



**OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850**

Isiah Leggett  
*County Executive*

**MEMORANDUM**

March 15, 2018

TO: Hans Riemer, President, Montgomery County Council

FROM: Isiah Leggett, County Executive *Isiah Leggett*

SUBJECT: FY19 Recommended Operating Budget and Public Services Program FY19-FY24

I am pleased to transmit to you my Fiscal Year 2019 Operating Budget, my twelfth and final recommended budget. The total FY19 Operating Budget request is \$5.56 billion in total funds, with a 2.0% increase in tax-supported dollars. I am recommending the following for each County Agency.

**FY19 Recommended Budget by Agency**

Agency	Total Budget	Tax Supported	Tax-Supported % Change from FY18
Montgomery County Government	\$1,939,752,559	\$1,491,171,849	-0.5%
Montgomery County Public Schools	2,592,240,711	2,443,168,218	3.1%
Montgomery College	312,997,974	264,799,723	0.8%
M-NCPPC	151,934,854	130,524,583	0.8%
Retiree Health Insurance	135,906,867	128,842,523	5.4%
Debt Service	429,074,110	413,424,000	4.9%
TOTAL	5,561,907,075	4,871,930,896	2.0%

In addition, I recommend you approve the FY19 operating budget for the Washington Suburban Sanitary Commission (WSSC) as proposed by the Commission - including a 4.5 percent rate increase to the water and sewer rates paid by the WSSC rate payers.

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## OVERVIEW

It has been said that within the dry numbers and outlines of a budget lies the true articulation of a community's priorities and policies. I believe that in the twelve budgets I have proposed, I have been true to the priorities that we have mutually embraced. Even in the depths of the Great Recession and the ensuing fitful recovery, we have invested in providing our community with quality educational opportunities, improving public safety, meeting the housing needs of our growing population, ensuring that our senior population can age in place, welcoming our diverse immigrant community, growing our economic base with quality jobs and revitalized neighborhoods, funding cutting-edge environmental and energy programs and policies, expanding transportation services and infrastructure, and providing an accountable and transparent government.

My recommended FY19 Operating Budget furthers and sustains these goals and should be viewed in the larger context of what has been accomplished over the last twelve years, despite a crippling loss of revenue during the recession, seismic changes in our population, and increasing demands on our services.

We continue to face significant challenges to our revenues that have necessitated continued expenditure reductions. This recommended budget assumes a property tax rate within the Charter Limit (\$0.98, which is a decrease of approximately two cents). I continue to assume a \$692 credit for homeowners. The property tax bill for a homeowner with a house at the County median price of \$400,000, will see a monthly property tax bill increase of \$2.25.

Despite the revenue constraints, I remain committed to ensuring the Board of Education and the Superintendent have funding that meets the needs of our growing and changing school population. Thus, I am recommending full funding of the Board's request - a 3.1 percent increase. I have also continued my support of the College's mission by providing a \$2 million increase above their Maintenance of Effort (MOE) level, representing a 2.8 percent increase in per student FTE expenditures.

Maryland-National Capital Park and Planning Commission (M-NCPPC) will see a 0.8 percent increase (exclusive of OPEB prefunding), while County Government will take a 0.5 percent **decrease** from the approved FY19 Operating Budget. These reductions were very difficult to identify but have preserved the basic and essential services within County Government. Due to the Great Recession and uneven recovery in our revenues, I have closed gaps of over \$3.7 billion in my twelve budgets. Each year, the task of closing the gap becomes more difficult as the options winnow.

However, we should be proud that we have moved the County forward while righting the fiscal ship and ensuring a sustainable fiscal infrastructure to meet the evolving needs of the community. I believe that when I leave office, I will leave the County in a better position to meet the many challenges of the future.

Since taking office as County Executive, I have overseen the shoring up of County finances by increasing our reserves from \$77.6 million (2.1 percent) in FY10, during the depths of the Great Recession, to \$492.6 million (9.4 percent) proposed for FY19. We remain on track to achieve the ten percent reserves by FY20 - a commitment we have made to our residents and taxpayers. This level of reserves is critical to sound fiscal management. As we learned in the depths of the Great Recession, a substantial reserve is essential to weathering unexpected economic downturns. We must never again put the taxpayer and the functioning of this government at risk. Additionally, we are complying with the prefunding requirements laid out by GASB, with a prefunding contribution of \$132.9 million in FY19.

The County, along with state and local jurisdictions around the country, is faced with assessing and planning for the impact of changes to Federal tax code approved by the Congress in December 2017. This legislation's most notable changes include a significantly lower corporate tax rate, reduces the deductibility of state and local taxes, and increases the minimum tax deduction. These changes could have significant impacts on our income tax revenues though the impact is impossible to predict at this time. The extent to which any potential additional income tax revenue would be offset by either State tax law changes or shifts by taxpayers to corporate tax status (meaning a complete loss in income tax revenue from those taxpayers) is unknown and unpredictable. As a result, we have not reflected the impact of the Federal legislation in our current tax

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revenue projections.

The County also faces other headwinds from an unpredictable Federal administration with budget proposals that could significantly impact the County's federal workforce and trade policies that could negatively impact the national economy. These unknowns, along with where we are in the normal economic cycle, strongly suggests we should be prudent in both our spending and our level of reserves.

My budget accomplishes both those goals while furthering our shared priorities.

## EDUCATION

Since I took office in December 2006, total enrollment for Montgomery County Public Schools (MCPS) has grown by 25,386 students or 18.4 percent. At the same time that enrollment continues to grow, the student population has become more diverse and experienced a growth in the number of students qualifying for Free and Reduced Meals (FARMS). From 2007 to 2017, English language learners have grown by 76 percent and FARMS students by 63 percent.

Despite challenging fiscal conditions, since the FY07 Operating Budget, the County has provided MCPS with increases totaling \$349.7 million, while per pupil expenditures have grown by 18.2 percent since FY08.

These additional funds have been used by MCPS to improve programs including mathematics and computer science; extended learning opportunities for our students most impacted by poverty; language opportunities for students; and the social, physical, and psychological well-being of students.

Over the past two years, MCPS has identified and reprogrammed over \$31 million in administrative savings to the benefit of the classroom. This approach to classroom funding has helped meet some of the most critical classroom needs without increasing costs to the taxpayer.

My FY19 Recommended Operating Budget continues my commitment to our world-class public education system. I am recommending the Board of Education's full request, a 3.1 percent tax-support increase - or \$19 million above MOE. The FY19 budget requested by the Board of Education includes increased summer and extended-day programming, additional pre-K seats, increased extended year programming at highly impacted elementary and middle schools, increased graduation programming, increased access to programs and materials for literacy and mathematics, and expanded opportunities for students in areas including cybersecurity, public safety, emergency medical fields, fire safety, agricultural science, and aviation.

Since I took office as County Executive, thirteen new school facilities have been added. An additional 21,043 classroom seats have been added through classroom additions as well, helping to accommodate the swelling school population and the changing needs of our school community. The County has invested well over \$246.2 million in new technology for our student population over the last twelve years, ensuring they have the modern tools necessary to learn and compete in our technology-driven world.

Funding for Montgomery College increased by 61.9 percent on a per pupil basis since the FY07 operating budget, providing new programs and resources to those choosing to continue their education in one of the finest community colleges in the nation. With County funding, the College has opened new and modern facilities for science, math, student services, arts, and social sciences. In addition, the Takoma Park/Silver Spring campus expansion was completed, which nearly doubled its size.

