Revenues

INTRODUCTION

This chapter provides demographic and economic assumptions, including detailed discussions of the national, State and local economies. Revenue sources, both tax supported and non-tax supported, used to fund the County Executive's Recommended FY17 Operating Budget incorporate policy recommendations.

ESTIMATING SIX-YEAR COSTS

Demographic Assumptions

The revenue projections of the Public Services Program (PSP) incorporate demographic assumptions based on Metropolitan Washington Council of Governments (COG) Round 8.4 estimates and are based on fiscal and economic data and analyses used or prepared by the Department of Finance. *A Demographic and Economic Assumptions* chart located at the end of this chapter provides several demographic and planning indicators.

- County population will continue to increase an average of approximately 9,140 persons each year throughout the next six years (from CY2016 to CY2022) from 1,029,200 in CY2016 to 1,084,000 by CY2022. This reflects an average annual growth rate of 0.9 percent.
- Current projections estimate the number of households to increase from 381,100 in CY2016 to 404,100 in CY2022. Household growth over that period is projected to grow at an average annual rate of 1.0 percent.
- The County's senior population (persons 65 and older) continues to grow from an estimated 120,000 persons living here in 2010 to a projected 244,000 by 2040, increasing the share of the County's population that are seniors from 9 percent to 20 percent.
- County births, which are one indicator of future elementary school populations and child day care demand, are projected to start gradually increasing after six years of declining numbers, from an estimated 13,150 in 2015 to 13,550 by 2020.
- The County expects Montgomery County Public School student enrollment to increase by 10,143 between FY16 and FY22.
- Montgomery College full-time equivalent student enrollments are projected to increase from 20,702 in FY16 to 21,011 in FY21.

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

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

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of the County Executive for the FY17 budget. Even though it is assumed that these policies will be effective throughout the six-year period, subsequent Council actions, State law and budgetary changes, actual economic conditions, and revised revenue projections may result in policy changes in later years.

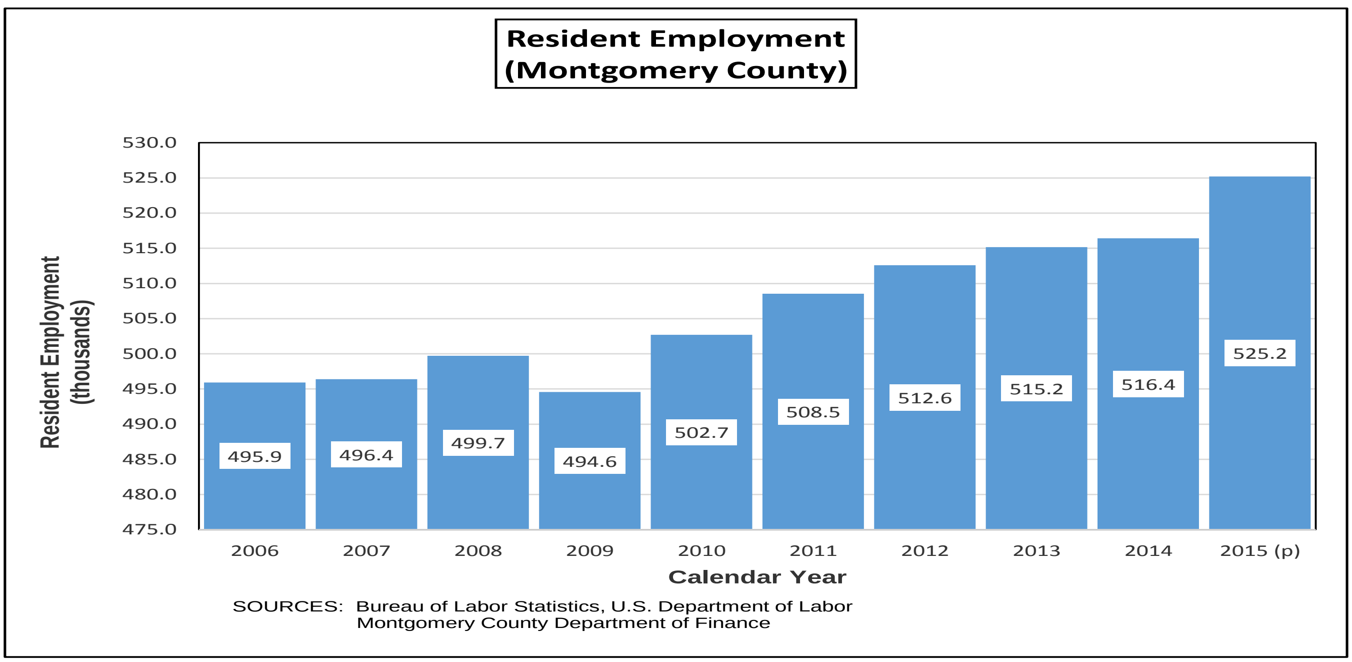
Economic Assumptions

Revenue projections depend on the current and projected indicators of the national, regional, and local economy. National economic indicators also influence the County's revenue projections. Such indicators include short-term interest rates, mortgage interest rates, and the stock market. Local economic indicators include residential (labor force survey) and payroll (establishment survey) employment, residential and nonresidential construction, housing sales, retail sales, and inflation. The assumptions for each of those indicators will affect the revenue projections over the six-year horizon. Such projections are dependent on a number of factors – fiscal and monetary policy, real estate, employment, consumer and business confidence, the stock market, mortgage interest rates, and geopolitical risks.

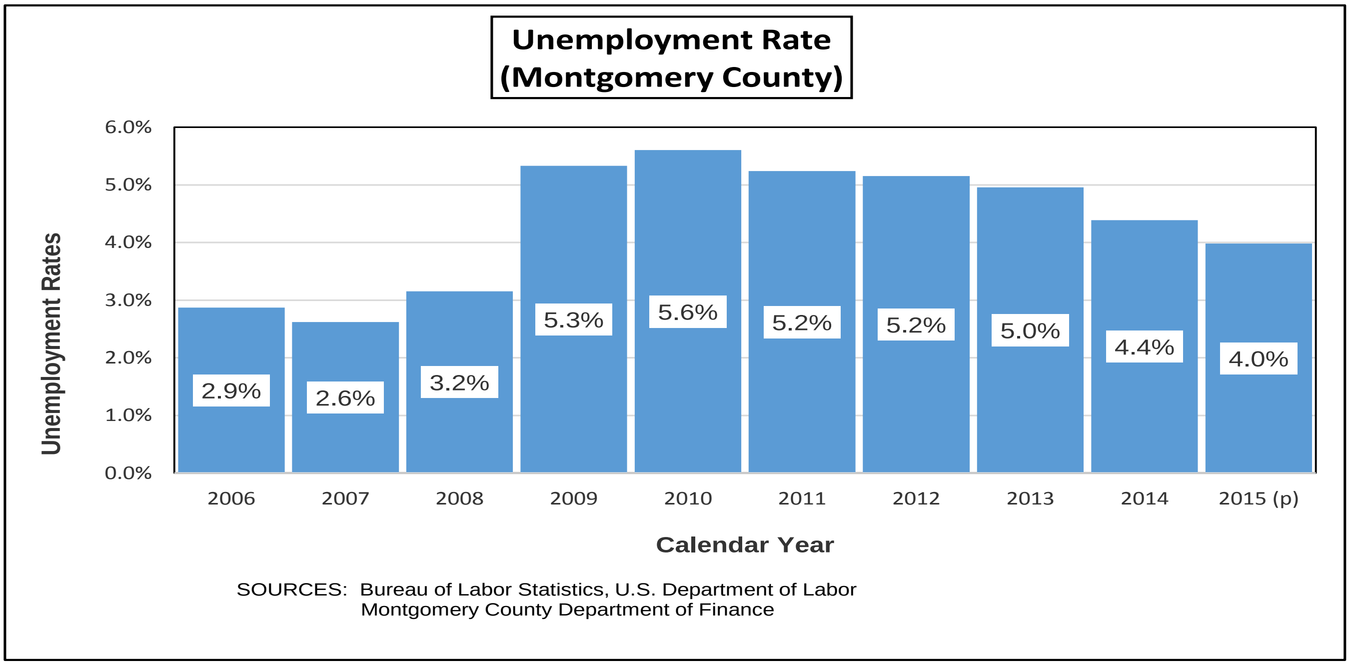
Montgomery County's economy experienced mixed economic performance during 2015. Some of the areas of growth include an increase in resident employment, a decline in the unemployment rate, an increase in the sales of existing homes, and an increase in the value of non-residential construction. However, offsetting those increases, the County experienced a modest decline in the average sales price for an existing home, no change in the median sales price for an existing home, and a decline in the construction of residential properties.

Employment Situation

Based on data from the Maryland Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics, U.S. Department of Labor, resident employment (labor force series and not seasonally adjusted) in 2015 increased by 8,800 from 2014 (↑1.7%).

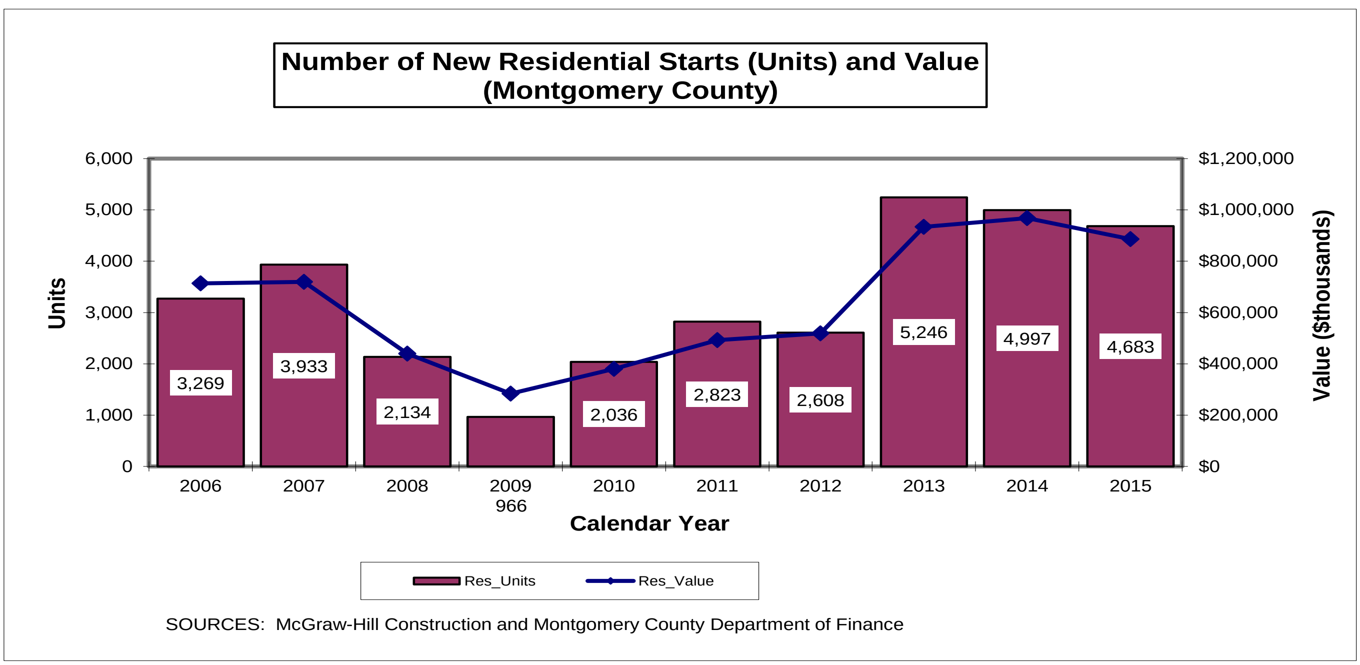


The County's unemployment rate declined to 4.0 percent compared to 4.4 percent in 2014 and is the lowest in seven years. The decline in the unemployment rate is attributed to a larger percentage increase in resident employment (↑1.7%) than in the labor force (↑1.3%).



