Revenues

INTRODUCTION

This chapter provides demographic and economic assumptions, including detailed discussions of the national, State and local economies. Revenue sources, both tax supported and non-tax supported, used to fund the County Executive's Recommended FY16 Operating Budget incorporate policy recommendations.

ESTIMATING SIX-YEAR COSTS

Demographic Assumptions

The revenue projections of the Public Services Program (PSP) incorporate demographic assumptions based on Metropolitan Washington Council of Governments (COG) Round 8.3 estimates and are based on fiscal and economic data and analyses used or prepared by the Department of Finance. *A Demographic and Economic Assumptions* chart located at the end of this chapter provides several demographic and planning indicators.

- County population will continue to increase an average of approximately 9,170 persons each year throughout the next six years (from CY2015 to CY2021) reaching 1,020,000 in CY2015 and 1,075,000 in CY2021. This reflects an average annual growth rate of 0.9 percent.
- Current projections estimate the number of households to increase from 377,500 in CY2015 to 401,000 in CY2021. Household growth throughout the six year period is projected to grow at an average annual rate of 1.0 percent.
- The County's senior population continues to grow with an estimated 119,769 persons 65 and older living here in 2010 and projected to increase by 40 percent to 168,200 by 2020.
- County births, which are one indicator of future elementary school populations and child day care demand, are projected to start gradually increasing after six years of declining numbers, from an estimated 13,022 in 2013 to 13,640 by 2020.
- The County expects Montgomery County Public School student enrollment to increase by 8,864 between FY16 and FY21.
- Montgomery College full-time equivalent student enrollments are projected to decrease from 21,409 in FY14 to 20,717 in FY20.

Using moderate economic and demographic assumptions to develop fiscal projections does not mean that all possible factors have been considered. It is likely that entirely unanticipated events will affect long-term projections of revenue or expenditure pressures. Although they cannot be quantified, such potential factors should not be ignored in considering possible future developments. These potential factors include the following:

- Changes in the level of local economic activity,
- Federal economic and workforce changes,
- State tax and expenditure policies,
- Federal and State mandates requiring local expenditures,
- Devolution of Federal responsibilities to states and localities,
- Local tax policy changes,
- Changes in financial markets,
- Major demographic changes,
- Military conflicts and acts of terrorism, and
- Major international economic and political changes.

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of the County Executive for the FY16 budget. Even though it is assumed that these policies will be effective throughout the six-year period, subsequent Council actions, State law and budgetary changes, actual economic conditions, and revised revenue projections may result in policy changes in later years.

Economic Assumptions

Revenue projections depend on the current and projected indicators of the national, regional, and local economy. National economic indicators also influence the County's revenue projections. Such indicators include short-term interest rates, mortgage interest rates, and the stock market. Local economic indicators include residential (labor force survey) and payroll (establishment survey) employment, residential and nonresidential construction, housing sales, retail sales, and inflation. The assumptions for each of those indicators will affect the revenue projections over the six-year horizon. Because of the presence of the federal government in terms of employment, procurement, and federal retirees, the County's economy may experience a modest slowdown over the next fiscal year due to the reductions in federal spending especially federal procurement. According to the Center for Regional Analysis, George Mason University, federal procurement in the Washington Metropolitan Region, declined from a peak of nearly $82.0 billion in calendar year (CY) 2010 to $71.2 billion in CY2014 – a decrease of $10.8 billion or 13.2 percent.

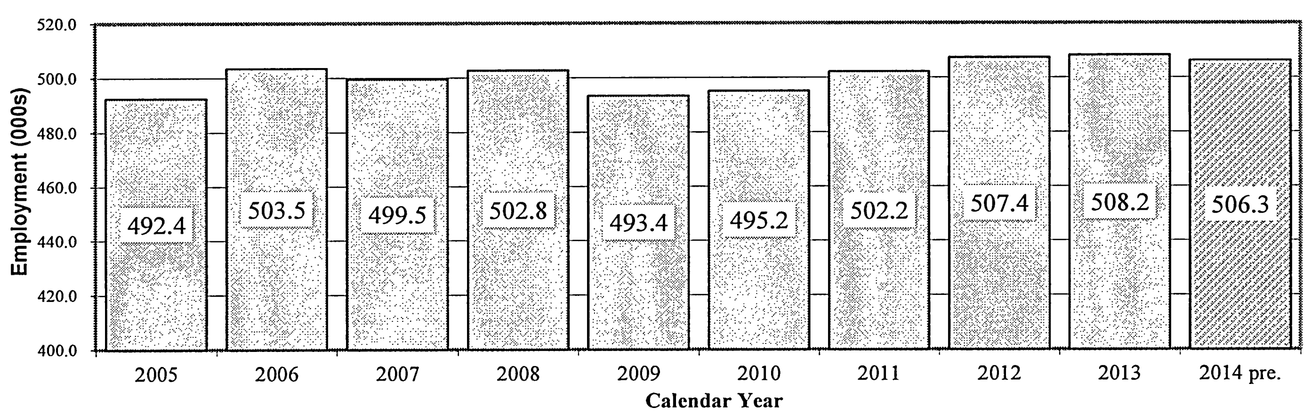
The economic projections for the next six fiscal years assume modest but sustainable growth rates depending on the specific aspects of the federal government sequestration. Economic growth is assumed to be stronger during the latter part of this forecast period and dependent on the current forecasts for the metropolitan region and Maryland economies. Such projections are dependent on a number of factors – fiscal and monetary policy, real estate, employment, consumer and business confidence, the stock market, mortgage interest rates, and geopolitical risks.

Montgomery County's economy experienced mixed economic performance during CY2014. The reasons for a mixed performance include a decline in residential employment, sales of existing homes, no increase in the *median* sales price for an existing home, a decline in the construction in the number of new residential units, and a decline in the construction of new office and bank buildings. However, offsetting those declines, the County experienced a decline in the unemployment rate and an increase in the *average* sales price for an existing home.

Employment Situation

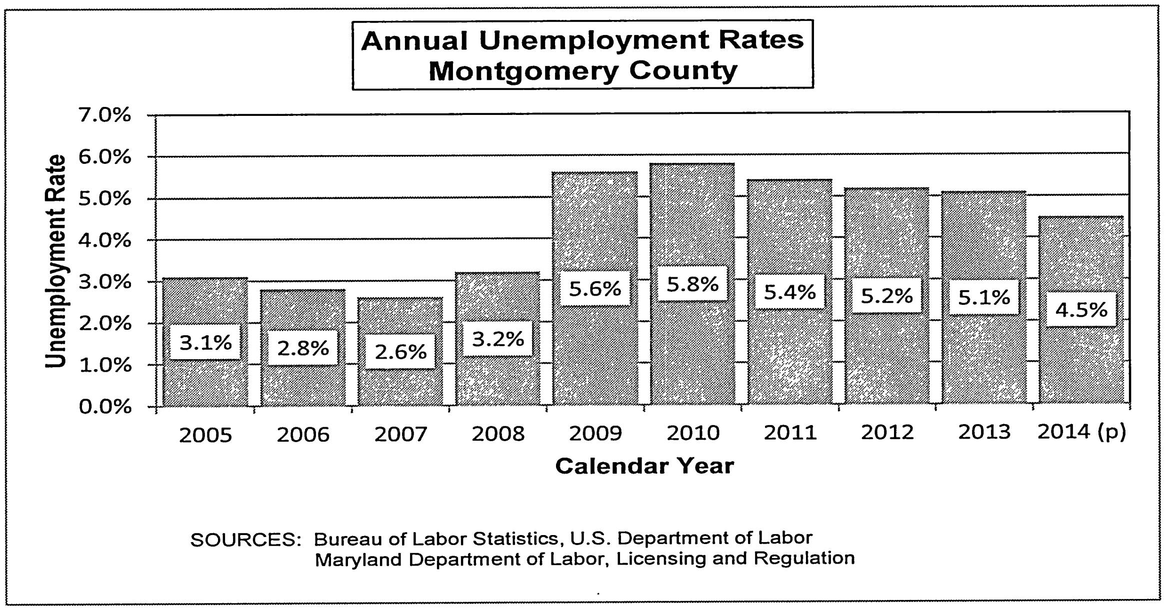
Based on data from the Maryland Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics, U.S. Department of Labor, resident employment (survey of households) in CY2014 decreased by nearly 1,920 from CY2013 (↓0.38%).

Total Resident Employment
Montgomery County



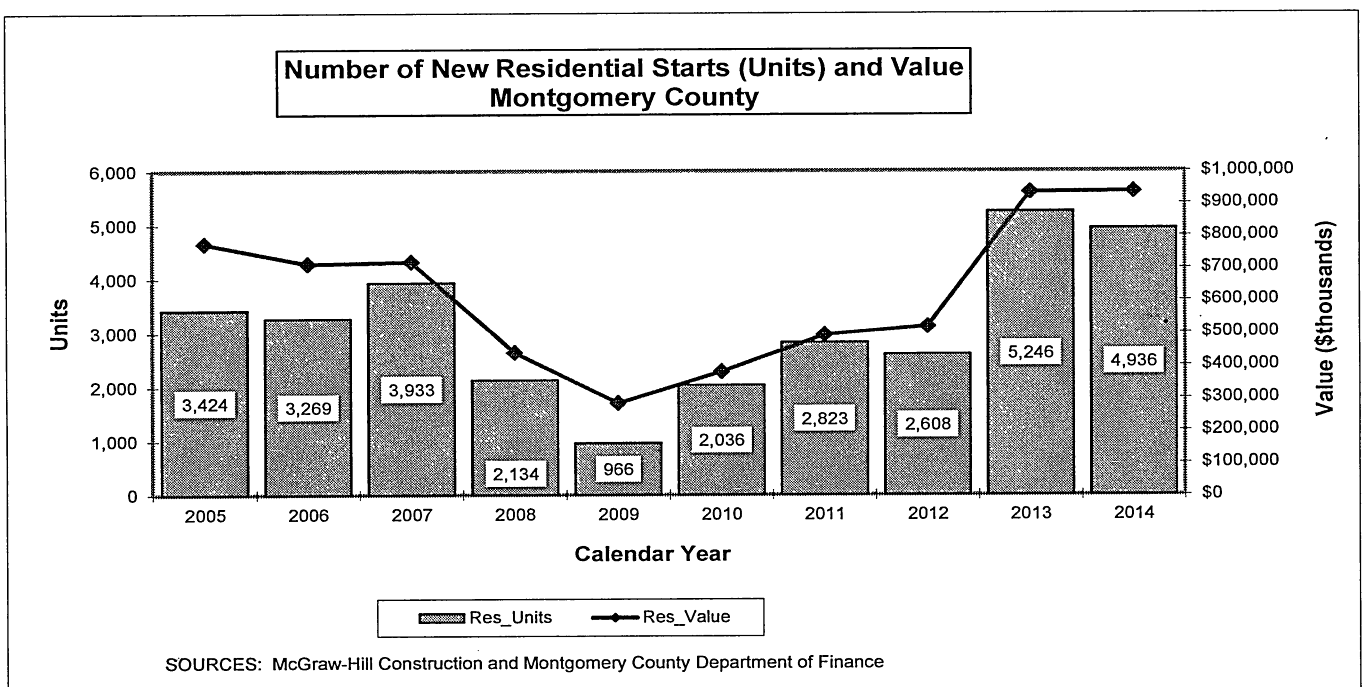
SOURCES: Bureau of Labor Statistics, U.S. Department of Labor
Montgomery County Department of Finance

The County's unemployment rate declined to 4.5 percent in CY2014 compared to 5.1 percent in CY2013 and is the lowest level in six years. However, the decline in the unemployment rate is attributed to a larger percentage decline in the labor force (↓0.97%) than in resident employment (↓0.38%).