The College successfully prepared countless students for the work world or further education. Over the last twelve years, the College awarded over 25,000 degrees and certificates, and over 18,000 students transferred to a four-year institution to complete their degree. These impressive figures do not even include individuals who enroll in a small number of

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classes for personal fulfillment or learn a new skill and improve their position in the workforce. The resources provided to the College, coupled with the partnerships we have encouraged between the College and other public and private entities, ensures that our businesses workforce needs are met, while we build an educated and resilient community.

My recommended funding for Montgomery College provides an increase of 1.4 percent and exceeds the MOE by \$2 million. With this recommendation, the per student FTE rate increases by \$266 or an additional 2.8 percent. The County's commitment to Montgomery College is matched by no other jurisdiction in the State and has supported over 350,000 students' education over the last twelve years.

As a former college professor who was among the first in his family to pursue higher education, I realize community colleges are often the port of entry to the world of college and university for the less privileged among us.

While not directly funded through the County, we cannot forget the incredible partnership we also enjoy with the Universities at Shady Grove. This uniquely flexible collection of programs and degree offerings is a model for how a university can best meet the needs of a diverse community while addressing the ever-changing workforce needs of a growing economy. I have been proud to partner with the University system on a variety of projects and programs and am confident this partnership will live on.

## PUBLIC SAFETY

One of the most critical functions any government entity performs is ensuring the safety of our residents and businesses. I take that responsibility seriously and have increased funding for the total Public Safety function by 25.7 percent over the last twelve years. Initiatives in the Montgomery County Police Department include adding 132 patrol officers, instituting District Community Action Teams in each of the 6 Police districts, opening several smaller Police substations to increase our reach in the community, and building a new Public Safety Training Academy so officers and other public safety personnel can train in state-of-the-art facilities. I also oversaw acquisition of the new Public Safety Headquarters building and the co-location of administration for the County's major public safety departments, allowing for better coordination and interaction between the departments.

These initiatives were centered around my Safe Streets and Secure Neighborhoods priority, and the outcomes are significant. During my time in office, total crime has declined 28.0 percent despite significant population growth over the past twelve years. The more serious crimes declined by over 33 percent, a testament to the investment in public safety throughout my tenure. Less crime means fewer inmates, and there are now on average 118 fewer individuals in the County jail than when I came into office. This is not because I am soft on crime, but because there is simply less crime.

The County also assumed responsibility for all animal control and adoption services with the construction of a modern County Animal Services and Adoption Center building.

Finally, I opened the Family Justice Center, providing individuals and families affected by domestic violence and child abuse a single location for assistance from the County and nonprofit organizations. We have also provided funding to the Courts for a monitoring and exchange center which ensures the safe exchange of children between estranged parents.

In my Recommended FY19 Operating Budget, I have added funds for the Criminal Street Gang Units in both the Police Department and the State's Attorney's Office. These units will focus on the organized crime aspect of gang activity, allowing for more modern crime prevention and suppression approaches. Additionally, the County has made a significant investment in the acquisition, maintenance, and use of body-worn cameras in nearly all our law enforcement agencies. At my request, my staff has initiated a coordinated approach with all these agencies to ensure that we are storing and processing the data from the many electronic evidence sources as cost-effectively and efficiently as possible. This group will continue their work for the foreseeable future.

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With the renewed national attention placed on school safety, our investment in School Resource Officers (SRO's) has been critical. As recently as this February, one of the SRO's, with information provided by a trusting student, was able to possibly prevent a gun violence incident in one of our high schools. Embedding officers in schools has proven its worth.

I have also overseen the opening of three new fire stations (Travilah, Kingsview, Milestone), and four substantial renovation/reconstruction projects including Glenmont, Takoma Park, Wheaton Rescue Squad, and Kensington (Aspen Hill). These new stations, renovations and expansions came with a related increase in staffing of 64 fire fighters. In addition, one new station is under construction (Clarksburg), and one is planned in the next six years (White Flint). These fire stations and their staff have brought Department of Fire and Rescue Services (MCFRS) resources closer to our growing population. As a result of the Department's many efforts, MCFRS is recognized as a premier department nationally. During my tenure as County Executive, the Department acquired national accreditation and has seen it renewed in 2013.

The Department is also using its resources in innovative ways. To more effectively use MCFRS staff and equipment, we have implemented a "chase car" program which optimizes deployment of limited Advanced Life Support resources by separating paramedics from the ambulance. In so doing, we can dedicate limited paramedic resources to patients that require Advanced Life Support care, while Emergency Medical Technicians serve patients needing Basic Life Support care. This allows faster paramedic response to critical incidents.

I have included funding for full implementation of the Mobile Integrated Health Program (MIH). This program serves community members who make disproportionate use of our emergency medical services by proactively identifying them and linking them to more appropriate community health services. The pilot, conducted in FY18, showed great promise and I am certain that this approach will better serve those in need and preserve our more expensive emergency services.

We have also invested significantly in our aging fire vehicle fleet. From FY07 through FY14, the County acquired 29 EMS units, three engines, and two tractor-drawn aerial ladders. Starting in FY15, we implemented a fire apparatus replacement program that includes recommended funding through FY24, at an average annual rate of \$8.9 million. I have also supported the local fire and rescue departments (LFRD) through approval of apparatus replacement projects funded by Senator Amoss and Emergency Medical Service Transportation funds, which has allowed the LFRDs to replace numerous vehicles.

I fought hard for the implementation of an emergency medical transport fee (EMTF) and in the five years since its implementation, it has provided over \$86.6 million for fire services that otherwise would not have been available, or would have required the use of scarce tax resources. Since this fee is only imposed on private insurers and Medicare/Medicaid, we have saved our taxpayers these many millions of dollars. This revenue has helped fund critical Fire and Rescue Services equipment and provided a steady source of revenue to our LFRD.

## AFFORDABLE HOUSING

Without affordable and decent housing, individuals and families cannot hope to improve their health, their education, or their financial security. Affordable housing is the basic building block to a just and productive society and has therefore been one of my top priorities. The resource recommendations I have made over the last twelve years have provided families the opportunity to live in safe and sanitary conditions, near transit-oriented developments and employment centers, and in areas approximate to County resources such as libraries, parks, and recreational facilities. My FY19 Recommended Operating Budget adds \$51.6 million to this commitment and brings the County's total investment in affordable housing since FY08 to over \$1.01 billion. This averages approximately \$84 million per year. This funding has enabled us to preserve and create nearly 70,000 affordable housing units.

Despite the upheaval in the nation's financial markets, the County funds have leveraged over \$1 billion in housing development and rehabilitation resources from other sources including the private sector. The total County resources contributed in my FY19 budget is equivalent to my desired goal of 2.5 percent of property tax revenue.

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Permanent affordable housing opportunities benefit everyone, especially our seniors. The investments I have made to increase the affordable housing stock available to the County's growing senior population ensures that senior residents will be able to continue to call Montgomery County home. Through strategic partnerships with our for-profit and non-profit development community, combined with multi-departmental coordination and public outreach, my administration has developed 17 senior housing projects. In all, these projects will produce or preserve over 2,100 total senior rental units, including approximately 1,700 units affordable to seniors at or below 60 percent of the area median income. During my tenure, the County has dedicated \$71 million for senior housing while leveraging \$363 million in other non-County financing.

