

March 9, 2026

Dear Honorable Members of the Board of Supervisors:

This annual message provides an opportunity to outline the proposed budget for your review. More than ever, the proposed Fiscal Year 2026–2027 (FY 27) budget reflects the collaborative efforts of leadership teams from both the County and Montgomery County Public Schools to address identified needs while remaining fiscally responsible.

Our community’s population has experienced consistent growth over the past several years. As the County continues to grow, so too does the demand for services that support our citizens.

In total, budget requests for FY 27 amounted to \$16.6 million. To fully meet these requests, the real estate tax rate would need to increase by 12 cents, to 88 cents per \$100 of assessed value, and the annual budget would need to increase by nine percent, allocating \$99.3 million for County functions (34 percent of the total budget) and \$194.9 million for Montgomery County Public Schools (66 percent of the total budget).

While it is not possible to fund all budget requests each year, I am pleased to present a balanced and financially sound proposed budget for FY 27. The proposed budget and tax rate prioritize the most critical needs identified, with a strong emphasis on public education, public safety, and the growing demand for essential citizen services.

Proposed FY 27 Budget: \$285.7 Million, 81 Cent Tax Rate

For FY 27, I am proposing a total budget of \$285.7 million, an increase of \$14.9 million, or 5.5 percent over the originally adopted Fiscal Year 2025-2026 (FY 26) budget, establishing a real estate tax rate of 81 cents per \$100 of assessed value, a five-cent increase over FY 26.

Of the total proposed budget amount, I am recommending \$190.7 million, 67 percent, be allocated to Montgomery County Public Schools (\$160.8 million for school operating; \$3.2 million school capital; \$7 million for school nutrition funds; and \$19.7 million for school debt service). This reflects a \$4.1 million increase in County funding. I am recommending the remaining \$95 million (33 percent) be used to fund public safety; general government administration; judicial administration; general services; health and welfare; parks, recreation, and cultural; community development; and other agencies. Of the new undesignated revenue, I am recommending the allocation of 56 percent to public schools, six percent to public safety, and 38 percent to general County functions.

Funding Sources: \$14.9 million in New Revenue

Currently, **\$1 million** is projected in new undesignated revenue for FY 27. The proposed five-cent tax rate increase will provide an additional **\$6.4 million** in new undesignated revenue for a total of \$7.4 million.

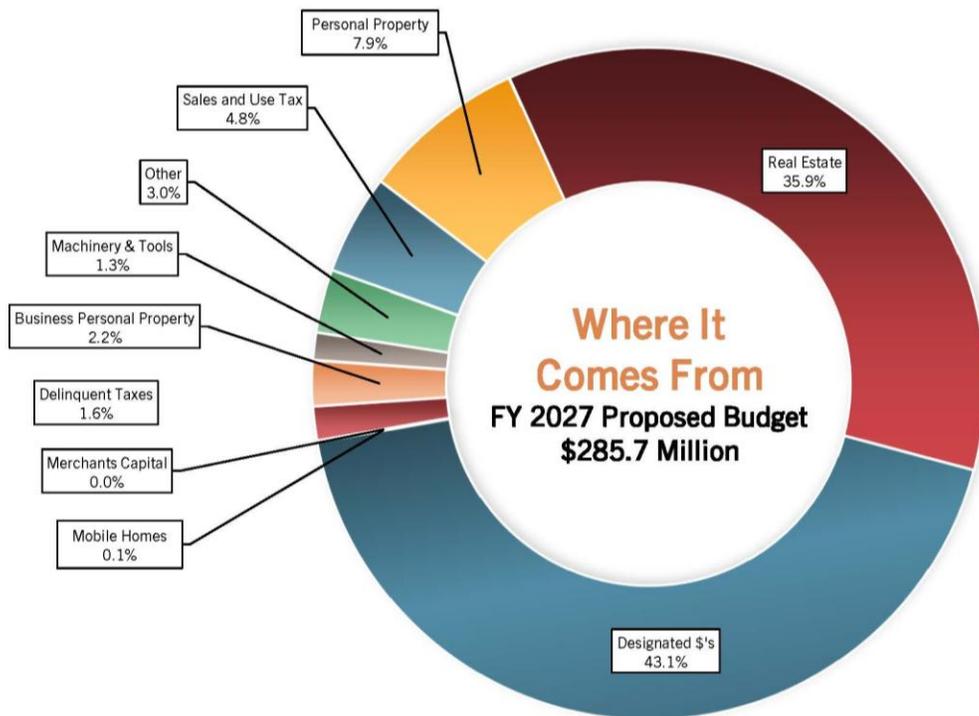
Each one-cent increase in the real estate tax rate generates approximately \$1.3 million in additional revenue. The proposed five-cent real estate tax rate increase provides the additional funding necessary to strategically support identified priorities, including Montgomery County Public Schools, public safety, general County operations, and 51 other agencies that deliver human services, public safety, education, cultural, environmental, and economic development programs throughout our community.

