



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

March 16, 2015

TO: George Leventhal, President, County Council

FROM: Isiah Leggett, County Executive *Isiah Leggett*

SUBJECT: FY16 Recommended Operating Budget and FY16-21 Public Services Program

In accordance with the County Charter, I am pleased to transmit to the County Council my FY16 Recommended Operating Budget and FY16-21 Public Services Program.

This budget reflects the concerns and policy issues that I heard County residents express during the many Town Hall Meetings, Budget Forums, On-Line Chats, and other community meetings I held over the past year to better understand the hopes, expectations, and needs of the people of our County. I am also grateful to the County's advisory boards and commissions for their important input during my deliberations.

The budget responds to what I believe are our most important shared priorities:

- A Responsive and Accountable County Government
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- Healthy and Sustainable Communities
- Safe Streets and Secure Neighborhoods
- A Strong and Vibrant Economy
- Vital Living for All of Our Residents

I am recommending a total FY16 Operating Budget of \$5,067,834,958 for Montgomery County Public Schools (MCPS), Montgomery College, County Government, and Maryland-National Capital Park and Planning Commission (M-NCPPC). Of that total, the recommended tax supported expenditures are \$4,407,964,046.

The County government tax-supported budget is \$1,512,395,333, a 1.1 percent increase, which excludes full funding of the County's Retiree Health Benefits - Other Post-Employment Benefits (OPEB). My recommended budget assumes a drop in the property tax rate from 99.6 cents per \$100 of assessed value to 98.7 cents per \$100 of assessed valuation.

In this recommended budget, I have carefully balanced the increasing demands on many County services with the need to plan for several potential fiscal challenges in the foreseeable future. I have also helped to lay the groundwork for Montgomery County to remain the State's economic engine and a vital partner in our strong regional economy. By increasing investments in our public education system in kindergarten and beyond, providing for a comprehensive transportation system, funding a modern public safety infrastructure and delivering a forward-thinking economic development plan, we will continue to improve our residents' quality of life. I will detail these improvements later in this memorandum.

I am committed to ensuring that we maintain fiscal responsibility, and that begins with getting back to basics, and with a County government that pays its bills, lives within its means, plans for the future, and tells the truth about its finances. I believe this budget and my administration continue to do just that. This recommended budget recognizes the continued difficulties we are experiencing in our revenue picture. Recent income tax distributions suggest an uneven and slower than expected national economic recovery and have forced a retrenchment in FY15, as well as lowered revenue estimates in FY16.

The FY16 recommended budget, with its many efficiencies and reductions, must be considered in the larger context of what we have accomplished over the last several years. After years of reductions and achieving efficiencies, we must dig even deeper to identify savings that do not have major service impacts. As we tumbled into the Great Recession and struggled to recover, we made many difficult decisions. Over an eight-year period, we have closed over \$3 billion in budget shortfalls. The number of County employees was reduced by 10 percent between 2008 and 2011 and the overall County tax-supported budget experienced no increase between FY08 and FY11, even as our population grew and inflation continued. With the start of a national recovery in the last years, County government tax supported spending has increased an average of less than two percent per year during my eight years in office. My recommended FY16 budget assumes only a 1.1 percent increase for County government. This low rate of growth is critical to ensuring we continue to spend only what we can afford, while supporting our most critical services. This budget recommendation will also better position the County for several potential fiscal challenges that are expected in the foreseeable future.

As a result of these difficult decisions, we are in a much better financial position today and as we move forward into the future:

- We cut the rate of growth in County government from the unsustainable levels prior to my taking office and reassured the bond rating agencies that we could manage effectively through a devastating national economic crisis.
- We maintained our coveted Triple-A bond rating throughout the Great Recession, overcoming Federal government shutdowns, sequestrations, and layoffs. This success is saving taxpayers millions of dollars in borrowing costs every year.
- We have worked aggressively to increase the County's financial reserves to their highest level in our history to better protect the taxpayer. And we have allocated far more resources in advance to meet weather-related emergencies.

- I developed a prudent plan to establish a trust fund that sets aside tens of millions of dollars to meet the anticipated health care obligations for retired employees, thereby averting a potential huge financial crisis for the County in the future.

As we focused on more sustainable fiscal policies, I protected critically-needed funding for education, public safety, and help for the most vulnerable in our midst. I also made critical investments in our economic infrastructure to lay the foundation for creating jobs and growing our tax base. This effort must be balanced with the equally important goal of preserving Montgomery County's unique environmental quality.

Our balanced approach to address these challenges has helped bring the County out of the worst of this economic crisis. However, we still face a number of concerns related to our fiscal health. The Supreme Court has heard arguments and we are awaiting a ruling in the Comptroller of the Treasury of Maryland v. Wynne case. If Maryland were to lose this case, we could be hit with retroactive payments of up to \$115 million. We could lose between \$25 million and \$30 million annually in future revenue. This loss would require significant rethinking of a number of programs and/or property tax increases that significantly exceed the Charter Limits approved by the voters.

The Governor's proposed budget also contains a number of funding reductions that are adversely affecting the County's revenues. These reductions are most significant in our highest priority area – education. We must continue to advocate together in Annapolis for restoration of this funding and against any further erosion of State support.

Overview

In the face of continued fiscal challenges, this budget maintains my commitment to prudent fiscal policies that we have mutually agreed are critical to maintaining the County's sound fiscal management. I maintained the effort to reach a reserve level of 10 percent by the year 2020 in order to remain in high standing with the financial markets and to cushion the taxpayer against any additional unanticipated economic setbacks. I have also included in the recommended budget funds for retiree health benefits that are at the required level – a true accomplishment for all of us in the midst of the current fiscal conditions. The funding level for retiree health benefits that I am recommending is the minimum funding level that we need to contribute in order to maintain the commitment that we mutually made to the bond rating agencies.

As a result, we must find efficiencies and cost-savings once again. As a starting point for this budget, all County Government departments were asked to submit a budget that was three percent lower than their same services budget. Department directors worked hard to identify reductions that would have the least service impacts. Given the reductions in prior years that most departments have sustained, this was difficult. However, I believe they have succeeded in preserving our most vital services. Though not required to, our hard-working Judicial Branch cooperated in our efforts to identify savings.