While most funds have been used to create or preserve tangible brick and mortar housing units, we have also used some of these resources to provide direct rental assistance to benefit over 3,000 households. Using creative tools, I have been able to allocate funding to provide rental assistance upfront during the development stage of a project rather than annually through rental subsidies. This method allows buy down of the rents to the range of 30 to 40 percent of Area Median Income (AMI) so County residents with much lower incomes can afford to live at these communities.

This budget also promotes homeownership. My recommendation provides funding for a homeownership initiative, the Montgomery Homeownership Program. The Montgomery Homeownership Program, a partnership between the Maryland Mortgage Program and Montgomery County, gives eligible homebuyers purchasing in Montgomery County up to \$25,000 in down payment assistance. This financial incentive is provided to assist working families and first-time home buyers in the quest to achieve affordable homeownership in the County.

Along with these affordable housing initiatives, this budget provides resources for key community programs providing valuable outreach and education to the public. In FY19, the County will continue its focus to enhance landlord-tenant outreach, tenant protections, and housing code enforcement. Funding in this budget also provides enhanced housing inspections for the Office of Housing Code Enforcement, which annually performs thousands of inspections of the County's single-family, multifamily, and condominium rental units to ensure safe and sanitary conditions.

My commitment to affordable housing is further advanced by the County's support of the core mission of the Housing Opportunities Commission (HOC). My recommended budget is consistent with the support that has been provided for HOC over the years and includes funding of \$6.7 million for HOC to continue providing affordable housing to low- and moderate-income eligible residents, it also includes funds for supportive services. This partnership is integral in rendering affordable housing options for our most vulnerable residents.

## ECONOMIC DEVELOPMENT

Over the past decade, Montgomery County has witnessed steady job growth despite setbacks caused by the Great Recession. The estimated rate of job growth is more than thirteen percent between 2007 and 2018. Furthermore, County investment in establishing a business innovation network since 2012 has attracted more than 60 early-stage and/or startup companies and created more than 275 new jobs to continuously support the growth of key strategic industries (i.e., biotech/life sciences, cybersectuiry, health tech, etc.) in the County. This innovative business model has expanded the County's biosciences and high-tech networks at all talent levels.

Over the years, I have implemented a variety of innovative economic development tools to foster the County's economic growth, including the following:

- MC Square - a set of new and expanding programs to build the County's innovation ecosystem and foster entrepreneurship through strategic public private partnerships;
- MOVE (Make Office Vacancy Extinct) - a program designed to attract new businesses and reduce County's vacant office space;
- ultraMontgomery - supports deployment and use of high-speed fiber networks to expand access to networks through



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public-private partnerships, and to attract knowledge-based employers, innovators and entrepreneurs in County's target industries;

- Entrepreneur-in-Residence Program - partnered with BioHealth Innovation and other community stakeholders to support and attract startups and early-stage technology companies with technical mentorship and capital access to stimulate the County's entrepreneurial growth; and
- Excellence in Business Services Initiative - an integrated business portal to streamline and improve the experience and perception of doing business in Montgomery County.

I have elevated the economic development function by restructuring and privatizing economic development and workforce functions in the County with creation of two private, non-profit corporations - Montgomery County Economic Development Corporation (MCEDC) and WorkSource Montgomery, Inc (WSM). MCEDC is leading the County's efforts in marketing, business attraction and retention, entrepreneurship, and promoting the growth of the County's economic base while WSM focuses on developing industry-focused job training and placement strategies to meet the talent needs of industries and businesses.

To continue to support the vitality of Montgomery County as a business destination and a burgeoning innovation and tech-driven economy, I have supported grants funded through the Economic Development Fund to retain and expand cooperate headquarters located in the County, including Marriott, Host Hotels & Resorts, United Therapeutics, JBG-smith, Fox 5 Television Station, and many others.

In addition, in order to ensure the County maintains its economic vitality well into the future, I initiated a number of redevelopment and revitalization projects which provide:

- Quality high paying jobs;
- Sufficient and affordable housing near mass transit;
- Transportation improvements needed to support and attract economic development;
- Redevelopment and clean-up of underutilized industrial sites; and
- Improvements to older residential and commercial areas.

These redevelopment efforts strategically leverage County assets to generate large-scale private sector investment in Shady Grove, White Flint, White Oak and Wheaton and smaller scale neighborhood revitalization throughout the County.

While most of the funds for these efforts are included in the Capital Improvements Program, a number of operating budget functions also support redevelopment. For example, the County Executive's Office and the Department of General Services' Office of Planning and Development coordinate with other County departments such as the Department of Transportation to give input on Planning Board redevelopment deliberations and to mitigate any negative impacts associated with redevelopment activities. The Finance Department provides funding and technical assistance and the Regional Services Centers and Urban Districts provide signage and wayfinding assistance to assist small businesses impacted by redevelopment projects. The Urban Districts also provide enhanced services to maintain urban cores as attractive, business centers. And, the Department of Housing and Community Affairs works with other partner agencies, such as the Department of Permitting Services to ensure the County's housing stock is well maintained and that older community business centers are upgraded to ensure their vitality.

## TRANSPORTATION

Transportation infrastructure is critical to facilitate economic development, a high quality of life, and commercial and personal mobility. During my tenure as County Executive, we have developed and funded transit solutions in a number of corridors by focusing on transit-oriented development; expanding or adding bus routes; implementing transit improvements

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including bus rapid transit (BRT); development of transit centers in Silver Spring, Montgomery Mall, Takoma/Langley Park, and White Oak; non-vehicular transportation elements such as sidewalks, shared-use paths, bike lanes, and a bikeshare system which has expanded to 73 stations with more on the way, and significantly increased funding levels for highway maintenance and road resurfacing programs.

I also recently launched the multi-departmental Vision Zero initiative with a two-year goal of reducing severe and fatal traffic collisions by 35 percent with the long-term goal of eliminating such collisions by 2030. This builds on the Pedestrian Safety Initiative, established in FY10, through which 250 severe and 33 fatal collisions have been prevented. Seventeen High Incidence Areas (HIA) were identified and studied, with short-term improvements completed and many long-term improvements in progress. The Montgomery County Department of Transportation (MCDOT) has constructed 30 miles of new sidewalk segments, completed over 3,204 bus stop improvements, and undertaken 1,282 new Americans with Disabilities Act (ADA) ramps aimed at improving pedestrian safety. Areas with traffic calming improvements have seen pedestrian collisions decline by 44 percent, and education efforts in the HIAs have reduced pedestrian collisions in those areas by 52 percent.

Development continues on the US 29 and MD 355 BRT (FLASH) corridors. The FLASH will provide a new high-quality transit option in the County, making efficient use of existing roadways to provide a more robust and reliable system that will increase transit ridership. Final design on the US 29 FLASH line will be completed in Fall 2018 with construction commencing shortly thereafter. Service is scheduled to begin in mid 2020. In the meantime, Ride On will operate a new overlay service to alleviate traffic congestion beginning in May 2018. The MD 355 project will complete the Recommended Alternative Phase in 2018.

I have also implemented eight new Ride On routes in the past twelve years as part of my effort to provide our residents and businesses with viable non-auto transportation options.

For FY19, Ride On will operate a new pilot neighborhood service from Olney into Rockville with smaller circulator buses that are more reasonable and flexible to operate along small neighborhood roads. The new circulator routes will run every ten minutes during rush hour and will take all current forms of fare media like other larger Ride On buses. Transferability to other buses and Metrorail will be easier. The opportunity to get closer into the neighborhoods and utilize a new "app" to arrange for pickup should attract new riders and revitalize transit use in these areas.

