginning Fund Balance	\$ 92.4	\$ 95.7		
Revenues	1 442.9	454.9	3 12.0	2.71%
Expenses	425.1	461.6	36.5	8.59%
Revenues in Excess of Expense	17.8	(6.7)	4	
Assignment of Ending Fund Balance For Future Pension and Debt Costs	2 (14.5)			
Ending Unassigned Fund Balance	\$ 95.7	\$ 89.0		
Ending Unassigned FB as a % of Annual Operating Revenues	21.6%	19.6%	5	

- 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)

PROPOSED 2021 GENERAL FUND BUDGET BALANCING RECOMMENDATION

❖ Result of Implementing 2021 Budget Balancing Recommendation:

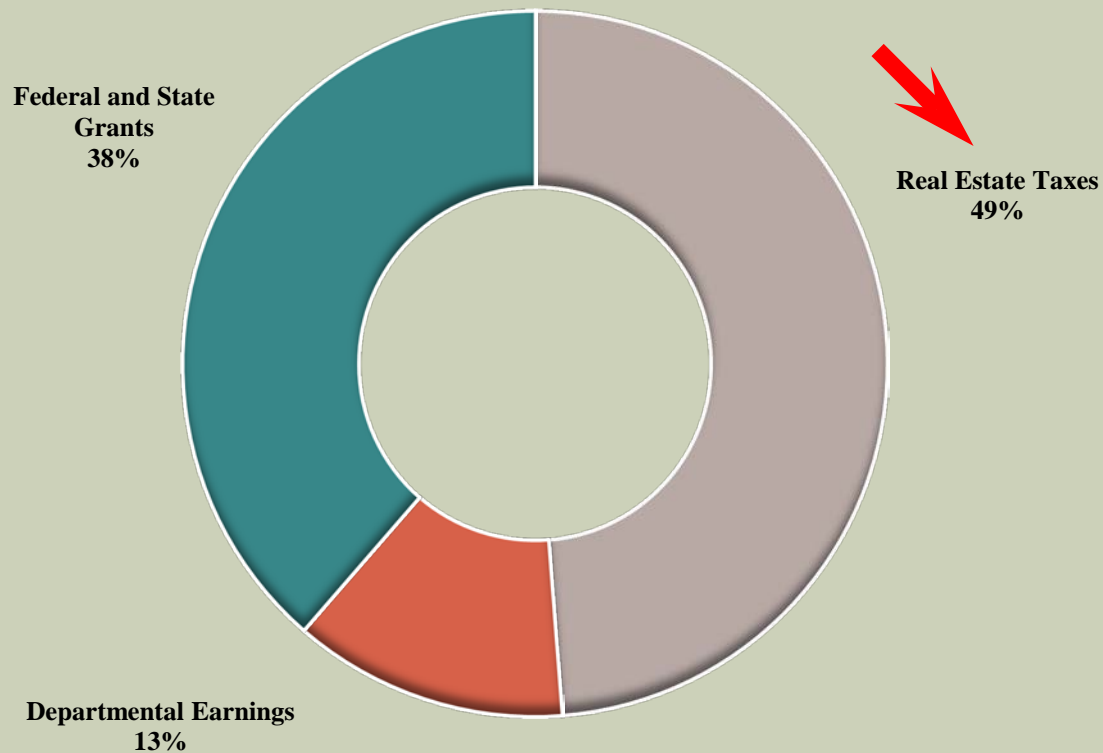
General Fund	2020 Forecast	2021 Proposed	\$ Variance vs 20 Budget	% Variance vs 20 Budget
Beginning Fund Balance	\$ 92.4	\$ 95.7		
Revenues	442.9	454.9	12.0	2.71%
Expenses	425.1	461.6	36.5	8.59%
Revenues in Excess of Expense	17.8	(6.7)		
Assignment of Ending Fund Balance For Future Pension and Debt Costs	(14.5)			
Ending Unassigned Fund Balance	\$ 95.7	\$ 89.0		
Ending Unassigned FB as a % of Annual Operating Revenues	21.6%	19.6%		

- Formal BOC assignment (required) of \$14.5 million results in projected ending fund balance of \$95.7 million in 2020 and \$89 million in 2021