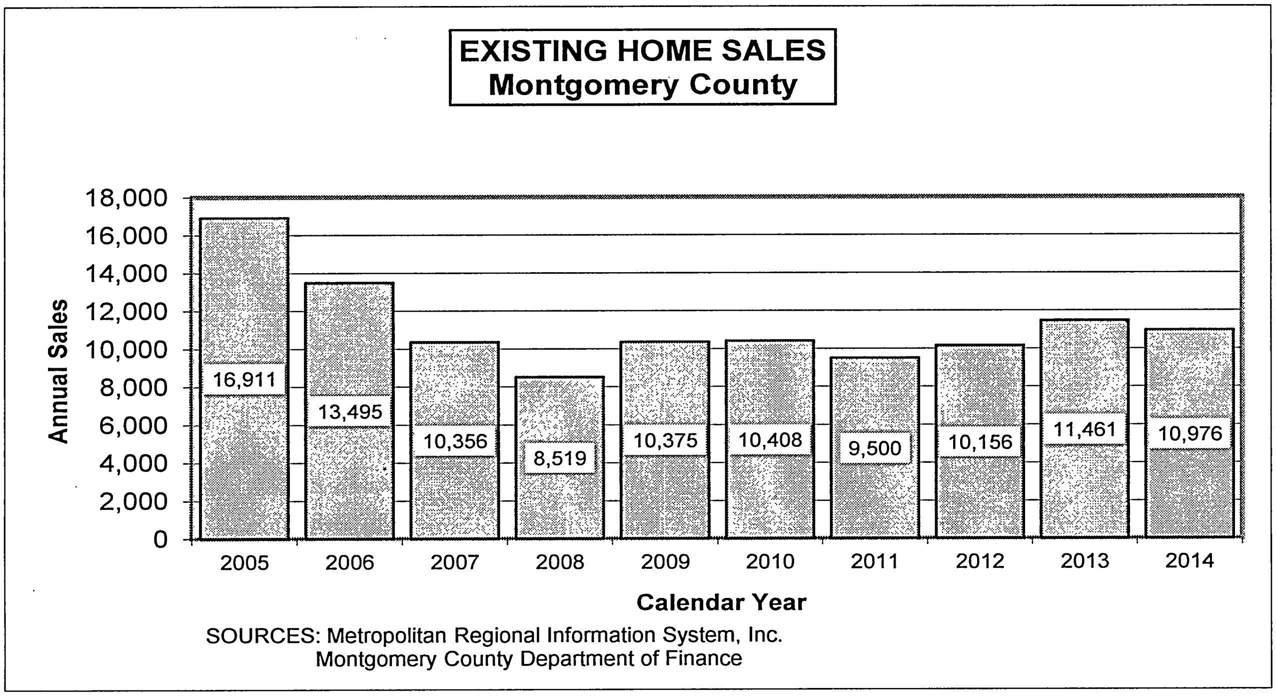
Construction Activity

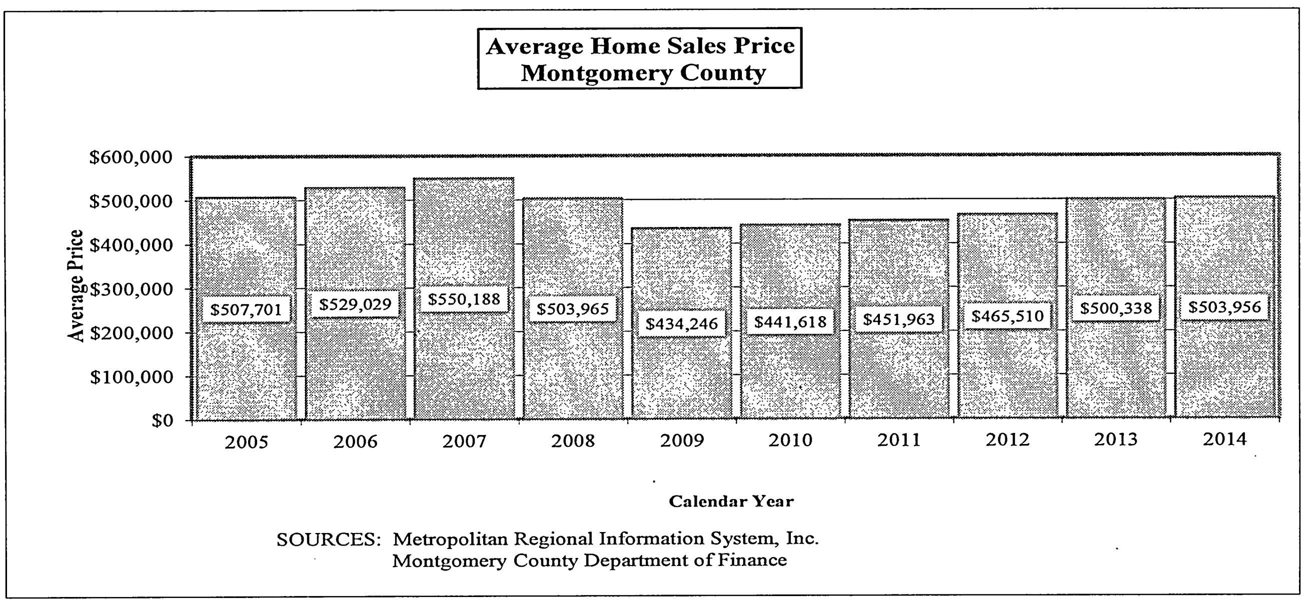
After experiencing an increase of over 100 percent in CY2013, the construction of new residential units declined 5.9 percent in CY2014. Even with that decline, the number of new residential units constructed in CY2014 was the second highest number in ten years. The decrease was attributed to construction of single-family homes (↓10.8%) and multi-family units (↓3.7%). Total value added increased slightly from a total of $933.7 million in CY2013 to $935.9 million in CY2014 (↑0.2%). While the number of non-residential construction projects increased from 104 projects in CY2013 to 152 in CY2014 (↑46.2%), the total value added decreased from $829.3 million to $456.7 million (↓44.9%). The difference between the growth in the number of projects and the decline in value added is attributed to the decline in the amount of square footage for the construction of office and bank buildings from 1.735 million square feet in CY2013 to less than 0.3 million square feet in CY2014 and a decline in value added from $182.2 million to $52.1 million in CY2014 (↓72.1%).



Residential Real Estate

During calendar year 2014, existing home sales decreased 4.2 percent from CY2013. Average sales prices for existing homes increased 0.7 percent in CY2014 but the median sales price did not change and remained at $400,000 in CY2014. Even with low mortgage rates, the real estate market in the County was weak with declining home sales and weak price increases. Such a weakness can be attributed to the weak employment situation during CY2014 when resident employment declined 0.38 percent. Unless the employment outlook improves in the County, home sales will likely remain weak. Another factor is that the number of new listings for home sales, a measure of inventory-to-sales ratio, has remained at or below three-months of sales. At that level, average or median sales prices should increase at a greater rate than experienced in CY2014.



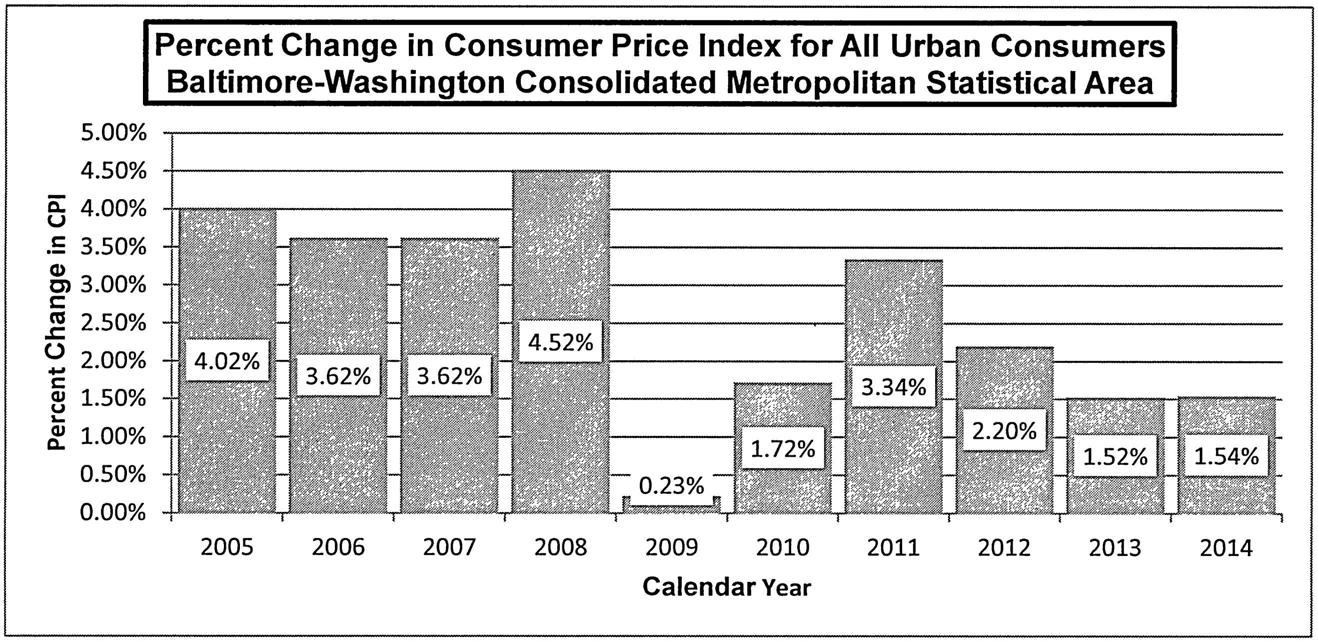


Retail Sales

Using sales tax receipts as a measure of retail sales activity in the County, retail sales, including assessment collections, increased an estimated 3.0 percent during the first eleven months of CY2014. Purchases of nondurable goods, which include food and beverage, apparel, general merchandise, and utilities and transportation, increased 4.3 percent during this period while sales of durable goods were up 3.4 percent. The increase in nondurable goods purchases was largely attributed to the increase in food and beverage items (↑5.6%) and utilities and transportation (↑5.4%), while the increase in purchases of durable goods was solely attributed to an increase in automobile sales and products (↑4.6%) and furniture and appliances (↑3.9%). Given the decline in home sales during CY2014, the increase in sales of furniture and appliances is a conundrum given the historical relationship between home sales and sales of furniture and appliances.

Consumer Prices and Inflation

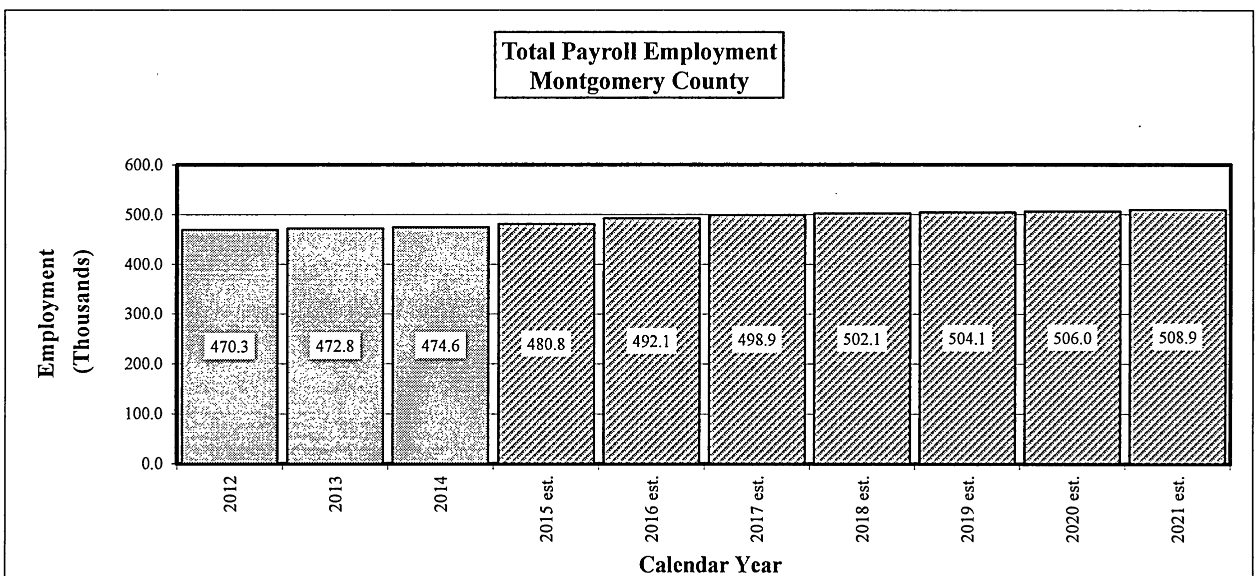
As measured by the Consumer Price Index for All Urban Consumers (CPI-U), inflation in the Washington-Baltimore region increased 1.54 percent in CY2014 compared to 1.52 percent the previous calendar year. Consumer prices excluding food and energy purchases were up 1.79 percent in CY2014 compared to 1.76 percent the previous calendar year.



Economic Outlook

The Department of Finance expects that Montgomery County's economy will experience modest growth during the next six years.