At the same time, as detailed in the following pages, I have focused any available increased revenue on our mutual priorities – priorities that address the critical needs of our growing and changing community. I have increased funding for public education at all levels, enhanced police services, maintained services for our Positive Youth Development programs and for our growing senior population, and further boosted funding for life sciences and cybersecurity business growth and high quality job creation.

Recognizing that government works best in partnership with the community, I have increased funding for the many worthy community organizations that provide services to our residents in ways government cannot.

I have also recommended a one million increase for the Council community grants above my recommended FY15 level.

Consistent with our union negotiations, I have included funding for all of our Collective Bargaining Agreements. In all three cases, I am recommending appropriations to fund a General Wage Adjustment of two percent and earned increment increases for employees. Our employees have made many sacrifices in the past few years as we have struggled to restructure and realign our finances. I am pleased to recommend funding for these agreements so that we can work toward the County's future together. The reality is that we cannot perform our essential County functions without the dedication and hard work of our employees. They should be appropriately compensated for this work.

Economic Context and Fiscal Consequences

Responsible fiscal practices are not only essential but are the foundation for ensuring that government is able to serve our over one million residents, our businesses, and our employees, both in the short term and in the long run. I established cost containment strategies and productivity improvements that have dramatically slowed the rate of growth in the operating budget and have therefore already saved County taxpayers hundreds of millions of dollars. In partnership with the Council, I have also reestablished responsible reserve and other fiscal policies that will carry this County into the future with improved, sustainable fiscal health.

I am committed to maintaining the prudent and fiscally responsible approach we established in the midst of the economic crisis, while finding the balance that will meet the expanding needs of our growing population.

A Sustainable Budget that Meets our Residents' Needs

My FY16 Recommended Operating Budget:

- Funds Montgomery County Public Schools at the required Maintenance of Effort level while also providing an additional \$27.2 million to fund their retiree health benefit claims. Together, this funding meets 97.6 percent of the Board of Education's request.
- Funds Montgomery College with County dollars above the required Maintenance of Effort level;
- Provides a 1.5 percent increase in tax supported funding for the Maryland-National Capital Park and Planning Commission;
- Continues my emphasis on public safety by funding additional fire fighter hours at the Sandy Spring Fire Station. Improves fire apparatus availability by adding an additional vehicle maintenance shift;
- Funds the initiation of a body camera program in the Police Department which will provide cameras for all patrol officers;
- Funds the purchase of new bulletproof vests for our police officers;
- Continues implementation of my Six-Point Economic Plan which positions the County for increased economic success, job creation and a secure tax base.

- Maintains services in two of my major initiatives serving potentially at-risk populations – Positive Youth Development and Vital Living for Seniors – and continues to fund programs that protect the most vulnerable among us;
- Funding for the creation and preservation of affordable housing units of \$43.9 million, bringing the total Countywide support for affordable housing during my administration to \$657.9 million, which leverages \$924.5 million in non-county resources.
- Provides resources to continue County efforts supporting the Great Seneca Science Corridor, the White Oak Science Gateway, and the White Flint Plan, as well as the transition to transit-oriented development around the Shady Grove Metro. These efforts will help create at least 100,000 new, quality jobs in Montgomery County and thousands of additional housing units;
- Fully funds County reserves at the policy level of \$402 million – the highest in the County’s history;
- Funds PAYGO in the Capital Improvements Program at ten percent of current revenue to match bond funding in my recommended capital budget, consistent with our fiscal policy;
- Funds \$113.9 million to meet retiree health benefit obligations – maintaining funding at the Annual Required Contribution (ARC);
- Reduces the property tax rate by almost one cent per \$100 of assessed valuation, thereby not exceeding the County Charter limit.
- Retains the energy tax at the level approved by the Council for FY15, preserving a broad-based revenue source that includes federal institutions based in the County who otherwise pay no taxes in exchange for County services.

As we continue on the prudent course that has been set, I believe this budget is sustainable, while maintaining my commitment to quality services, increasing efficiency and maintaining sensible fiscal policies that will serve us well into the future. Given the continued budget uncertainty at the State and Federal level, and the potential impact reduced spending at those levels of government can have on the local economy, we must remain cautious in our spending and not return to the unsustainable spending of the past. This budget also keeps faith with the people who pay the bills – our County taxpayers – by matching our critical needs with the revenues available or necessary.

The spending that I have proposed in FY16 is strategically focused on our highest priorities – education, public safety, economic development, and our youth and seniors:

- I recommend a total County budget for all agencies (which includes debt service, grants, and enterprise funds) for FY16 of \$5,067,834,958 an increase of \$72.1 million from the FY15 Approved Budget – a 1.4 percent increase.
- The overall FY16 tax supported budget for all agencies of \$4,407,964,046 (including debt service) will increase by \$51,473,660 from the FY15 budget. This represents a 1.2 percent increase.
- I recommend to the County Council that tax supported funding for Montgomery County government (excluding OPEB funding) increase by \$15.7 million or 1.1 percent;

- Overall funding for the Montgomery County Public Schools will increase by \$30.7 million – a 1.4 percent increase from FY15. In addition, with funds made available through the Health Benefits Trust, the budget funds 97.6 percent of the Board of Education's tax-supported request.
- I am recommending an increase to the County contribution for Montgomery College of \$3 million, or a 2.6 percent increase. The budget funds 97.7 percent of the College's tax supported request. Total funds for the College are \$305.7 million.
- Funding for the M-NCPPC increases by \$1.8 million, a 1.5 percent increase and 96.2 percent of Park and Planning's tax-supported request.

Priorities in the FY16 Recommended Budget

Education

Throughout my years as County Executive and Council Member, I have always prioritized funding for education. I know that nothing is more important than investing in quality schools at all levels. Well-educated residents and employees are critical to ensuring our future as an important employment center, both in the State and in the Washington, D.C. region.