Proposed 2021 GF Revenue Budget

Projecting \$455 Million of Revenue

REVENUE BY FUNDING SOURCE



PROPOSED 2021 BUDGET RET IMPACT ON COUNTY RESIDENTS

- ❖ Real Estate Tax (RET) millage rates proposed to increase 5% in 2021
 - County General Fund Operating (3.632 mills)
 - Montgomery County Community College (0.39 mills)
 - “Average Single Family Home” of \$362,000 (market value) will pay \$617 RET per year toward County General Fund Services in 2021 – an increase of \$29 annually

Montgomery County Real Estate Taxes	2020 Budget	2021 Proposed	Average Single Family Dwelling RE Assessment	2020 RET	2021 RET
General Fund Operating	3.459	3.632	\$ 170,000	\$ 588	\$ 617
MCCC Dedicated Funding	0.390	0.390	170,000	66	66
Total	3.849	4.022	0.2	\$ 654	\$ 684
Net Annual Increase				\$	29

PROPOSED 2021 GENERAL FUND REAL ESTATE TAX (RET)

COMPARISON TO SURROUNDING COUNTIES

County	Real Estate Millage Rates		Millage Inc	% Inc
	2020	Proposed 2021		
Bucks	24.450	25.450	1.000	4.1%
Delaware	5.604	N/A	0.000	0.0%
Chester	4.369	4.551	0.182	4.2%
Montgomery*	3.459	3.632	0.173	5.0%