County designated funds, which include local fees, state funding, and federal grants, are projected to increase by **\$3 million**. New designated state revenue in the amount of **\$3.8 million** for the school operating fund, combined with **\$0.7 million** in designated school nutrition funds, result in a total increase of \$4.5 million in FY 27.

It is important to note, funding from the Montgomery County Public Service Authority (PSA) is included in the County's FY 27 designated funds to support the newly established Utilities Department. This funding facilitates the transition of PSA employees to County Utilities Department employees and results in an increase of \$2.4 million in the County's general fund. While this change increases the overall general fund within the County's budget, it does not represent an increase in taxpayer dollars, as these costs are fully funded with revenue from the PSA.

Proposed Funding: \$285.7 Million

We worked intentionally together throughout the year to bring clarity to the County's vision and priorities. In addition, both County and MCPS staff members have made adjustments this year to improve coordination, communication and overall budget planning. One example of this is the collaborative budget process calendar and timeline that outlines both key deadlines for the County and public schools as shown in the "Understanding the Budget" section (Appendix A) of the FY 27 proposed budget book.



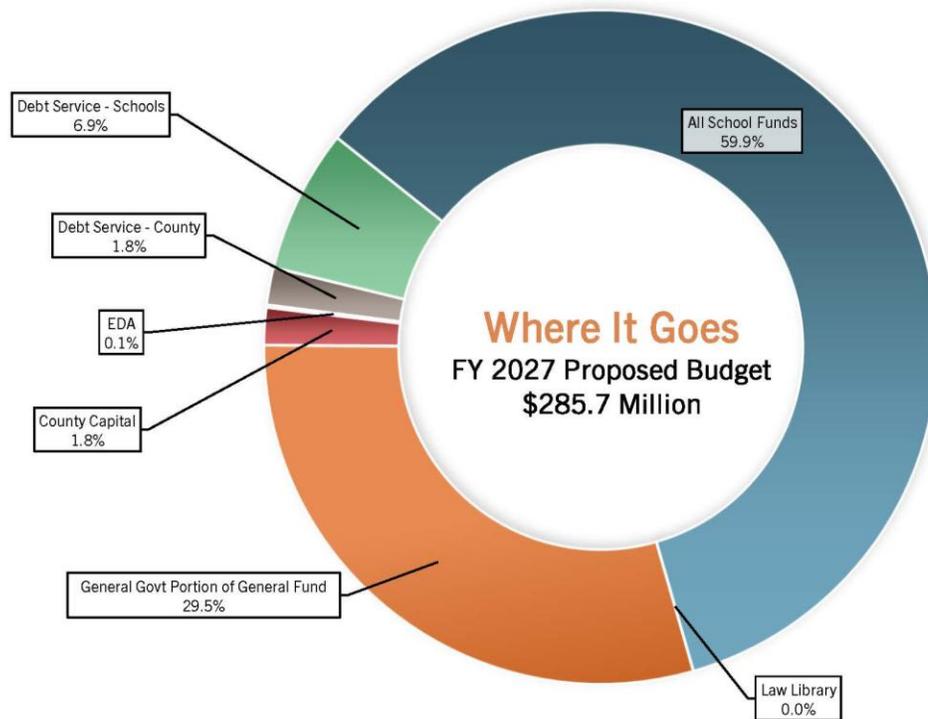
The proposed FY 27 budget is a direct result of our collaborative work and shared direction. Our priorities remain consistent, yet we understand the need to adapt where and when appropriate to compensate for our community's growth.