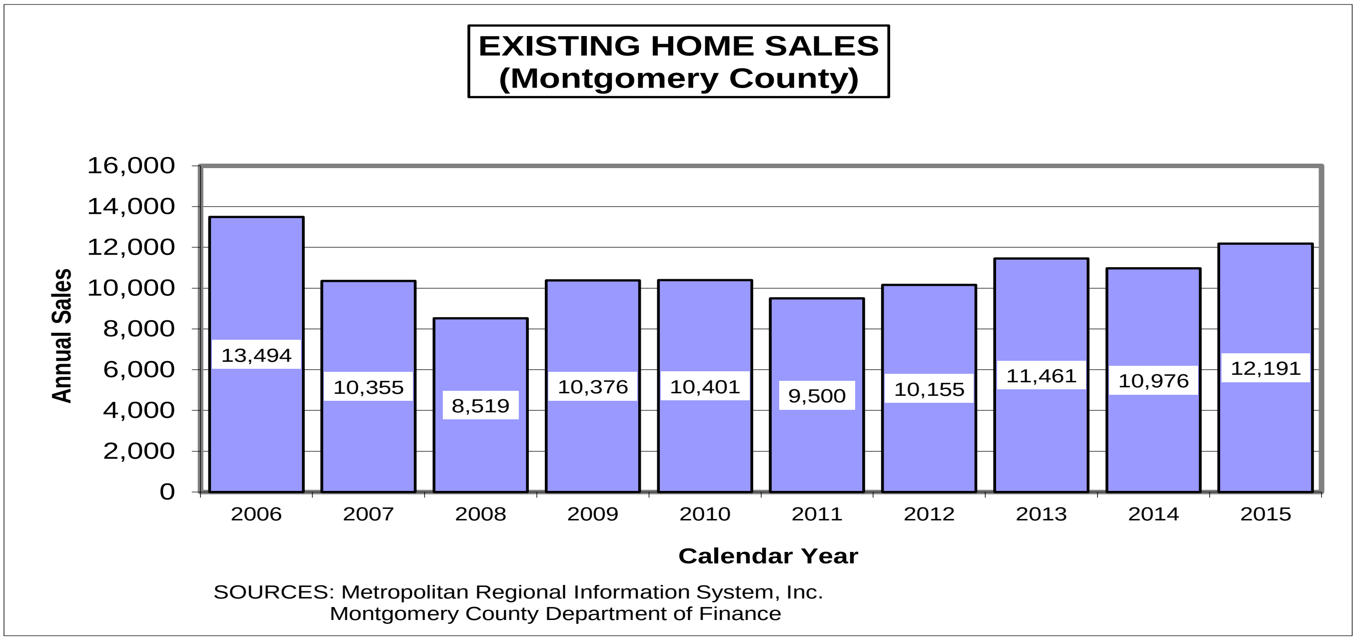
Construction Activity

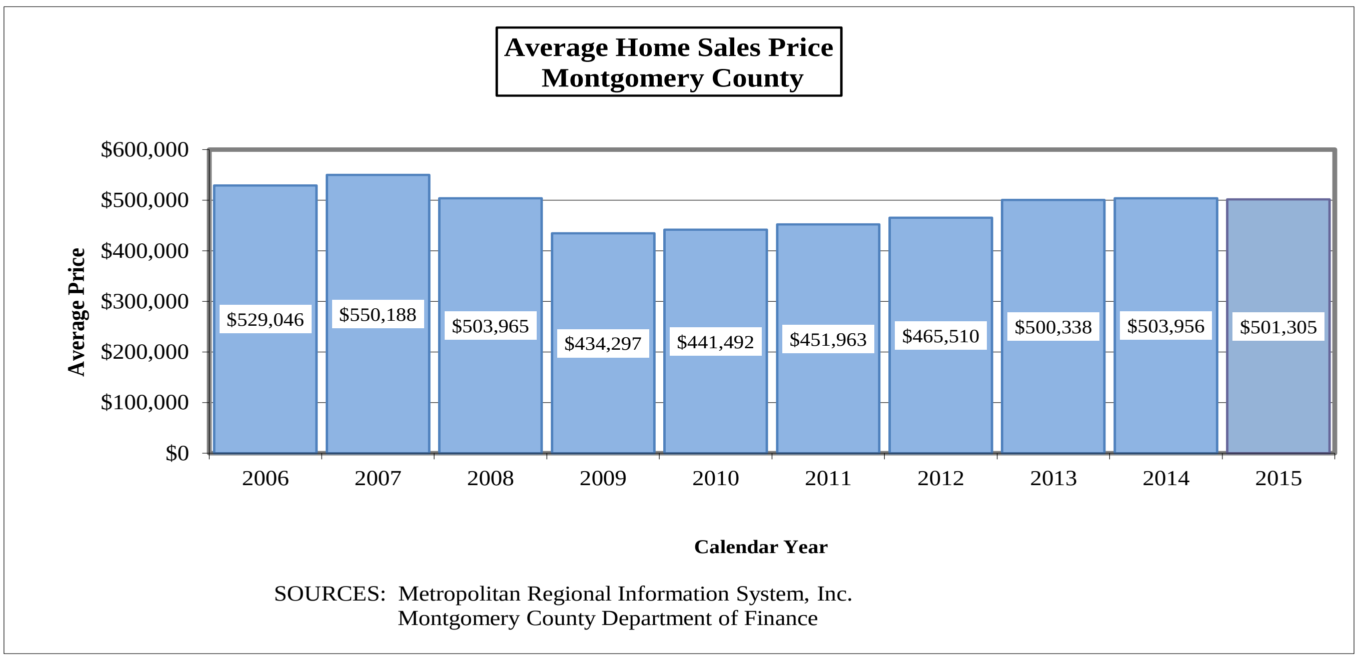
After experiencing an increase of over 100 percent in 2013, the construction of new residential units declined 4.8 percent in 2014 and another 6.3 percent in 2015. Even with that decline in 2015, the number of new residential units constructed in 2015 was the third highest number in ten years. The decrease was attributed to the decline in the construction of single-family homes (↓20.8%). Construction of multi-family units was up 1.1 percent in 2015. Total value added decreased from a total of $968.6 million in 2014 to $855.9 million in 2015 (↓8.5%). While the number of non-residential construction projects decreased from 159 projects in 2014 to 138 in 2015 (↓13.2%), the total value added increased from $473.1 million to $718.4 million (↑51.9%) for that same period.



Residential Real Estate

During calendar year 2015, existing home sales increased 11.1 percent from 2014 which followed a 4.2 percent decline from 2013. The average sales price for existing homes decreased a modest 0.5 percent in 2015 while the median sales price did not change and remained at $400,000 in 2015. Due to low mortgage rates combined with employment growth and little or no growth in prices, home sales in 2015 experienced its second strongest performance since 2009 when sales increased 21.8 percent.





Retail Sales

Using sales tax receipts as a measure of retail sales activity in the County, retail sales, including assessment collections, increased 3.4 percent in 2015. Purchases of nondurable goods, which include food and beverage, apparel, general merchandise, and utilities and transportation, increased 2.8 percent during this period while sales of durable goods were up 5.2 percent. The increase in nondurable goods purchases was largely attributed to the increase in food and beverage items (↑6.3%) and general merchandise (↑2.9%), while the increase in purchases of durable goods was largely attributed to an increase in automobile sales and products (↑4.1%) and building and industrial supplies (↑9.5%). With the increase in home sales during 2015, the increase in sales of furniture and appliances of 1.2 percent and an increase in sales of building and industrial supplies support the historical relationship between home sales and sales of specific durable goods.

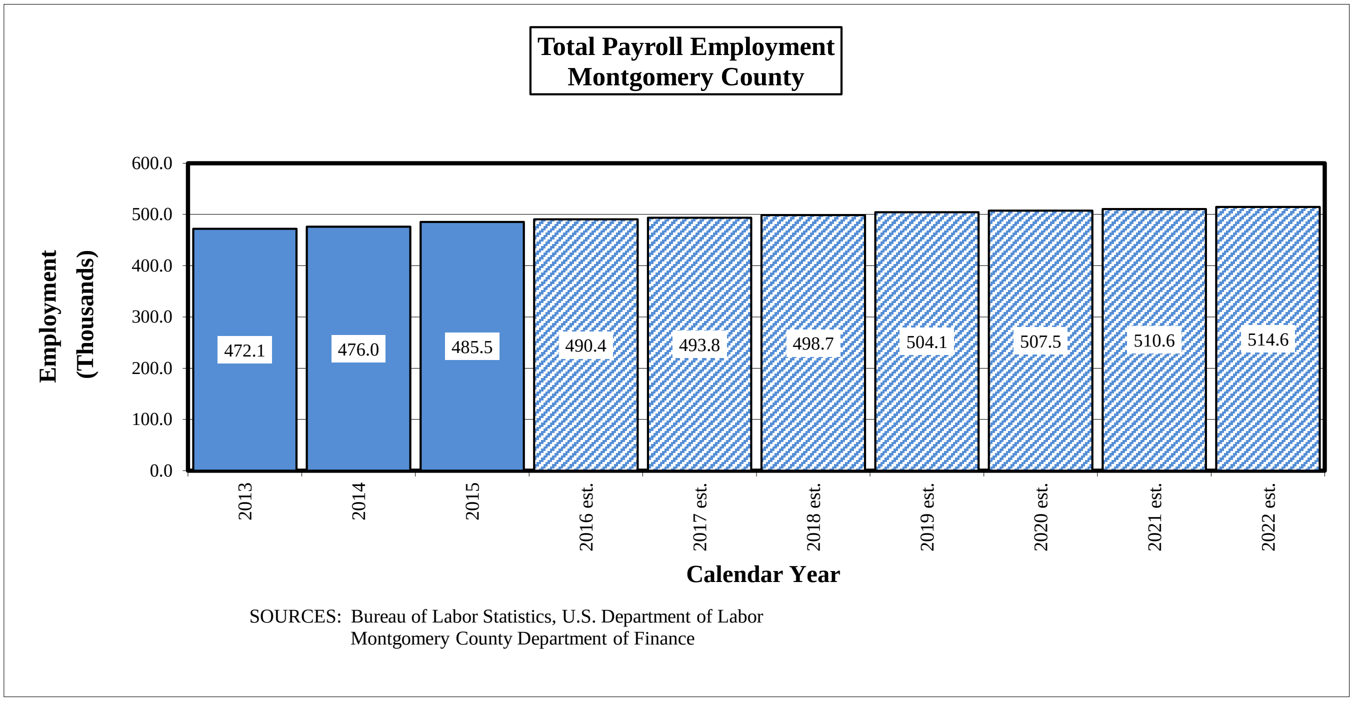
Conclusion

The major economic indicators confirm that the County's economy experienced mixed performance during 2015. That mixed performance included an increase in residential employment, a decline in the unemployment rate, an increase in existing home sales, and an increase in the value added for non-residential construction, but partially offset by a decline in the construction and value added of new residential construction and no changes in residential real estate prices.

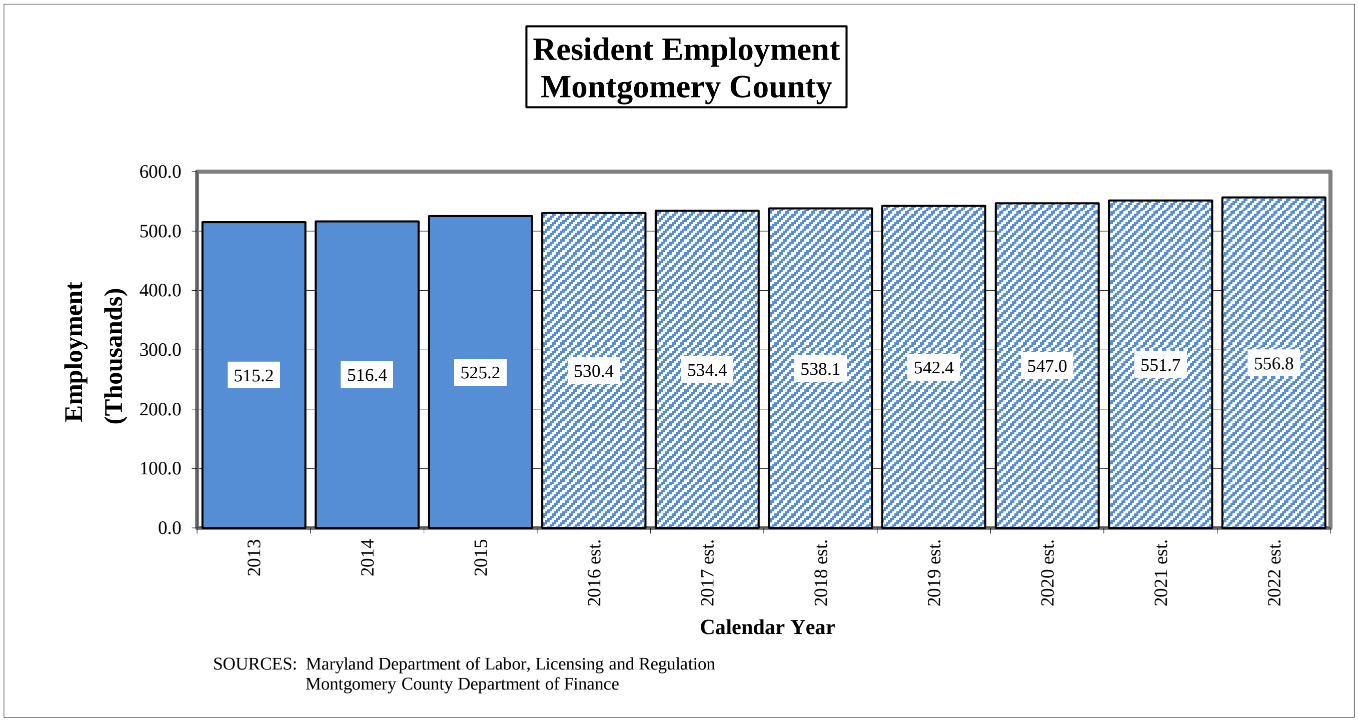
Economic Outlook

The Department of Finance (Finance) forecasts that the Montgomery County's economy will continue to improve through the next six years.