In my FY15-20 Recommended Capital Improvements Program, I increased the County's contribution to Montgomery County Public Schools school construction by 55 percent over nine years. I have proposed an historic high -- \$1.3 billion in County money – in the capital budget now before you.

To effectively address the future overcrowding in our schools requires the State to significantly increase resources for school construction – over and above what we now receive. We must continue to press the Governor and the General Assembly to provide Montgomery County with the necessary funding to meet the growing needs of our school population. That is what all of us in Montgomery County are fighting for in Annapolis right now. We will continue this fight to provide the necessary classrooms for our children to learn.

As important as school construction dollars are, we must ensure the learning that occurs inside the classrooms is of the highest quality and meets the learning needs of all of our students at all levels. As our population continues to diversify, these needs evolve. Our school system must have the resources necessary to remain nimble and sensitive to these needs.

My FY16 Recommended Operating Budget includes a record-high of \$2.3 billion (including all revenue sources) for the Montgomery County Public Schools, an increase of \$31.9 million – or 1.4 percent. Within this total, I am recommending an unprecedented County contribution of \$1.508 billion, with an additional \$27.2 million from the Retiree Health Benefit Trust to fund MCPS retiree health benefit claims. Altogether, this funding will provide the Board of Education with 97.6 percent of their request. I have included a minimum of \$33.2 million from the MCPS fund balance to help fund the Board's request.

I am also recommending a larger County investment in Montgomery College – an educational institution serving thousands of County residents searching for a quality and affordable higher education. For Montgomery College, my FY16 Recommended Operating Budget totals \$306.2 million, a \$9.1 million increase – or 3.1 percent. The County contribution is \$120.4 million – \$3 million over Maintenance of Effort and a 2.6 percent increase over last year. With the additional \$17 million added to the County's contribution last year, this provides the College with a 20 percent increase in the County contribution over the last two years.

Economic Development

Creating the jobs of the future in Montgomery County has been one of my top priorities. In December 2014, the County's unemployment rate fell to 4.0 percent – the lowest since 2008 and more than a 30 percent decrease since its high during the Great Recession. Over the past two years of recovery, Montgomery County jobs are up two percent. Construction of new residential units in the County has increased by 81 percent in the last three years. Non-residential construction has gone up 28 percent during that period.

While our recent economic growth has improved, I believe we must continue to lay the foundation for the future growth and economic health of the County. That is why I have initiated a Six-Point Economic Plan that I believe will ensure a more responsive County Government to our future economic needs. This Plan involves a number of County departments and will require the participation of the Council, our educational institutions, the State, Park and Planning, and our business community to truly succeed in achieving its goal – making Montgomery County the location of choice for the highest quality jobs and businesses. This Plan is detailed on page 68-1 of this document, but includes a number of elements.

I am working with all relevant stakeholders to develop a proposal, with accompanying legislation, to create an Economic Development Authority for the County that will assume many of the current functions and responsibilities of our Department of Economic Development. This Authority will have broad-based representation from the business, educational, and governmental sectors of our economy. It will be able to move us forward both within the region and nationally.

To reduce the amount of Class A and B office space in the County, I recommend expanding the MOVE program to increase the amount of a one-time grant (from \$4 to \$8 per square foot, up to 10,000 s.f.) for new companies signing their first lease in Montgomery County. The expansion applies to any industry except retail and restaurant. My recommendations also support the BUILD Program, a new initiative funded through Montgomery County Economic Development Fund, to increase the number of construction jobs and the commercial tax base by selectively spurring the construction of Class A office space and hotels in the County. The approved property owners can receive up to 50 percent of the additional real property taxes generated by the new development through an annual grant payment that lasts ten years.

As part of the Six-Point Economic Plan, I am also committing resources within the Department of Permitting Services (DPS) to continue and accelerate the streamlining of the development process. The additional resources provided to DPS will help the Department meet its commitment to complete the initial review and comment of Commercial Plan reviews within 30 days, continue the move to electronic plan review, reduce processing time for sediment control plans and improve coordination both within and outside of County Government.

To be more responsive, the Department of Permitting Services has engaged in a comprehensive study of its fees. A significant outcome of the study is that the Department will be moving away from a construction cost based fee for new commercial construction to a rate per square foot which more accurately reflects the necessary DPS staff work. This new approach is projected to yield a fee structure that is more equitable, predictable, and consistent with maintaining reserve policy. The County has twice reduced permit fees in the recent past and with the FY16 budget is proposing a new permit fee structure that will result in materially lower permit fees across multiple charges for services.

I am also creating a cabinet level Office of Procurement. As part of this plan, the Office of Procurement will provide more focus on procurement programs and efforts to improve the inclusion of currently

underserved sectors of the business community. The new Office of Procurement will include Procurement Support, Procurement Operations, and Business Relations and Compliance which were previously housed in the Department of General Services. Externally, businesses and other organizations will observe the priority placed on this function for both accountability and accessibility to government contracting.

The Six-Point Plan plan builds on the many past successes that we have collectively achieved in growing our economic base. Understanding their importance to our economic future, I provided leadership on critically-important County master and sector plans. In my first year, I successfully negotiated the purchase of Site Two in the East County from Washington Suburban Sanitary Commission. This parcel is crucial to ensuring the success of our White Oak Science Gateway. Working with businesses, the community, the Planning Board, and the Council, we will create 100,000 new jobs in the County through the Smart Growth Initiative, the Great Seneca Science Corridor, the White Flint sector plan, and the White Oak Science Gateway. That will be the biggest single growth in jobs in County history – more jobs than were added over the last 20 years combined. These projects will grow life sciences, stimulate quality jobs and commerce, and foster walkable communities, connected by transit, where residents can live and work.

My FY16 Recommended Operating Budget continues the work in repurposing the William Hanna Innovation Center to become the National Cybersecurity Center of Excellence. The Cybersecurity industry is indisputably one of the fastest growing industries in the nation and having the Center located in Montgomery County is an asset we must build upon. The proposed budget provides an additional \$300,000 to support the Life Sciences and Incubator support. It continues County funding support for BioHealth Innovation, the public-private partnership designed to take our County's biotech excellence to the next level by enhancing the commercialization of critical research done in the County. It also supports creating a new start-up business accelerator, called MC Squared, to expand the County's business incubator networks. The MC Squared will provide early-stage companies with an intensive product-focused curriculum to accelerate their growth and leverage the region's unique federal assets. This budget also provides continued County support for our successful Local Small Business Reserve Program and for the American Film Institute.