## SAFETY NET SERVICES

Care and compassion for our less fortunate neighbors distinguishes Montgomery County from many other communities. During my time as County Executive, we have effectively achieved our goal of zero homelessness for veterans and the medically vulnerable, and we are on track to end homelessness for chronically homeless single adults. We have also expanded health care services for the uninsured and underinsured through the funding of the Montgomery Cares network of clinics and through services provided directly at County health clinics; enhanced medical services for ethnic and cultural minorities through the African American Health Program, the Asian American Health Initiative, and the Latino Health Initiative; and ensured that individuals who are eligible for medical coverage under the Affordable Care Act are enrolled (the County has had the highest enrollment rates in the State for the past five years).

In my Recommended FY19 Operating budget, I am including \$17.2 million for developmental disabilities providers to pay direct service professionals at 123 percent of the County's minimum wage. This is a year-over-year increase of \$2.5 million. Of this enhanced funding, \$1.3 million is directly related to the increase in the County's minimum wage. The remainder due to an increase in the number of hours worked. In addition, as a result of the minimum wage increase, I am also including over \$800,000 to support adult medical daycare workers' wages and almost \$62,000 to support public service interns' wages at the new minimum wage. The total increase in funding needed for these three groups as a result of the minimum wage increases in FY19 is \$2.2 million. This total will continue to rise as the County minimum wage continues to



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increase.

My FY19 Recommended Operating Budget continues to provide funding for the East County Opportunity Zone to create an opportunity for collaboration between the County and community partners to provide a menu of services to those most in need in the East County area. I am also adding an additional School Cluster project to our successful initiative in the Kennedy and Watkins Mill clusters. The new Cluster Project will be implemented in the Paint Branch and Springbrook High Schools. This program's goal is to offer critical comprehensive services to help close the achievement gap for students.

## SENIORS

My FY19 Recommended Budget includes approximately \$38.5 million in tax supported resources identified for seniors in Montgomery County, including funds for community organizations that augment County services for seniors and respond to the needs identified in the County Executive's 2015 Summit on Aging. In addition, the Recommended Budget includes \$15.1 million in non-tax supported resources for seniors such as support from the Emergency Medical Transport Fee and Medicare/ Medicaid funding for health services and transportation.

In 2008, I hosted a Senior Summit with nearly 400 participants to identify key areas to promote seniors. One of the major accomplishments of this Summit was the creation of the Subcabinet on Senior Vital Living whose mission is to increase senior connectedness, community engagement, and knowledge of and access to available resources.

Isolation can be debilitating for seniors and convenient, affordable transportation is one way to combat this problem. In FY13, I established a new Escorted Transportation Program for low-income adults with disabilities who require an escort for the duration of their trips which has served 337 residents for a total of 3,064 trips. I also initiated "Seniors Ride Free" on metrobus and Ride On during non-peak hours, and began providing, in partnership with the Jewish Council for the Aging, free curb-to-curb transportation service to residents living within a three to five-mile radius of the County's senior centers.

In 2015, the County enrolled in the American Association of Retired Persons (AARP)/World Health Organization (WHO) Age-Friendly Communities Network and earned designation as an "Age Friendly Community." The initiative provides a framework for developing a comprehensive approach toward ensuring that the needs of older adults and all County residents are recognized and acknowledged. In partnership with BrightFocus Foundation, the County enrolled in the Dementia Friendly America Initiative. This national initiative fosters the creation of communities that better recognize and help those affected by dementia, their families, and care partners.

In 2017, I completed a three-year strategic plan to maintain the County's WHO/AARP Age Friendly Initiative status. The Three-Year Plan includes activities and programs to be completed over three years to enhance services for older adults in the community in ten domain areas.

I have also directed the implementation of the Mobile Integrated Healthcare pilot program to address the issue of a disproportionate number of repeat 911 calls by seniors. This collaborative initiative of Health and Human Services (HHS) and Fire and Rescue Services (FRS) incorporates the skills of both Departments to better meet the needs of patients who utilize EMS services frequently. In its first year, the pilot program reduced non-emergency calls by 55 percent for the population served by the program.

## POSITIVE YOUTH DEVELOPMENT

When I took office as County Executive, I articulated a new coordinated vision regarding the increasing need to provide our school-age youth with positive activities that would help prevent criminal activity, promote educational attainment, and enhance the opportunities available to our youth. Over my Administration, the three central pillars we have used to tackle gang activity have been prevention, intervention, and suppression. This new vision also encompassed a

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broadier approach for positive youth development involving a greater partnership between County Government and our community organizations.

Programs have been funded through several County departments including, the Recreation Department, Health and Human Services, the Police Department, and the State's Attorney's Office. These programs have had an impact on the lives of thousands of our youth over the last twelve years and have helped lower truancy rates, prevented youth from engaging in negative behaviors, provided recreational and learning opportunities, and provided critical social services for vulnerable youth.

My FY19 Recommended Budget includes \$27.3 million for Positive Youth Development programs. Some of the larger programs in this area include Excel Beyond the Bell; TeenWorks; Food, Fun, and Fitness; RecZone; Youth Opportunity Centers; the Street Outreach Network, the Safe Space Program; Teen Writing Clubs; the Truancy Prevention Program; and the Police Cadet Program. My FY19 budget also provides for a new cluster project in the East County Area and for the Strong Families Initiative. In addition, programs have been funded by the County through our community partners, such as the Collaboration Council, the County's local management board for children, youth, and families. Also included within the total recommended Positive Youth Development funding is \$2.4 million in community grants for our nonprofit partners to implement programs related to Positive Youth Development.

## LIBRARIES

Libraries are the primary educational resource for a vast portion of our community. They offer anyone with a library card access to books, magazines, research resources, the internet, videos, music, and a place to read and learn. In my twelve years as County Executive, we have opened four new or renovated libraries, refreshed six libraries, expanded library hours, increased the materials budget, provided more than \$2.6 million for modern technology infrastructure, and expanded library offerings to include electronic media. Circulation of all materials has grown to more than 11.8 million annually.

Since the depths of the Great Recession, we have increased funding for the Department of Public Libraries by over 50 percent. My FY19 Recommended Operating Budget includes \$42.9 million for the Department, a slight increase of 0.3 percent from their FY18 approved budget.

## ENVIRONMENT

Montgomery County has long been a leader in the area of environmental policies and programs and I have worked hard over the last twelve years to maintain our progressive approach. Montgomery County was the first jurisdiction in the State to receive a NPDES permit under the Maryland Stormwater Act of 2007. We are currently working toward meeting the requirements of the third-generation permit issued in 2010. We have made significant progress in meeting the goal of watershed restoration of 20 percent of the County's impervious area not already controlled to the Maximum Extent Practicable (MEP). This requirement translated into an additional 3,778 acres of impervious area restoration to be completed by the County. Over 2,927 impervious acres have been restored, achieving 77 percent of the restoration goal. Already, the County has spent well over \$100 million on water quality goals. My FY19 operating and capital budgets increase this investment to \$55.3 million in FY19 and \$75.2 million in capital expenditures from FY20 through FY24.