Of the proposed \$285.7 million budget, I am recommending:

- \$190.7 million for Montgomery County Public Schools to include the school operating budget; the school nutrition fund; the school capital fund; and school debt service;
- \$30.5 million for public safety, which includes the Sheriff's Office; Western Virginia Regional Jail Authority; Montgomery County Fire and EMS Department; Volunteer Fire and Rescue Agencies; and the Animal Care and Adoption Center;
- \$50.3 million for general government functions to include funding for general government administration; judicial administration; general services; health and welfare; parks, recreation, and cultural; and community development;
- \$5.1 million for the County Capital Fund;
- \$5.1 million for County debt service;
- \$3.6 million for other agencies; and
- \$0.4 million for EDA incentives.

During the County's budget analysis, we identified \$0.8 million in one-time funding requests. These include equipment for the following functions: fire and EMS, technology, planning and GIS, library, the office of elections, solid waste and landfill remediation. These costs align with our priorities and support our commitment to providing superior customer service. They are outlined in the "Budget Summary" (Appendix C) of the proposed budget document and will be presented to the Board for approval

following adoption of the budget. With the proposed five-cent real estate tax rate increase, the County will receive approximately \$3.2 million in unbudgeted revenue with the June 5, 2026, tax collection, a portion of which could be used to fund these items.



Montgomery County Public Schools: \$190.7 Million

Public education continues to represent the largest share of the County’s annual budget. The proposed FY 27 budget allocates more than two-thirds of total County funding to Montgomery County Public Schools (MCPS), with the remaining portion supporting essential County services, including public safety, general government and judicial administration, health and welfare, parks, recreation and cultural programs, community development, and other agencies. This funding approach—allocating more than two-thirds of the overall budget to public schools—has been a long-standing practice for Montgomery County for many decades.

Because public education remains one of the Board’s highest priorities, the FY 27 proposed budget continues to dedicate a significant portion of County resources to MCPS. The proposed budget includes \$4.1 million in new County undesignated funding for the MCPS operating fund. In addition, the budget reflects an estimated \$3.8 million in increased state and federal funding for MCPS for a total proposed funding increase to the Schools Operating fund of \$7.9 million.

Historically, the Board of Supervisors has demonstrated their dedication to public education by providing significantly more funding than the state’s required local effort for the Standards of Quality (SOQ) as demonstrated in the table below.