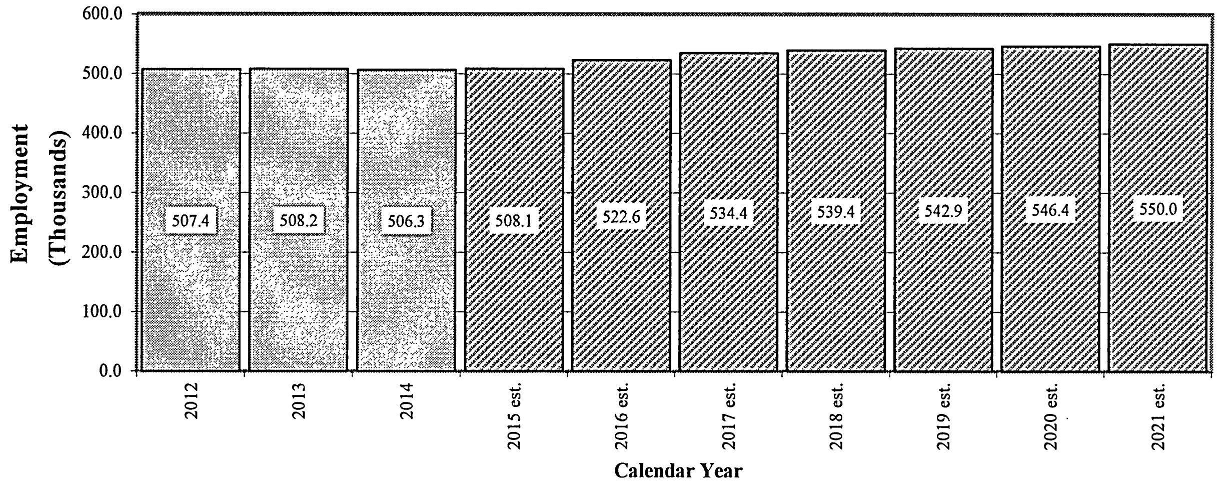
Employment. Finance estimates that payroll employment (survey of business establishments) will continue to increase from CY2014 to CY2021 and grow at an average annual rate of 1.0 percent over that period.



SOURCES: Bureau of Labor Statistics, U.S. Department of Labor
Montgomery County Department of Finance

Finance also estimates that resident employment (survey of households) will recover from the decrease in CY2014 and increase at an average annual rate of 1.1 percent from CY2014 to CY2021.

Resident Employment
Montgomery County

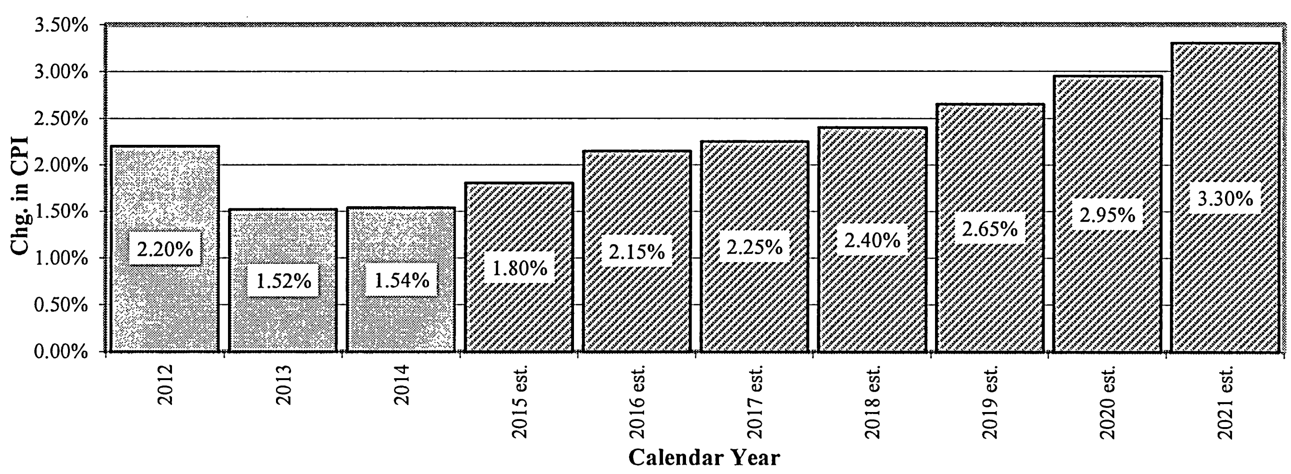


SOURCES: Maryland Department of Labor, Licensing and Regulation
Montgomery County Department of Finance

Personal Income. Finance estimates that total personal income in Montgomery County will grow at an average annual rate of 3.8 percent from CY2013, the latest date for which data are available from the Bureau of Economic Analysis, U. S. Department of Commerce, to CY2021. By CY2021, Finance also estimates that total personal income will reach $99.9 billion, and that wage and salary income will grow at an average annual rate of 3.9 percent between CY2013 and CY2021. Total wage and salary income is estimated to reach $45.3 billion by CY2021.

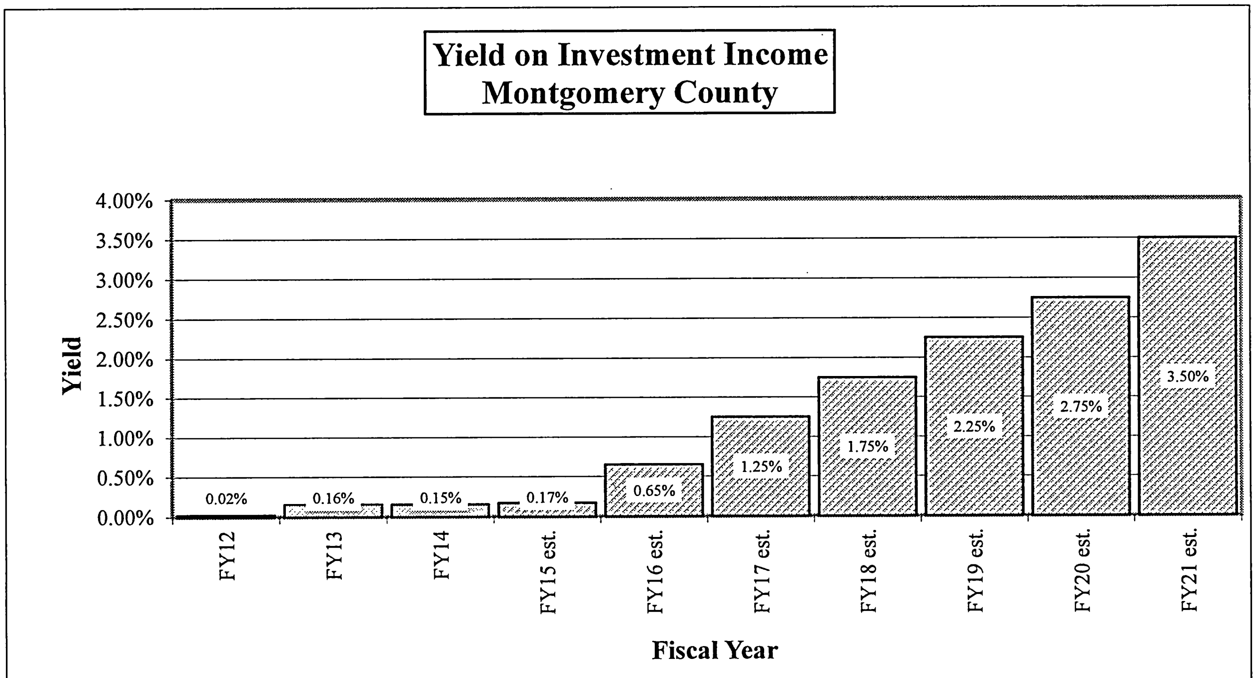
Inflation (annual average). Finance estimates that the overall regional inflation index will steadily increase from a 1.54 percent in CY2014 to 3.30 percent by CY2021.

Percent Change in Consumer Price Index
Baltimore-Washington Consolidated Metropolitan Statistical Area



SOURCES: Bureau of Labor Statistics, U.S. Department of Labor
Montgomery County Department of Finance

Interest Rates. Based on its decision at the January 2015 meeting, the Federal Open Market Committee (FOMC or Committee) "reaffirmed its view that the current 0.00 to 0.25 percent target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress – both realized and expected – toward its objectives of maximum employment and 2 percent inflation." Since the yield on the County's short-term investments is highly correlated with the federal funds rate, Finance estimates that the County will earn an average of 0.17 percent in investment income on its short-term portfolio in FY15 with increases to 0.65 percent in FY16 and 1.25 percent in FY17.



SOURCE: Montgomery County Department of Finance

REVENUE SOURCES

The major revenue sources for all County funds of the Operating Budget and the Public Services Program (PSP) are described below. Revenue sources which fund department and agency budgets are included in the respective budget presentations. Six-year projections of revenues and resources available for allocation are made for all County funds. This section displays projections of total revenues available for the tax supported portion of the program. Tax supported funds are those funds subject to the Spending Affordability Guideline (SAG) limitations. The SAG limitations are intended to ensure that the tax burden on residents generally is affordable. The County Council has based the guidelines on inflation and personal income of County residents.

The PSP also includes multi-year projections of non-tax supported funds. These funds represent another type of financial burden on households and businesses and, therefore, should be considered in determining the "affordability" of all services that affect most of the County's population. Projections for non-tax supported funds within County government are presented in the budget section for each of those funds.

IMPACT ON REVENUES AND THE CAPITAL BUDGET

The use of resources represented in this section includes appropriations to the operating funds of the various agencies of the County as well as other resource requirements, such as current revenue funding of the Capital Budget, debt service, and fund balance (operating margin). These other uses, commonly called "Non-Agency Uses of Resources," affect the total level of resources available for allocation to agency programs. Some of these factors are determined by County policy or law; others depend, in part, on actual revenue receipts and expenditure patterns.

The level of PSP-related spending indirectly impacts the local economy and, hence, the level of County revenues. However, the effect on revenues from expenditures of the Executive's Recommended Operating Budget and PSP are expected to be minimal. The PSP also impacts revenues available to fund the Capital Budget. The revenue projections included in this section subtract projected uses of current revenues for both debt eligible and non-debt eligible capital investments. Therefore, the

Executive's Recommended Operating Budget and PSP provides the allocations of annual resources to the Capital Budget as planned for in the County Executive's Amended FY15-20 Capital Improvements Program (as of January 15, 2015). Anticipated current revenue adjustments to the January 15, 2015 CIP have been made as part of the Executive's Recommended Operating Budget.

Prior Year Fund Balance

The prior year fund balance for the previous fiscal year is the audited FY14 closing fund balance for all tax supported funds. The current year fund balance results from an analysis of revenues and expenditures for the balance of the fiscal year. Prior year fund balance for future fiscal years is assumed to equal the target fund balance for the preceding year.

Net Transfers

Net transfers are the net of transfers between all tax supported and non-tax supported funds in all agencies. The largest single item is the earnings transfer from the Liquor Control Fund to the General Fund. The transfer from the General Fund to Montgomery Housing Initiative to support the Executive's housing policy is the largest transfer to a non-tax supported fund. The payment from the General Fund to the Solid Waste Disposal Fund for disposal of solid waste collected at County facilities is the next largest transfer to a non-tax supported fund. The level of transfers is an estimate based on individual estimates of component transfers.

Debt Service Obligations

Debt service estimates are those made to support the County Executive's Amended FY15-20 Capital Improvements Program (as of January 15, 2015). Debt service obligations over the six years are based on servicing debt issued to fund planned capital projects, as well as amounts necessary for short-term and long-term leases. Debt service requirements have the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization. Approximately 44.8 percent of the CIP is funded with General Obligation (G.O.) bonds. Each G.O. bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future G.O. bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The State authorizes borrowing of funds and issuance of bonds up to a maximum of 6.0 percent of the assessed valuation of all real property and 15.0 percent of the assessed value of all personal property within the County. The County's outstanding G.O. debt plus short-term commercial paper as of June 30, 2014, is 1.75 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities.

CIP Current Revenue and PAYGO

Estimates of transfers of current revenue and PAYGO to the CIP are based on the most current County Executive recommendations for the Capital Budget and CIP. These estimates are based on programmed current revenue and PAYGO funding in the six years, as well as additional current revenue amounts allocated to the CIP for future projects and inflation.

Revenue Stabilization

On June 29, 2010, the Montgomery County Council enacted Bill 36-10 amending the Montgomery County Code (Chapter 20, Finance, Article XII) that repealed the limit on the size of the Revenue Stabilization Fund (Fund), modified the requirement for mandatory County contributions to the Fund, and amended the law governing the Fund. Mandatory contributions to the Fund are the greater of 50 percent of any excess revenue, or an amount equal to the lesser of 0.5 percent of the Adjusted Governmental Revenues or the amount needed to obtain a total reserve of 10 percent of the Adjusted Governmental Revenues. Adjusted Governmental Revenues include tax supported County Governmental revenues plus revenues of the County Grants Fund and County Capital Projects Fund; tax supported revenues of the Montgomery County Public Schools, not including the County's local contribution; tax supported revenues of Montgomery College, not including the County's local contribution; and tax supported revenues of the Montgomery County portion of the Maryland-National Capital Park and Planning Commission. All interest earned on the Fund must be added to the Fund. The FY16 Recommended Budget estimates that the Revenue Stabilization fund balance will be $230.7 million in FY15 and the balance is estimated to increase to $254.9 million in FY16 (↑10.5%).