Under my administration, Montgomery County was the first local jurisdiction in the nation to establish a local Biotech Tax Credit, to give incentives for investment in local biotech firms. This year the County continues providing \$500,000 to eligible firms. We also have a local Cybersecurity Tax Credit and a Green Investor incentive to similarly stimulate investments in County-based firms. My budget includes a total of \$1.25 million to support growth of the County's high-tech industries in FY16.

Public Safety

When I first assumed office, one of my highest priorities was creating "safe streets." And, our streets are safer, in large part because we have provided the resources needed to reduce crime. Despite our trying economic times, I increased full-time positions in the Police Department – sworn and civilian – by more than 300 since I became County Executive.

The result is that over my eight years in office, serious crime is down 27 percent from 2007 and all crime is down 28 percent. This is nearly double the national decrease for the same time period.

All the men and women who work for the Montgomery County Police Department deserve our appreciation and respect. They have worked harder and smarter and more creatively to protect the lives and property of the residents of Montgomery County – and these numbers are proof of their dedication and success.

As technology evolves, we are able to provide the means of better protecting our police. My recommended budget includes funding for the initiation of a program to provide all patrol officers with body cameras. This technology not only better protects our police officers, but it also improves accountability within the Department. The Department has also applied for grant funding for these cameras to the Police Executive Research Forum. We are hopeful that this organization will be able to spur this program and effort along. I have also funded the replacement of the bulletproof vests that are critical to protecting the lives of those who serve us.

I have also made other improvements in public safety, such as opening our Family Justice Center to establish a one-stop shop to better serve families who are victims of domestic violence. My Positive Youth Development Initiative – a joint initiative of the Departments of Police, Recreation, and Health and Human Services – has established award-winning after-school programs aimed at at-risk youth, provided resources for intervention to pull kids out of gangs, and resources to suppress gang activity.

Under my administration, the Montgomery County Fire and Rescue Service (MCFRS) has developed into one of our nation's largest, combination systems. In collaborative fashion, their career and volunteer membership has worked tirelessly to protect our communities while engaging substantial improvements and enhancements in service levels.

Over the past eight years, for example, MCFRS response times have dramatically improved. In 2007, advanced life support (ALS) ambulance calls in urban areas of our County averaged approximately 16 minutes from the 911 call to scene arrival. As of 2014, that time has been reduced to 11.5 minutes – about a 27 percent reduction. During the same period, suburban response times have been reduced by 20 percent and, in rural areas, by 21 percent. Fire response times have dropped as well. In 2007, it took an engine company an average of 13.5 minutes to arrive at reported structure fires in suburban areas of our county. By 2014, responses dropped to less than 9 minutes, a nearly 36 percent reduction. At the same time, responses were nearly 39 percent faster in urban areas of the County.

Over the same period, my administration has opened five new fire and rescue stations to address the response needs of our growing population. And, the MCFRS has enhanced ALS services by employing the use of engine companies staffed with fire fighter paramedics. Diversifying our response capabilities has enabled us to further reduce ALS response times while satisfying fire suppression demands.

The MCFRS was recently re-accredited by the Commission on Fire Accreditation International (CFAI). It is only one of one hundred and ninety-six internationally accredited public safety agencies and the only such agency in the State of Maryland. Additionally, the MCFRS has been awarded the coveted "Excellence in Fire Service-Based Emergency Medical Services" award by The Congressional Fire Service Industry (CFSI).

All of these accomplishments have occurred despite significant population growth and a major economic recession. Nevertheless, my administration remains focused on building on these tremendous accomplishments.

While in-county civilian fire deaths have dropped since 2009, most fatalities remain among our older residents. To address this troubling fact, I included \$100,000 in the MCFRS' budget to strengthen our on-going outreach to seniors in our county, individuals most at-risk to fire deaths. I have also included funding to increase Sandy Spring Fire Station 40's staffing levels to support enhanced ALS response capabilities in an area consistently prone to high service demands.

Libraries

Due to the recession, the Department of Public Libraries saw some of the deepest reductions in County government, 26 percent between FY07 and FY12. Over the past three budgets, I started the process of rebuilding the most essential library services – hours, materials, and staffing. In the past two years, we have reopened renovated libraries in Gaithersburg and Olney and will soon open a new Silver Spring Library.

My recommended budget continues to restore funds and services to the Department of Public Libraries. I have included over \$40.2 million for Libraries, a 5 percent increase from FY15. The additional funding will augment and improve the materials collection. This recommended budget represents a 41 percent increase in Library funding since FY12.

This Spring we will celebrate the opening of the new Silver Spring Library – and this budget includes the funding to fully staff that long-awaited facility. In addition, I am continuing my effort to increase services to library patrons around the County by increasing the materials budget by \$460,000 and doubling deployment of All-Children-Excel Technology Go! Kits (100 more kits for \$60,000). This enhancement follows an increase in FY15 Public Service hours of operation by 106 hours to a total of 1,233 hours per week across all branches, an increase of 9.4 percent.

Positive Youth Development

The County's Police, Recreation, and Health and Human Services departments are working closely with community groups in my Positive Youth Development Initiative. This program ensures a coordinated, comprehensive approach to provide positive after-school opportunities for at-risk youth, interventions to keep them out of gangs, and resources to prevent and stop gang activity.

To date, this initiative is providing the award-winning "Excel Beyond the Bell" program at seven Middle Schools, including a critically needed summer component. At the high school level, we are providing a Rec Zone, formerly called Sports Academy, at five high schools. These programs are crucial to providing those youth who are most at-risk with positive alternative activities. I am also providing full year funding for the Linkages to Learning site at South Lake Elementary School. The successful multi-faceted program that brings together County government and MCPS resources in the Kennedy Cluster has been expanded to the Watkins Mill Cluster. This program significantly expands services and targets the comprehensive needs of at-risk students and their families.