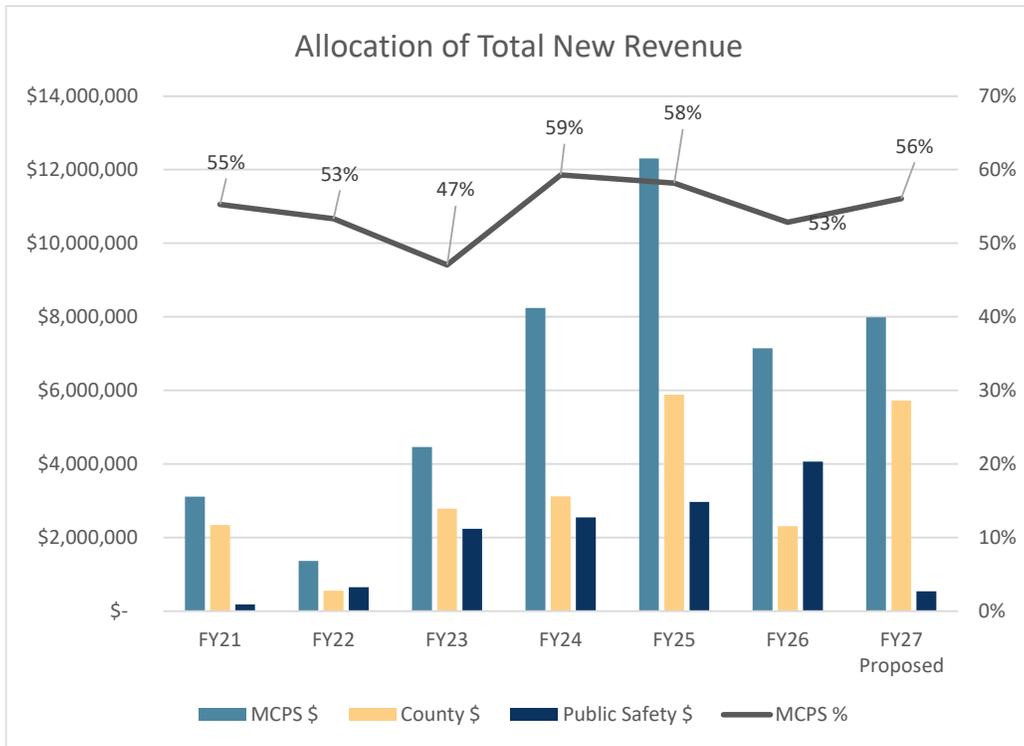
County	FY 25 Required Local Effort	FY 25 Actual Expenditures for Operations	FY 25 Actual Local Exp for Operations Above RLE	Percentage Above RLE
Albemarle	82,690,177	221,948,630	139,258,453	168.41%
Montgomery	33,501,259	67,953,913	34,452,654	102.84%
Roanoke	44,335,772	85,307,551	40,971,779	92.41%
Frederick	56,732,095	105,663,956	48,931,861	86.25%
Hanover	70,902,618	128,221,459	57,318,841	80.84%
Stafford	97,369,849	171,916,971	74,547,122	76.56%
Rockingham	43,838,948	71,922,852	28,083,904	64.06%
Fauquier	62,410,105	96,889,523	34,479,418	55.25%
Spotsylvania	81,731,825	126,050,211	44,318,386	54.22%
Bedford	22,380,598	32,847,218	10,466,620	46.77%
Augusta	34,721,567	48,867,865	14,146,298	40.74%

Source: Virginia Department of Education, Actual FY25 Required Local Effort and Required Local Match Report

The proposed budget also includes a dedicated 2.5 cent allocation of the real estate tax rate, generating approximately \$3.2 million, to support MCPS capital projects.

Continued collaboration between the County and MCPS remains a key component of the budget development process. A joint meeting of the Board of Supervisors and the School Board is scheduled for Monday, March 16, 2026, to further discuss the FY 27 budget and to collectively address the needs of both the public schools and other government functions. This meeting was strategically scheduled to provide an opportunity for further collaboration prior to setting the advertised tax rate. This meeting will occur after the March 9, 2026, presentation of the proposed budget and before the March 23, 2026, meeting at which the Board of Supervisors will set the advertised tax rate for the April 9, 2026, public hearing.

The accompanying chart illustrates the allocation of new designated and undesignated revenue and highlights the County’s consistent commitment to directing a substantial portion of new funding to MCPS. It is important to note that the Commonwealth provides significantly more designated funding to public schools than to local governments. While public education remains a top priority, the County must also balance limited undesignated revenue to address other critical needs, including public safety and core County services.



