

March 2, 2020

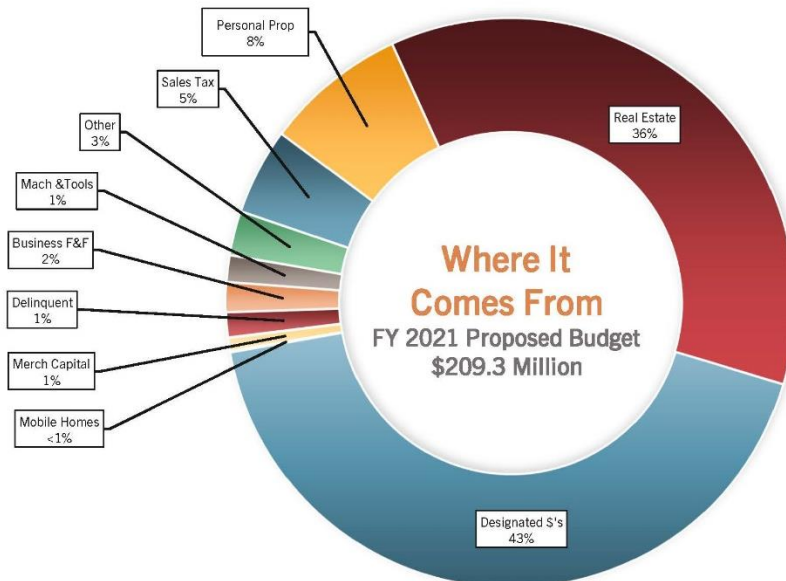
Dear Honorable Members of the Board of Supervisors:

I am pleased to present for your review and consideration the proposed Fiscal Year 2021 budget for Montgomery County. The proposed budget for all funds is \$209.3 million, and represents an increase of 3.9% (\$7.8 million) over the current fiscal year. My recommendations in the proposed budget provide for continued investment in both our human and capital resources; continued investment in our public schools’ operations and capital needs; and continued investment in our public safety operations.

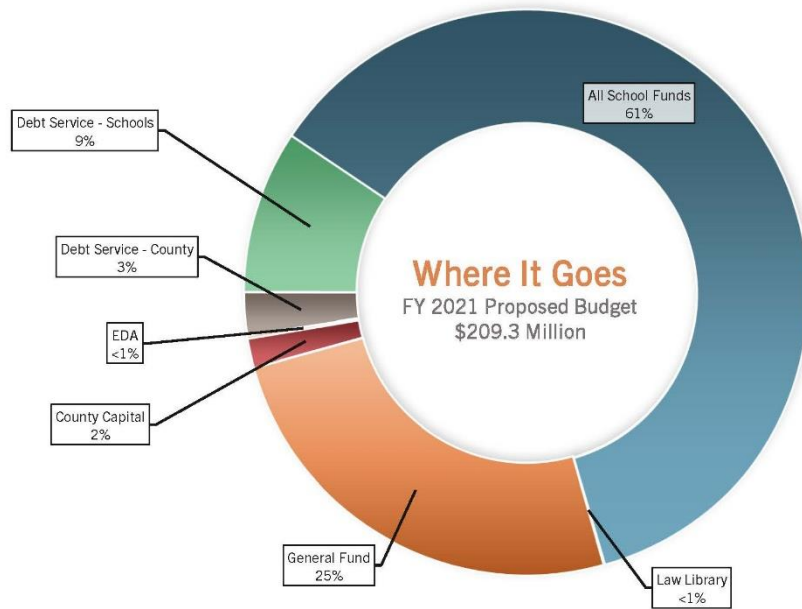
With the proposed budget of \$209.3 million, \$89.2 million is provided from federal, state, and other designated funds. The remaining \$120.1 million represents county dollars not designated for a specific purpose, which includes projected growth of \$3.8 million. Proposed funding for the County’s General Fund, net of transfers to other funds, totals \$52.6 million, an increase of \$1.2 million (2.3%). Proposed funding for the School Operating Fund, net of transfers to other funds, totals \$120.7 million, an increase from the current year of \$4.6 million (4.0%). The total county budget also includes the Debt Service Fund (\$24.7 million), the School Nutrition Fund (\$5.2 million), the transfer to the School Capital Fund (\$2.2 million), the transfer to the County Capital Fund (\$3.5 million), the transfer to the Economic Development Authority (\$0.4 million), and the Law Library Fund (\$17,600).

For Fiscal Year 2021, I recommend no increase in the real estate tax rate from the current fiscal year. If approved by the Board, FY 2021 would be the eighth consecutive year that the county’s real estate tax rate remains at 89 cents. Continued strength of our local economy, along with conservative fiscal management by the Board, has enabled us to maintain the same real estate tax rate for nearly a decade.