My recommendations also include establishing the Children's Opportunity Fund jointly with MCPS, to support policy priorities related to addressing the social determinants that impact the achievement gap for vulnerable children and the barriers faced by their families. Additionally, the Truancy Court program is expended to five additional middle schools to not only support regular and timely attendance but also encourage students to enhance school performance.

Senior Initiatives

My recommended budget continues our efforts to make Montgomery County a “community for a lifetime.”

My FY14 budget included a variety of enhancements to services for our senior population. For example, I improved senior transportation options through a public/private partnership with the Jewish Commission on Aging, which transports residents to and from our five senior centers – and to points in-between. We also expanded senior housing options through a \$6.2 million commitment to help develop 140 units of senior housing in Silver Spring.

My FY15 budget continued that focus. In addition to more resources dedicated to senior fire safety, operating hours at the County’s three senior centers that were reduced during the Great Recession were restored. I also increased County resources for adult protective services, adult foster and day care, for a senior ombudsman, and for caregiving services. I also increased the income eligibility guidelines for the County’s Call ‘N’ Ride program to make sure more seniors can use the program. This change increased services for over 900 residents of Montgomery County. We also increased funding for Ride On’s Kids and Seniors Ride Free programs.

My FY16 recommended budget adds \$7 million in funds to support senior housing developments in Silver Spring and Glenmont adding approximately 175 new senior units. The budget also includes support for the State’s Attorney’s newly created Crimes Against Seniors and Vulnerable Adults Unit.

Affordable Housing

Providing affordable housing opportunities for Montgomery County residents has been a priority of mine since I assumed office. This budget brings the County’s total investment in affordable housing, during the last eight years, to nearly \$657.9 million. This funding has enabled us to preserve and create over 36,700 affordable housing units. Another benefit to the County has been the nearly \$1billion investment in other housing development and rehabilitation leveraged with these funds during this recent period of economic uncertainty.

While many of the units produced and preserved were rental, we have also used some of these resources to provide direct rental assistance to over 1,800 households in FY15 and FY16.

Funding in this budget continues our efforts to reduce the incidences of foreclosure in the County. In partnership with the State of Maryland Department of Housing and Community Development and local housing counseling agencies, we have held nearly 400 workshops and counseled over 13,000 residents facing foreclosure. These efforts have directly contributed to the decline of foreclosures in the County outpacing most in the region. We will continue our efforts to keep families in their homes. Preventing homelessness is the most effective means of addressing the homeless issue.

Although I have significantly increased the availability of funds for our affordable housing programs over the last eight years, I strongly believe we should do more. Regrettably, the recent funding reductions from the State, the lower than anticipated tax revenues and the potential fiscal threats such as the Wynne case have forced me to fall short of my stated goal of allocating 2.5 percent of total property tax revenues to create new affordable housing. In order to achieve this desirable goal would have forced reductions in other worthy

service areas – many of which target the very same population that our affordable housing programs are designed to support. However, when additional funding is available, I intend to increase our funds to reach the 2.5 percent goal.

Health and Human Services

I have long believed that how we care for our most vulnerable residents is the best indicator of the quality of our community. My FY16 recommended budget continues my strong commitment to support a variety of public health, behavioral health, social services, and other critical safety net services that meet our residents' needs.

The resources provided to Human and Health Services will include:

- Establish the Children's Opportunity Fund jointly with Montgomery County Public Schools to support collaborative policy and program initiatives related to addressing the social determinants that impact the achievement gap for vulnerable children and barriers faced by their families; and open the door for more support for this important objective from the private sector;
- Add additional funds for the Developmental Disability Supplement to increase the differential between the wage provided to direct service workers and the County's minimum wage;
- Continue providing nurse monitoring services to more than 2,000 senior and disabled clients receiving services through the State's new Medicaid waiver program, Community First Choice;
- Maintain the raised Adult Foster Care reimbursement rate to reduce the gap between the County and State subsidy for senior assisted living group homes;
- Continue funding support in the Adult Protective Services/Social Services to Adults Program to address an increase in investigations of financial exploitation resulting from new bank mandatory reporting requirements;
- Continue funding support for Adult Day Care subsidies to increase the number of clients able to attend an Adult Day Care program two days per week for socialization and medical supervision;
- Continue funding support for occupational therapy and in-home aide services to meet the need of County seniors and residents with disabilities to live independently;
- Commit continuous support for a Caregiver Support Senior Fellow and operating costs to coordinate outreach to seniors and persons with disabilities regarding the available services to ease the burden on caregivers;
- Continue funding support for respite services to meet the need of families with disabilities;
- Continue supporting a therapist in Trauma Services to expand clinical service capacity in the Abused Persons Program and address waitlists for victims of domestic violence;
- Continue the County's commitment to support leadership development, need assessment, and networking activities for low-income communities in the Silver Spring area;

- Continue funding support for health care, employment training, and supportive services to multicultural, low-income residents;
- Add funds to support a full-year operation of the Linkages to Learning Program at South Lake Elementary School;
- Maintain the same level of funding support for the Kennedy Cluster Project, a multi-agency collaborative service model, to reduce institutional barriers for students and families in the high-need areas to engage school activities and improve academic achievement;
- Continue funding support for Saturday School Program through the George B. Thomas Learning Academy to serve the County's most at-risk students;
- Continue supporting the County's Welcome Centers to provide a wide array of support services, including financial literacy, legal counseling, and job placement and training, to meet the needs of low-wage and contingent workers;
- Add funds to support the relocation of Children's Resource Center to a lease space that meets programmatic and client needs;
- Continue funding support for the Residential Rehabilitation Subsidy to support the continuum of behavioral health services provided to improve clients' social connectedness and emotional wellness;
- Continue funding support for the 100,000 Homes Campaign to house the most vulnerable homeless individuals and families in our community, including the creation of an Interagency Commission to End Homelessness to improve community-wide planning and oversee efforts to prevent and end homelessness in Montgomery County; and
- Commit funds to continue the implementation of the Department's Enterprise Integrated Case Management system to streamline intake for many HHS programs and provide HHS with a more complete pictures of its clients and their circumstances in order to support more collaborative, cost-effective care with better client outcomes.