Other Uses

This category is used to set aside funds for such items as possible legal settlement payments and other special circumstances such as set-aside of revenues to fund future years.

Reserves

The County will maintain an unrestricted General Fund balance (or, an "operating margin reserve") of five percent of prior year's General Fund revenues and the Revenue Stabilization Fund (or "rainy day fund"). It is the County's policy to increase and maintain the budgeted total reserve of the General Fund and the Revenue Stabilization Fund to 10 percent of Adjusted Governmental Revenues.

REVENUE ASSUMPTIONS

Projections for revenues are included in six-year schedules for County Government Special Funds and for Montgomery College, M-NCPPC, and WSSC in the relevant sections of this document. See the MCPS Budget Document for six-year projections of MCPS funds. Projections for revenues funding County government appropriations are provided to the Council and public as fiscal projections. Such projections are based on estimates of County income from its own sources such as taxes, user fees, charges, and fines, as well as expectations of other assistance from the State and Federal government. The most likely economic, demographic, and governmental policy assumptions that will cause a change in revenue projections are included in this section.

TAX REVENUES

Tax supported revenues come from a number of sources including but not limited to property and income taxes, real estate transfer and recordation taxes, excise taxes, intergovernmental revenues, service charges, fees and licenses, college tuition, and investment income. In order of magnitude, however, the property tax and the income tax are the most important with 46.3 percent and 40.3 percent, respectively, of the estimated total tax revenues in FY15. The third category is the energy tax estimated for the General Fund with a 6.5 percent share. In fact, these three revenue sources represent 93.1 percent of total tax revenues. Of the total tax supported revenues, property tax and income tax are also the most important with 35.9 percent and 31.3 percent, respectively. The third category is intergovernmental revenues with a 17.7 percent share of the total tax supported revenues in FY15. Income and transfer and recordation taxes are the most sensitive to economic and, increasingly, financial market conditions. By contrast, the property tax exhibits the least volatility because of the three year re-assessment phase-in and the ten percent "homestead tax credit" that spreads out changes evenly over several years.

Property Tax

Using proposed rates (levy year 2015) and a recommended $692 credit, total estimated FY16 tax supported property tax revenues of $1,582.6 million are 3.1 percent above the revised FY15 estimate. The general countywide rate for FY16 is $0.723 per $100 of assessed real property, while a rate of $1.808 is levied on personal property. In addition to the general countywide tax rate, there are special district area tax rates, and the weighted average real property tax rate for FY16 is $0.987 per $100 of assessed real property. The 1990 Charter amendment (FIT) limits the growth in property tax revenues to the sum of the previous year's estimated revenue, increased by the rate of inflation, and an amount based on the value of new construction and other minor factors. This Charter Limit, however, may be overridden by a unanimous vote of the nine members of the County Council. Growth in the previous calendar year's CPI-U for the Washington-Baltimore Consolidated Metropolitan Statistical Area is used to measure inflation. Since the triennial reassessment rate for Group 3 increased for real property in FY16, the recommended tax rates along with the income tax offset credit (rebate) of $692 will generate revenues at the Charter Limit for FY16.

The FY16 Recommended Operating Budget reflects a proposed funding structural change for the Parking Lot District (PLDs) for FY16 and future fiscal years. This proposal better aligns funding sources with the intended purpose and more clearly delineates funding requirement and resources. This proposal eliminates future transfers from the PLDs to the Mass Transit to maintain Ride On operations or Transportation Management District activities. In addition, the transfers to the Bethesda and Silver Spring Urban District have been reduced and will be offset by the General Fund Baseline transfer to those Urban Districts. These actions better align the taxing authority with the services provided and put the PLD funds on a more sustainable fiscal path in the future.

The countywide total property taxable assessment is estimated to increase approximately 4.0 percent from a revised $168.4 billion in FY15 to $175.1 billion in FY16. The base is comprised of real property and personal property. In FY16, the Department of Finance estimates real property taxable assessment of approximately $171.5 billion – an increase of 4.1 percent from FY15 – with the remaining $3.6 billion in personal property. This is the third consecutive increase in the total property taxable assessment after two consecutive decreases. The actual change in the total property tax base has fluctuated significantly over the past ten fiscal years (FY05-FY14), with an annual average increase of 11.5 percent between FY05 and FY09, followed by considerable deceleration in the growth of taxable assessments in FY10 (↑5.7%) and FY11 (↑0.2%), declines in FY12 (↓3.3%) and FY13 (↓2.4%), and a modest increase of 1.1 percent in FY14.

The real property base is divided into three groups based on their geographic location in the County. Each group is reassessed triennially by the State Department of Assessments and Taxation (SDAT), which has the responsibility for assessing properties in Maryland. The amount of the change in the established market value (full cash value) of one-third of the properties reassessed each year is phased in over a three-year period. Declines in assessed values, however, are effective in the first year. The real property reassessments effective for FY13 declined 8.6 percent for Group 3 (↓12.7% for residential) and followed declines of 14.5 percent for Group 2 in FY12 (↓17.4% residential), a decline of 17.0 percent in FY11 for Group 1 (↓19.4% residential), and a decline of 10.6 percent in FY10 for Group 3 (↓16.3% for residential). However, real property reassessment for Group 1 increased 4.1 percent for FY14 (↑1.7% for residential), increased 11.0 percent for Group 2 for FY15 (↑5.8% for residential), and increased 18.7 percent for FY16 (↑11.5% for residential). Because of that increase, real property taxable assessment is estimated to increase 4.1 percent in FY16.

There is a ten percent annual assessment growth limitation for residential property that is owner-occupied. As a result of this "homestead tax credit," these taxable reassessments in Montgomery County may not grow more than ten percent in any one year. However, because of the decline in the reassessment rates for residential properties during three fiscal years (FY10 to FY12) the amount of the homestead tax credit declined from $23.8 *billion* in FY09, which is an all-time record, to an estimated $78.8 *million* in FY16.

The decrease in the personal property base between FY05 and FY06 reflected the residual effects of weak labor market conditions that occurred between calendar years 2001 and 2003 and resulted in a lower number of new businesses and associated investments. This was exacerbated by tax law changes, including partial exemption of electricity generating equipment (energy deregulation), other exemptions (e.g., manufacturing, Research and Development, and certain computer software), and depreciation rules (e.g., for computer equipment). The personal property tax base since FY06 increased three out of the four subsequent years achieving a growth rate of 5.2 percent in FY10 before decreasing over the next three fiscal years (FY11-FY13) at an average annual rate of 4.4 percent before increasing 2.9 percent to $3.7 million in FY14. Finance estimates that the total personal property base is projected to decline an estimated 2.2 percent in FY16, which follows an estimated decrease of 1.0 percent in FY15.

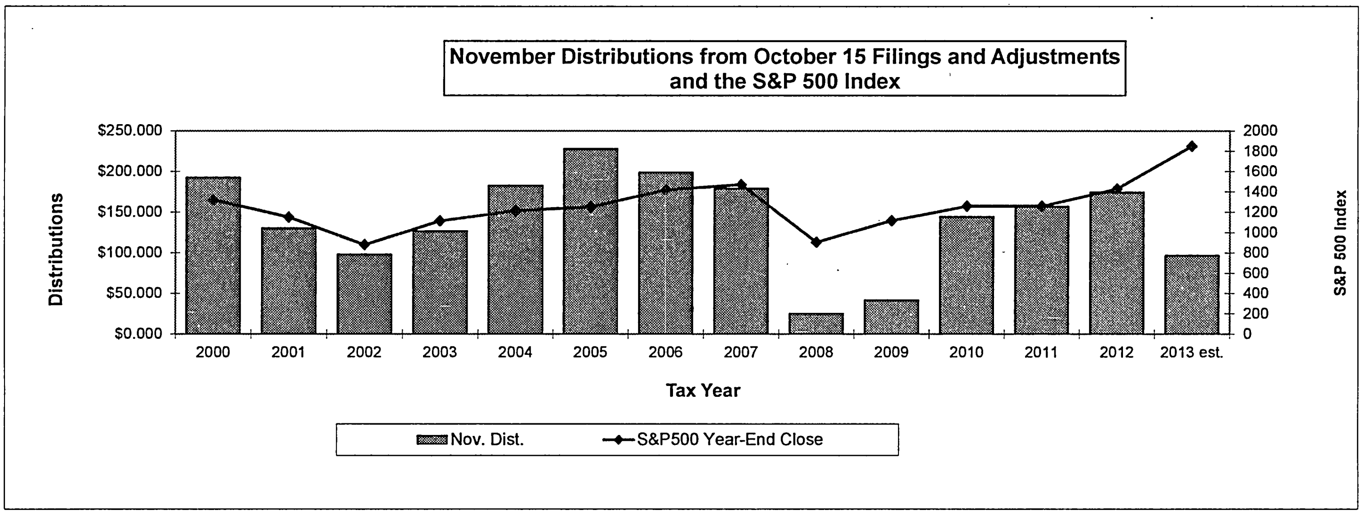
Income Tax

Estimated FY16 income tax revenues of $1,443.4 million are 8.3 percent above the revised FY15 estimate. The increase in the estimate for FY16 is based on improvements in specific economic indicators following a mixed economic performance in CY2014 especially for resident employment and sales of existing homes. Second, the forecast of capital gains realizations by the Congressional Budget Office estimates strong growth in CY2014. Third, the reductions in federal spending attributed to sequestration are expected to have a very modest effect on the County's resident employment, total personal income, and wage and salary income in FY16. A Maryland Court of Appeals decision found that the "failure to allow a credit with respect to the county income tax for out-of-state income taxes paid to other states on "pass-through" income earned in those states discriminates against interstate commerce and violates the Commerce Clause of the federal Constitution (Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.)." The Maryland Attorney General filed a motion to reconsider with the U.S. Supreme Court. In November 2014 the Supreme Court heard oral arguments on this case and the Court's decision is expected during the first half of 2015. If the ruling of the Maryland Court of Appeals is upheld it will have a significant negative impact on the County's income tax collections including potential refunds of $85 million and ongoing reduced collections of approximately $25 million per year.

During any one fiscal year the County receives income tax distributions pertaining to at least three different tax years. During the period between tax years 2002 and 2011, the total tax distributions from withholdings, estimated payments and extended filings can be divided into three cycles: 2001-2002 (the dot.com stock market crash and the economic recession of 2001), 2003-2007 (economic expansion), and 2008-2010 (stock market crash and the great recession). During the dot.com stock market crash and 2001 recession, total income tax distributions declined at an average annual rate of 2.6 percent. With the economic expansion underway in 2003, total income tax distributions increased at an average annual rate of 10.1 percent through 2007 – adjusted for the tax rate increase from 2.95 percent to 3.20 percent enacted by the County Council in 2003. With the stock market crash of 2008 and subsequent severe recession, withholdings, estimated payments, and extended filings declined at an average annual rate of 8.5 percent from 2007 to 2009, and increased 7.2 percent in 2010, 6.2 percent in 2011, 10.0 percent in 2012, and declined 3.8 percent in 2013 – the latest date for which data are available.