The following charts show the projected revenue sources and expenditures for the county for Fiscal Year 2021:



*Industrious | Diverse | Steadfast | Helpful | Integrity*



The Board approved recommendations for funding of capital and maintenance projects in the current fiscal year budget, and I recommend funding be continued for the following areas in FY 2021:

- School Capital Fund - \$2.2 million (2.5 cents of the real estate tax rate) for future school capital projects;
- County Capital Fund - \$1.3 million (1.5 cents of the real estate tax rate) for fire and rescue equipment; and
- County Capital Fund - \$2.2 million (which includes 1.0 cent of the real estate tax rate, as well as \$1,385,000 from other General Fund revenues) for capital and maintenance projects.

It is important that the county prioritize critical long-term projects by setting aside recurring funds. With an on-going funding source of \$2.2 million for the School Capital Fund, dollars will accrue annually for the next priority school capital project. With the monies set aside for Fire and Rescue departments, the ability to replace critical equipment ensures our volunteers are well-equipped to provide high quality service to our citizens. Other monies earmarked for the County Capital Fund provide dollars annually for the following:

- \$425,000 for the Auburn Park project, which puts aside funds each year toward the development and future construction of the park;
- \$210,000 for Information Technology infrastructure projects, which allows for technology needs to be addressed;
- \$858,000 (or 1.0 cent of the real estate rate) enables \$100,000 to be set aside for future Valley to Valley Trail projects and provides \$758,000 each year for other future county capital projects; and
- \$750,000 for county capital maintenance projects, which allows for proactive preventative maintenance and for handling large scale building repairs or replacements.

The chart below shows funding for the major areas of the total budget for the past five fiscal years:

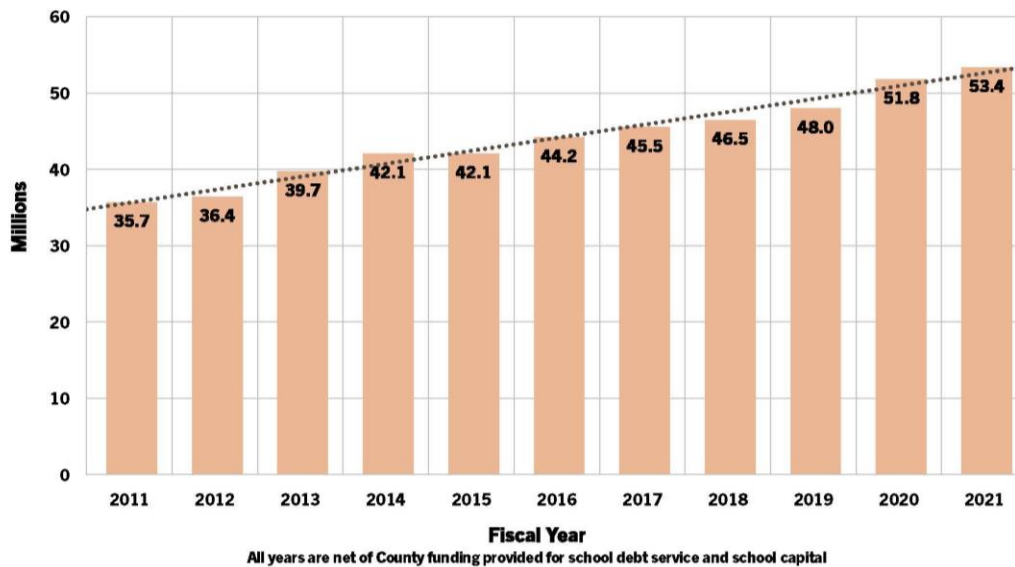
	Total Budget	Education	Education Debt Service	County Debt Service	Public Safety	Other Constit'l Officers	Other Operations	School Capital	County Capital
<b>FY 2017</b>	\$182,182,725	\$109,156,417	\$18,078,252	\$5,281,261	\$16,910,256	\$3,720,326	\$25,983,213	\$1,496,000	\$1,557,000
<b>FY 2018</b>	\$186,868,018	\$111,250,234	\$18,078,252	\$5,281,261	\$17,382,607	\$3,735,450	\$27,938,214	\$1,524,000	\$1,678,000
<b>FY 2019</b>	\$189,356,564	\$113,147,727	\$18,078,252	\$5,281,261	\$17,729,909	\$3,837,555	\$27,394,360	\$1,550,000	\$2,337,500
<b>FY 2020</b>	\$201,506,061	\$120,628,719	\$18,218,638	\$5,140,875	\$18,466,732	\$3,939,479	\$29,463,572	\$2,111,523	\$3,536,523
<b>FY 2021</b>	\$209,326,807	\$125,898,757	\$19,581,850	\$5,140,875	\$18,755,535	\$4,020,616	\$30,246,477	\$2,146,173	\$3,531,173

Of the \$1.75 million in additional county funding requested by the schools for their operations, I propose new funding of \$1.55 million for the School Operating Fund. In addition to the \$1.1 million included for the increased cost of school debt service resulting from the fall bond issue to renovate and expand the Christiansburg strand elementary schools, a total of \$2.65 million or 70% of the FY 21 new county monies supports our public schools. While my recommendation does not fully fund the school's request for operating funds, it is important to note that in the past five years the County has increased local funding for school operations by over \$9.7 million. The chart below shows the amount of funding provided for education including debt service and school capital projects:

	Total Budget	% Inc	Education	Education Debt Service	School Capital	Education Total	% Inc
<b>FY 2017</b>	\$182,182,725	3%	\$109,156,417	\$18,078,252	\$1,496,000	\$128,730,669	3%
<b>FY 2018</b>	\$186,868,018	3%	\$111,250,234	\$18,078,252	\$1,524,000	\$130,852,486	2%
<b>FY 2019</b>	\$189,356,564	1%	\$113,147,727	\$18,078,252	\$1,550,000	\$132,775,979	1%
<b>FY 2020</b>	\$201,506,061	6%	\$120,628,719	\$18,218,638	\$2,111,523	\$140,958,880	6%
<b>FY 2021</b>	\$209,326,807	4%	\$125,898,757	\$19,581,850	\$2,146,173	\$147,626,780	5%

The following chart shows the amount of county funding provided for school operations over the past 10 fiscal years, along with the proposed funding for fiscal year 2021:

## County Funding for Schools



The proposed budget for Fiscal Year 2021 continues the \$500,000 for the Accessing Community College Education (“ACCE”) program with New River Community College (NRCC). With these funds, graduating seniors from high schools in Montgomery County can continue their education tuition-free at NRCC with their commitment to provide community service in return. This will be the third year that the county has supported students through this program, with \$1.25 million in county funds being allocated to this important program.

We are very fortunate to have many dedicated and skilled employees who provide excellent service to our citizens and businesses each day. To ensure that we recognize our employees and compensate them for the services they deliver, I propose an increase in compensation for all full-time and part-time classified employees by 3%, effective July 1, 2020. Employees who have reached the top of their pay grade would receive a 3% one-time bonus in lieu of a salary increase. This funding of approximately \$767,000 is in addition to nearly \$407,000 needed to cover the required contributions to the Virginia Retirement System for our employees.

As occurs with every budget year, requests for county funds far exceed the resources available. Requests this year were no different and totaled \$5.1 million in new funding (excluding compensation and fringe benefits); however, the process for determining funding recommendations this year was different. The County’s leadership team, which is comprised of our department directors and Constitutional officers, participated in the process by reviewing, discussing and ranking of their budget requests. The team’s recommendations included operational and position requests. The proposed budget recommends funding for two new positions: an administrative assistant in the Public Information office and an additional Animal Control Officer in General Services. The leadership team reviewed and discussed all the positions that were requested; many of the positions and the requests for added operational funds were worthy of consideration, but funding simply did not exist to fund all the recommendations.

Although not ranked by the leadership team during the development of the annual budget, the county received requests for increased funds from agencies outside of the local government totaling \$403,865. The proposed budget provides a total of \$2.7 million to various outside agencies and organizations, some of which are mandated, as the county is contractually or statutorily required to provide funds.

The proposed 2020-2021 fiscal year budget continues the Board's tradition of fiscally responsible operating plans for Montgomery County. The budget as proposed provides essential funding for continuation of our services to our citizens and businesses; maintains the programs and activities of our various departments; and allows for investment in our capital and human resources needed to perform our jobs safely and efficiently.

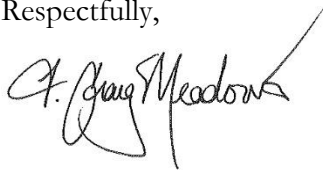
I am very appreciative of the county's department directors, agency heads, and Constitutional officers for their participation in the budget review process, which resulted in the recommendations being presented to you in the FY 2021 Proposed Budget. I am very fortunate to work with a team who understands the fiscal challenges that face local governments and who supports our fiscally conservative approach to budgeting.

Special thanks go to Carol Edmonds, Angie Hill, Marc Magruder, Paul Kaiser, and Susan Dickerson, who review, revise, and assemble the budget documents prior to my presentation to you. I am also grateful to Derley Aguilar and Jennifer Harris who bring their creative skills to our budget document, presentations and information provided to citizens to ensure we reflect our best efforts.

I know that FY 2021 will continue to build on our past successes and continue our tradition of growth and achievement. County staff will be reviewing the proposed budget information with you in more detail in the weeks ahead. An additional work session has been scheduled for March 16, at 6 p.m., to allow the Board to establish the advertised tax rate and advertised budget, in order to meet the required deadlines. A joint meeting with the Montgomery County School Board is slated for March 17, at 7 p.m., to allow for discussion of a number of topics, including the proposed school funding request and the county budget. The required public hearing on the proposed budget and tax rate are scheduled for Thursday, April 2, at 6 p.m. Our plan is for the Board to approve the FY 2021 budget at your regular Board meeting on Monday, April 13.

Montgomery County is a very diverse and growing community, and I am confident that this proposed budget continues to keep the county focused on the future. I am deeply appreciative of your continued support and your leadership, and I welcome your comments and suggestions as you review the attached information in the days ahead.

Respectfully,

A handwritten signature in black ink, appearing to read "F. Craig Meadows". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

F. Craig Meadows

County Administrator