Community Grants

As our County grows larger and more diverse, it becomes more challenging to meet the needs of that growing population. County government cannot and should not do it alone. We depend on the incredibly rich array of community organizations to supplement and augment County services. Very often, these groups are able to accomplish our mutual goals in a more cost-effective and culturally appropriate manner that best serves the community. They are also able to leverage other resources that are simply unavailable to County government.

These organizations provide services that include public health, behavioral health, safety net services, housing, the arts, early childhood, positive youth, seniors, veterans' services, and many other community building services. Montgomery County would not be the community we are without their existence.

I have made partnerships with these organizations an important hallmark of my administration and my recommended budget reflects the importance of these relationships. I am increasing the funds for community

grants by nearly \$400,000 for a total of nearly \$6.013 million. Also, I have included over \$500,000 within my CIP amendments for capital improvement grants to our community partners. In addition, I am including \$2.6 million for the separately determined Council community grants. This amount is a \$1 million increase from my FY15 recommendation. However, as is true in the past, the Council determines the amount and distribution of community grant funding for their grant program.

In keeping with my belief that our County's diversity contributes to its strength, my Recommended Budget increases County funding for English adult literacy programs by eight percent. In addition, this budget provides \$4,442,700 in County funding for the Arts and Humanities.

While my budget adds some funds to assist with the processing of immigrants administratively granted legal status by the President, more support is likely to be necessary to enable those eligible to take advantage of the President's recent action. However, this policy is currently in litigation and implementation is suspended. Additionally, administrative policies have not been completed by the federal government. Therefore, I have elected not to include more significant budget recommendations at this time but may submit a supplemental appropriation request at a later time.

Funding the Budget

My budget holds the line on property taxes for County homeowners at the Charter limit. In fact, the average County homeowner will see only a \$15 increase in property taxes over the next year. I am recommending a reduction in the property tax rate from 99.6 cents per \$100 of assessed value to 98.7 cents. Because of the many difficult decisions we have made, along with prudent fiscal management, for the last three years, property tax increases have been well below the rate of inflation. The property tax for each owner-occupied residence will include a credit of \$692 to limit the burden on homeowners and maintain a progressive property tax structure in the County.

During my administration, all County taxes, as a share of personal income, have gone down from an average of 4.41 percent in FY07 to a projected 4.13 percent in FY16 – a 6.3 percent reduction.

My FY16 recommended budget assumes no increase in the Water Quality Protection Charge and a decrease to the solid waste charges for County residents.

I am recommending a WSSC budget that would result in an increase in water and sewer rates of six percent in FY16. While this rate increase is above that which is assumed by WSSC, it does not assume the new fee structure which I believe is regressive and contrary to our goal of encouraging water conservation.

Focusing on Productivity, Performance, and Accountability

We should continue to make every effort to make our operations more efficient, productive, and effective.

CountyStat

The CountyStat initiative continues its significant progress in tracking the County's performance in addressing challenges using real-time data and holding departments and agencies accountable for the results in a number of operational and policy areas. The CountyStat program provides a forum for on-going

monitoring and measurement of the effectiveness and efficiency of County government services. This program has succeeded in improving the responsiveness and efficiency of the County government.

Underscoring my commitment to transparency in government, CountyStat meetings are open to the public and all county performance measures, national comparison indicator data, and every CountyStat report and follow-up memo can be found at <https://www.montgomerycountymd.gov/countystat/>. The availability of information from this impartial source offers our residents and taxpayers an opportunity to fully examine some of the more critical performance issues in County government. The CountyStat office continually receives inquiries and visits from other governments seeking Montgomery County's experience in developing and implementing a successful Stat program. Our leadership in a regional consortium of "Stat" practitioners called Mid-Atlantic StatNet is paving the way for new levels of regional collaboration and the benchmarking of performance data.

I am proud to announce that this spring we will be launching the first major upgrade to the CountyStat website since the beginning of the program. The site will have the ability to draw from dataMontgomery and other sources, and link to our electronic budget document, so that people can holistically understand how the County is performing. Residents will be able to view performance data in a richer and more engaging manner; they will be able to view and download all available historical data for their own analysis, view metrics by Priority Objective or Department, and will be provided with more contextual information to help understand and make sense of County operations, with a special emphasis on our cross-departmental initiatives.

MC311

Montgomery County's nationally recognized one-stop, non-emergency 311 phone and online system represents a significant step forward in responsiveness and accountability. We have expanded MC311's hours in order to better serve working families and commuters and opened up the Call Center 24/7 during emergencies to complement County emergency efforts. In order to provide residents with the 24-hour ability to request service, the 311 web portal was created. The 311 system has fielded more than two million calls since its inception – and we're well prepared to accommodate millions more. Additionally, more than 40,000 service requests annually are made through the County's 311 web portal.

MC311 is a prime example of a project that not only increases efficiency but also improves effectiveness. As residents expect more digital and mobile services, MC311 provides us a central point to focus investments in customer service. Residents expect us to act as one County government, not a fragmented maze that they must navigate. In 2014 MC311 also began accepting service requests via Twitter and conducted a customer service survey of 1,000 County residents. Nearly 80 percent of callers were satisfied with their overall 311 experience and 93 percent were satisfied with their ability to find the information they were looking for on the MC311 website. Improving customer service is a priority of my administration and the continued improvement and growth of MC311 is representative of that commitment.

Innovation Program

In its second full year of operation, the Innovation Program has sought to build a more innovative culture inside and outside County government. In 2014 we launched Innovation Week, a week-long series of workshops and training designed to give County staff an opportunity to learn about new technologies and approaches across a wide spectrum of topics. The Innovation Program also began to realize its potential to establish the County as not just a regional or national leader, but a global leader in the realm of public sector

innovation. This has been accomplished through an open collaborative approach with other County agencies, other local jurisdictions, the federal government, and in some cases international cities.