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

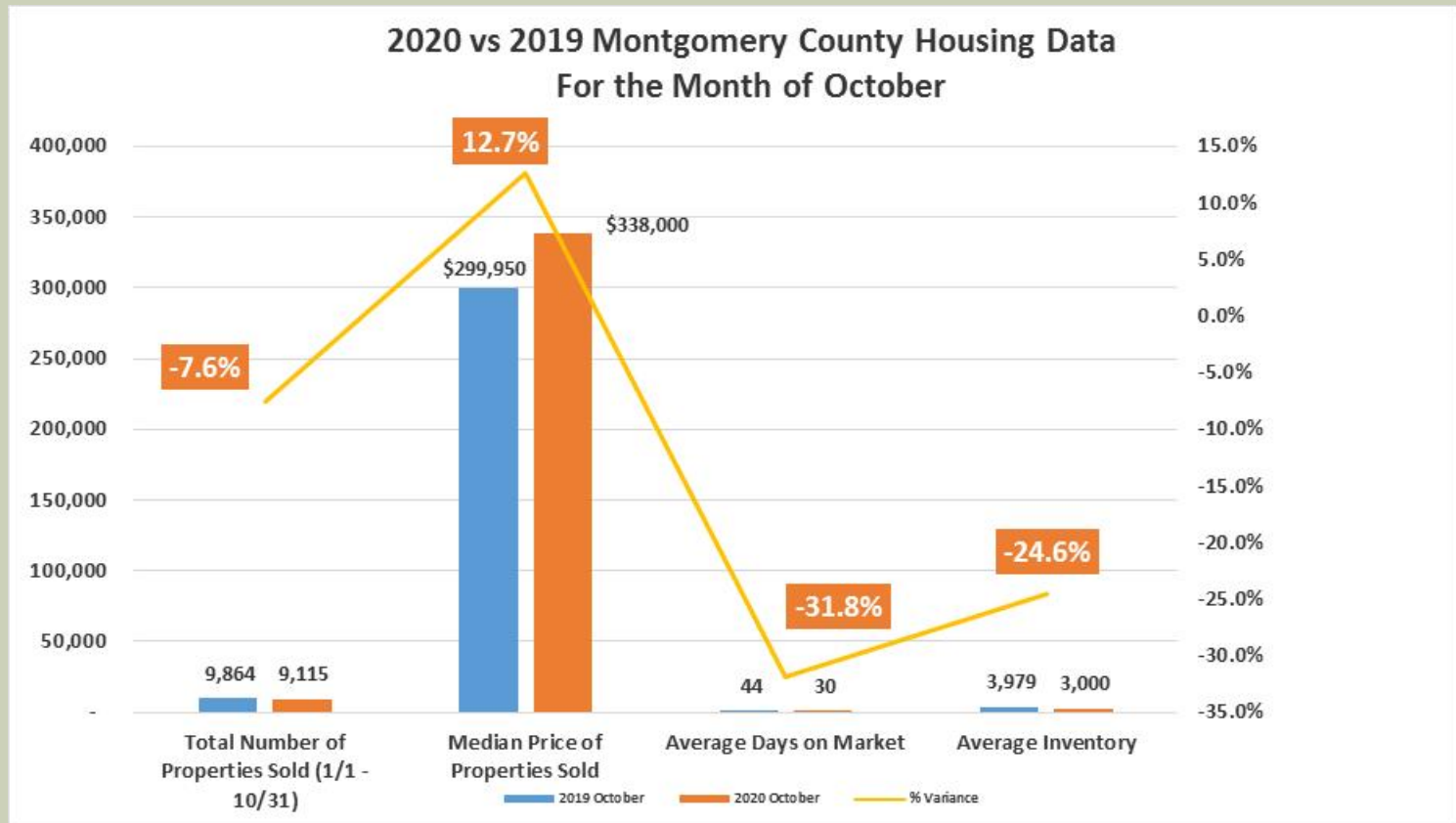
2020 COUNTY REAL ESTATE ASSESSMENT OCTOBER 2020 COMPARED TO OCTOBER 2019

- County Real Estate Assessment increased 0.73% compared to 0.72% in 2020 – anticipate negative adjustments by year end



2020 HOME SALES PERFORMANCE OCTOBER 2020 COMPARED TO OCTOBER 2019

■ Snapshot of Montgomery County Housing Data



2020 HOME SALES PERFORMANCE

OCTOBER 2020 COMPARED OCTOBER 2019

■ Montgomery County compared to Five County Region

Benchmark	2020 October	2019 October	Year to Year Trend	% Change 20-19	2018 October
No. of Properties Sold (Jan-Oct)	9,115	9,864		-7.6%	9,611
No. of Properties Sold (Jan-Oct)	40,734	44,438		-8.3%	44,433
Median Price of Properties Sold	\$ 338,000	\$ 299,950		12.7%	\$ 287,500
Median Price of Properties Sold	\$ 318,600	\$ 274,200		16.2%	\$ 264,800
Average Price of Properties Sold	\$ 397,350	\$ 347,450		14.4%	\$ 327,350
Average Price of Properties Sold	\$ 379,500	\$ 324,600		16.9%	\$ 320,100
Average Days on Market	30	44		-31.8%	43
Average Days on Market	38	44		-13.6%	41
Properties Under Contract	1,307	1,030		26.9%	938
Properties Under Contract	5,759	4,494		28.1%	4,242
Montgomery County					
Five County Region (Bucks, Chester, Delaware, Montgomery and Philadelphia)					