In addition, I established the Residential Energy program to assist residents, including low-income residents, reduce their energy costs and greenhouse gas emissions through implementation of energy efficiency and renewable energy measures. County Government also is leading the way by reducing the combined annual greenhouse gas emissions of County buildings and fleets through the purchase of electricity generated by clean energy technologies, solar energy installations on County facilities, building efficiency initiatives, improved fleet vehicle mileage and fleet alternative fuel use. To assist the private sector in these same goals, the Department of Finance and DEP developed a Commercial Property Assessed Clean

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Energy (PACE) program, which will allow commercial property owners to borrow money for energy efficiency improvements and renewable energy projects and repay the loan via their property tax bill.

One of my first reorganizations when I became County Executive was to put the Department of Environmental Protection in charge of our Solid Waste Program in order to refocus the solid waste function on our environmental goals. Since then, DEP installed a new system to reduce nitrogen oxide emissions by half at the County's Resource Recovery Facility. This measure serves to improve air quality in a cost-effective manner.

I have also increased recycling efforts with a goal of reaching a 70 percent recycling rate by 2020. Currently 61 percent of all municipal solid waste is recycled. In order to help attain this important goal, I am including funding in my FY19 Operating Budget for a new Commercial Organics Recycling Program. This program is a cost-effective approach to increasing commercial recycling and will help determine the viability of extending the effort to residential properties.

## 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, and 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 flexible, cost effective, and culturally appropriate manner that best serves the community. They may also be able to leverage other resources that are simply unavailable to County Government. Included in my recommended budget is \$8,811,504 for community grants, an increase of \$941,324 or twelve percent, from FY18. Also included in my recommended budget is a twelve percent enhancement for County Council Grants. Our community partners funded by these grants provide services related to public health, behavioral health, safety net services, housing, the arts, early childhood, positive youth, seniors, veterans' services, immigrant services, and many other community building services.

## TECHNOLOGY

Since becoming County Executive, the pace of technology advancements is more rapid than ever. This pace poses a constant challenge, a challenge I embrace and have committed to using technology to create efficiencies, reduce costs, enhance services and promote transparency. During my tenure, we established many vital technology initiatives that greatly improve County operations, services and resources. These sustainable initiatives will continue to serve the County for years to come and have a positive impact on the daily lives of Montgomery County's residents. Some examples of these improvements are:

- The establishment of MC311 which provides a one-stop, non-emergency phone and online information system. We have also used the data from this system in making resource allocation decisions and tracking department responsiveness.
- Creation of a Public Safety System Modernization program which represents a multi-year effort to upgrade the essential technology used by our public safety personnel.
- Our ground breaking openMontgomery system which provides our residents with unparalleled access to nearly every data set maintained by the County.
- The Office of Management and Budget (OMB) developed an in-house budget analysis and statistical information application called BASIS. Using an intuitive and accessible user-interface design, BASIS provides residents, analysts, departments and executive leaders with instant access to operating budget, capital project, and performance data in a clear and concise fashion.
- The County's Fibernet system provides a County wide fiber-based, electro-optical communication network with the capacity to support voice, public-safety, traffic management, data, Internet access, wireless networking (including public WiFi), and video transmissions among all County agencies and departments.

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- ultraMontgomery is a keystone of my economic development strategy. This program will grow knowledge-based jobs by making gigabit broadband more affordable and widely available to public, private, education and government institutions in major corridors and transit-oriented smart growth communities within the County. ultraMontgomery will leverage capacity within the County's extensive fiber network, [FiberNet](#), to expand broadband services across the County and throughout the region, lower the cost of providing fiber and wireless services to schools, recreation centers, and libraries, and will also stimulate gigabit broadband deployment throughout our commercial office sector. The innovation economy is growing exponentially, creating jobs and spurring business start-ups, and its continued growth in our County depends on a robust fiber and wireless network such as ultraMontgomery.

## FISCAL SUSTAINABILITY

This budget strikes a prudent balance of spending restraint and directing resources to our highest priorities. It provides funding of our major fiscal policies: reserves, retiree health insurance prefunding, and CIP Pay As You Go; however, budget pressures and revenue uncertainty are likely to remain challenges.

When we last updated the County Council in December, income tax revenues had significantly missed expectations. It appears that taxpayers likely altered their behavior in anticipation of federal tax reform after the November 2016 Presidential election. As a result, the November 2017 income tax distribution was eighteen percent below the original estimate. It is likely that income tax revenues will remain volatile as the effects of federal tax reform unfold over the next one to two years. With that in mind, my recommended budget includes no adjustments to anticipate the effects of H.R. 1, the Tax Cuts and Jobs Act of 2017 (TCJA). I believe it is too early to make any judgments about the impact the TCJA might have on County revenues. For one, the State is considering legislation to roll back the effect of certain provisions in the law that would increase State and local income tax revenues. And, secondly, until individuals and corporate entities begin to adjust to the new tax regime, the extent to which the reduction in the corporate tax rate and other changes to business taxes will affect our income tax revenues is uncertain. One thing is certain, however, there will be an incentive for certain individuals with business income to restructure to reduce taxes, which will have a negative impact on our income tax revenues. Given this context, I believe it is critical we adhere to our fiscal policies, and my recommended budget maintains that commitment.

The revenue forecast assumes a two-year delay in the Wynne repayment schedule. Since legislation has passed each chamber of the General Assembly (SB742 and HB686), I am comfortable assuming the two-year delay becomes law, which increases FY19 income tax revenues by \$14.3 million.

As you know, we had to take difficult action to address the revenue shortfall experienced in FY18. The approved FY18 savings plan identified more than \$60 million in reductions that will be made in the current year. However, with a projected FY18 revenue shortfall exceeding \$100 million, additional action needs to be taken. As such, I am recommending that the County reduce the FY18 prefunding contribution to the OPEB trust funds as a one-time measure to strengthen reserves and for temporary budget relief. The current fiscal situation is not the result of a declining economy, but likely a one-time event driven by speculation on changes to tax law. Within this context, it is appropriate to isolate the corrective action to the current year.

I am proposing that the FY18 OPEB prefunding amount be reduced by about \$21 million. More than \$100 million will be contributed to the OPEB trust as originally planned. I am also proposing that an additional \$41 million in OPEB trust assets be used to pay for FY18, current year claims, creating equivalent savings for the General Fund. These actions will allow us to meet our current year benefit cost obligation, while still providing for partial pre-funding of future liabilities. Further, the current year savings resulting from these actions will help us to end FY18 closer to our reserve target of 8.9 percent, despite the unexpected shortfall in revenues. As stated above, this approach will be a one-time diversion from our policy of pre-funding retiree health benefits. My FY19 recommended budget assumes that full pre-funding will be restored in the coming year.

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## FUNDING THE BUDGET

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My budget includes a decrease of approximately two cents to the property tax rate. Due to increasing home values, the median County homeowner will see a \$2.25 per month increase in property taxes over the next year, due to higher property values. As I noted above, holding taxes to the Charter Limit is appropriate given the significant increase in the property tax rate approved by the Council in FY17. 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.