The Innovation Program, in partnership with the Smart America Challenge and now the Global Cities Team Challenge, has positioned the County as a leader in “internet of things” technology. Recognized by the White House in June of 2014, the County is now a sought after partner and advisor in this new industry. The impact of this “internet of things” technology surpasses almost every other disruptive technology trend. To address this trend I have established the Thingstitute, a living laboratory for the “internet of things”. This new County asset is a hub for start-ups, large corporations, research institutions and test beds and was established with minimal county investment. Beyond being a significant economic development opportunity, the Thingstitute will assist the County in understanding the impact the internet of things will have on public sector operations in the coming years.

Open Data

In the past year, we have continued to expand the County’s Open Data program, dataMontgomery. This program is bearing positive results. dataMontgomery, increases the transparency of County government and provides us with a way to share valuable data with residents. The program is a model among local governments. I met with agency heads and the heads of our municipalities in January 2014 to launch a Cross-agency Open Government Partnership in Montgomery County. We continue to look for ways to share best practices and collaborate with our peers and neighboring governments. These steps are in line with my belief that having already achieved much success with accountability systems such as MC311 and CountyStat, a responsive and accountable County government should continually look for ways to engage residents with data-driven conversations and make County data available to the public. An example of this would be the national standard we set to use open data to create guided sites to explain complicated financial data, such as our budget information and money that we spend for important County services such as public safety and snow removal. It is my belief that we should not only publish data, but provide it in a way that is useful to any resident.

In the future, we must continue to expand the Open Data program to unlock the power of government data to spur innovation, economic development, and improve the quality of services and life for our community. I have asked that the Open Data program be extended within County government to encourage internal uses and data-driven decision making. Several departments are already benefitting from this unprecedented availability of data, and external entities are developing programs using our open data in food recovery, right-of-way projects, and inspections of County managed assets. This type of collaboration will make the County a more efficient and effective place to both work and live in.

These efforts are not timid and have not just driven change within the County but across the Country and region. From the way we engaged residents through Open Data Town Halls and hackathons to the way we prioritized our datasets, we have become a recognized model for the rest of the County. The open dataset prioritization process, based on a first-of-a-kind scorecard won a NACo Achievement Award. The Sunlight Foundation, in a briefing before the County Council, called my Open Data Operations Manual “near perfect” and numerous other independent organizations have applauded and followed our efforts.

Final Thoughts

Working together, we have accomplished a great deal under difficult economic circumstances. Thanks in part to the tough decisions we have made in these past, challenging years, Montgomery County is strong – and growing stronger. We are fortunate to live in one of the nation's best places to raise a family, obtain an education, earn a living, and build a business.

We have put our financial house in order and our budgetary foundation is much stronger. As a result, we are able to move forward to better provide the services and programs for our communities. Our job market is expanding. Our streets are safer. Our public school system is excelling. Our County is emerging ever-stronger from the recession, but much remains to be done.

I believe that the future begins here – in Montgomery County. And I think this budget continues the work we have already begun to build a future where there is opportunity for all.

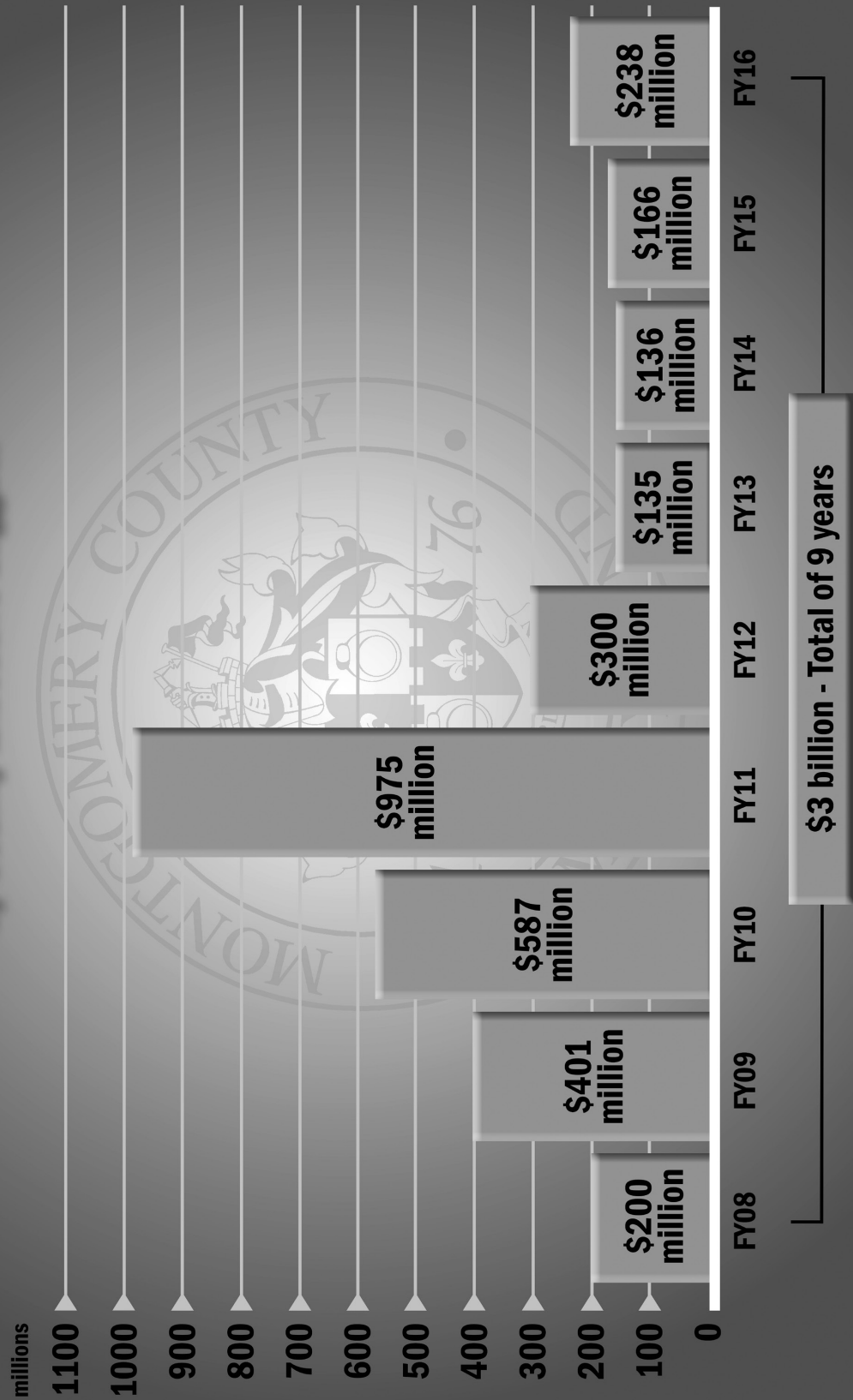
Finally, I want to thank those who contributed to the development of this spending plan including the Board of Education and the Superintendent at Montgomery County Public Schools; the Trustees and President of Montgomery College; the Chair of the Maryland-National Capital Park and Planning Commission and the Planning Board; the Commissioners and General Manager of the Washington Suburban Sanitary Commission; individual residents, as well as members of boards, commissions, and committees; community-based organizations; and directors, employees, and employee representatives of departments in all agencies.