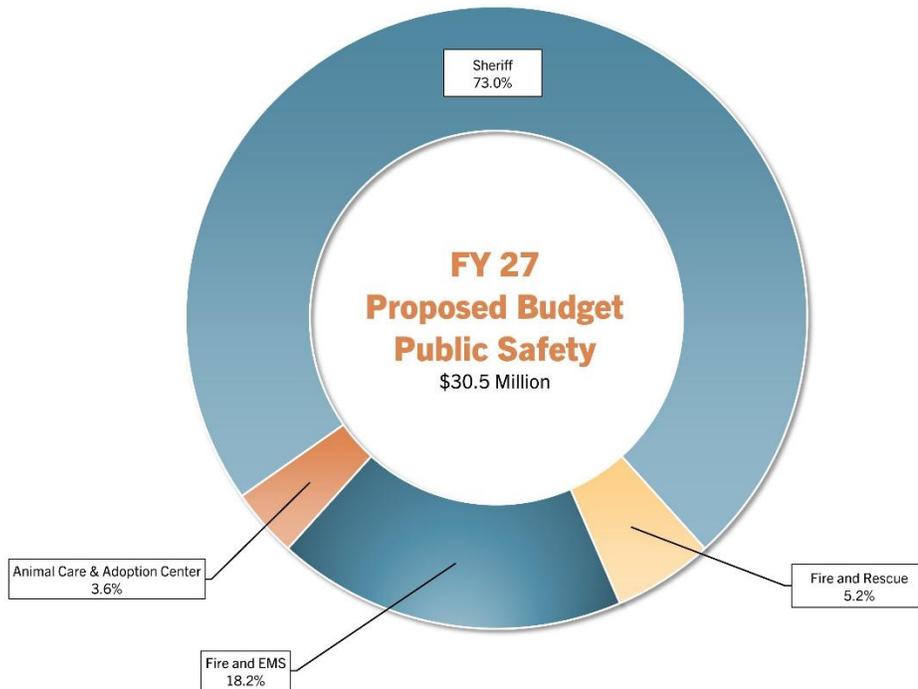
Please note on the chart provided the increases in public safety funding over the past five years. In FY 22, the County began funding career EMS personnel for the first time ever, providing 24/7 coverage in the Eastern Montgomery and Riner areas. In FY 25, the County responded to growing public safety needs in Eastern Montgomery by providing career firefighters from 7 a.m. to 7 p.m., seven days a week. In FY 26 the Board approved funding for eight deputies for the Montgomery County Jail; one investigator for the Sheriff’s Office; and 12 additional career firefighters to provide 24-hour fire service in Eastern Montgomery.

Public Safety: \$30.5 Million

Public safety includes the Sheriff’s Office; Western Virginia Regional Jail Authority; Fire and EMS Department; Volunteer Fire and Rescue Agencies; and the Animal Care and Adoption Center. In FY 27, 11 percent of the overall budget is proposed to be allocated to fund public safety needs. In total, I am recommending \$30.5 million in funding to address identified public safety needs in FY 27.

In the fall of 2025, Montgomery County partnered with Mission CIT, LLC to complete a comprehensive study of the County’s Fire and Rescue/EMS system, including services provided in the towns of Blacksburg and Christiansburg and by the Virginia Tech Rescue Squad. The study will evaluate the current volunteer-career model and develop strategic recommendations for the future, with the goal of strengthening the volunteer system and enhancing coordination between the County and the towns to ensure the delivery of high-quality emergency services throughout the community.

The study will provide the information necessary to determine appropriate funding levels for the towns’ fire and rescue volunteer agencies. Funding requests received for FY 27 will be considered upon completion of the study.



Sheriff's Office

The FY 27 proposed budget allocates \$22.3 million for the Montgomery County Sheriff's Office. This includes funding for School Resource Officers at all County schools, as well as deputies who provide law enforcement, civil process service, corrections, courthouse security, and conduct motor vehicle accident and criminal investigations. Special contingencies includes \$200,000 to address deputy recruitment and retention.

Included in the Sheriff's Office budget is an allocation of \$5.6 million for the Western Virginia Regional Jail Authority. Of that total, I am proposing additional funding of \$301,772 to cover debt service and per diem costs based on the number of inmates housed at the jail. Both the debt service and per diem cost and the number of inmates are estimated to increase in FY 27.

Fire and EMS Department

One identified critical need is the County's responsibility to deliver timely emergency assistance through trained professionals. The total amount budgeted for the Fire and EMS Department is \$5.6 million. I am proposing \$32,200 to fund basic operating increases such as motor vehicle insurance, counseling services, training and uniforms.