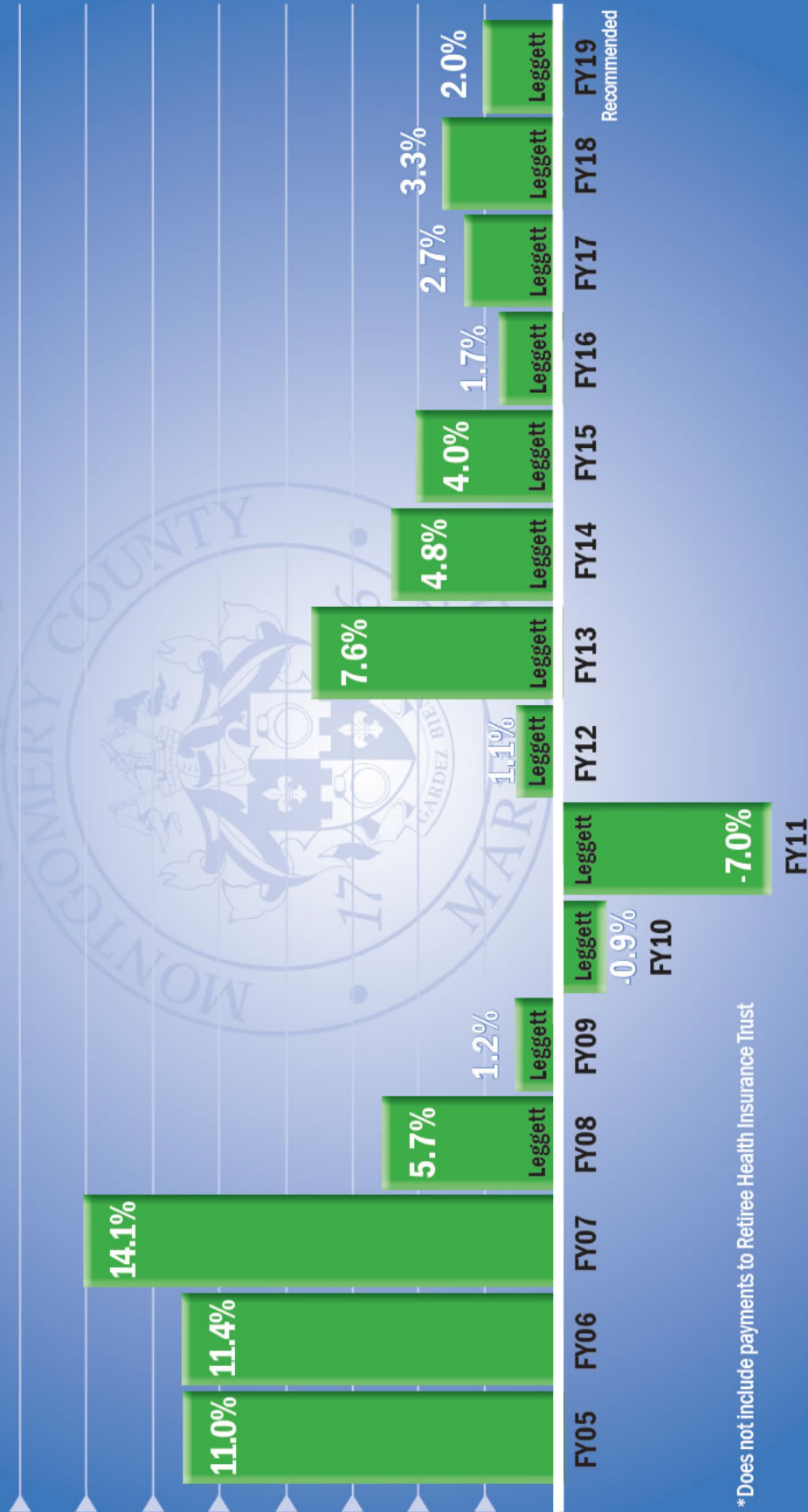
I am recommending no change to the Water Quality Protection Charge in FY19.

I am recommending no changes to the solid waste charges for County residents in FY19.

I am recommending a Washington Suburban Sanitary Commission budget that would result in an increase in water and sewer rates of 4.5 percent in FY19 in accordance with the budget recently proposed by the WSSC.

# Controlling County Government Spending

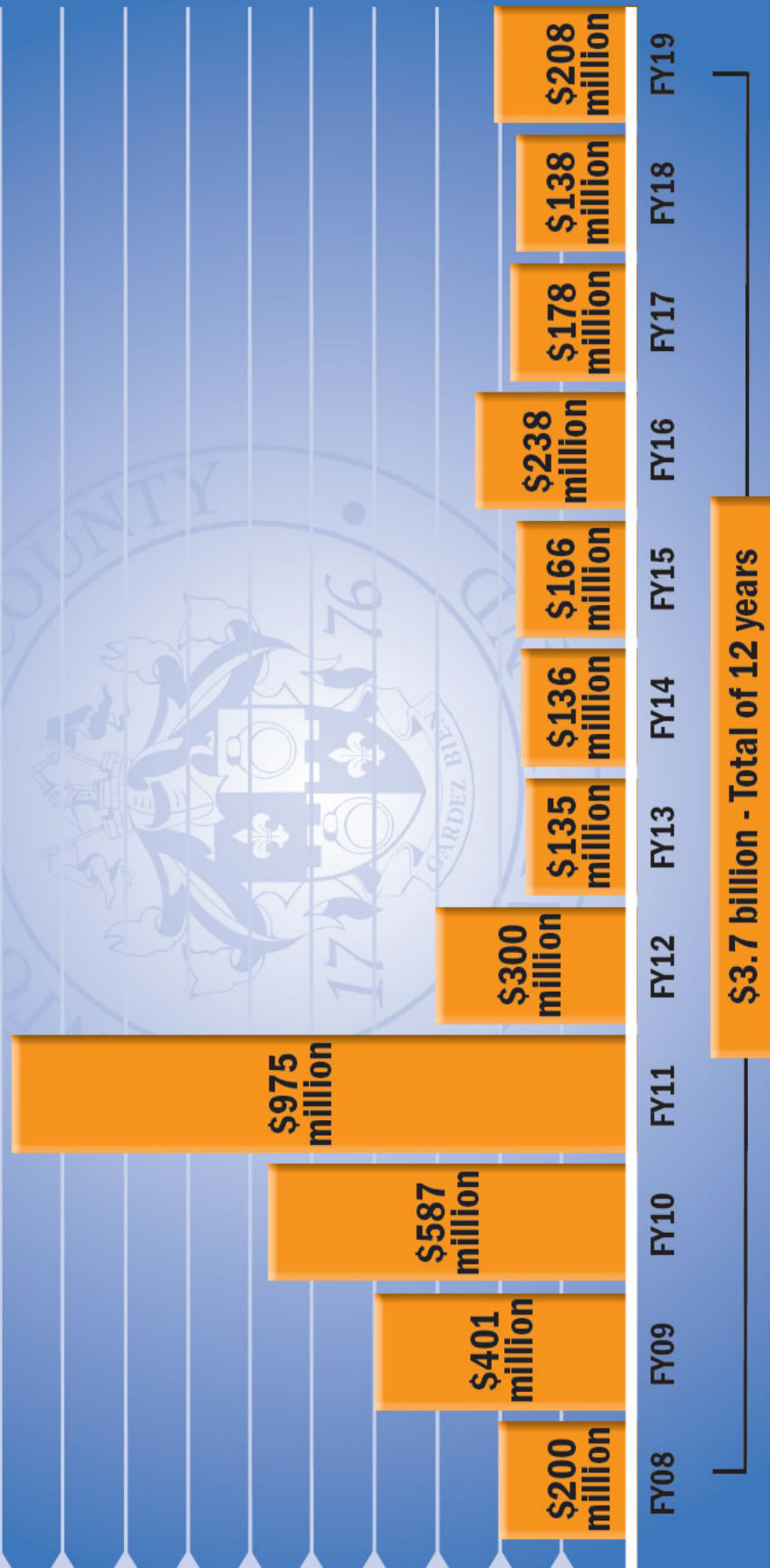
(Tax Supported)