Employment. Finance assumes payroll employment will continue to increase from 2015 to 2022 and grow at an average annual rate of 0.8 percent over that period. This is the same average annual rate of growth experienced between 2009 and 2015.



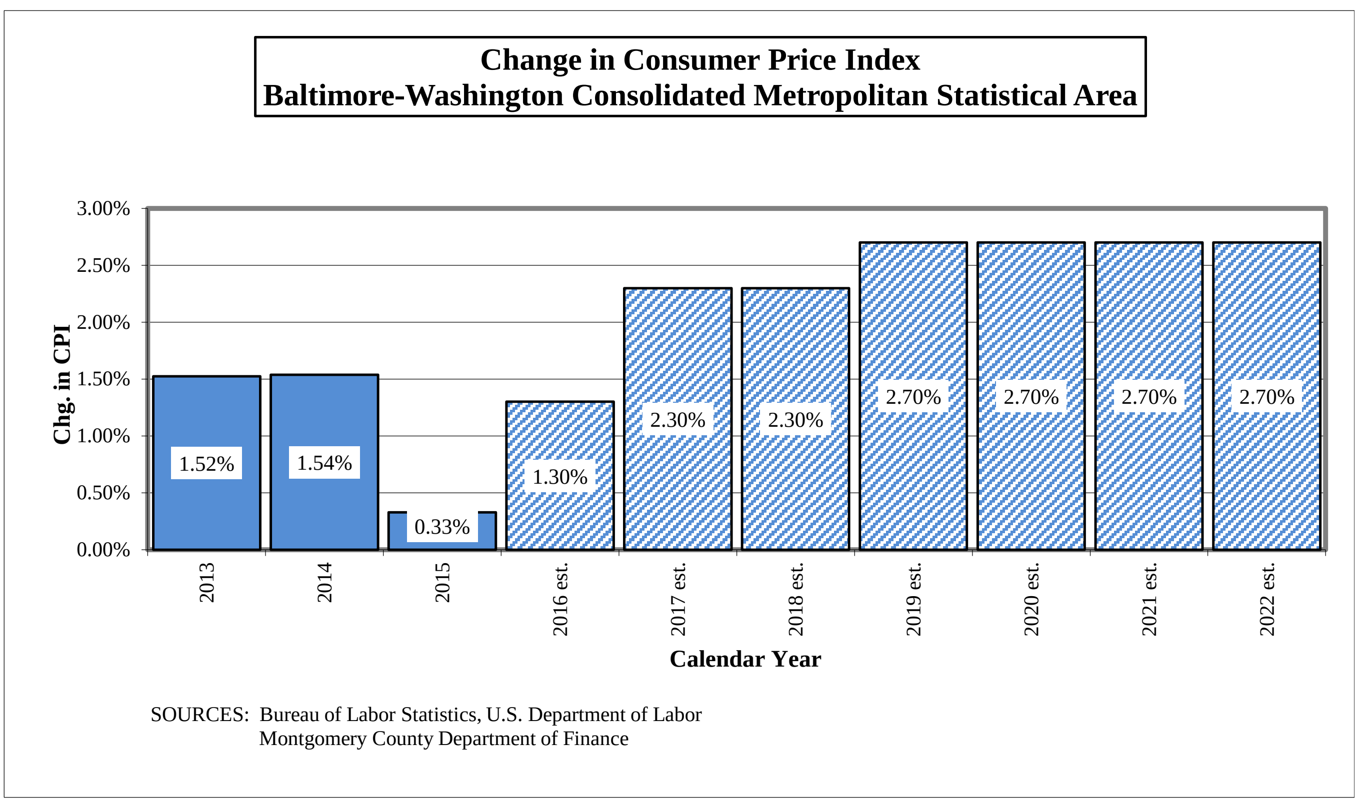
Finance assumes that resident employment will increase at an average annual rate of 0.8 percent from 2015 to 2022. However, that rate is slightly below the average annual rate of 1.0 percent between 2009 and 2015.



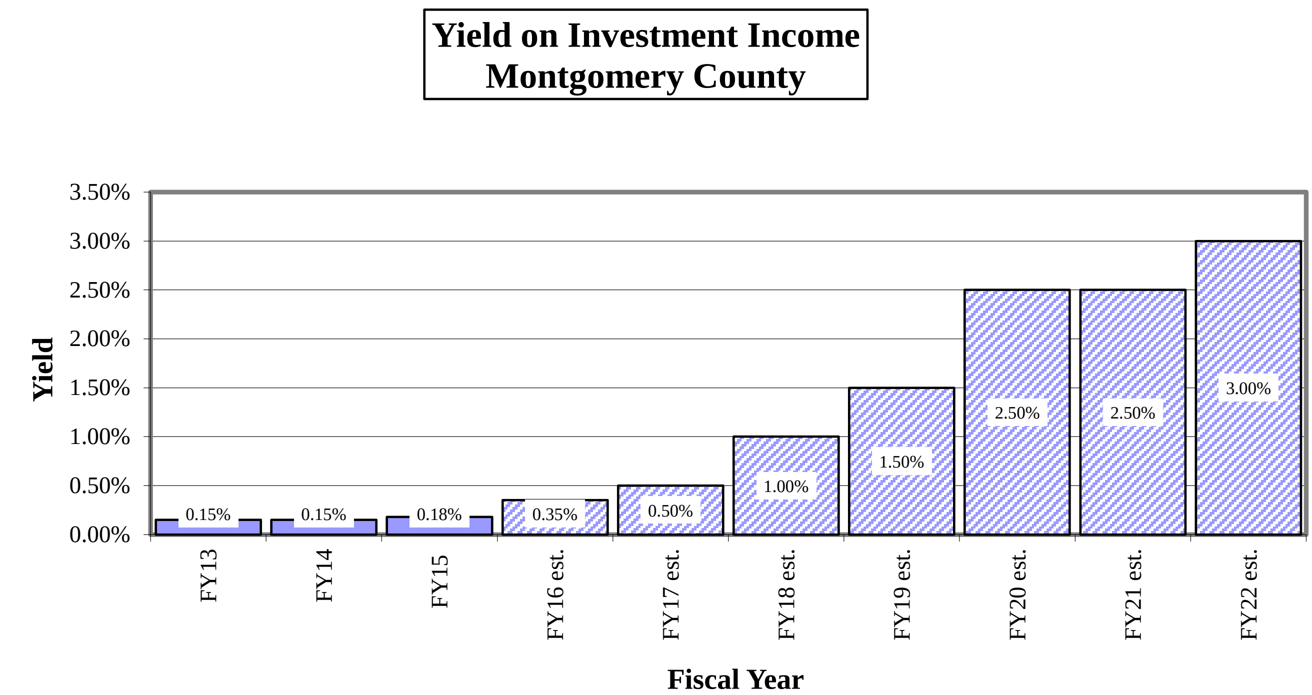
Finance assumes wage and salary income to grow at an average annual rate of 4.0 percent between 2014, the latest year for which actual data are available from the Bureau of Economic Analysis, U.S. Department of Commerce, and 2022. Total wage and salary income is estimated to reach $47.0 billion by 2022.

Personal Income. Finance assumes that total personal income in Montgomery County will grow at an average annual rate of 4.4 percent from 2014 to 2022. By 2022, total personal income will reach $107.2 billion.

Inflation (annual average). Finance assumes that the overall regional inflation index will gradually increase from 0.33 percent in 2015 to 1.30 percent in 2016, 2.30 percent in 2017 and 2018, and peak at 2.70 percent from 2019 to 2022.



Interest Rates. From September 2007 to December 2008, the Federal Reserve Board, through its Federal Open Market Committee (FOMC, Committee), aggressively cut the target rate on federal funds from 5.25 percent to a range of 0.00-0.25 percent. Since that time, the targeted federal funds rate remained at the 0.00-0.25 range until December 2015. At its December 2015 meeting, the FOMC increased the range to between 0.25 and 0.50 percent. The target rate was unchanged at its meeting in January of this year. Since the yield on the County's short-term investments are highly correlated with the federal funds rate, Finance assumes that the County will earn an average of 0.35 percent in investment income on its short-term portfolio for fiscal year (FY) 2016 increasing to 0.50 percent in FY2017, 1.00 percent in FY2018, 1.50 percent in FY2019, and 3.0 percent by FY2022. This assumption is based on no rate increases in the targeted federal funds rate by the FOMC for the remainder of this calendar year and two rate increases in CY2017 (FY2018) and in CY2018 (FY2019). The assumption of future rate increases is based on the 30-day federal funds futures market from the Chicago Mercantile Exchange.



SOURCE: Montgomery County Department of Finance

REVENUE SOURCES

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

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

IMPACT ON REVENUES AND THE CAPITAL BUDGET

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

The level of PSP-related spending indirectly impacts the local economy and, hence, the level of County revenues. However, the effect on revenues from expenditures of the Executive's Recommended Operating Budget and PSP are expected to be minimal. The PSP also impacts revenues available to fund the Capital Budget. The revenue projections included in this section subtract projected uses of current revenues for both debt eligible and non-debt eligible capital investments. Therefore, the Executive's Recommended Operating Budget and PSP provides the allocations of annual resources to the Capital Budget as planned for in the County Executive's Recommended FY17-22 Capital Improvements Program (as of January 15, 2016). Anticipated current revenue adjustments to the January 15, 2016 CIP have been made as part of the Executive's Recommended Operating Budget.

Prior Year Fund Balance

The prior year fund balance for the previous fiscal year is the audited FY15 closing fund balance for all tax supported funds. The current year fund balance results from an analysis of revenues and expenditures for the balance of the fiscal year. Prior year fund balance for future fiscal years is assumed to equal the target fund balance for the preceding year.

Net Transfers

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

Debt Service Obligations

Debt service estimates are those made to support the County Executive's Recommended FY17-22 Capital Improvements Program (as of January 15, 2016). Debt service obligations over the six years are based on servicing debt issued to fund planned capital projects, as well as amounts necessary for short-term and long-term leases. Debt service requirements have the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization. Approximately 45.3 percent of the CIP is funded with General Obligation (G.O.) bonds. Each G.O. bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future G.O. bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The State authorizes borrowing of funds and issuance of bonds up to a maximum of 6.0 percent of the assessed valuation of all real property and 15.0 percent of the assessed value of all personal property within the County. The County's outstanding G.O. debt plus short-term commercial paper as of June 30, 2015, is 1.88 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities.