2021 GF REVENUE PERFORMANCE

EMERGING REVENUE TRENDS

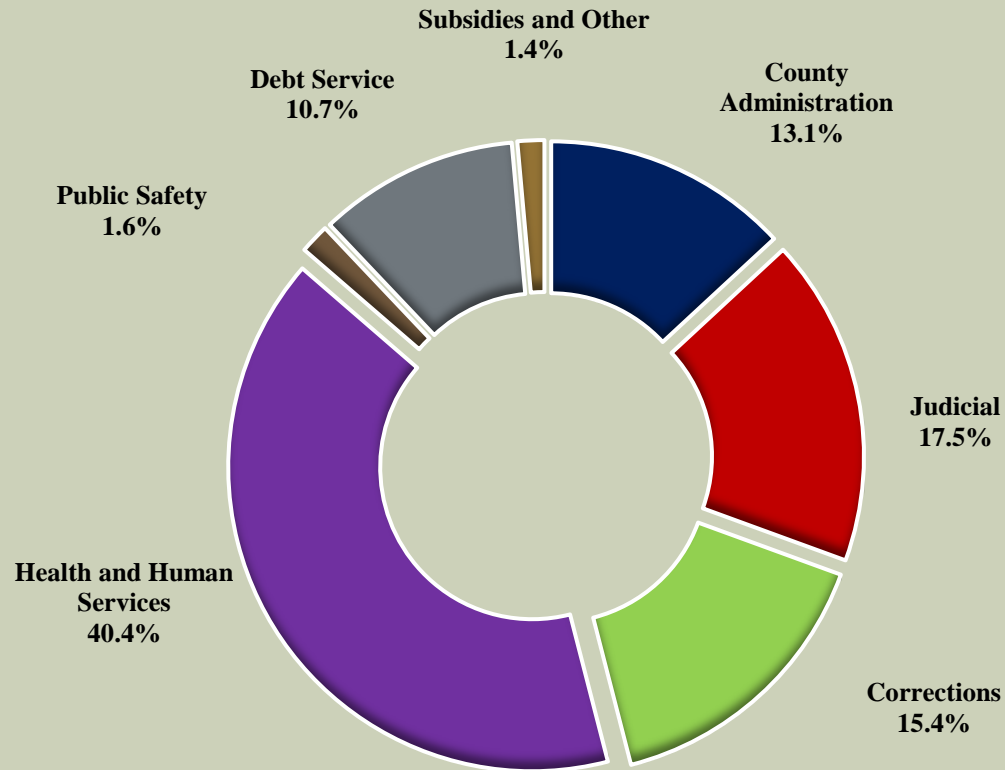
2021 Major Revenue Trends Compared to 2020

Revenue	2020 Budget	2021 Proposed	21 Bud vs. 20 Bud \$ VAR	21 Bud v 20 Bud % VAR
GRANT REVENUE	\$ 115,766,244	\$ 139,489,894	\$ 23,723,650	20.5%
REAL ESTATE TAXES (NET)	210,058,957	221,828,075	11,769,118	5.6%
MISCELLANEOUS REVENUE	1,306,099	3,842,673	2,536,574	194.2%
TITLE IV GRANTS (NET)	6,701,600	7,655,697	954,097	14.2%
ACT 315 OPERATING	2,075,031	2,358,000	282,969	13.6%
FINES & FORFEITS	250,000	140,000	(110,000)	-44.0%
GRANT IN AID	1,244,637	1,121,599	(123,038)	-9.9%
CHILD MAINTENANCE - DRO	610,000	420,000	(190,000)	-31.1%
OFFENDER SUPERVISION FEE	1,669,532	1,475,032	(194,500)	-11.6%
FAMILY CENTER GRANT	205,000	-	(205,000)	-100.0%
ACT 148	23,700,000	23,490,718	(209,282)	-0.9%
DISTRICT JUSTICE REVENUE	2,650,000	2,400,000	(250,000)	-9.4%
FEES	21,603,805	20,868,005	(735,800)	-3.4%
INVESTMENT INCOME	1,950,000	600,000	(1,350,000)	-69.2%
ALL OTHER NET	29,734,424	29,255,190	(479,234)	-1.6%
	\$ 419,525,329	\$ 454,944,883	\$ 35,419,554	8.4%

Proposed 2021 General Fund Expenditure Budget

Projecting \$461.6 Million of Expense

EXPENDITURES BY FUNCTIONAL AREA



2021 GF REVENUE PERFORMANCE EMERGING EXPENDITURE TRENDS

2021 Major Expenditure Trends Compared to 2020

EXPENDITURES	2020 Budget	2021 Proposed	21 Bud vs. 20 Bud \$ VAR	21 Bud v 20 Bud % VAR
PUBLIC HEALTH EMERGENCY	\$ -	\$ 17,827,899	\$ 17,827,899	100.0%
PERSONNEL COSTS	194,750,026	203,455,460	8,705,434	4.5%
DEBT SERVICE	45,994,550	49,156,327	3,161,777	6.9%
CONTRACTED SERVICE - OTHER	18,385,416	19,737,615	1,352,199	7.4%
CONTRACTED COST OF PROSECUTION	570,000	1,300,000	730,000	128.1%
INDIRECT COSTS (GRANTS)	307,402	906,064	598,662	194.7%
SOFTWARE LICENSES	1,701,933	2,203,249	501,316	29.5%
MASS TRANSPORTATION (SEPTA)	5,439,877	5,922,877	483,000	8.9%
LIABILITY-PROPERTY DAMAGE	2,000,000	2,300,000	300,000	15.0%
UTILITIES - ELECTRIC	1,625,691	1,525,796	(99,895)	-6.1%
EDS (9-1-1) FUND SUBSIDY	2,269,204	2,166,576	(102,628)	-4.5%
FOOD PROVISIONS	1,911,660	1,774,750	(136,910)	-7.2%
BUILDING/GROUNDS MAINTENANCE	439,848	247,393	(192,455)	-43.8%
PROVIDER SERVICES	111,150,454	110,402,440	(748,014)	-0.7%
ALL OTHER NET	41,912,725	42,708,679	795,954	1.9%
Total	\$ 428,458,786	\$ 461,635,125	\$ 33,176,339	7.7%