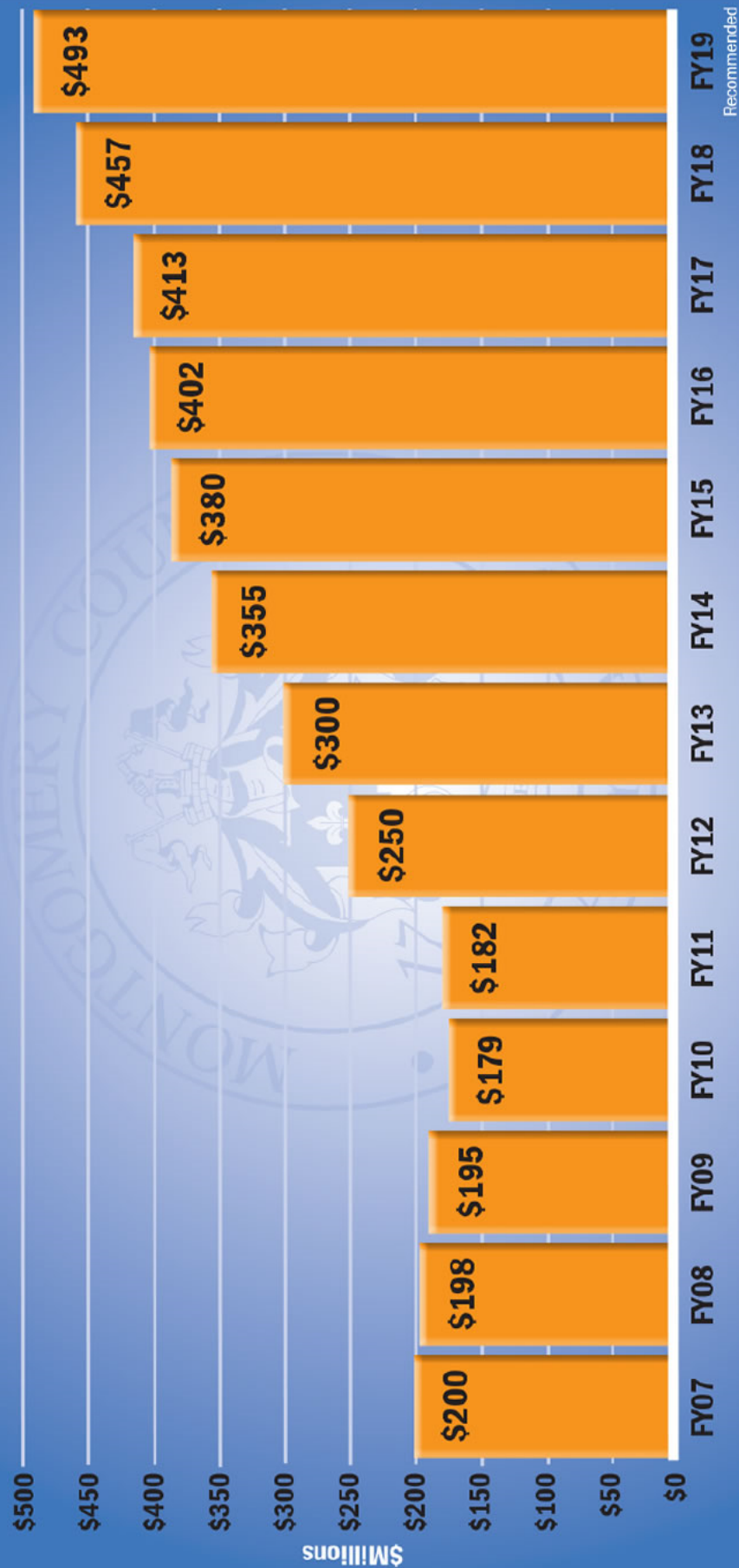
\* Does not include payments to Retiree Health Insurance Trust