In addition to the quarterly distributions that represent withholdings and estimated payments, receipts from October 15th filers and adjustments to prior year distributions by the Maryland Comptroller declined dramatically since the peak of tax year 2005. Since that time, revenues from October 15th filers and distribution adjustments gradually declined from tax year 2005 ($227.9 million) to tax year 2007 ($179.1 million). Because of the stock market crash of 2008 and the subsequent severe recession (December 2007 to June 2009), distributions from October 15th filers and distribution adjustments experienced a decline of 85.9 percent in tax year 2008 and a modest increase in 2009. However, from tax year 2010 to tax year 2012, revenues increased sharply to $144.7 million in 2010 and to $174.2 million in 2012, but below the pre-recession level, and decreased to

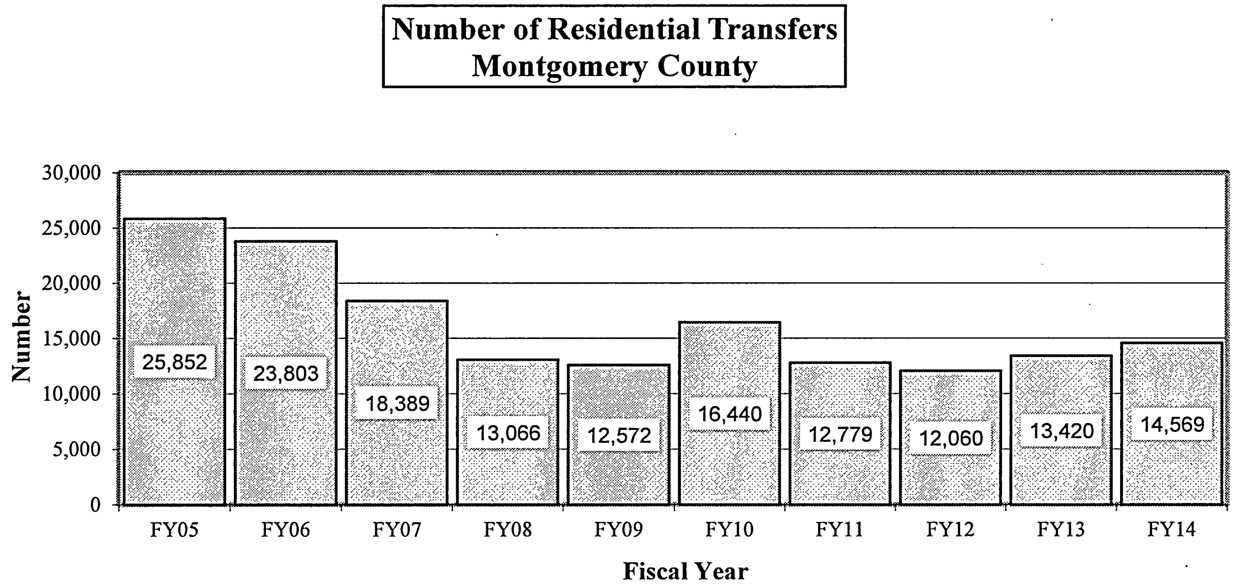
$96.8 million in 2013 (↓44.4%) – the latest date for which data are available. These distributions represent the most volatile component of the income tax and are associated with the change in the stock market as measured by the S&P 500 index.



Transfer and Recordation Taxes

Estimated FY16 revenues for the General Fund of $153.8 million, which *exclude* the school CIP portion, condominium conversions, and the tax premium, are 8.6 percent above the revised FY15 estimate. This reflects an FY16 estimate of $96.2 million in the transfer tax and $57.6 million in the recordation tax. Transfer and recordation tax revenues have fluctuated greatly over time and primarily reflect shifting trends in the real estate market. In FY14 81.4 percent of the transfer tax came from the residential sector compared to 85.5 percent in FY05, 83.6 percent in FY06, 87.1 percent in FY07, 85.7 percent in FY08, 86.6 percent in FY09, 88.0 percent in FY10, 81.3 percent in FY11, and 72.2 percent in FY12, and 77.6 percent in FY13. The transfer tax rate is generally one percent of the value of the property transferred to a new owner. This applies to both improved (i.e., building) and unimproved (i.e., land) residential and commercial properties. The recordation tax is levied when changes occur in deeds, mortgages, leases, and other contracts pertaining to the title of either real or personal property. Beginning in FY03, the recordation tax rate was raised from $4.40 to $6.90 per $1,000 of the value of the contract (0.69%) with the first $50,000 of the consideration exempted from the tax for owner-occupied residential properties. The Council earmarked the revenues attributed to the rate increase for MCPS school capital programs and Montgomery College information technology projects. Generally, both transfer and recordation taxes are levied when properties are sold. In some cases, only one of the two taxes is levied. One example is refinancing of a mortgage, in which case there may be an increase in the mortgage amount and, hence, recordation tax, but since there is no transfer of property, there is no transfer tax. Beginning March 1, 2008, the Council also levied an additional recordation tax (premium) of 0.31 percent on transactions above $500,000 for rental assistance programs and County government capital projects.

Residential transfer tax revenues are affected by the trends in real estate sales for existing and new homes. Real estate sales, in turn, are highly correlated with specific economic indicators such as growth in employment and wage and salary income, formation of households, mortgage lending conditions, and mortgage interest rates. The same holds true for the commercial sector, which is equally affected by business activity and investment, office vacancy rates, property values, and financing costs. The volatility in revenues from the transfer and recordation taxes is best illustrated in the trend since FY05.

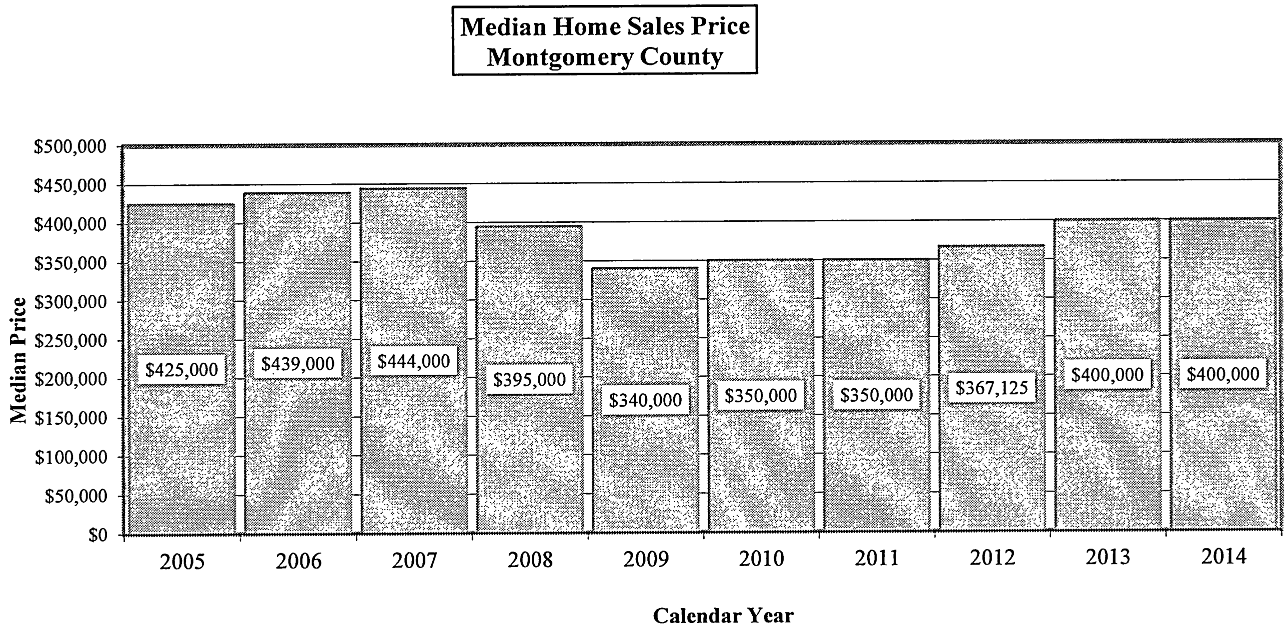


SOURCE: Selected Operations Summary Reports, Montgomery County Department of Finance

The growth rate in the number of residential transfers declined over four consecutive years from FY06 to FY09 – ↓7.9 percent in FY06 (23,803), ↓22.7 percent in FY07 (18,389), ↓28.9 percent in FY08 (13,066), and ↓3.8 percent in FY09 (12,572). After four consecutive years of decline, the number of residential transfers increased 30.8 percent in FY10 attributed to the federal government first-time homebuyers credit, but decreased for two consecutive years – ↓22.8 percent in FY11 (12,779) and ↓5.6 percent in FY12 (12,060). Since FY12, residential transfers increased 11.3 percent and 8.6 percent in FY13 and FY14, respectively. While the number of residential transfers exhibited significant volatility since FY05, the acceleration in home prices during FY05 and FY06 had a significant effect on revenues and partially offset the decrease in the number of transfers during this period. However, since the peak in the housing bubble in FY06, transfer tax revenues from residential transactions declined 23.3 percent in FY07, 26.5 percent in FY08, and 18.1 percent in FY09, but increased 20.9 percent in FY10 then declined 15.1 percent in FY11, decreased 5.1 percent in FY12, but increased 21.2 percent and 9.8 percent in FY13 and FY14, respectively.

The decline in transfer taxes between FY07 and FY09 is attributed to both a decline in home sales that began in the summer of 2005 and in average sales price for existing homes that began the late summer of 2007. Home sales declined 23.3 percent in CY2007, declined 17.7 percent in CY2008, increased 21.8 percent in CY2009, increased a modest 0.3 percent in CY2010, decreased 8.7 percent in CY2011, increased 6.9 percent and 12.8 percent in CY2012 and CY2013, respectively, but decreased 4.2 percent in CY2014.

While sales decreased in CY2014, the average sales price for an existing home increased a meager 0.7 percent and the median sales price did not change.



SOURCES: Metropolitan Regional Information System, Inc.
Montgomery County Department of Finance

At the same time that revenues from the residential portion of the transfer tax experienced growth between FY05 and FY06, revenues from non-residential properties, excluding collections from farm and rezone transactions, experienced a similar pattern during this same period. Beginning in FY07, revenues from non-residential property experienced dramatic volatility over the next eight years. In FY07 revenues from non-residential properties declined 49.2 percent, increased a modest 1.8 percent in FY08, declined 25.7 percent in FY09, but increased 12.9 percent in FY10, 45.9 percent in FY11, 57.7 percent in FY12, but declined 3.9 percent in FY13 and 17.9 percent in FY14.

Recordation tax revenues (excluding the school CIP portion and the tax premium) generally track the trend in transfer tax revenues. Revenues from residential recordation tax revenues increased 21.7 percent in FY05, and 20.1 percent in FY06, before declining 19.4 percent in FY07, 21.1 percent in FY08, 18.3 percent in FY09, increasing 25.3 percent in FY10, decreasing 18.3 percent in FY11, decreasing 4.2 percent in FY12, increasing 23.4 percent in FY13, and increasing 9.5 percent in FY14. The estimate for recordation tax revenues for FY16 reflects a increase of 8.9 percent to $57.6 million for the General Fund.

General Fund transfer and recordation tax revenues are projected to grow 8.6 percent in FY16. That year-over-year growth rate is attributed to a recovery in home sales during calendar year 2015 and 2016 and a modest increase in home prices.

Energy Tax

Estimated FY16 revenues of $206.2 million are 1.3 percent above the revised FY15 estimate. The estimated revenues for FY16 are based on the County Executive's recommendation to continue the FY16 rates at the FY15 level. The revised revenues estimate for FY15 is 3.3 percent below the FY14 actual revenues. That decline is attributed to the reduction in both the residential and non-residential rates enacted by the County Council in May 2014. The fuel-energy tax is imposed on persons transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas. Different rates apply to residential and nonresidential consumption and to the various types of energy. Since the rates per unit of energy consumed are fixed, collections change only with shifts in energy consumption and not with changes in the price of the energy product. Based on partial fiscal year data for FY15, Finance estimates that the share of receipts from residential users is approximately 32.0 percent of total collections, with the larger share received from the non-residential sector (68.0%). Measured for all energy types, the two largest sources of total revenues based on partial fiscal year data for FY15 have been electricity (82.8%) and natural gas (16.3%).

Telephone Tax

Estimated FY16 revenues of $50.4 million are 1.6 percent above the revised FY15 estimate. The revised revenue estimate for FY15 is 4.1 percent above the FY14 actual revenues excluding the increase attributed to a one-time reconciliation payment of $5.5 million from Verizon in FY14. That adjusted increase is attributed to an increase in wireless communication. The telephone tax is levied as a fixed amount per landline, wireless communications, and other communication devices. The tax on a traditional landline is $2.00 per month, while multiple business lines (Centrex) are taxed at $0.20 per month. The tax rate on wireless communications was $2.00 per month prior to FY11. Effective FY11, the County Council increased the rate schedule for wireless communications from $2.00 per month to $3.50 per month. Revenues from this tax are driven primarily by modest growth in wireless communications such as cell phone usage and by voice-over internet protocol.

Hotel/Motel Tax

Estimated FY16 revenues of $20.3 million are 3.7 percent above the revised FY15 estimate. The revised revenue estimate for FY15 is 10.9 percent above the FY14 actual revenues. Both the FY14 revised estimate and the FY15 estimate continues to include an amount expected from online hotel brokers and the estimate for FY16 includes a recommendation to collect hotel-motel tax revenues from AirBnB and other short term rental property operators which is estimated to collect an additional $228,725 revenues per year starting in FY16. The hotel/motel tax is levied as a percentage of the hotel bill. The current tax rate of 7 percent in FY15 is also assumed for FY16. Collections grow with the costs of hotel rooms and the combined effect of room supply and hotel occupancy rate in the County. Occupancy rates in the County are generally the highest in the spring (April and May) and autumn (September and October) as tourists and schools visit the nation's capital for such events as the Cherry Blossom Festival and school trips, while organizations often schedule conferences during such periods, and during the week of the Presidential inauguration. During peak periods, many visitors to Washington, D.C. use hotels in the County, especially those in the lower county.