CIP Current Revenue and PAYGO

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

Revenue Stabilization

On June 29, 2010, the Montgomery County Council enacted Bill 36-10 amending the Montgomery County Code (Chapter 20, Finance, Article XII) that repealed the limit on the size of the Revenue Stabilization Fund (Fund), modified the requirement for mandatory County contributions to the Fund, and amended the law governing the Fund. Mandatory contributions to the Fund are the greater of 50 percent of any excess revenue, or an amount equal to the lesser of 0.5 percent of the Adjusted Governmental Revenues or the amount needed to obtain a total reserve of 10 percent of the Adjusted Governmental Revenues. Adjusted Governmental Revenues include tax supported County Governmental revenues plus revenues of the County Grants Fund and County Capital Projects Fund; tax supported revenues of the Montgomery County Public Schools, not including the County's local contribution; tax supported revenues of Montgomery College, not including the County's local contribution; and tax supported revenues of the Montgomery County portion of the Maryland-National Capital Park and Planning

Commission. All interest earned on the Fund must be added to the Fund. The FY17 Recommended Budget estimates that the Revenue Stabilization fund balance will be $254.7 million in FY16 and the balance is estimated to increase to $280.2 million in FY17 (↑10%).

Other Uses

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

Reserves

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

REVENUE ASSUMPTIONS

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

TAX REVENUES

Tax supported revenues come from a number of sources including but not limited to property and income taxes, real estate transfer and recordation taxes, excise taxes, intergovernmental revenues, service charges, fees and licenses, college tuition, and investment income. In order of magnitude, however, the property tax and the income tax are the most important with 47.7 percent and 39.9 percent, respectively, of the estimated total tax revenues in FY17. The third category is the energy tax estimated for the General Fund with a 5.6 percent share. In fact, these three revenue sources represent 93.2 percent of total tax revenues.   Of the total tax supported revenues, property tax and income tax are also the most important with 37.2 percent and 31.1 percent, respectively. The third category is intergovernmental revenues with a 17.6 percent share of the estimated total tax supported revenues in FY17. Income and transfer and recordation taxes are the most sensitive to economic and, increasingly, financial market conditions. By contrast, the property tax exhibits the least volatility because of the three year re-assessment phase-in and the ten percent “homestead tax credit” that spreads out changes evenly over several years.

Property Tax

Using proposed rates (levy year 2016) and a recommended $692 credit, total estimated FY17 tax supported property tax revenues of $1,738.7 million are 10.0 percent above the revised FY16 estimate. The general countywide rate for FY17 is $0.7754 per $100 of assessed real property, while a rate of $1.9385 is levied on personal property. In addition to the general countywide tax rate, there are special district area tax rates, and the weighted average real property tax rate for FY17 is $1.0264 per $100 of assessed real property which is 3.940 cents above the levy year 2015 weighted rate. The 1990 Charter amendment (FIT) limits the growth in property tax revenues to the sum of the previous year's estimated revenue, increased by the rate of inflation, and an amount based on the value of new construction and other minor factors. This Charter Limit, however, may be overridden by a unanimous vote of the nine members of the County Council. FY17 estimated property taxes are $140.1 million above the Charter Limit, or 8.8 percent.

The FY16 budget reflected a funding structural change for the Parking Lot District (PLDs) for FY16 and future fiscal years. This funding change better aligned funding sources with the intended purpose and more clearly delineated funding requirement and resources. This proposal eliminated future transfers from the PLDs to the Mass Transit to maintain Ride On operations or Transportation Management District activities. In addition, the transfers to the Bethesda and Silver Spring Urban District were reduced and were offset by the General Fund Baseline transfer to those Urban Districts. These actions better aligned the taxing authority with the services provided and put the PLD funds on a more sustainable fiscal path in the future.

The countywide total property taxable assessment is estimated to increase approximately 5.0 percent from a revised $174.4 billion in FY16 to 183.1 billion in FY17. The base is comprised of real property and personal property. For FY17, the Department of Finance estimates real property taxable assessment of approximately $179.3 billion – an increase of 5.1 percent from FY16 − with the remaining $3.8 billion in personal property. This is the fourth consecutive increase in the total property taxable assessment after two consecutive decreases. The actual change in the total property tax base has fluctuated significantly over the previous ten fiscal years (FY06-FY15), with an annual average increase of 12.2 percent between FY06 and FY09, followed by considerable deceleration in the growth of taxable assessments in FY10 (↑5.7%) and FY11 (↑0.2%), declines in FY12 (↓3.3%) and FY13 (↓2.4%), and a modest increases of 1.1 percent and 2.3 percent in FY14 and FY15, respectively.

The real property base is divided into three groups based on their geographic location in the County. Each group is reassessed triennially by the State Department of Assessments and Taxation (SDAT), which has the responsibility for assessing properties in Maryland. The amount of the change in the established market value (full cash value) of one-third of the properties reassessed each year is phased in over a three-year period. Declines in assessed values, however, are effective in the first year. The real property reassessments effective for FY13 declined 8.6 percent for Group 3 (↓12.7% for residential) and followed declines of 14.5 percent for Group 2 in FY12 (↓17.4% residential), a decline of 17.0 percent in FY11 for Group 1 (↓19.4% residential), and a decline of 10.6 percent in FY10 for Group 3 (↓16.3% for residential). However, real property reassessment for Group 1 increased 4.1 percent for FY14 (↑1.7% for residential), increased 11.0 percent for Group 2 for FY15 (↑5.8% for residential), increased 18.7 percent for FY16 (↑11.5% for residential), and increased 11.1 percent (↑9.6% for residential) for FY17. Because of that increase, real property taxable assessment is estimated to increase 5.1 percent in FY17.

There is a ten percent annual assessment growth limitation for residential property that is owner-occupied. As a result of this "homestead tax credit," these taxable reassessments in Montgomery County may not grow more than ten percent in any one year. However, because of the decline in the reassessment rates for residential properties during three fiscal years (FY10 to FY12) the amount of the homestead tax credit declined from $23.8 *billion* in FY09, which is an all-time record, to an estimated $89.7 *million* in FY17.

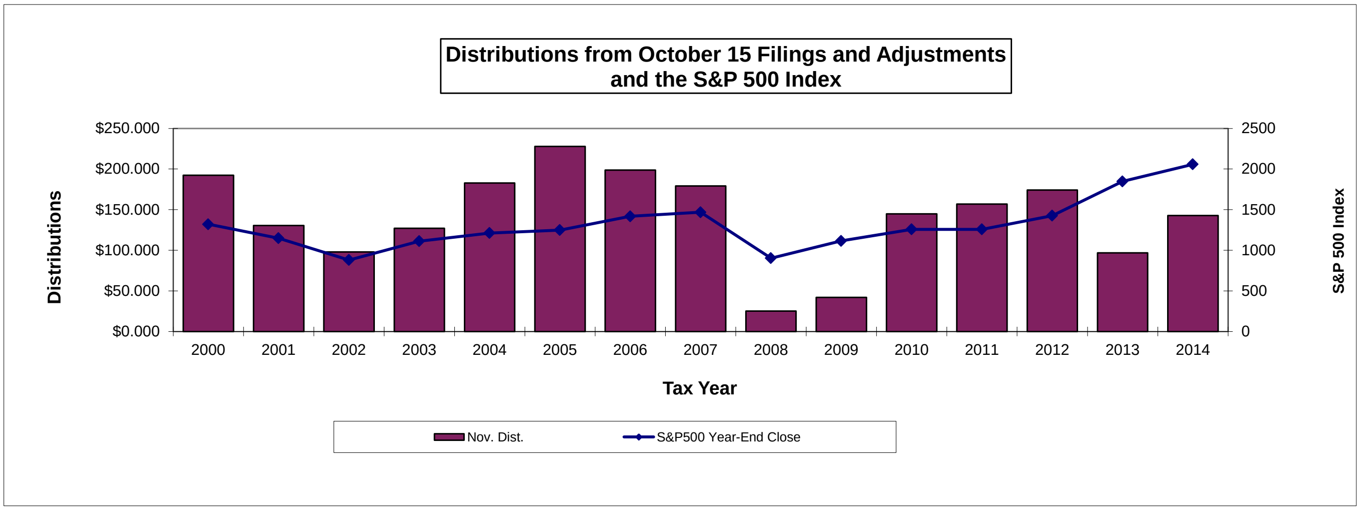
The decrease in the personal property base in FY06 reflected the residual effects of weak labor market conditions that resulted in a lower number of new businesses and associated investments. This was exacerbated by tax law changes, including partial exemption of electricity generating equipment (energy deregulation), other exemptions (e.g., manufacturing, Research and Development, and certain computer software), and depreciation rules (e.g., for computer equipment). The personal property tax base since FY06 increased three out of the four subsequent years achieving a growth rate of 5.2 percent in FY10 before decreasing over the next three fiscal years (FY11-FY13) at an average annual rate of 4.4 percent before increasing 2.9 percent to $3.7 million in FY14 then decreasing 1.5 percent in FY15. Finance estimates that the total personal property base is projected to decline an estimated 0.9 percent in FY17, which follows an estimated increase of 5.0 percent in FY16.

Income Tax

Estimated FY17 income tax revenues of $1,453.9 million are 1.1 percent above the revised FY16 estimate. The estimate for FY17 incorporates the impact of the *Wynne vs. Comptroller* decision by the U.S. Supreme Court on May 18, 2015. Previous to that decision, the Maryland Court of Appeals decision found that the "failure to allow a credit with respect to the county income tax for out-of-state income taxes paid to other states on "pass-through" income earned in those states discriminates against interstate commerce and violates the Commerce Clause of the federal Constitution (Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.)." The Maryland Attorney General filed a motion to reconsider the decision from the Court of Appeals with the U.S. Supreme Court. In November 2014, the Supreme Court heard oral arguments, and on May 18, 2015, the U.S. Supreme Court upheld the ruling of the Maryland Court of Appeals. As such, the ruling will have a significant negative impact on the County's income tax revenues starting in FY17. According to State Law adopted in 2014, the refunds for tax years 2006 through 2014 pertaining to Wynne will be issued by the State Comptroller to eligible taxpayers and paid from the Local Reserve Account (Account). Starting in FY17, counties and municipalities must repay the Account in nine (9) equal quarterly payments. Based on data provided by the Comptroller of Maryland, according to Finance, the estimated amount of refunds that will be paid by the Comptroller and repaid from the County's FY17 quarterly income tax distributions starting in November 2016 is an estimated $50.4 million.

During any one fiscal year the County receives income tax distributions pertaining to at least three different tax years. During the period between tax years 2002 and 2011, the total tax distributions from withholdings, estimated payments and extended filings can be divided into three cycles: 2001-2002 (the dot.com stock market crash and the economic recession of 2001), 2003-2007 (economic expansion), and 2008-2010 (stock market crash and the great recession). During the dot.com stock market crash and 2001 recession, total income tax distributions declined at an average annual rate of 2.6 percent. With the economic expansion underway in 2003, total income tax distributions increased at an average annual rate of 10.1 percent through 2007 – adjusted for the tax rate increase from 2.95 percent to 3.20 percent enacted by the County Council in 2003. With the stock market crash of 2008 and subsequent severe recession, withholdings, estimated payments, and extended filings declined at an average annual rate of 8.5 percent from 2007 to 2009, and increased 7.2 percent in 2010, 6.2 percent in 2011, 10.0 percent in 2012, declined 3.8 percent in 2013, and increased 6.6 percent in 2014 – the latest year for which final data are available.