# Closing Budget Shortfalls

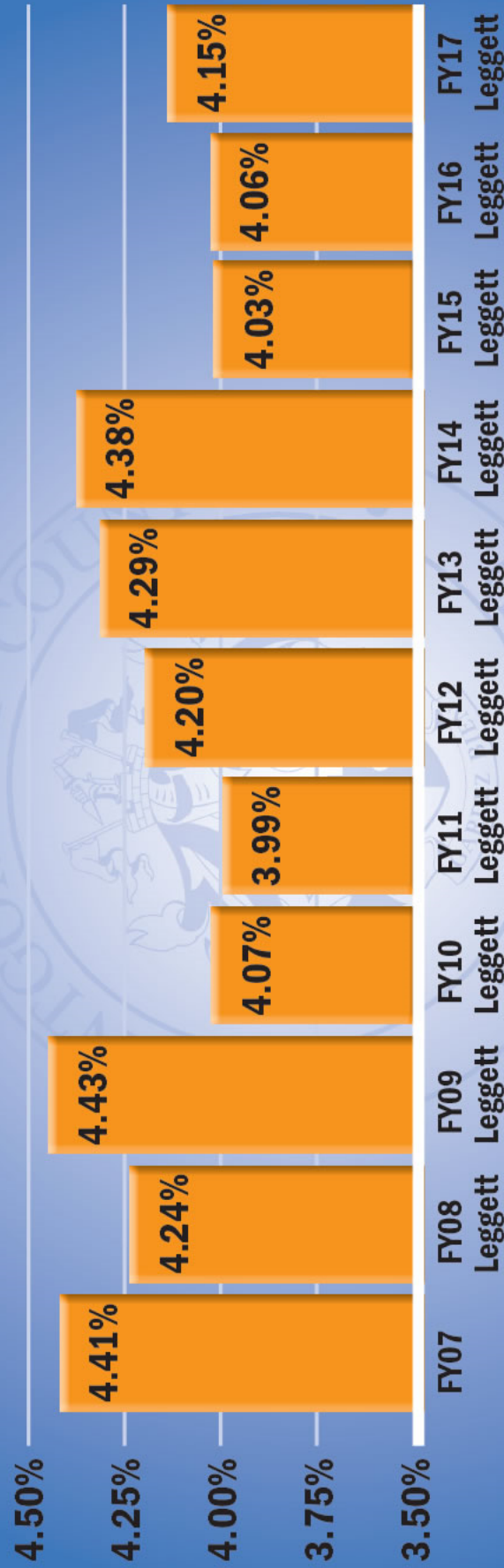


# Ensuring Adequate Reserves



**Reserves More Than Doubled  
2007-2019**

# Keeping Down Total Tax Burden

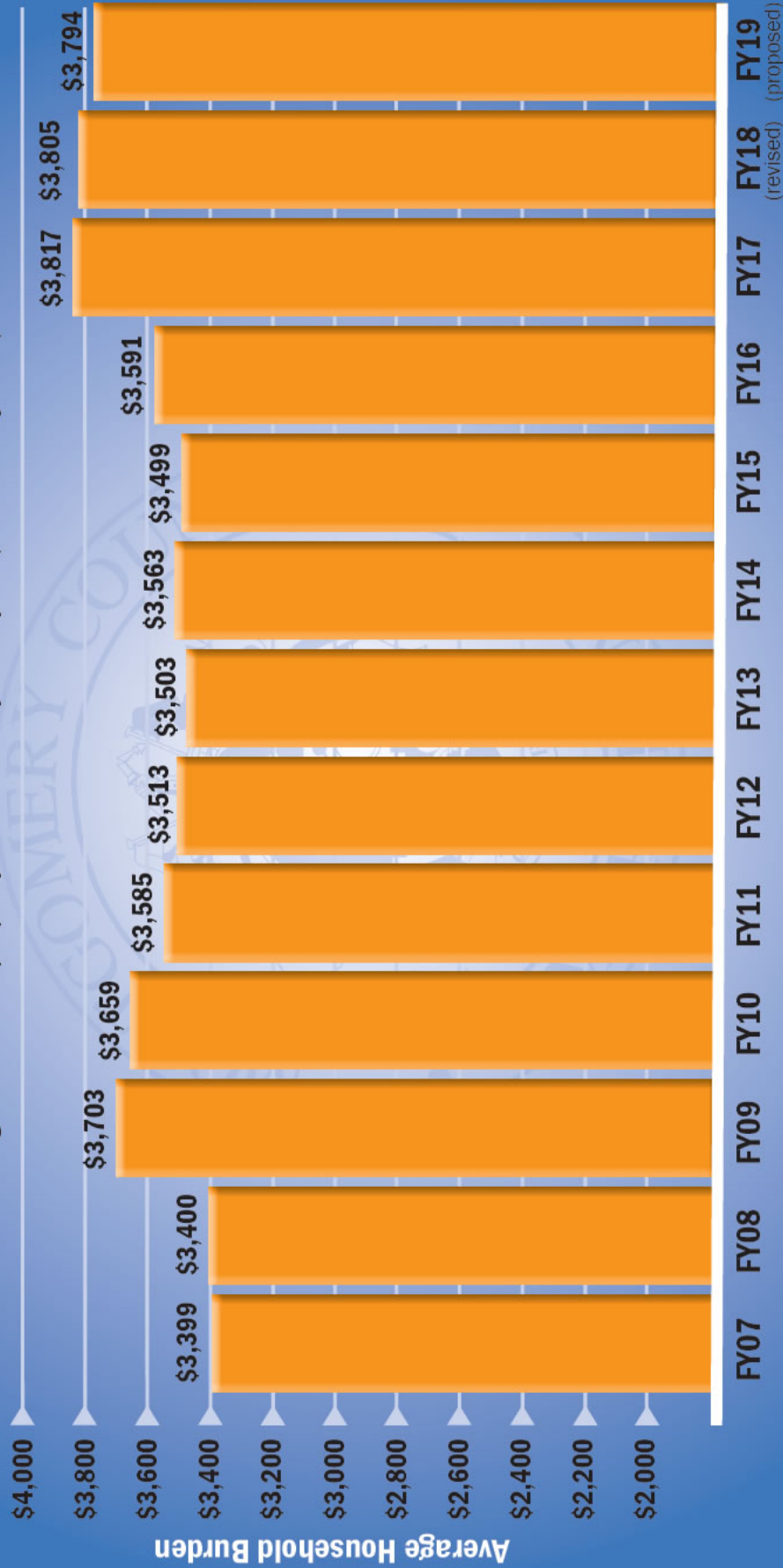


**County Taxes as a Share of Personal Income  
Down 5% Over 11 Years**

# Holding Down Property Taxes

Less than 1% increase annually above inflation

Average household property tax burden by fiscal year (inflation adjusted)



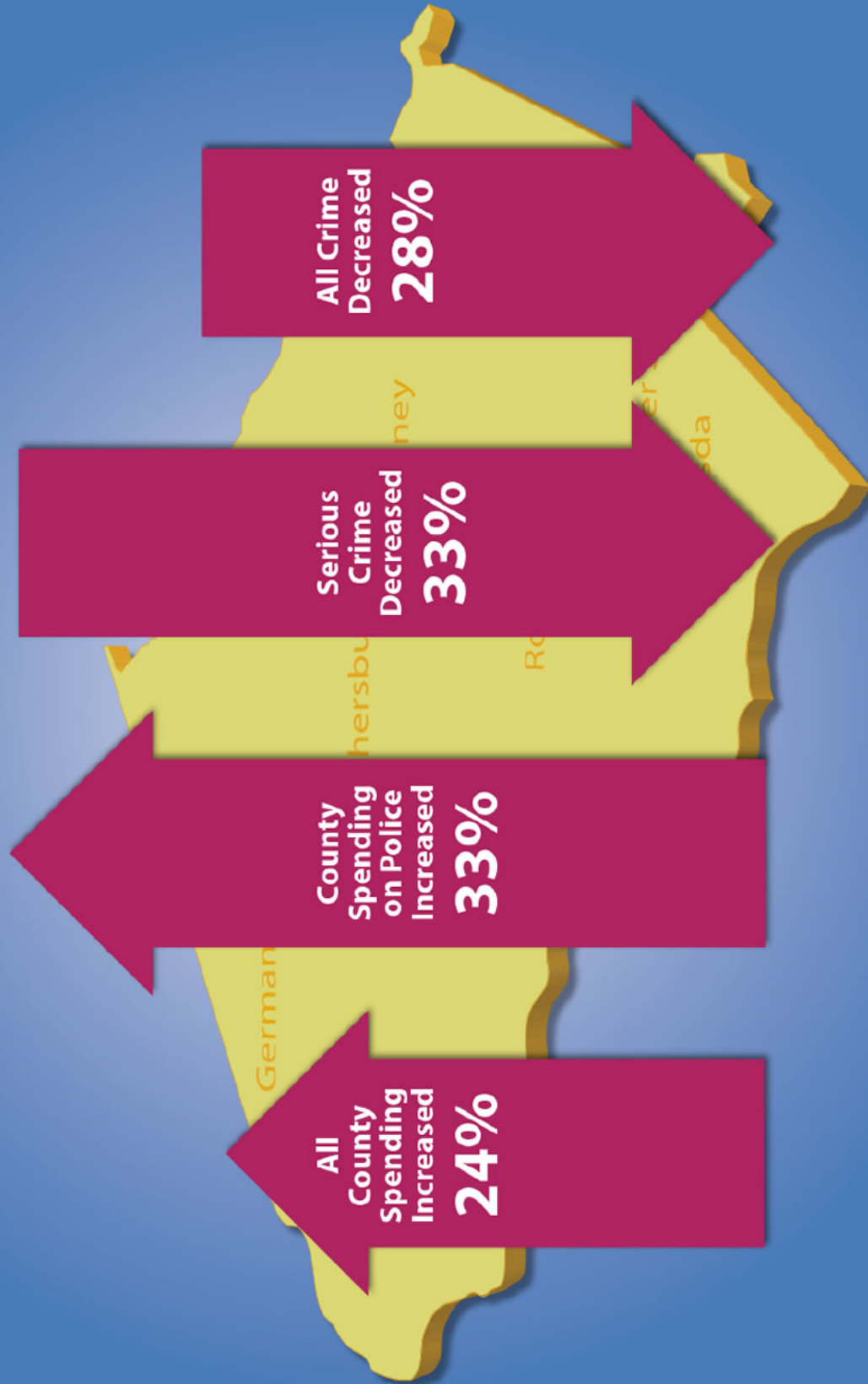
Over 12 Years - 11.6% Total Increase

Prepared by Montgomery County Department of Finance



# Safer Streets by Investing in Police

2007 - 2017



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