Admissions Tax

Estimated FY16 revenues of $3.2 million are 6.6 percent above the revised FY15 estimate. The revised revenue estimate for FY15 revenues is 2.1 percent above the FY14 actual revenues. The revised estimate in FY15 is attributed to an increase in revenues collected from motion picture theaters and recreational activities. Admissions and amusement taxes are State-administered local taxes on the gross receipts of various categories of amusement, recreation, and sports activities. Taxpayers are required to file a return and pay the tax monthly while the County receives quarterly distributions of the receipts from the State. Montgomery County levies a seven percent tax, except for categories subject to State sales and use tax, where the County rate would be lower. Such categories include rentals of athletic equipment, boats, golf carts, skates, skis, horses; and sales related to entertainment. Gross receipts are exempt from the County tax when a Municipal admissions and amusement tax is in effect. For FY14, motion pictures accounted for 46.8 percent of total collections, while other major categories included coin-operated amusement (18.3%)., and golf green fees, driving ranges and golf cart rentals (16.8%).

NON-TAX REVENUES

Non-tax revenues throughout all tax supported funds (excluding Enterprise Funds, such as Permitting Services, Parking Districts, Solid Waste Disposal, and Solid Waste Collection Funds) are estimated at $983.0 million in FY16. This is a $0.6 million increase, or 0.1 percent, from the revised FY15 estimate, primarily attributed to an increase in General Intergovernmental Revenues (↑1.1%) and fees, licenses, fines, and other charges (3.2%). Non-tax revenues include: intergovernmental aid; investment income; licenses and permits; user fees, fines, and forfeitures; and miscellaneous revenues.

General Intergovernmental Revenues

Intergovernmental revenues are received from the State or Federal governments as general aid for certain purposes, not tied, like grants, to particular expenditures. The majority of this money comes from the State based on particular formulas set in law. Total aid is specified in the Governor's annual budget. Since the final results are not known until the General Assembly session is completed and the State budget adopted, estimates in the March 15 County Executive Recommended Public Services Program are generally based on the Governor's budget estimates for FY16. If additional information on the State budget is available to the County Executive, this information will be incorporated into the budgeted projection of State aid. For future years, it is difficult to know confidently how Federal and State aid policy may be implemented; therefore, the projection generally assumes intergovernmental aid will remain flat. The Recommended Budget for FY16 assumes an $8.4 million, or 1.1 percent, increase in intergovernmental revenues from the revised FY15 estimate, of which 80.3 percent is allocated to the Montgomery County Public Schools, 4.3 percent to Montgomery Community College, and 1.1 percent to Mass Transit. Total intergovernmental revenue represents an estimated 79.0 percent of the total non-tax revenues for FY16.

Licenses and Permits

Licenses and permits include General Fund business licenses (primarily public health, traders, and liquor licenses) and non-business licenses (primarily marriage licenses and Clerk of the Court business licenses). Licenses and permits in the Permitting Services Enterprise Fund, which include building, electrical, and sediment control permits, are Enterprise Funds and thus not included in tax supported projections. The Recommended Budget for FY16 assumes a 11.8 percent increase over the revised projections for FY15, and $13.0 million in available resources in FY16.

Charges for Services (User Fees)

Excluding intergovernmental revenues to Montgomery County Public Schools and Montgomery College, and College tuition, charges for services, or user fees, are revenues collected that come primarily from fees imposed on the recipients of certain County services including mass transit, human services, use of facilities, and recreation services and are included in the tax supported funds. The Recommended Budget for FY16 assumes an increase of 4.4 percent over the revised projections for FY14, resulting in $71.9 million in available resources in FY15.

Fines and Forfeitures

Revenues from fines and forfeitures relate primarily to photo red light and speed camera citations, and library and parking fines (excluding the County's four Parking Districts). The Recommended Budget for FY16 assumes that fines and forfeitures will not increase from the revised estimates for FY15, resulting in $24.3 million in available resources in FY16.

College Tuition

Although College tuition is not included in the County Council Spending Affordability Guideline Limits (SAG), it remains in the tax supported College Current Fund. Calculation of the aggregate operating budget is under the SAG Limits. Tuition revenue depends on the number of registered students and the tuition rate. The County Executive recommends a $3/$6/$9 increase in tuition above the increase included in the Board of Trustees' requested budget. The Recommended Budget for FY16 includes a 2.2 percent increase in tuition revenue over the revised projections for FY15 resulting in $81.9 million in available resources in FY16.

Investment Income

Investment income includes the County's pooled investment and non-pooled investment and interest income of other County agencies and funds. The County operates an investment pool directed by an investment manager who invests all County funds using an approved, prudent County adopted investment policy. The pool includes funds from tax supported funds as well as from Enterprise Funds, municipal taxing districts, and other governmental agencies. Two major factors determine pooled investment income: (1) the average daily investment balance which is affected by the level of revenues and expenditures, fund balances, and the timing of bond and commercial paper issues; and (2) the average yield percentage which reflects short-term interest rates and may vary considerably during the year.

The revised FY15 tax-supported investment income estimate of $0.6 million assumes a yield on equity of 0.17 percent and an average daily balance of $701.4 million. The FY16 projected estimate of tax-supported investment income of $2.1 million assumes a yield on equity of 0.65 percent and an average daily balance $701.4 million. Yields have fluctuated significantly over time due to changes in the targeted federal funds rate set by the Federal Open Market Committee (FOMC) of the Federal Reserve System. Since August 2007, the FOMC has reduced the target rate for federal funds from 5.25 percent to a range of 0.00-0.25 percent in December 2008 and is expected to remain at that range through most of calendar year 2015.

Other Miscellaneous

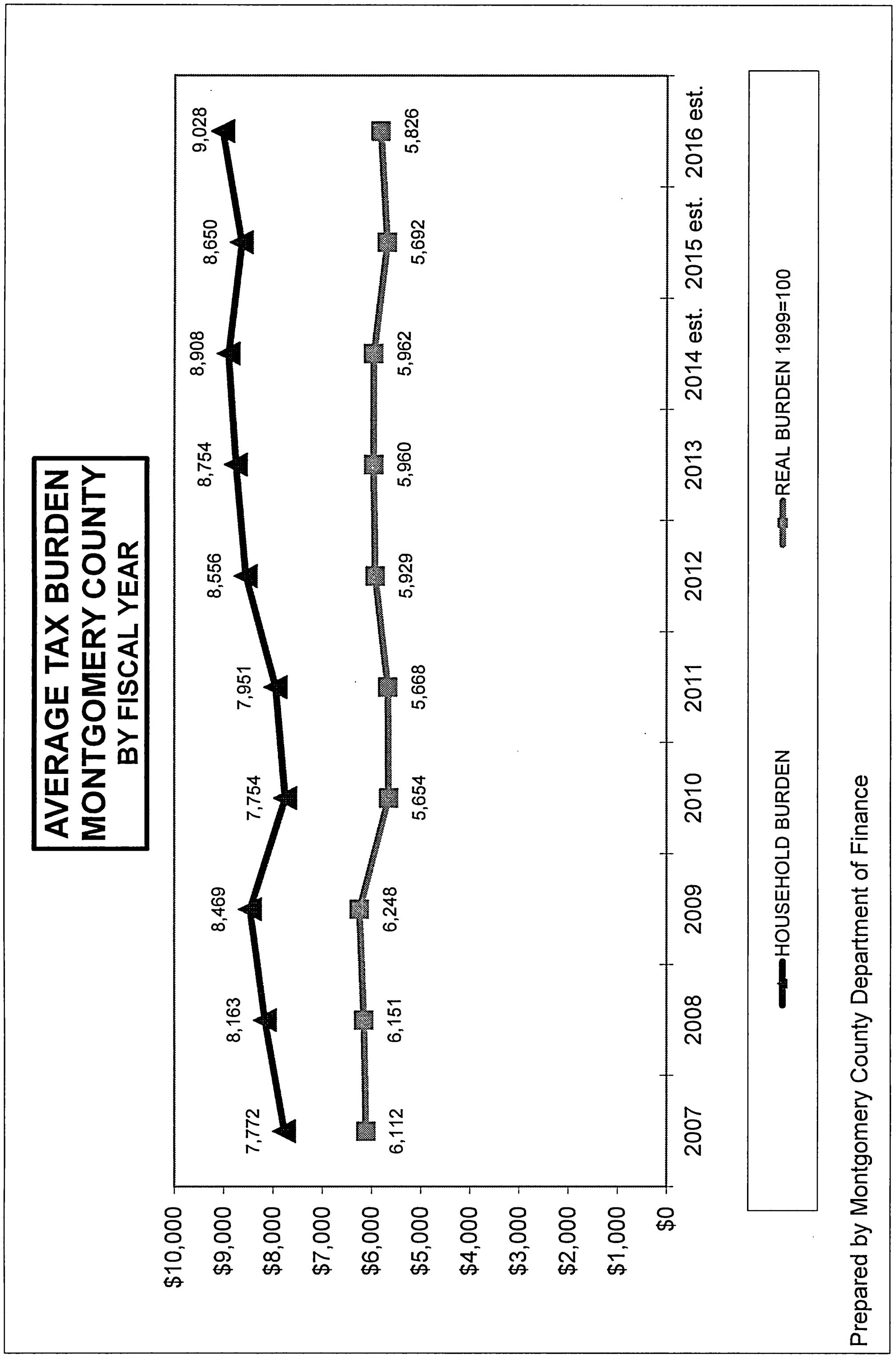
The County receives miscellaneous income from a variety of sources, the largest of which are auction proceeds, rental income for the use of County property, and operating revenue from the Conference Center. These two categories make up 49.5 percent of the total $11.6 million projected for FY16.