PROPOSED 2021 GF EXPENDITURE BUDGET

■ The Proposed 2021 GF Expenditure Budget Highlights

- Projecting \$8.7 million of new personnel costs – approximately 4.5% higher than 2020 and includes:
 - ✓ Full staffing levels in 2021
 - ✓ New funding to address various personnel costs
 - ✓ \$16.4 million of annual funding for the County Pension Plan (89% of required contribution in 2021)
 - Continuation of BOC goal to fund 100% of annual pension costs
 - ✓ Stable employee healthcare costs (medical, prescription, dental and vision)

PROPOSED 2021 EXPENDITURE BUDGET

■ The Proposed 2021 GF Expenditure Highlights

➤ Non-contractual Employee Base Wage Increases

- ✓ The 2021 Budget includes new funding for non-contractual base wages and other personnel costs
 - Assumes a minimum +2.75% base wage increase effective January 1, 2021
 - Adjusting current part-time and full-time positions with minimum pay rates of \$15 per hour
 - Continuation of aligning departmental work schedules with a 37.5 hour work week
 - Provides funding for new Pre-trial Department and enhancements to Voter Services service levels

PROPOSED 2021 GF EXPENDITURE BUDGET

■ The Proposed 2021 GF Expenditure Budget Highlights

➤ Contractual Employee Base Wage Increases

- ✓ Includes contractual wage increases for four of the five represented labor groups
- ✓ County currently in negotiations with the Youth Center labor group

PROPOSED 2021 GF EXPENDITURE BUDGET

■ The Proposed 2020 GF Expenditure Budget Highlights

- County contribution to Employee Retirement Fund will increase to \$16.4 Million in 2021
 - ✓ County funded \$10.8 million in 2019 and is projected to contribute \$13.7 million in 2020
 - ✓ The 2021 contribution would be 89% of required annual pension contribution
 - ✓ Meets Board budget goal to continue increasing annual pension contributions toward 100% funding in 2021 and beyond

PROPOSED 2021 GF EXPENDITURE BUDGET

- County planning for New Money Borrowing in 2021 to fund Capital Improvement Program
 - ✓ \$125 million for County capital projects
 - Adds new General Fund debt service beginning in 2021
 - ✓ \$16 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 underway – targeting bond sale in mid-January 2021
 - Interest rates hit historic lows in 2020
 - County Financial Advisor continues to monitor potential bond refinancing opportunities