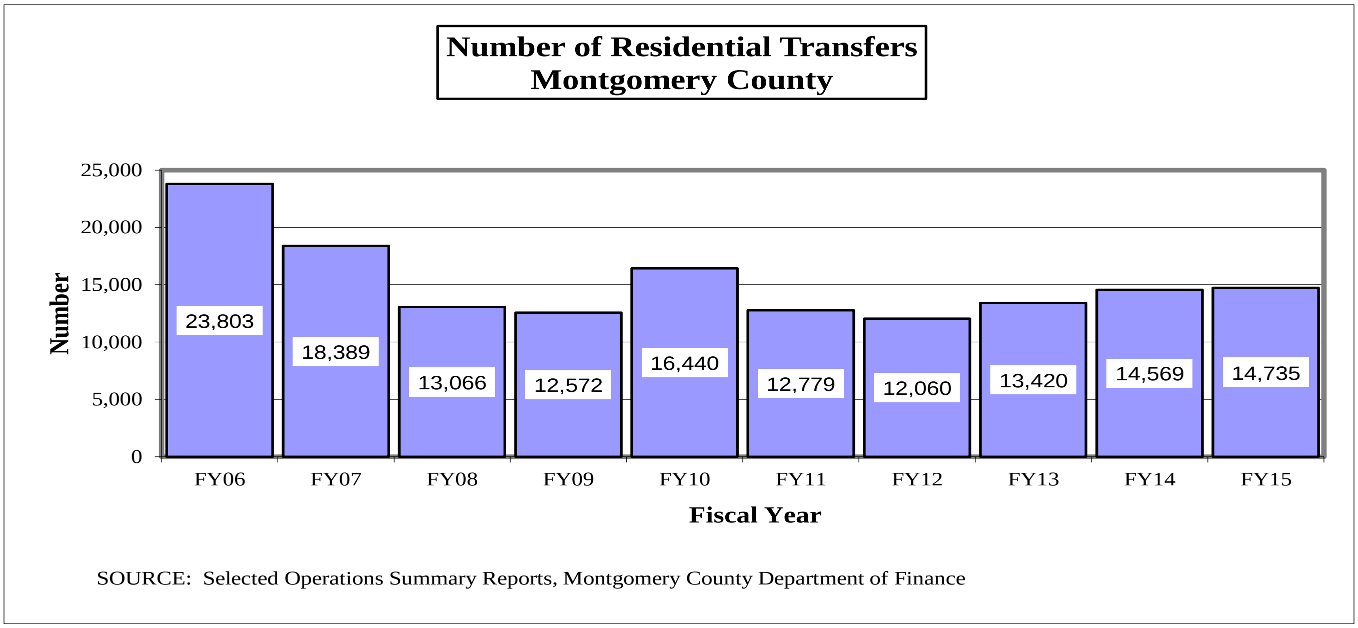
In addition to the quarterly distributions that represent withholdings and estimated payments, receipts from October 15th filers and adjustments to prior year distributions by the Maryland Comptroller declined dramatically since the peak of tax year 2005. Since that time, revenues from October 15th filers and distribution adjustments gradually declined from tax year 2005 ($227.9 million) to tax year 2007 ($179.1 million). Because of the stock market crash of 2008 and the subsequent severe recession (December 2007 to June 2009), distributions from October 15th filers and distribution adjustments experienced a decline of 85.9 percent in tax year 2008 and a modest increase in 2009. However, from tax year 2010 to tax year 2012, revenues increased sharply to $144.7 million in 2010 and to $174.2 million in 2012, but below the pre-recession level, decreased to $96.8 million in 2013 (↓44.4%) attributed to the “fiscal cliff” tax policy enacted by the U.S. Congress, but increased $142.8 million in 2014 (↑47.5%) – the latest date for which data are available. These distributions represent the most volatile component of the income tax and are associated with the change in the stock market as measured by the S&P 500 index.



Transfer and Recordation Taxes

Estimated FY17 revenues for the General Fund of $174.1 million, which exclude the school CIP portion, condominium conversions, and the tax premium, are 0.4 percent below the revised FY16 estimate. This reflects an FY17 estimate of $108.4 million in the transfer tax and $65.7 million in the recordation tax. Transfer and recordation tax revenues have fluctuated greatly over time and primarily reflect shifting trends in the real estate market. In FY15, 80.6 percent of the transfer tax came from the residential sector compared to 83.6 percent in FY06, 87.1 percent in FY07, 85.7 percent in FY08, 86.6 percent in FY09, 88.0 percent in FY10, 81.3 percent in FY11, and 72.2 percent in FY12, 77.6 percent in FY13, 81.4 percent in FY14, and 80.6 percent in FY15. The transfer tax rate is generally one percent of the value of the property transferred to a new owner. This applies to both improved (i.e., building) and unimproved (i.e., land) residential and commercial properties. The recordation tax is levied when changes occur in deeds, mortgages, leases, and other contracts pertaining to the title of either real or personal property. Beginning in FY03, the recordation tax rate was raised from $4.40 to $6.90 per $1,000 of the value of the contract (0.69%) with the first $50,000 of the consideration exempted from the tax for owner-occupied residential properties. The County Council earmarked the revenues attributed to the rate increase for MCPS school capital programs and Montgomery College information technology projects. Generally, both transfer and recordation taxes are levied when properties are sold. In some cases, however, only one of the two taxes is levied. One example is refinancing of a mortgage, in which case there may be an increase in the mortgage amount and, hence, recordation tax, but since there is no transfer of property, there is no transfer tax. Beginning March 1, 2008, the Council also levied an additional recordation tax (premium) of 0.31 percent on transactions above $500,000 for rental assistance programs and County government capital projects.

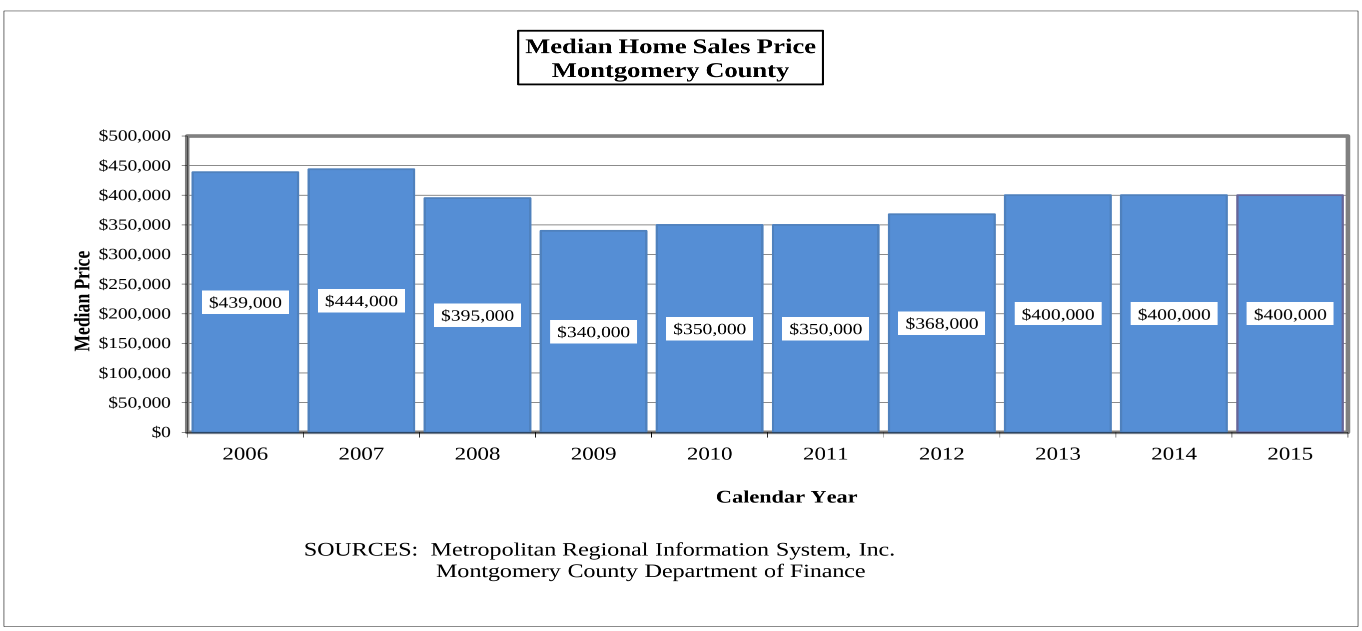
Residential transfer tax revenues are affected by the trends in real estate sales for existing and new homes. Real estate sales, in turn, are highly correlated with specific economic indicators such as growth in employment and wage and salary income, formation of households, mortgage lending conditions, and mortgage interest rates. The same holds true for the commercial sector, which is equally affected by business activity and investment, office vacancy rates, property values, and financing costs. The volatility in revenues from the transfer and recordation taxes is best illustrated in the trend since FY06.



The growth rate in the number of residential transfers declined over four consecutive years from FY07 to FY09 − ↓22.7 percent in FY07 (18,389), ↓28.9 percent in FY08 (13,066), and ↓3.8 percent in FY09 (12,572). After three consecutive years of decline from FY07 to FY09, the number of residential transfers increased 30.8 percent in FY10 attributed to the federal government first-time homebuyers credit, then decreased for two consecutive years − ↓22.8 percent in FY11 (12,779) and ↓5.6 percent in FY12 (12,060). Since FY12, residential transfers increased 11.3 percent in FY13, 8.6 percent in FY14, and a 1.1 percent in FY15. However, since the peak in the housing bubble in FY06, transfer tax revenues from residential transactions declined 23.3 percent in FY07, 26.5 percent in FY08, and 18.1 percent in FY09, but increased 20.9 percent in FY10 then declined 15.1 percent in FY11, decreased 5.1 percent in FY12, increased 21.2 percent in FY13, 9.8 percent in FY14, and 2.4 percent in FY15.

The decline in transfer taxes between FY07 and FY09 is attributed to both a decline in home sales that began in the summer of 2005 and in average sales price for existing homes that began the late summer of 2007. Home sales declined 23.3 percent in CY2007, declined 17.7 percent in CY2008, increased 21.8 percent in CY2009, increased a modest 0.3 percent in CY2010, decreased 8.7 percent in CY2011, increased 6.9 percent and 12.8 percent in CY2012 and CY2013, respectively, decreased 4.2 percent in CY2014, and increased 11.1 percent in CY2015.

While home sales increased in CY2015, the average sales price for an existing home decreased 0.5 percent and the median sales price was unchanged.



Beginning in FY06, revenues from non-residential property transfers experienced dramatic volatility over the next ten years. After increasing 13.4 percent in FY06, transfer tax revenues from non-residential properties declined 49.2 percent in FY07, increased a modest 1.8 percent in FY08, declined 25.7 percent in FY09, but increased 12.9 percent in FY10, 45.9 percent in FY11, 57.7 percent in FY12, but declined 3.9 percent in FY13, declined 17.9 percent in FY14, and increased 13.7 percent in FY15.

Recordation tax revenues (excluding the school CIP portion and the tax premium) generally track the trend in transfer tax revenues. Revenues from residential recordation tax revenues increased 20.1 percent in FY06, before declining 19.4 percent in FY07, 21.1 percent in FY08, 18.3 percent in FY09, increasing 25.3 percent in FY10, decreasing 18.3 percent in FY11, decreasing 4.2 percent in FY12, increasing 23.4 percent in FY13, increasing 9.4 percent in FY14 and increasing 6.4 percent in FY15. The estimate for recordation tax revenues for FY17 reflects an increase of 0.4 percent to $65.7 million for the General Fund.

Energy Tax

Estimated FY17 revenues of $204.0 million are 0.5 percent above the revised FY16 estimate. The estimated revenues for FY17 are based on the County Executive's recommendation to continue the FY17 rates at the FY16 level. The revised revenue estimate for FY16 is 2.0 percent below the FY15 actual revenues. The fuel-energy tax is imposed on persons or entities transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas. Different rates apply to residential and nonresidential consumption and to the various types of energy. Since the rates per unit of energy consumed are fixed, collections change only with shifts in energy consumption and not with changes in the price of the energy product. Based on partial fiscal year data for FY16, Finance estimates that the share of receipts from residential users is approximately 31.8 percent of total collections, with the larger share received from the non-residential sector (68.2%). Measured for all energy types, the two largest sources of total revenues based on partial fiscal year data for FY16 have been electricity (84.8%) and natural gas (14.5%).

Telephone Tax

Estimated FY17 revenues of $50.3 million are 0.7 percent above the revised FY16 estimate. The revised estimate for FY16 is 2.3 percent above the FY15 actual revenues. The telephone tax is levied as a fixed amount per landline, wireless communications, and other communication devices. The tax on a traditional landline is $2.00 per month, while multiple business lines (Centrex) are taxed at $0.20 per month. The tax rate on wireless communications was $2.00 per month prior to FY11. Effective FY11, the County Council increased the rate schedule for wireless communications from $2.00 per month to $3.50 per month. Revenues from this tax are driven primarily by modest growth in wireless communications such as cell phone usage and by voice-over internet protocol.

Hotel/Motel Tax

Estimated FY17 revenues of $20.6 million are 3.6 percent above the revised FY16 estimate. The revised revenue estimate for FY16 is 4.6 percent above the FY15 actual revenues. Both the FY16 revised estimate and the FY17 estimate continues to include an amount expected from online hotel brokers and the estimate for FY17 includes a recommendation to collect hotel-motel tax revenues from companies such as AirBnB and other short term rental property operators which is estimated to collect an additional $228,725 revenues per year. The hotel/motel tax is levied as a percentage of the hotel bill. The current tax rate of seven percent in FY16 is also assumed for FY17. Collections grow with the costs of hotel rooms and the combined effect of room supply and hotel occupancy rate in the County. Occupancy rates in the County are generally the highest in the spring (April and May) and autumn (September and October) as tourists and schools visit the nation's capital for such events as the Cherry Blossom Festival and school trips, while organizations often schedule conferences during such periods, and during the week of the Presidential inauguration. During peak periods, many visitors to Washington, D.C. use hotels in the County, especially those in the lower county.