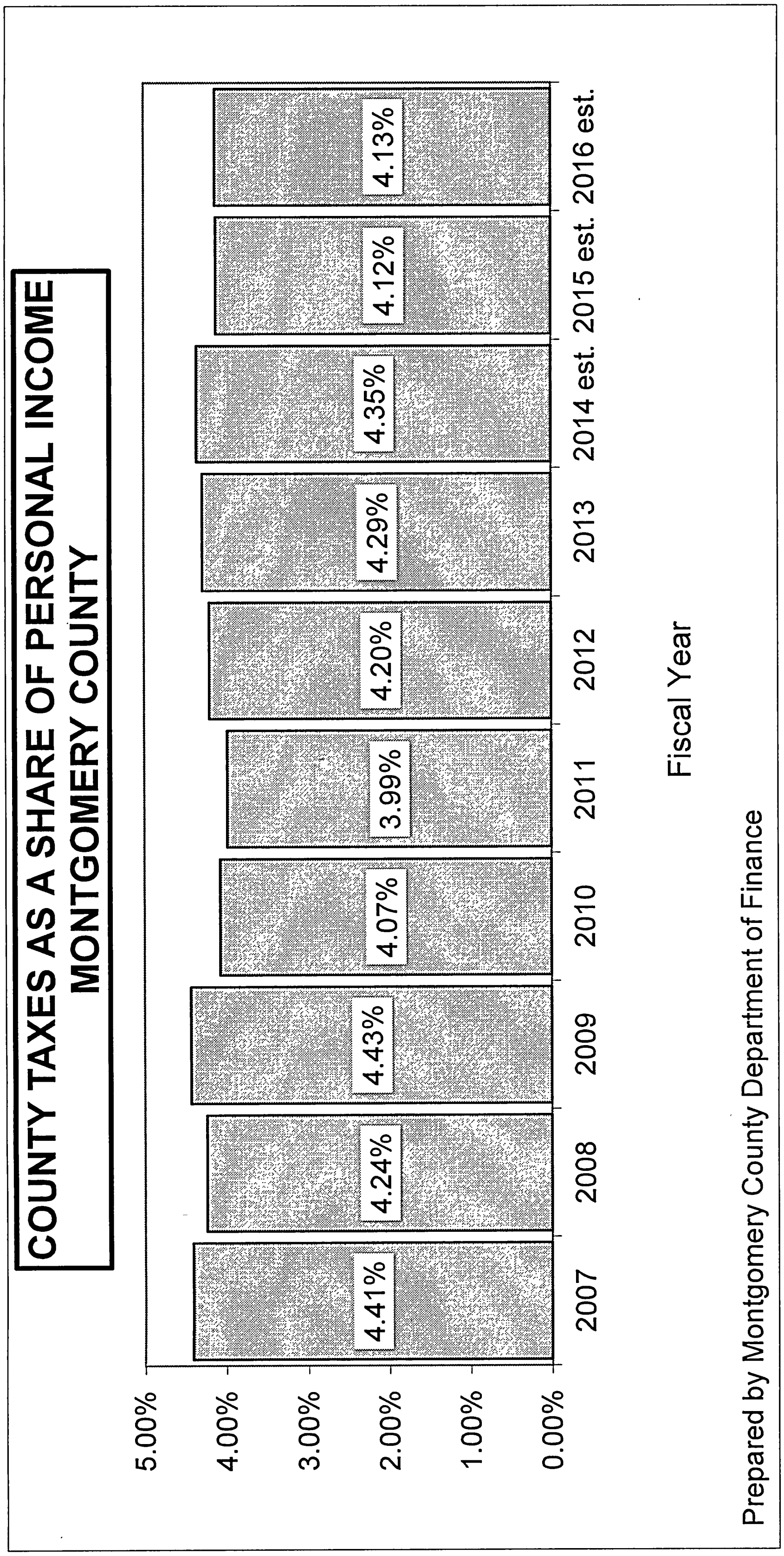
TRENDS AND PROJECTIONS

DEMOGRAPHIC AND PLANNING INDICATORS	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
POPULATION	1,018,000	1,020,000	1,029,200	1,038,000	1,047,000	1,056,000	1,067,000	1,075,000
Annual Increase	8,200	2,000	9,200	8,800	9,000	9,000	11,000	8,000
Population Growth Since 2007	8.1%	8.3%	9.3%	10.3%	11.2%	12.2%	13.3%	14.2%
County Resident Births (Prior Calendar Year)	13,050	13,150	13,250	13,350	13,450	13,500	13,550	13,550
HOUSEHOLDS	371,000	377,500	381,000	385,000	389,000	393,000	397,000	401,000
Household Annual Growth (%)	1.2%	1.8%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Household Growth Since 2007	5.2%	7.0%	8.0%	9.2%	10.3%	11.4%	12.6%	13.7%
Household Growth Since 1992	27.4%	29.6%	30.8%	32.2%	33.6%	35.0%	36.3%	37.7%
Household Size	2.74	2.70	2.70	2.70	2.69	2.69	2.69	2.68
RESIDENT EMPLOYMENT (Jan = Calendar Year)	506,300	508,100	522,600	534,400	539,400	542,900	546,400	550,000
Resident Employment Annual Growth (%)	-0.8%	0.4%	2.9%	2.3%	0.9%	0.6%	0.6%	0.7%
Resident Employment Growth Since 2007	0.7%	1.0%	3.9%	6.3%	7.3%	8.0%	8.6%	9.4%
Resident Employment Per Household	1.36	1.35	1.37	1.39	1.39	1.38	1.38	1.37
Jobs in County	527,700	534,600	540,000	545,400	550,900	556,300	561,700	567,900
PERSONAL INCOME ($ Millions)	$75,940	$79,300	$83,360	$86,850	$89,720	$92,260	$95,970	$99,870
Per Capita Personal Income	$74,600	$77,750	$81,010	$83,670	$85,690	$87,370	$89,940	$92,900
Annual Growth (%)	0.7%	4.2%	4.2%	3.3%	2.4%	2.0%	2.9%	3.3%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	1.72%	1.72%	1.98%	2.20%	2.33%	2.53%	2.80%	3.13%
Inflation Growth (Fiscal Year) Since 2007	-49.0%	-49.0%	-41.2%	-34.7%	-30.9%	-24.9%	-16.9%	-7.1%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	1.64%	1.80%	2.15%	2.25%	2.40%	2.65%	2.95%	3.30%
ASSESSABLE TAX BASE ($ Millions)	$163,601	$168,372	$175,060	$181,910	$190,526	$196,972	$203,828	$212,125
Annual Growth (%)	1.1%	2.9%	4.0%	3.9%	4.7%	3.4%	3.5%	4.1%
Growth of Base Since 1992 (%)	173.5%	181.5%	192.6%	204.1%	218.5%	229.3%	240.7%	254.6%
Growth of Base Since 2007 (%)	26.2%	29.9%	35.0%	40.3%	46.9%	51.9%	57.2%	63.6%
INVESTMENT INCOME YIELD (%)	0.15%	0.17%	0.65%	1.25%	1.75%	2.25%	2.75%	3.50%
MCPS ENROLLMENT (Sept = Calendar Year)	151,289	154,230	156,494	158,813	160,883	162,363	164,036	165,358
Annual Growth (%)	1.5%	1.9%	1.5%	1.5%	1.3%	0.9%	1.0%	0.8%
Annual Increase (Decrease)	2,238	2,941	2,264	2,319	2,070	1,480	1,673	1,322
MONTGOMERY COLLEGE ENROLLMENTS (a)	25,517	24,727	24,364	24,135	24,420	24,654	24,654	24,654
Annual Growth (%)	-7.1%	-3.1%	-1.5%	-0.9%	1.2%	1.0%	0.0%	0.0%
Full Time Equivalents (Sept = Calendar Year) (b)	21,409	21,056	20,587	20,392	20,288	20,519	20,717	20,717
Annual Growth in FTE's (%)	-4.1%	-1.6%	-2.2%	-0.9%	-0.5%	1.1%	1.0%	0.0%

(a) Projections related to Montgomery College Enrollments are provided by Montgomery College and only include projections through FY19. Since no projections are provided for FY20 or FY21, the projections for FY19 were used for FY20 and FY21.

(b) Projections related to Montgomery College Full Time Equivalents are provided by Montgomery College and only include projections through FY20. Since no projections are provided for FY21, the projections for FY20 were used for FY21.


AVERAGE TAX BURDEN
MONTGOMERY COUNTY
BY FISCAL YEAR
$10,000
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
7,772
8,163
8,469
7,754
7,951
8,556
8,754
8,908
8,650
9,028
6,112
6,151
6,248
5,654
5,668
5,929
5,960
5,962
5,692
5,826
2007
2008
2009
2010
2011
2012
2013
2014 est.
2015 est.
2016 est.
HOUSEHOLD BURDEN
REAL BURDEN 1999=100
Prepared by Montgomery County Department of Finance


COUNTY TAXES AS A SHARE OF PERSONAL INCOME
MONTGOMERY COUNTY
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
4.41%
4.24%
4.43%
4.07%
3.99%
4.20%
4.29%
4.35%
4.12%
4.13%
2007
2008
2009
2010
2011
2012
2013
2014 est.
2015 est.
2016 est.
Fiscal Year
Prepared by Montgomery County Department of Finance

REVENUE SUMMARY
TAX SUPPORTED BUDGETS
($ Millions)

	KEY REVENUE CATEGORIES	App FY15	Estimate FY15	% Chg. FY15-16	Rec FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20	% Chg. FY20-21	Projected FY21
	TAXES	5-22-14		App/Rec	3-16-15										
1	Property Tax	1,538.9	1,534.6	2.8%	1,582.6	2.6%	1,624.2	2.8%	1,670.2	3.0%	1,720.1	3.3%	1,777.2	3.0%	1,831.0
2	Income Tax	1,340.6	1,333.1	7.7%	1,443.4	5.6%	1,524.7	5.8%	1,613.7	4.9%	1,692.6	3.8%	1,757.6	3.5%	1,819.1
3	Transfer Tax	97.9	88.7	-1.7%	96.2	13.7%	109.4	5.9%	115.9	6.0%	122.8	3.9%	127.6	4.8%	133.8
4	Recordation Tax	62.8	52.9	-8.3%	57.6	15.0%	66.3	6.4%	70.5	7.1%	75.5	2.0%	77.0	5.0%	80.9
5	Energy Tax	209.2	203.5	-1.4%	206.2	0.8%	207.9	1.1%	210.1	0.6%	211.4	0.5%	212.5	0.7%	214.0
6	Telephone Tax	47.8	49.6	5.4%	50.4	1.8%	51.3	1.0%	51.8	1.4%	52.5	1.3%	53.2	1.5%	54.0
7	Hotel/Motel Tax	17.5	19.6	16.1%	20.3	3.6%	21.1	3.4%	21.8	3.3%	22.5	3.2%	23.2	4.1%	24.2
8	Admissions Tax	3.2	3.0	1.1%	3.2	6.4%	3.5	4.1%	3.6	6.2%	3.8	6.3%	4.1	6.6%	4.3
9	**Total Local Taxes**	**3,318.0**	**3,285.1**	**4.3%**	**3,460.1**	**4.3%**	**3,608.3**	**4.1%**	**3,757.6**	**3.8%**	**3,901.3**	**3.4%**	**4,032.4**	**3.2%**	**4,161.2**
	INTERGOVERNMENTAL AID														
10	Highway User	3.6	3.5	-0.1%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6
11	Police Protection	13.9	13.9	-1.2%	13.8	0.0%	13.8	0.0%	13.8	0.0%	13.8	0.0%	13.8	0.0%	13.8
12	Libraries	5.5	4.8	-6.9%	5.1	0.0%	5.1	0.0%	5.1	0.0%	5.1	0.0%	5.1	0.0%	5.1
13	Health Services Case Formula	4.4	4.4	-9.9%	4.0	0.0%	4.0	0.0%	4.0	0.0%	4.0	0.0%	4.0	0.0%	4.0
14	Mass Transit	39.4	39.4	1.1%	39.8	0.0%	39.8	0.0%	39.8	0.0%	39.8	0.0%	39.8	0.0%	39.8
15	Public Schools	618.8	618.8	0.8%	623.7	0.0%	623.7	0.0%	623.7	0.0%	623.7	0.0%	623.7	0.0%	623.7
16	Community College	34.2	33.0	-1.5%	33.7	0.0%	33.7	0.0%	33.7	0.0%	33.7	0.0%	33.7	0.0%	33.7
17	Other	38.3	50.7	38.9%	53.3	-21.6%	41.8	0.0%	41.8	0.0%	41.8	0.0%	41.8	0.0%	41.8
18	**Total Intergovernmental Aid**	**758.1**	**768.5**	**2.5%**	**776.8**	**-1.5%**	**765.3**	**0.0%**	**765.3**	**0.0%**	**765.3**	**0.0%**	**765.3**	**0.0%**	**765.3**
	FEES AND FINES														
19	Licenses & Permits	12.6	11.7	3.3%	13.0	1.5%	13.2	1.5%	13.4	1.5%	13.6	1.5%	13.8	1.5%	14.0
20	Charges for Services	69.1	68.8	4.0%	71.9	1.8%	73.2	1.9%	74.5	2.0%	76.0	2.2%	77.7	2.5%	79.7
21	Fines & Forfeitures	22.0	24.3	10.3%	24.3	1.6%	24.7	1.6%	25.1	1.6%	25.5	1.6%	25.9	1.6%	26.3
22	Montgomery College Tuition	83.7	81.6	-0.4%	83.3	1.8%	84.8	1.9%	86.3	2.0%	88.1	2.2%	90.1	2.5%	92.3
23	**Total Fees and Fines**	**187.4**	**186.4**	**2.7%**	**192.5**	**1.7%**	**195.8**	**1.8%**	**199.4**	**1.9%**	**203.2**	**2.1%**	**207.5**	**2.3%**	**212.3**
	MISCELLANEOUS														
24	Investment Income	0.5	0.6	296.9%	2.1	86.4%	3.9	38.2%	5.4	27.8%	6.8	21.8%	8.3	26.5%	10.5
25	Other Miscellaneous	10.3	15.9	13.0%	11.6	2.2%	11.9	2.3%	12.2	2.5%	12.5	2.8%	12.8	3.1%	13.2
26	**Total Miscellaneous**	10.8	16.5	26.8%	13.7	15.0%	15.8	11.2%	17.5	10.3%	19.3	9.5%	21.1	12.3%	23.8
27	**TOTAL REVENUES**	4,274.3	4,256.4	3.9%	4,443.1	3.2%	4,585.2	3.4%	4,739.9	3.1%	4,889.2	2.8%	5,026.4	2.7%	5,162.6
28															
	Calculation for Adjusted Governmental Revenues														
29	**Total Tax Supported Revenues**	**4,274.3**	**4,256.4**	**3.9%**	**4,443.1**	**3.2%**	**4,585.2**	**3.4%**	**4,739.9**	**3.1%**	**4,889.2**	**2.8%**	**5,026.4**	**2.7%**	**5,162.6**
30	**Capital Projects Fund**	**123.4**	**123.4**	**0.2%**	**123.6**	**-12.4%**	**108.2**	**-7.7%**	**99.9**	**-2.2%**	**97.7**	**7.7%**	**105.2**	**0.0%**	**105.2**
31	**Grants**	**116.6**	**116.6**	**2.9%**	**120.1**	**2.2%**	**122.7**	**2.3%**	**125.6**	**2.5%**	**128.7**	**2.8%**	**132.3**	**3.1%**	**136.5**
32	**MCG Adjusted Revenues**	**4,514.3**	**4,496.4**	**3.8%**	**4,686.8**	**2.8%**	**4,816.2**	**3.1%**	**4,965.3**	**3.0%**	**5,115.6**	**2.9%**	**5,264.0**	**2.7%**	**5,404.3**