CAPITAL IMPROVEMENT PROGRAM

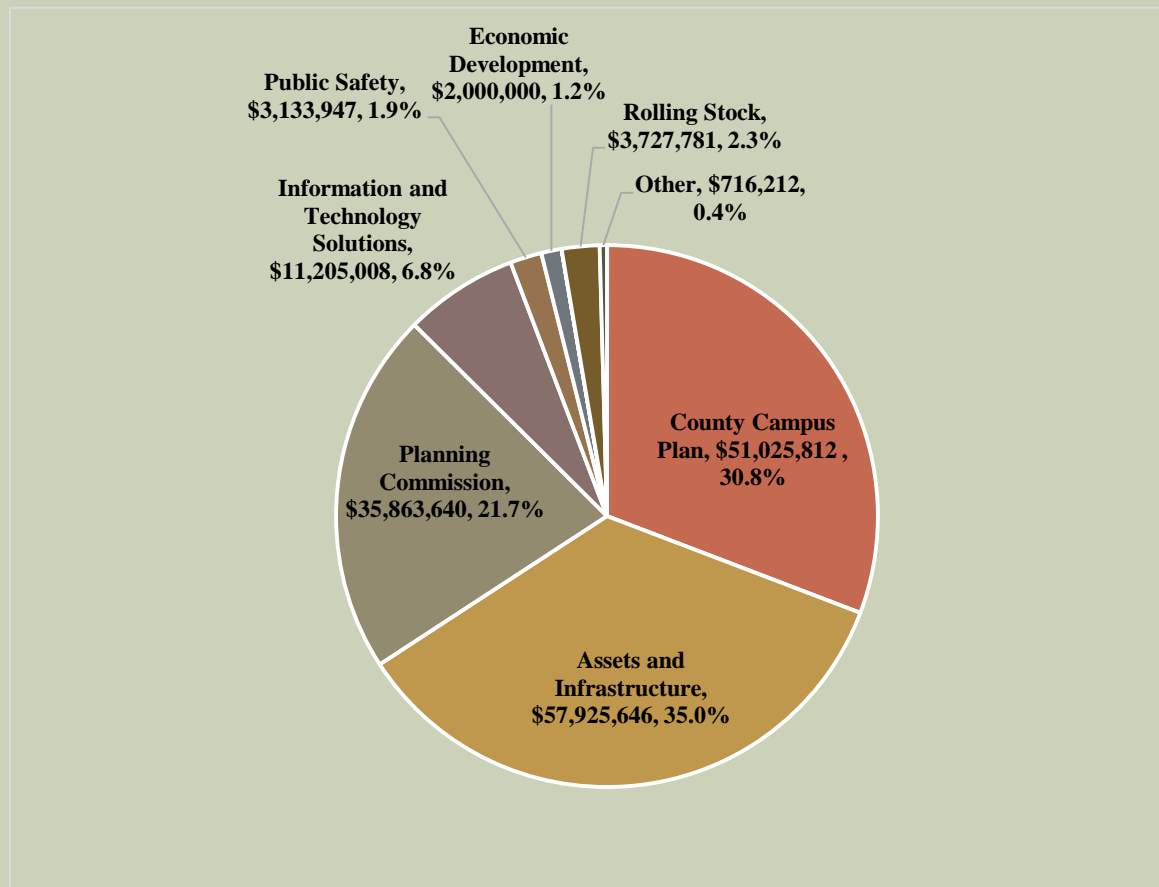
MONTGOMERY COUNTY

PROPOSED

FIVE YEAR (2021 – 2025)
CAPITAL IMPROVEMENT PLAN

MONTGOMERY COUNTY PROPOSED 2021 CAPITAL IMPROVEMENT PROGRAM

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



PROPOSED CAPITAL IMPROVEMENT PROGRAM (2021-2025)

Capital Fund 2020 Budget and 2021 Budget

Capital Projects Fund	2020 Budget	2021 Budget
<u>Revenues</u>		
Capital Fund Bond Proceeds	\$69,711,843	\$127,080,856
Motor Vehicle Registration Bond Proceeds	11,517,500	17,093,000
Federal Grants	12,877,180	12,796,274
State Grants	11,735,834	6,342,916
Other Grants	-	135,000
Other Revenue	250,000	2,150,000
Total Revenues	<u>\$106,092,357</u>	<u>\$165,598,046</u>
Fund Balance January 1	\$15,000,000	-
Total Revenues and Beginning Fund Balance	<u>\$121,092,357</u>	<u>\$165,598,046</u>
<u>Expenditures</u>		
County Campus Plan	\$32,060,000	\$51,025,812
Assets and Infrastructure	38,387,250	57,925,646
Planning Commission	30,522,708	35,863,640
Information and Technology Solutions	11,102,390	11,205,008
Public Safety	5,226,000	3,133,947
Economic Development	2,000,000	2,000,000
Voter Services	367,850	-
Rolling Stock	1,059,759	3,727,781
Other	366,400	716,212
Total Expenditures	<u>\$121,092,357</u>	<u>\$165,598,046</u>
Fund Balance December 31	-	-
Total Expenditures and Ending Fund Balance	<u>\$121,092,357</u>	<u>\$165,598,046</u>

END OF PRESENTATION