Admissions Tax

Estimated FY17 revenues of $3.1 million are 5.4 percent above the revised FY16 estimate. The revised revenue estimate for FY16 revenues is 5.3 percent above the FY15 actual revenues. The revised estimate in FY16 is attributed to an estimated increase in revenues collected from athletic events and athletic facilities. Admissions and amusement taxes are State-administered local taxes on the gross receipts of various categories of amusement, recreation, and sports activities. Taxpayers are required to file a return and pay the tax monthly while the County receives quarterly distributions of the receipts from the State. Montgomery County levies a seven percent tax, except for categories subject to State sales and use tax, where the County rate would be lower. Such categories include rentals of athletic equipment, boats, golf carts, skates, skis, horses; and sales related to entertainment. Gross receipts are exempt from the County tax when a Municipal admissions and amusement tax is in effect. For FY15, motion pictures accounted for 42.3 percent of total collections, while other major categories included athletic facilities (8.2%)., and golf green fees, driving ranges and golf cart rentals (16.8%).

NON-TAX REVENUES

Non-tax revenues throughout all tax supported funds (excluding Enterprise Funds, such as Permitting Services, Parking Districts, Solid Waste Disposal, and Solid Waste Collection Funds) are estimated at $1,027.8 million in FY17. This is a $42.0 million increase, or 4.3 percent, from the revised FY16 estimate, primarily attributed to an increase in General Intergovernmental Revenues (↑4.7%) and fees, licenses, fines, and other charges (2.1%). Non-tax revenues include: intergovernmental aid; investment income; licenses and permits; user fees, fines, and forfeitures; and miscellaneous revenues.

General Intergovernmental Revenues

Intergovernmental revenues are received from the State or Federal governments as general aid for certain purposes, not tied, like grants, to particular expenditures. The majority of this money comes from the State based on particular formulas set in law. Total aid is specified in the Governor's annual budget. Since the final results are not known until the General Assembly session is completed and the State budget is adopted, estimates in the March 15 County Executive Recommended Public Services Program are generally based on the Governor's budget estimates for FY17. If additional information on the State budget is available to the County Executive, this information will be incorporated into the budgeted projection of State aid. For future years, it is difficult to know confidently how Federal and State aid policy may be implemented; therefore, the projection generally assumes intergovernmental aid will remain flat. The Recommended Budget for FY17 assumes a $37.3 million, or 4.7 percent, increase in intergovernmental revenues from the revised FY16 estimate, of which 79.8 percent is allocated to the Montgomery County Public Schools, 4.4 percent to Montgomery Community College, and 4.7 percent to Mass Transit. Total intergovernmental revenue represents an estimated 80.0 percent of the total non-tax revenues for FY17.

Licenses and Permits

Licenses and permits include General Fund business licenses (primarily public health, traders, and liquor licenses) and non-business licenses (primarily marriage licenses and Clerk of the Court business licenses). Licenses and permits in the Permitting Services Enterprise Fund, which include building, electrical, and sediment control permits, are Enterprise Funds and thus not included in tax supported projections. The Recommended Budget for FY17 assumes a 3.1 percent decrease over the revised estimates for FY16, and $12.5 million in available resources in FY17.

Charges for Services (User Fees)

Excluding intergovernmental revenues to Montgomery County Public Schools and Montgomery College, and College tuition, charges for services, or user fees, are revenues collected that come primarily from fees imposed on the recipients of certain County services including mass transit, human services, use of facilities, and recreation services and are included in the tax supported funds. The Recommended Budget for FY17 assumes an increase of 0.3 percent over the revised estimates for FY16, resulting in $70.9 million in available resources in FY17.

Fines and Forfeitures

Revenues from fines and forfeitures relate primarily to photo red light and speed camera citations, and library and parking fines (excluding the County's four Parking Districts). The Recommended Budget for FY17 assumes that fines and forfeitures will decrease 1.7 percent from the revised estimates for FY16, resulting in $24.6 million in available resources in FY17.

College Tuition

Although College tuition is not included in the County Council Spending Affordability Guideline Limits (SAG), it remains in the tax supported College Current Fund. Calculation of the aggregate operating budget is under the SAG Limits. Tuition revenue depends on the number of registered students and the tuition rate. The County Executive concurs with the Board of Trustees' recommendation to increase tuition $4/$8/$12. The Recommended Budget for FY17 includes a 3.6 percent increase in tuition revenue over the revised estimates for FY16 resulting in $84.1 million in available resources in FY17.

Investment Income

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

The revised FY16 tax-supported investment income estimate of $0.980 million assumes a yield on equity of 0.35 percent and an average daily balance of $820.0 million. The FY17 projected estimate of tax-supported investment income of $1.4 million assumes a yield on equity of 0.50 percent and an average daily balance $820.0 million. Yields have fluctuated significantly over time due to changes in the targeted federal funds rate set by the Federal Open Market Committee (FOMC) of the Federal Reserve System. Since August 2007, the FOMC has reduced the target rate for federal funds from 5.25 percent to a range of 0.00-0.25 percent in December 2008. In December 2015, the FOMC raised the targeted federal funds to a range between 0.25 percent and 0.50 percent. In FY17, the federal funds futures market expects the FOMC will raise the target in either November or December of 2016 to a range between 0.50 percent and 0.75 percent.

Other Miscellaneous

The County receives miscellaneous income from a variety of sources, the largest of which are auction proceeds, rental income for the use of County property, and operating revenue from the Conference Center. These three categories make up 56.8 percent of the total $11.7 million projected for FY17.

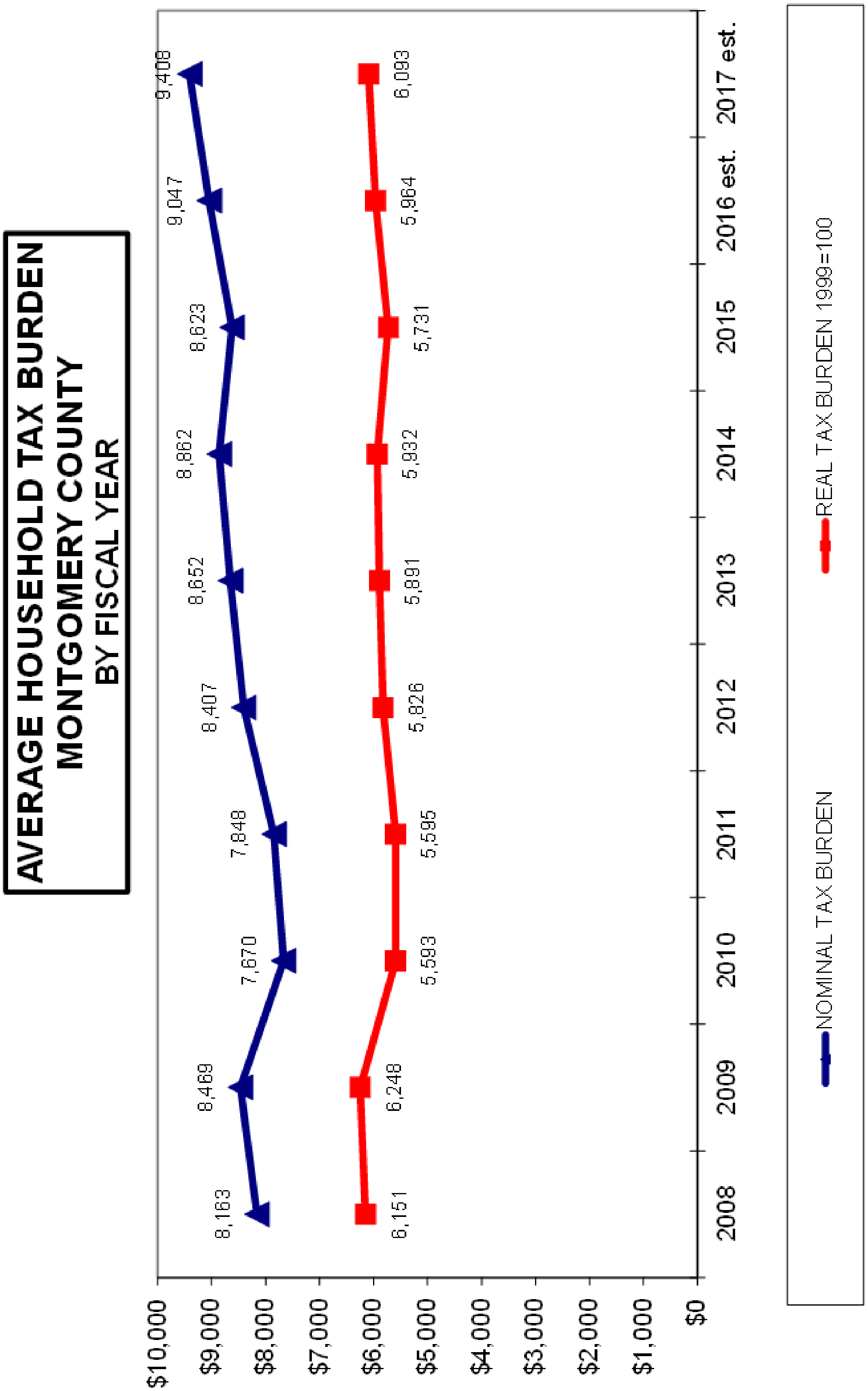
TRENDS AND PROJECTIONS

DEMOGRAPHIC AND PLANNING INDICATORS	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
POPULATION	**1,020,000**	**1,029,200**	**1,038,500**	**1,047,900**	**1,057,400**	**1,067,000**	**1,075,500**	**1,084,000**
Annual Increase	2,000	9,200	9,300	9,400	9,500	9,600	8,500	8,500
Population Growth Since 2007	8.3%	9.3%	10.3%	11.3%	12.3%	13.3%	14.2%	15.1%
County Resident Births (Prior Calendar Year) (c)	13,150	13,250	13,350	13,450	13,500	13,550	13,550	13,550
HOUSEHOLDS	**377,500**	**381,300**	**385,200**	**389,100**	**393,000**	**397,000**	**400,500**	**404,100**
Household Annual Growth (%)	1.8%	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%
Household Growth Since 2007	7.0%	8.1%	9.2%	10.3%	11.4%	12.6%	13.6%	14.6%
Household Growth Since 1992	29.6%	30.9%	32.3%	33.6%	35.0%	36.3%	37.5%	38.8%
Household Size	2.70	2.70	2.70	2.69	2.69	2.69	2.69	2.68
RESIDENT EMPLOYMENT (Jan = Calendar Year)	**524,500**	**530,400**	**534,400**	**538,100**	**542,400**	**547,000**	**551,700**	**556,800**
Resident Employment Annual Growth (%)	3.6%	1.1%	0.8%	0.7%	0.8%	0.8%	0.9%	0.9%
Resident Employment Growth Since 2007	4.3%	5.5%	6.3%	7.0%	7.9%	8.8%	9.7%	10.7%
Resident Employment Per Household	1.39	1.39	1.39	1.38	1.38	1.38	1.38	1.38
Jobs in County	534,600	540,000	545,400	550,900	556,300	561,700	567,900	575,000
PERSONAL INCOME ($ Millions)	**$78,600**	**$82,490**	**$87,020**	**$91,510**	**$95,610**	**$99,430**	**$103,620**	**$107,220**
Per Capita Personal Income	**$77,060**	**$80,150**	**$83,790**	**$87,330**	**$90,420**	**$93,190**	**$96,010**	**$98,910**
Annual Growth (%)	3.3%	4.0%	4.5%	4.2%	3.5%	3.1%	3.0%	3.0%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	**0.70%**	**0.81%**	**1.80%**	**2.30%**	**2.50%**	**2.70%**	**2.70%**	**2.70%**
Inflation Growth (Fiscal Year) Since 2007	-79.2%	-76.0%	-46.6%	-31.8%	-25.8%	-19.9%	-19.9%	-19.9%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	**0.33%**	**1.30%**	**2.30%**	**2.30%**	**2.70%**	**2.70%**	**2.70%**	**2.70%**
ASSESSABLE TAX BASE ($ Millions)	**$167,312**	**$174,418**	**$183,063**	**$192,071**	**$199,357**	**$205,465**	**$211,762**	**$219,260**
Annual Growth (%)	2.3%	4.2%	5.0%	4.9%	3.8%	3.1%	3.1%	3.5%
Growth of Base Since 1992 (%)	179.7%	191.6%	206.0%	221.1%	233.3%	243.5%	254.0%	266.5%
Growth of Base Since 2007 (%)	29.0%	34.5%	41.2%	48.1%	53.8%	58.5%	63.3%	69.1%
INVESTMENT INCOME YIELD (%)	0.18%	0.35%	0.50%	1.00%	1.50%	2.50%	2.50%	3.00%
MCPS ENROLLMENT (Sept = Calendar Year)	153,852	156,447	159,016	161,085	162,700	164,237	165,634	166,598
Annual Growth (%)	1.7%	1.7%	1.6%	1.3%	1.0%	0.9%	0.9%	0.6%
Annual Increase (Decrease)	2,563	2,595	2,569	2,069	1,615	1,537	1,397	964
MONTGOMERY COLLEGE ENROLLMENTS (a)	**25,320**	**24,911**	**24,715**	**24,858**	**24,921**	**25,178**	**25,178**	**25,178**
Annual Growth (%)	-0.8%	-1.6%	-0.8%	0.6%	0.3%	1.0%	0.0%	0.0%
Full Time Equivalents (Sept = Calendar Year) (b)	**20,450**	**20,702**	**20,499**	**20,452**	**20,628**	**20,755**	**21,011**	**21,011**
Annual Growth in FTE's (%)	-4.5%	1.2%	-1.0%	-0.2%	0.9%	0.6%	1.2%	0.0%