Volunteer Fire and Rescue Agencies

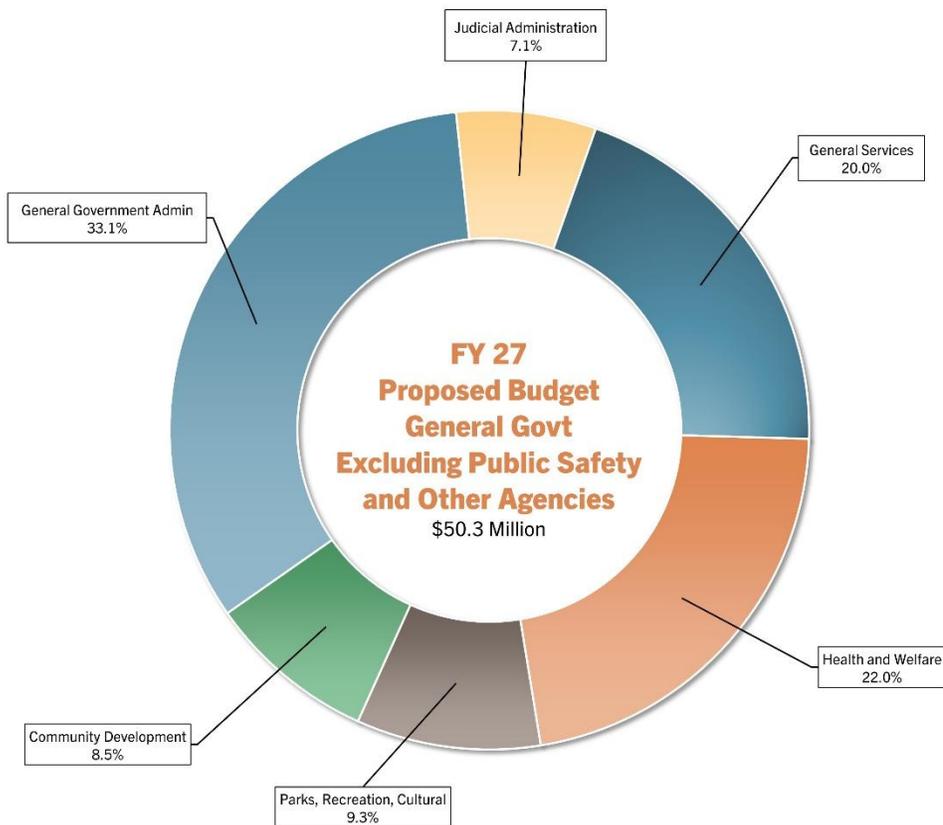
The County provides annual operating funds to nine volunteer fire and rescue agencies. For FY 27, I am recommending \$1.6 million for fire and rescue operational needs, which includes \$20,626 in additional funding.

Animal Care and Adoption Center

I am recommending a total FY 27 budget of \$1.1 million for the Animal Care and Adoption Center (ACAC), which includes funding for one new position to address increasing service demands. The ACAC remains committed to operating as a no-kill facility amid a sustained rise in animal intake and a decline in animal adoptions. The proposed position is essential to expanding foster placement efforts, relieving capacity constraints and ensuring animals can continue to be accepted into care.

General Government Functions; General Government Administration; Judicial Administration; General Services; Health and Welfare; Parks, Recreation, and Cultural; and Community Development: \$50.3 Million

The FY 27 proposed budget includes \$50.3 million for general government functions, encompassing general government administration, judicial administration, general services, health and welfare, parks, recreation and cultural programs, and community development.



This proposed funding reflects a thorough internal budget review process that requires each department to present and justify its budget requests to the County’s leadership team. This process ensures all requests undergo rigorous evaluation before recommendations for general government functions are presented to the Board.

Guided by the Board of Supervisors’ priorities and a shared commitment to providing high-quality services to County citizens, the review process promotes interdepartmental collaboration, encourages discussion of operational challenges, and fosters a better understanding of departmental responsibilities. These efforts often lead to innovative solutions that balance limited resources with identified needs.

Staffing and Workforce Investment

Beginning with the FY 25 budget, the County developed a strategic multi-year staffing approach to address the growing needs of our community and demonstrate our commitment to providing superior services to our citizens. This plan recognizes that meeting growing service demands requires a phased and sustainable approach to staffing, rather than one-time or reactive position growth. As part of this effort, the County has identified the need for additional staff over multiple years to align workforce capacity with operational demand.