Highlights of my recommendations are set forth on the following pages and details can be found in the departmental sections. The full budget can be viewed on the County's website at <http://www.montgomerycountymd.gov/omb/>. In addition, Montgomery County also offers an Open Data budget publication that is easy to use, interactive, searchable, sharable, translatable and mobile. This powerful site not only provides the detailed granular level data that make up Montgomery County's Budget, but also serves as a high-level view of the County's fiscal standing. The Open Budget site can be found at www.montgomerycountymd.gov/openbudget. Details of the budget requests for MCPS, the College, M NCPPC, and WSSC can be seen in the separate budget documents produced by those agencies.

I look forward to working with the Council over the next two months on spending priorities and policy issues that arise. As always, Executive Branch staff is ready to assist you in your review and deliberations.

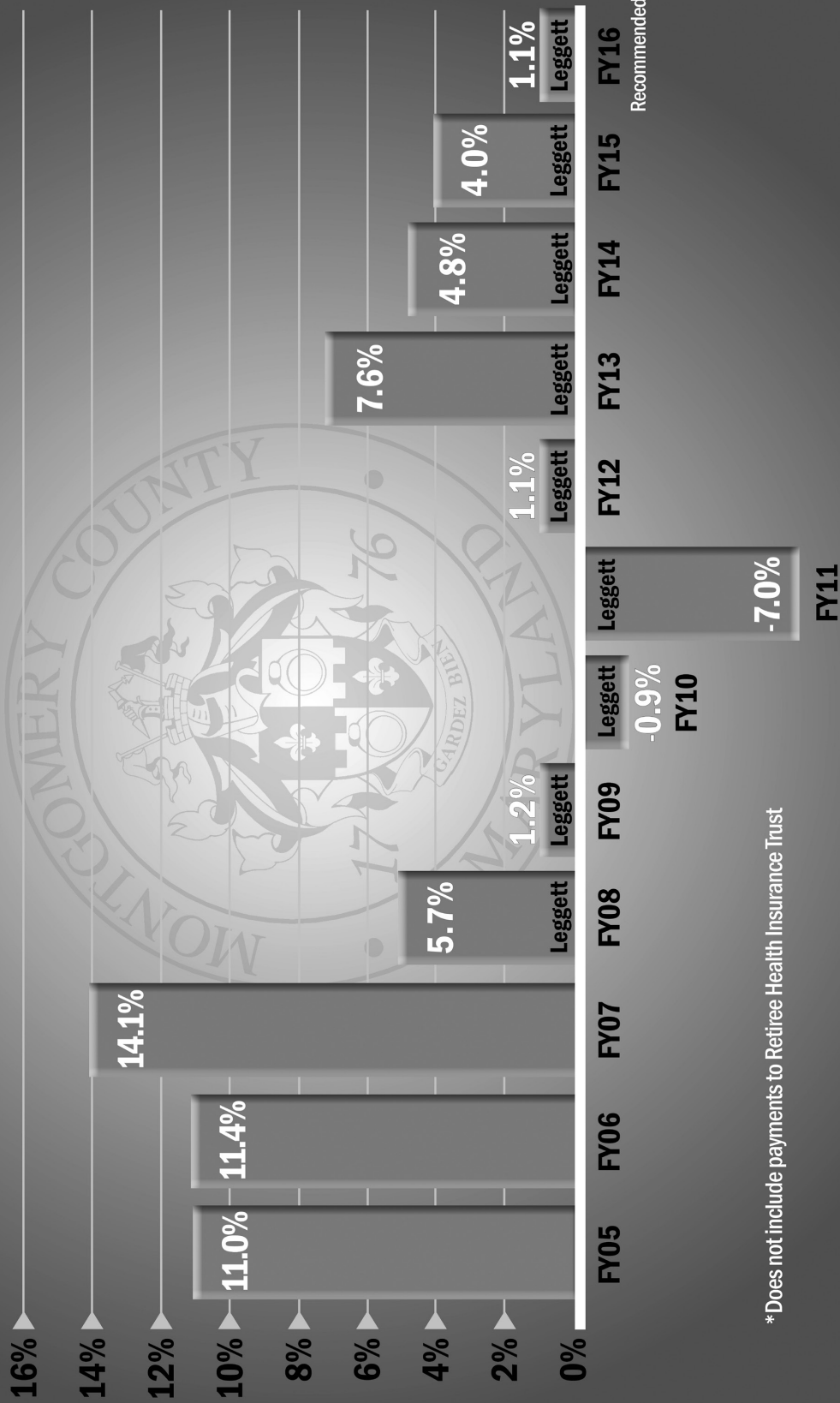
Budget Shortfalls Closed

by County Executive Leggett



County Government Spending

(Tax Supported)



* Does not include payments to Retiree Health Insurance Trust