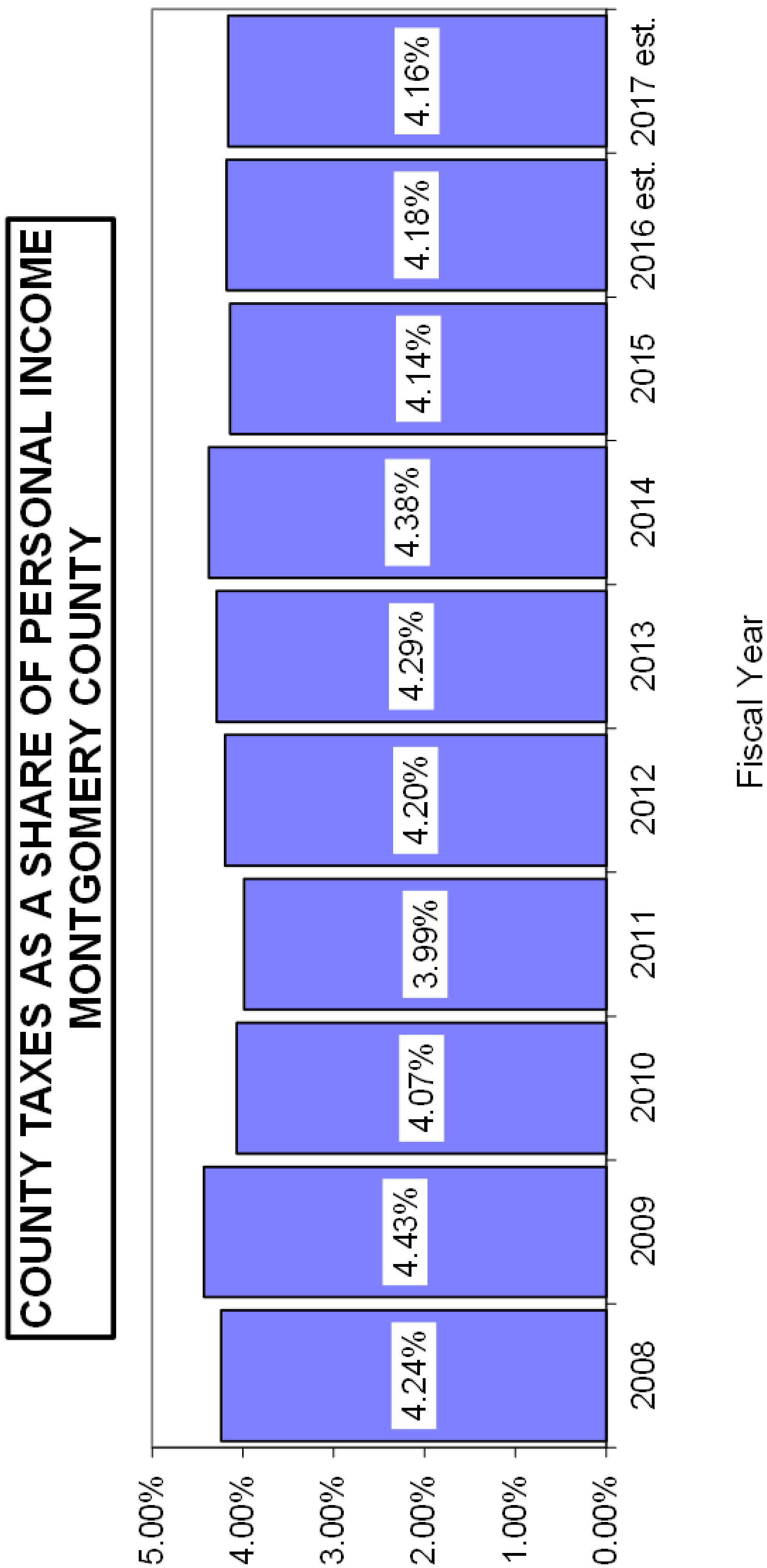
(a) Projections related to Montgomery College Enrollments are provided by Montgomery College and only include projections through FY20. Since no projections are provided for FY21 or FY22, the projections for FY20 were used for FY21 and FY22.

(b) Projections related to Montgomery College Full Time Equivalents are provided by Montgomery College and only include projections through FY21. Since no projections are provided for FY22, the projections for FY21 were used for FY22.

(c) Projections related to County Resident Births are provided by M-NCPPC and only include projections through FY20. Since no projections are provided for FY21 or FY22, the projections for FY20 were used for FY21 and FY22.



Prepared by Montgomery County Department of Finance



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REVENUE SUMMARY
TAX SUPPORTED BUDGETS
($ Millions)

	KEY REVENUE CATEGORIES	App. FY16	Estimate FY16	% Chg. FY16-17	Rec. FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20	% Chg. FY20-21	Projected FY21	% Chg. FY21-22	Projected FY22
	TAXES	5-21-15		App/Rec	3-15-16										
1	Property Tax	1,582.6	1,580.8	9.9%	1,738.7	2.3%	1,779.2	3.0%	1,833.3	3.2%	1,892.5	3.1%	1,951.7	3.3%	2,016.5
2	Income Tax	1,433.4	1,438.1	1.4%	1,453.9	3.5%	1,505.5	7.9%	1,624.4	5.6%	1,714.9	4.5%	1,792.8	4.2%	1,868.3
3	Transfer Tax	96.2	109.3	12.7%	108.4	3.0%	111.7	4.1%	116.3	4.5%	121.5	7.7%	130.9	6.7%	139.6
4	Recordation Tax	57.6	65.4	14.0%	65.7	3.5%	68.0	5.2%	71.5	2.6%	73.3	7.9%	79.1	6.9%	84.6
5	Energy Tax	206.2	203.1	-1.1%	204.0	1.3%	206.6	1.0%	208.6	0.8%	210.2	0.8%	211.8	0.8%	213.5
6	Telephone Tax	50.4	50.0	-0.2%	50.3	0.9%	50.8	1.1%	51.3	1.2%	52.0	1.4%	52.7	1.5%	53.5
7	Hotel/Motel Tax	20.3	19.9	1.5%	20.6	3.6%	21.4	3.5%	22.1	3.4%	22.9	3.3%	23.6	3.3%	24.4
8	Admissions Tax	3.2	2.9	-5.6%	3.1	5.8%	3.2	6.3%	3.4	6.3%	3.7	6.2%	3.9	6.2%	4.1
9	E-Cigarette Tax	0.1	0.3	170.6%	0.3	3.2%	0.3	3.1%	0.4	3.0%	0.4	2.9%	0.4	2.9%	0.4
10	**Total Local Taxes**	**3,450.2**	**3,469.8**	**5.6%**	**3,645.0**	**2.8%**	**3,746.7**	**4.9%**	**3,931.3**	**4.1%**	**4,091.3**	**3.8%**	**4,246.8**	**3.7%**	**4,404.8**
	INTERGOVERNMENTAL AID														
11	Highway User	4.1	3.7	-9.3%	3.7	0.0%	3.7	0.0%	3.7	0.0%	3.7	0.0%	3.7	0.0%	3.7
12	Police Protection	13.8	13.8	7.1%	14.7	0.0%	14.7	0.0%	14.7	0.0%	14.7	0.0%	14.7	0.0%	14.7
13	Libraries	5.1	5.1	14.5%	5.8	0.0%	5.8	0.0%	5.8	0.0%	5.8	0.0%	5.8	0.0%	5.8
14	Health Services Case Formula	4.0	4.0	7.0%	4.3	0.0%	4.3	0.0%	4.3	0.0%	4.3	0.0%	4.3	0.0%	4.3
15	Mass Transit	39.8	39.0	-2.1%	39.0	0.0%	39.0	0.0%	39.0	0.0%	39.0	0.0%	39.0	0.0%	39.0
16	Public Schools	631.4	630.0	4.0%	656.8	0.0%	656.8	0.0%	656.8	0.0%	656.8	0.0%	656.8	0.0%	656.8
17	Community College	34.0	34.0	6.4%	36.1	0.0%	36.1	0.0%	36.1	0.0%	36.1	0.0%	36.1	0.0%	36.1
18	Other	54.0	55.9	15.1%	62.2	-23.2%	47.8	-7.2%	44.3	-7.5%	41.0	0.0%	41.0	0.0%	41.0
19	**Total Intergovernmental Aid**	**786.2**	**785.4**	**4.6%**	**822.6**	**-1.8%**	**808.2**	**-0.4%**	**804.8**	**-0.4%**	**801.4**	**0.0%**	**801.4**	**0.0%**	**801.4**
	FEES AND FINES														
20	Licenses & Permits	13.0	12.9	-4.4%	12.5	1.5%	12.6	1.5%	12.8	1.5%	13.0	1.5%	13.2	1.5%	13.4
21	Charges for Services	71.8	70.7	-1.2%	70.9	1.8%	72.2	2.0%	73.6	2.2%	75.2	2.2%	76.9	2.2%	78.5
22	Fines & Forfeitures	24.3	25.1	1.4%	24.6	1.6%	25.0	1.6%	25.4	1.6%	25.8	1.6%	26.2	1.6%	26.7
23	Montgomery College Tuition	81.2	80.4	3.6%	84.1	1.8%	85.6	2.0%	87.3	2.2%	89.2	2.2%	91.1	2.2%	93.1
24	**Total Fees and Fines**	**190.3**	**189.0**	**0.9%**	**192.0**	**1.8%**	**195.5**	**1.9%**	**199.2**	**2.0%**	**203.3**	**2.0%**	**207.5**	**2.0%**	**211.7**
	MISCELLANEOUS														
25	Investment Income	2.1	1.0	-33.4%	1.4	92.6%	2.7	47.5%	3.9	32.2%	5.2	24.3%	6.5	19.6%	7.7
26	Other Miscellaneous	11.6	10.5	0.8%	11.7	2.3%	12.0	2.5%	12.3	2.7%	12.6	2.7%	13.0	2.7%	13.3
27	**Total Miscellaneous**	**13.7**	**11.5**	**-4.4%**	**13.1**	**11.8%**	**14.7**	**10.7%**	**16.2**	**9.8%**	**17.8**	**9.0%**	**19.4**	**8.3%**	**21.0**
28	**TOTAL REVENUES**	**4,440.3**	**4,455.6**	**5.2%**	**4,672.8**	**2.0%**	**4,765.0**	**3.9%**	**4,951.5**	**3.3%**	**5,113.9**	**3.2%**	**5,275.1**	**3.1%**	**5,439.0**
	Calculation for Adjusted Governmental Revenues														
29	**Total Tax Supported Revenues**	4,440.3	4,455.6	5.2%	4,672.8	2.0%	4,765.0	3.9%	4,951.5	3.3%	5,113.9	3.2%	5,275.1	3.1%	5,439.0
30	**Capital Projects Fund**	123.6	123.6	5.8%	130.7	-4.6%	124.8	-1.8%	122.5	-18.9%	99.3	4.5%	103.8	6.7%	110.7
31	**Grants**	120.1	120.1	-3.6%	115.8	2.3%	118.5	2.5%	121.4	2.7%	124.7	2.7%	128.1	2.7%	131.5
32	**MCG Adjusted Revenues**	4,684.0	4,699.3	5.0%	4,919.3	1.8%	5,008.3	3.7%	5,195.5	2.7%	5,337.9	3.2%	5,507.0	3.2%	5,681.2