County Executive's Recommended FY16-21 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

	App. FY15	Est FY15	% Chg. FY15-16	Rec. FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20	% Chg. FY20-21	Projected FY21
	5-22-14		App/Rec	3-16-15										
Total Revenues														
Property Tax	1,538.9	1,534.6	2.8%	1,582.6	2.6%	1,624.2	2.8%	1,670.2	3.0%	1,720.1	3.3%	1,777.2	3.0%	1,831.0
Income Tax	1,340.6	1,333.1	7.7%	1,443.4	5.6%	1,524.7	5.8%	1,613.7	4.9%	1,692.6	3.8%	1,757.6	3.5%	1,819.1
Transfer/Recordation Tax	160.7	141.6	-4.3%	153.8	14.2%	175.6	6.1%	186.4	6.4%	198.3	3.2%	204.6	4.9%	214.6
Investment Income	0.5	0.6	296.9%	2.1	86.4%	3.9	38.2%	5.4	27.8%	6.8	21.8%	8.3	26.5%	10.5
Other Taxes	277.7	275.8	0.9%	280.2	1.3%	283.7	1.3%	287.3	1.0%	290.3	0.9%	293.0	1.2%	296.5
Other Revenues	955.8	970.8	2.6%	981.0	-0.8%	973.0	0.4%	976.9	0.4%	981.0	0.5%	985.7	0.5%	990.9
Total Revenues	**4,274.3**	**4,256.4**	**3.9%**	**4,443.1**	**3.2%**	**4,585.2**	**3.4%**	**4,739.9**	**3.1%**	**4,889.2**	**2.8%**	**5,026.4**	**2.7%**	**5,162.6**
Net Transfers In (Out)	**43.3**	**43.6**	**-50.9%**	**21.3**	**2.2%**	**21.7**	**2.3%**	**22.2**	**2.5%**	**22.8**	**2.8%**	**23.4**	**3.1%**	**24.2**
Total Revenues and Transfers Available	**4,317.6**	**4,300.0**	**3.4%**	**4,464.4**	**3.2%**	**4,606.9**	**3.4%**	**4,762.1**	**3.1%**	**4,911.9**	**2.8%**	**5,049.8**	**2.7%**	**5,186.8**
Non-Operating Budget Use of Revenues														
Debt Service	344.1	339.0	5.4%	362.6	10.0%	399.0	2.3%	408.1	3.8%	423.6	3.9%	440.0	3.5%	455.3
PAYGO	30.0	30.0	8.3%	32.5	0.8%	32.7	1.5%	33.2	0.0%	33.2	0.0%	33.2	0.0%	33.2
CIP Current Revenue	49.4	54.9	20.9%	59.7	21.0%	72.2	-1.4%	71.2	11.2%	79.3	-1.5%	78.1	0.0%	78.1
Change in Montgomery College Reserves	-7.6	-2.8	-25.4%	-9.5	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
Change in MNCPPC Reserves	-4.6	-5.0	34.7%	-3.0	103.0%	0.1	36.6%	0.1	8.3%	0.1	14.7%	0.2	-4.0%	0.1
Change in MCPS Reserves	-38.2	-6.2	13.1%	-33.2	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
Change in MCG Special Fund Reserves	1.6	-3.8	-565.4%	-7.3	100.8%	0.1	-16.3%	0.1	-1.6%	0.1	-4.9%	0.0	-11.4%	0.0
Contribution to General Fund Undesignated Reserves	-92.2	-127.6	92.4%	-7.0	219.1%	8.3	-16.3%	7.0	-1.6%	6.9	-4.9%	6.5	-11.4%	5.8
Contribution to Revenue Stabilization Reserves	22.6	22.7	6.9%	24.2	5.6%	25.6	5.3%	26.9	5.0%	28.3	-47.1%	14.9	-39.4%	9.0
Retiree Health Insurance Pre-Funding	127.8	127.8	-15.2%	108.5	1.3%	109.9	-2.9%	106.7	-3.8%	102.7	-3.1%	99.5	-3.2%	96.3
Set Aside for other uses (supplemental appropriations)	0.1	0.1	-100.0%	0.0	n/a	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
Total Other Uses of Resources	**433.1**	**429.1**	**21.8%**	**527.4**	**26.6%**	**667.9**	**0.8%**	**673.3**	**3.1%**	**694.1**	**-0.2%**	**692.5**	**0.8%**	**697.9**
Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)	**3,884.5**	**3,870.9**	**1.3%**	**3,936.9**	**0.1%**	**3,939.1**	**3.8%**	**4,088.8**	**3.2%**	**4,217.8**	**3.3%**	**4,357.3**	**3.0%**	**4,488.8**
Agency Uses														
Montgomery County Public Schools (MCPS)	2,138.1	2,106.1	1.4%	2,168.8										
Montgomery College (MC)	244.5	236.3	1.6%	248.5										
MNCPPC (w/o Debt Service)	111.9	111.9	1.7%	113.9										
MCG	1,390.0	1,416.5	1.1%	1,405.7										
Agency Uses	**3,884.5**	**3,870.9**	**1.3%**	**3,936.9**	**0.1%**	**3,939.1**	**3.8%**	**4,088.8**	**3.2%**	**4,217.8**	**3.3%**	**4,357.3**	**3.0%**	**4,488.8**
Total Uses	**4,317.6**	**4,300.0**	**3.4%**	**4,464.4**	**3.2%**	**4,606.9**	**3.4%**	**4,762.1**	**3.1%**	**4,911.9**	**2.8%**	**5,049.8**	**2.7%**	**5,186.8**
(Gap)/Available	**0.0**	**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**

Assumptions:

1. Property taxes are at the Charter Limit with a $692 credit.
2. Reserve contributions are at the policy level and consistent with legal requirements.
3. PAYGO, debt service, and current revenue reflect the County Executive's Amendments to the FY15-20 Capital Improvements Program and additional proposed current revenue amendments..

County Executive's Recommended FY16-21 Public Services Program
Tax Supported Fiscal Plan Summary

($ in Millions)

	App. FY15	Est FY15	% Chg. FY15-16	Rec. FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20	% Chg. FY20-21	Projected FY21
Beginning Reserves														
Unrestricted General Fund	241.5	281.8	-36.2%	154.1	-4.5%	147.2	5.7%	155.5	4.5%	162.4	4.2%	169.3	3.8%	175.8
Revenue Stabilization Fund	207.2	208.0	11.3%	230.7	10.5%	254.9	10.0%	280.5	9.6%	307.4	9.2%	335.6	4.5%	350.6
Total Reserves	448.7	489.8	-14.2%	384.8	4.5%	402.0	8.4%	435.9	7.8%	469.8	7.5%	504.9	4.2%	526.4
Additions to Reserves														
Unrestricted General Fund	-92.2	-127.6	92.4%	-7.0	219.1%	8.3	-16.3%	7.0	-1.6%	6.9	-4.9%	6.5	-11.4%	5.8
Revenue Stabilization Fund	22.6	22.7	6.9%	24.2	5.6%	25.6	5.3%	26.9	5.0%	28.3	-47.1%	14.9	-39.4%	9.0
Total Change in Reserves	-69.6	-104.9	124.8%	17.2	96.8%	33.9	0.0%	33.9	3.7%	35.1	-38.9%	21.5	-30.9%	14.8
Ending Reserves														
Unrestricted General Fund	149.3	154.1	-1.4%	147.2	5.7%	155.5	4.5%	162.4	4.2%	169.3	3.8%	175.8	3.3%	181.6
Revenue Stabilization Fund	229.8	230.7	10.9%	254.9	10.0%	280.5	9.6%	307.4	9.2%	335.6	4.5%	350.6	2.6%	359.6
Total Reserves	379.1	384.8	6.0%	402.0	8.4%	435.9	7.8%	469.8	7.5%	504.9	4.2%	526.4	2.8%	541.2
Reserves as a % of Adjusted Governmental Revenues	8.4%	8.6%		8.6%		9.1%		9.5%		9.9%		10.0%		10.0%
Other Reserves														
Montgomery College	4.6	10.6	-75.5%	1.1	0.0%	1.1	0.0%	1.1	0.0%	1.1	0.0%	1.1	0.0%	1.1
M-NCPPC	4.1	7.3	5.3%	4.3	2.1%	4.4	2.8%	4.5	3.0%	4.7	3.3%	4.8	3.1%	5.0
MCPS	0.1	33.2	-100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
MCG Special Funds	0.6	8.4	77.3%	1.1	5.7%	1.1	4.5%	1.2	4.2%	1.3	3.8%	1.3	3.3%	1.3
MCG + Agency Reserves as a % of Adjusted Govt Revenues	8.6%	9.9%		8.7%		9.2%		9.6%		10.0%		10.1%		10.2%
Retiree Health Insurance Pre-Funding														
Montgomery County Public Schools (MCPS)	85.5	85.5		61.7		63.1		61.3		59.0		56.7		54.4
Montgomery College (MC)	2.0	2.0		1.4		1.5		1.6		1.6		1.5		1.6
MNCPPC	1.8	1.8		1.8		1.8		1.8		1.8		1.8		1.8
MCG	38.6	38.6		43.5		43.5		42.0		40.4		39.5		38.6
Subtotal Retiree Health Insurance Pre-Funding	127.8	127.8		108.5		109.9		106.7		102.7		99.5		96.3
Adjusted Governmental Revenues														
Total Tax Supported Revenues	4,274.3	4,256.4	3.9%	4,443.1	3.2%	4,585.2	3.4%	4,739.9	3.1%	4,889.2	2.8%	5,026.4	2.7%	5,162.6
Capital Projects Fund	123.4	123.4	0.2%	123.6	-12.4%	108.2	-7.7%	99.9	-2.2%	97.7	7.7%	105.2	0.0%	105.2
Grants	116.6	116.6	2.9%	120.1	2.2%	122.7	2.3%	125.6	2.5%	128.7	2.8%	132.3	3.1%	136.5
Total Adjusted Governmental Revenues	4,514.3	4,496.4	3.8%	4,686.8	2.8%	4,816.2	3.1%	4,965.3	3.0%	5,115.6	2.9%	5,264.0	2.7%	5,404.3

FY16 FEE AND FINE CHANGES*			
DEPARTMENT/FEE AND FINE	**FY16 REVENUE CHANGE**	**METHOD OF CHANGE**	**NOTE**
MONTGOMERY COLLEGE			
Tuition and Related Fees	4,200,000	Board of Trustees Action	The County Executive recommends the following increase to semester hour rates, which will increase tuition revenue $2.1 million above the Board's request: from $115 to $121 for County residents; $235 to $247 for State residents; and $323 to $341 for non-residents. The Board of Trustees Budget Request includes the following increases to semester hour rates: from $115 to $118 for County residents; from $235 to $241 for State residents; and $323 to $332 for non-residents.
DEPARTMENT OF PERMITTING SERVICES			
Commercial and Residential Permits	-1,790,039	Executive Regulation	A new permit fee structure will result in lower permit fees across multiple charges for services, resulting in a more equitable fee structure. The new fee structure shifts from a construction cost based fee for commercial construction to a rate per square foot.
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS			
Licensing Fees	292,410	Executive Regulation	Increase licensing fees by $3.
DEPARTMENT OF RECREATION			
Program and Facility Rental Fees	388,619	Executive Regulation	Increase facility rental fees by 5 percent. Increase program fees by 3 percent with the following exceptions: increase pool admissions and pool passes/gym combo packages by 5 percent; no increase for Special Recreation Event Fees.
SOLID WASTE SERVICES			
Solid Waste Service Charges	-2,658,790	Council Resolution	Decrease single family charge per household from $213.75 to $205.11; decrease multi-family charge per household from $16.73 to $16.06; and decrease non-residential charge from $621.21 to $596.13.
Solid Waste Refuse Collection Charge	421,000	Council Resolution	Increase the charge per household from $66 to $70.
DEPARTMENT OF TRANSPORTATION			
Parking Fees - Silver Spring	603,000	Council Resolution	The implementation of demand-based parking rates in Silver Spring is revenue neutral. The expansion of collection hours in Silver Spring Garages 60 and 61 to Monday through Friday, 7am to 7pm (currently Monday through Thursday 7am to 6pm and Friday 7am to 5 pm) is expected to generate an additional $603,000 in revenue.
GRAND TOTAL	**1,456,200**		

* All changes are assumed to be effective July 1, 2015 except as noted.
Revenues above do not include implementation costs.