The Board has supported this strategic staffing approach, approving a significant number of requested new positions over the past three fiscal years. Position requests are evaluated annually and prioritized into the appropriate budget cycle. While each request reflects a legitimate operational need, it remains essential that workforce expansion be approached in a measured and purposeful manner. Balancing service demands with available funding, facility capacity, and long-term sustainability requires thoughtful prioritization to ensure continued fiscal responsibility while maintaining service levels.

For FY 27, departments submitted requests for 22.75 new positions. Consistent with the strategic approach, I am proposing funding for six new full-time positions and one part-time position in FY 27, including:

- Director of Real Estate Assessment in County Administration;
- Finance Manager in Finance;
- Solid Waste Manager, HVAC Technician, and a part-time Building Inspector in General Services;
- Adoption Foster Coordinator at the Animal Care and Adoption Center; and
- Family Services Specialist in Social Services.

The total cost associated with these proposed new positions is \$625,522 for salaries and benefits, along with \$16,800 for equipment and related expenses.

Employee Compensation and Benefits

Annually, both the towns of Blacksburg and Christiansburg and MCPS typically provide two pay increases for employees—an across-the-board adjustment combined with a step or merit-based increase. While the County does not currently provide a formal step or merit increase, we are in the process of designing and implementing a system for the next fiscal year. To remain

competitive with neighboring localities, I am recommending \$1.3 million to fund a three percent pay increase for County employees in FY 27.

As healthcare costs continue to increase, it is important to monitor and maintain adequate funding to cover the County's self-funded employee health insurance program. For FY 27, the County is taking a two-step approach to provide additional funding in the health insurance fund.

Since the Human Resources department is the County interface with the service provider for the County's on-site employee clinic, the clinic operating fees along with annual flu vaccinations and health plan consultant fees will now be charged to the Human Resources department rather than to the health insurance fund beginning in FY 27. Since FY 22, these costs have been paid from the fund; this change will make an additional \$301,437 available to cover claims costs. The same amount is added to the Human Resources budget for FY 27 to cover costs related to employee clinic fees and annual flu vaccinations, reinforcing the County's commitment to employee wellness and preventive care.

The second step that will increase the health insurance fund is the addition of \$250,000 to Special Contingencies. Both of these actions generate a total of \$551,437 of additional funding in the health insurance fund for FY 27.

Other Agency Requests

For FY 27, the County received funding requests totaling \$0.6 million from 30 other agencies. I am recommending an additional \$55,167 to support these requests. The FY 27 proposed budget includes a total of \$3.6 million in funding for 51 outside agencies that support the Board's priorities. A detailed listing of proposed allocations for these agencies begins on page 267 of the FY 27 proposed budget document.

Maintaining Financial Strength and Security

The County's annual proposed budget is developed by a dedicated and highly skilled financial team that carefully analyzes local, regional, and national trends and projections. The FY 27 proposed budget builds upon the County's established financial practices and policies, which have contributed to a AA+ bond rating.

This budget reflects a continued commitment to financial strength and long-term stability through sustainable and responsible fiscal management by both the Board of Supervisors and County staff. While not all budget requests could be accommodated, the proposed FY 27 budget represents meaningful progress in supporting public education, public safety, and core County functions while balancing limited resources with identified needs.

In summary, the proposed FY 27 budget totals \$285.7 million, with a real estate tax rate of 81 cents per \$100 of assessed value. This budget addresses the needs of a growing community while remaining fiscally responsible, allocating 56 percent of new undesignated revenue to public schools, six percent to public safety, and 38 percent to general County functions.

A detailed budget timeline and calendar are included on page 63 of the proposed budget document. Key dates include work sessions in March and a public hearing scheduled for April 9, 2026. The deadline for

adoption of the FY 27 budget and tax rate is April 20, 2026, to accommodate the spring tax billing schedule.

I appreciate your continued leadership and support and welcome any questions as you review the proposed FY 27 budget.

Sincerely,

A handwritten signature in cursive script that reads "Angela M Hill".

Angela M. Hill, CPA, CGMA
County Administrator