County Executive's Recommended FY17-22 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY16	Est. FY16	% Chg. FY16-17	Rec. FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20	% Chg. FY20-21	Projected FY21	% Chg. FY21-22	Projected FY22
		5-21-15	3-15-16	App/Rec	3-15-16										
	Total Revenues														
1	Property Tax	1,582.6	1,580.8	9.9%	1,738.7	2.3%	1,779.2	3.0%	1,833.3	3.2%	1,892.5	3.1%	1,951.7	3.3%	2,016.5
2	Income Tax	1,433.4	1,438.1	1.4%	1,453.9	3.5%	1,505.5	7.9%	1,624.4	5.6%	1,714.9	4.5%	1,792.8	4.2%	1,868.3
3	Transfer/Recordation Tax	153.8	174.7	13.2%	174.1	3.2%	179.7	4.5%	187.8	3.8%	194.9	7.7%	209.9	6.8%	224.2
4	Other Taxes	280.3	276.2	-0.7%	278.3	1.4%	282.3	1.3%	285.8	1.1%	289.0	1.1%	292.3	1.2%	295.9
5	Other Revenues	990.1	985.8	3.8%	1,027.8	-0.9%	1,018.4	0.2%	1,020.2	0.2%	1,022.6	0.6%	1,028.3	0.6%	1,034.2
6	**Total Revenues**	**4,440.3**	**4,455.6**	**5.2%**	**4,672.8**	**2.0%**	**4,765.0**	**3.9%**	**4,951.5**	**3.3%**	**5,113.9**	**3.2%**	**5,275.1**	**3.1%**	**5,439.0**
7															
8	**Net Transfers In (Out)**	**24.9**	**24.9**	**-41.8%**	**14.5**	**2.3%**	**14.8**	**2.5%**	**15.2**	**2.7%**	**15.6**	**2.7%**	**16.0**	**2.7%**	**16.5**
9	**Total Revenues and Transfers Available**	**4,465.2**	**4,480.5**	**5.0%**	**4,687.3**	**2.0%**	**4,779.8**	**3.9%**	**4,966.7**	**3.3%**	**5,129.5**	**3.2%**	**5,291.2**	**3.1%**	**5,455.4**
10															
11	**Non-Operating Budget Use of Revenues**														
12	Debt Service	354.0	346.9	9.8%	388.8	3.4%	402.0	4.2%	418.8	4.0%	435.8	3.8%	452.4	2.8%	464.8
13	PAYGO	34.0	34.0	0.0%	34.0	0.0%	34.0	0.0%	34.0	0.0%	34.0	0.0%	34.0	0.0%	34.0
14	CIP Current Revenue	57.7	61.9	-31.1%	39.8	96.9%	78.3	7.9%	84.5	-11.2%	75.0	3.6%	77.7	-7.5%	71.9
15	Change in Other Reserves	-50.8	-16.8	-5.7%	-53.7	99.8%	-0.1	257.9%	0.2	49.6%	0.2	-5.0%	0.2	4.3%	0.2
16	Contribution to General Fund Undesignated Reserves	-22.0	-38.9	169.9%	15.4	111.4%	32.6	-93.1%	2.2	281.0%	8.5	-15.3%	7.2	-2.8%	7.0
17	Contribution to Revenue Stabilization Reserves	24.2	24.1	5.2%	25.5	5.1%	26.8	8.1%	28.9	-18.8%	23.5	-60.7%	9.2	5.4%	9.7
18	Set Aside for other uses (supplemental appropriations)	2.0	-0.4	-100.0%	0.0	n/a	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
19	**Total Other Uses of Resources**	**399.0**	**410.9**	**12.7%**	**449.7**	**32.0%**	**593.5**	**-0.8%**	**588.7**	**1.4%**	**597.1**	**0.6%**	**600.8**	**1.2%**	**607.7**
20	**Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)**	**4,066.2**	**4,069.6**	**4.2%**	**4,237.6**	**-1.2%**	**4,186.4**	**4.6%**	**4,378.1**	**3.5%**	**4,532.4**	**3.5%**	**4,690.4**	**3.4%**	**4,847.7**
21															
22	**Agency Uses**														
23															
24	Montgomery County Public Schools (MCPS)	2,176.5	2,145.8	6.2%	2,311.6										
25	Montgomery College (MC)	252.2	247.8	1.9%	257.1										
26	MNCPPC (w/o Debt Service)	117.4	117.1	2.2%	120.0										
27	MCG	1,520.1	1,558.8	1.9%	1,548.9										
28	**Agency Uses**	**4,066.2**	**4,069.6**	**4.2%**	**4,237.6**	**-1.2%**	**4,186.4**	**4.6%**	**4,378.1**	**3.5%**	**4,532.4**	**3.5%**	**4,690.4**	**3.4%**	**4,847.7**
29	**Total Uses**	**4,465.2**	**4,480.5**	**5.0%**	**4,687.3**	**2.0%**	**4,779.8**	**3.9%**	**4,966.7**	**3.3%**	**5,129.5**	**3.2%**	**5,291.2**	**3.1%**	**5,455.4**
30	**(Gap)/Available**	**0.0**	**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**

Assumptions:

1. FY17 average weighted property tax rate is 3.94 cents higher than FY16. FY18-22 property taxes are at the Charter Limit with a $692 credit. Other taxes are at current rates.
2. Reserve contributions are consistent with legal requirements and the minimum policy target.
3. PAYGO, debt service, and current revenue reflect the Recommended FY17-22 Capital Improvements Program and additional proposed current revenue amendments.
4. State Aid, including MCPS and Montgomery College, is not projected to increase in FY17-22.

County Executive's Recommended FY17-22 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY16	Est. FY16	% Chg. FY16-17	Rec. FY17	% Chg. FY17-18	Projected FY18	% Chg. FY18-19	Projected FY19	% Chg. FY19-20	Projected FY20	% Chg. FY20-21	Projected FY21	% Chg. FY21-22	Projected FY22
31	**Beginning Reserves**														
32	**Unrestricted General Fund**	149.8	156.5	-21.5%	117.6	13.1%	133.0	24.5%	165.6	1.4%	167.8	5.1%	176.4	4.1%	183.6
33	**Revenue Stabilization Fund**	230.7	230.6	10.4%	254.7	10.0%	280.2	9.6%	307.0	9.4%	335.9	7.0%	359.4	2.6%	368.7
34	**Total Reserves**	380.5	387.2	-2.1%	372.4	11.0%	413.2	14.4%	472.6	6.6%	503.8	6.4%	535.8	3.1%	552.3
35															
36	**Additions to Reserves**														
37	**Unrestricted General Fund**	-22.0	-38.9	169.9%	15.4	111.4%	32.6	-93.1%	2.2	281.0%	8.5	-15.3%	7.2	-2.8%	7.0
38	**Revenue Stabilization Fund**	24.2	24.1	5.2%	25.5	5.1%	26.8	8.1%	28.9	-18.8%	23.5	-60.7%	9.2	5.4%	9.7
39	**Total Change in Reserves**	2.2	-14.8	1792.9%	40.9	45.2%	59.4	-47.5%	31.2	2.8%	32.0	-48.6%	16.5	1.8%	16.8
40															
41	**Ending Reserves**														
42	**Unrestricted General Fund**	127.8	117.6	4.1%	133.0	24.5%	165.6	1.4%	167.8	5.1%	176.4	4.1%	183.6	3.8%	190.6
43	**Revenue Stabilization Fund**	254.9	254.7	9.9%	280.2	9.6%	307.0	9.4%	335.9	7.0%	359.4	2.6%	368.7	2.6%	378.4
44	**Total Reserves**	382.7	372.4	8.0%	413.2	14.4%	472.6	6.6%	503.8	6.4%	535.8	3.1%	552.3	3.0%	569.0
45	**Reserves as a % of Adjusted Governmental Revenues**	8.2%	7.9%		8.4%		9.4%		9.7%		10.0%		10.0%		10.0%
46	**Other Reserves**														
47	**Montgomery College**	3.5	9.1	27.1%	4.5	0.0%	4.5	0.0%	4.5	0.0%	4.5	0.0%	4.5	0.0%	4.5
48	**M-NCPPC**	4.3	9.1	22.4%	5.2	-8.9%	4.7	3.0%	4.9	3.2%	5.0	3.1%	5.2	3.3%	5.4
49	**MCPS**	0.0	33.2	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
50	**MCG Special Funds**	0.9	13.6	67.7%	1.5	24.5%	1.8	1.4%	1.8	5.1%	1.9	4.1%	2.0	3.8%	2.1
51	**MCG + Agency Reserves as a % of Adjusted Govt Revenues**	8.4%	9.3%		8.6%		9.7%		9.9%		10.3%		10.2%		10.2%
52	**Retiree Health Insurance Pre-Funding**														
53	Montgomery County Public Schools (MCPS)	61.7	61.7		63.1		61.3		59.0		56.7		54.4		54.4
54	Montgomery College (MC)	1.4	1.4		1.5		1.6		1.6		1.5		1.6		1.6
55	MNCPPC	1.8	1.8		1.8		1.8		1.8		1.8		1.8		1.8
56	MCG	43.5	43.5		43.5		42.0		40.4		39.5		38.6		38.6
57	**Subtotal Retiree Health Insurance Pre-Funding**	108.5	108.5		109.9		106.7		102.7		99.6		96.4		96.4
58	**Adjusted Governmental Revenues**														
59	**Total Tax Supported Revenues**	4,440.3	4,455.6	5.2%	4,672.8	2.0%	4,765.0	3.9%	4,951.5	3.3%	5,113.9	3.2%	5,275.1	3.1%	5,439.0
60	**Capital Projects Fund**	123.6	123.6	5.8%	130.7	-4.6%	124.8	-1.8%	122.5	-18.9%	99.3	4.5%	103.8	6.7%	110.7
61	**Grants**	120.1	120.1	-3.6%	115.8	2.3%	118.5	2.5%	121.4	2.7%	124.7	2.7%	128.1	2.7%	131.5
62	**Total Adjusted Governmental Revenues**	4,684.0	4,699.3	5.0%	4,919.3	1.8%	5,008.3	3.7%	5,195.5	2.7%	5,337.9	3.2%	5,507.0	3.2%	5,681.2

FY17 FEE AND FINE CHANGES*

DEPARTMENT/FEE AND FINE	FY17 REVENUE CHANGE	METHOD OF CHANGE	NOTE
MONTGOMERY COLLEGE			
Tuition and Related Fees	2,883,229	Board of Trustees Action	Increase per semester hour rate from $118 to $122 for County residents; $241 to $249 for in-State and out-of-County residents; and $332 to $344 for Out-of-State residents.
DEPARTMENT OF PERMITTING SERVICES			
Automation Enhancement fee	-2,215,709	Executive Regulation	The information technology automation fee will be suspend for FY17.
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS			
Common Ownership Community Fees	260,000	Executive Regulation	Increase Common Ownership fees by $2.
ENVIRONMENTAL PROTECTION			
Water Quality Protection Charge	1,897,252	Council Resolution	Increase charge from $88.40 to $95.00 per equivalent residential unit (ERU).
DEPARTMENT OF TRANSPORTATION			
Leaf Vacuuming Charge	304,019	Council Resolution	Increase leaf vacuum charge from $93.00 to $97.99 for a single-family household and from $3.70 to $3.86 for a multi-family unit.
DEPARTMENT OF TRANSPORTATION			
Parking Fees - Bethesda	600,000	Council Resolution	Increase the fees at Bethesda Garages 40, 49, and 57 from $.80/hr to $1.00/hr. Under existing resolution, the County Executive has the authority to raise rates as high as $1.00/hr in Bethesda garages.
GRAND TOTAL	**3,728,791**		

* All changes are assumed to be effective July 1, 2016 except as noted.
Revenues above do not include implementation costs.