

MEMORANDUM

April 5, 2010

TO: Management and Fiscal Policy Committee
FROM: ^{CHS} Charles H. Sherer, Legislative Analyst
SUBJECT: FY11 operating budget for the Office of Management and Budget, section 35 in the Executive's budget

The following may attend:

Joe Beach, Director
Alex Espinosa, OMB Manager
Beryl Feinberg, OMB Manager
Angela Dizelos, OMB Manager

Relevant pages from the operating budget are attached starting at ©1.

Summary of staff recommendations: Approve the OMB budget as the Executive recommended.

Overview

For FY11, the Executive recommends total expenditures of \$3,301,820, down \$402,070 or 10.9% from the FY10 approved budget of \$3,703,890. This reduction follows a 3.2% reduction from FY09 actual to FY10 approved, for a 13.7% two-year reduction from FY09 approved to FY11 recommended. Workyears will decrease 4.5, from 29.0 to 24.5, and the number of positions will decrease by 2, from 33 to 31. Personnel costs account for 96.7% of the budget and operating expenses (mostly for printing the budgets) account for the remaining 3.3%. See the table at the top of the next page for detail.

Some of OMB’s major responsibilities are preparing the budgets, reviewing the budgets with the Council, responding to various requests for additional information from the Council and Council staff, and preparing the fiscal plan and performance measures. One of their major tasks over the period FY08-11 was to administer seven budget savings processes to close a total gap of almost \$2 billion (©2). OMB received the Distinguished Budget award from the Government Finance Officers Association in FY11, for the 26th consecutive year.

Budget Summary

	FY09 Actual	FY10 Approved	FY11 CE Recommended	Change from FY10-11	
				Amount	%
Expenditures	3,826,525	3,703,890	3,301,820	(402,070)	-10.9%
Positions:					
Full time	34	33	31	(2)	-6.1%
Part time	0	0	0	0	NA
Total positions		33	31	(2)	-6.1%
Workyears	30.0	29.0	24.5	(4.5)	-15.5%

OMB explained their budget as follows:

“Most of OMB’s budget is related to personnel with very limited operating expenses. The major operating expense is related to printing budget publications. Our FY11 Recommended budget reduces printing costs by 70% and continues the savings that we have implemented in FY10 that include reducing the number of documents printed as well as reducing enhancements to the budget documents. Budget documents will continue to be available on our web-site.

“More recently, we have implemented such initiatives over the last few years, all within our base-level of funding. These initiatives have included: automating on-line submission of department operating and capital budgeting submission system. We have also reduced professional staff to reduce costs and realigned the administrative staff to improve service. Through these measures, we have been able to reduce the cost of developing and administering the budget.

“We have implemented results-based budgeting initiatives; and collaborated with County Council staff and the National Research Center to conduct a biennial comprehensive survey in Montgomery of resident’s views on the quality of life, County services, and satisfaction with local government. In addition, we continue to reform our budgetary process and publication format to provide more information about key result areas and performance measurement in addition to providing information on key department accomplishments and initiatives.”

“The challenge we will face in FY11 is to maintain our core mission while providing added support to the Enterprise Resource Planning (ERP) project. FY11 will be a critical year for

development and implementation of the budgeting modules for the ERP and OMB staff will play a central role in assuring the successful roll-out July 1, 2011, of new PSP and CIP Budget Preparation functions. This will require a significant investment in staff resources including director, budget managers, IT staff, analysts, and administrative staff.”

FY11 Expenditure Issues

The major changes from FY10 to FY11 are explained below.

	\$	Work- years
FY10 approved budget	3,703,890	29.0
Changes		
Personnel costs: annualize FY10 costs, retirement, group insurance	158,340	
COLA	0	
Steps	0	
Increase the number of positions charged to the CIP project for Enterprise Resource Planning by 1.5, from 2.0 to 3.5. The positions stay in OMB. This charge does not reduce the County’s budget as a whole, but does reduce resources OMB has to perform its mission and does result in an increased workload for remaining staff.	(177,620)	(1.5)
Shift one of two IT positions to DTS, to increase centralization of IT staff. This position will still provide IT support to OMB, but will also provide IT support to other departments.	(126,550)	(1.0)
10 Furlough days	(111,450)	(1.0)
Abolish one of the 18 Senior Management and Budget Specialist positions and redistribute the workload. The position is vacant.	(79,320)	(1.0)
Reduce printing budget books, they are available on line	(51,330)	
Minor changes	(14,140)	
Total changes	(402,070)	(4.5)
FY11 Executive's recommended budget	3,301,820	24.5

Reductions

There is no target reduction for FY11 (and there were none for FY10). Council staff has never found reductions to this budget, because there have been so few, if any, enhancements, and none proposed for FY11. The Office does not appear to Council staff to be over-staffed, having lost positions in recent years. After reviewing the budget, Council staff does not see any targets, obvious or otherwise, and recommends approval as requested.

Management and Budget

MISSION STATEMENT

The mission of the Office of Management and Budget (OMB) is to support and enhance the effective, efficient operation of County government, maintain the County's fiscal integrity and financial condition, and preserve the County's AAA bond rating by developing, promulgating, and applying appropriate budgetary policies and procedures; providing accurate, timely, and objective information and recommendations to the County Executive, County departments, the County Council, and the general public; preparing and administering the operating and capital budgets in compliance with the County Charter, generally accepted accounting principles, and the policy agendas of elected officials; and ensuring that available resources are efficiently allocated and productively used.

BUDGET OVERVIEW

The total recommended FY11 Operating Budget for the Office of Management and Budget is \$3,301,820, a decrease of \$402,070 or 10.9 percent from the FY10 Approved Budget of \$3,703,890. Personnel Costs comprise 96.7 percent of the budget for 31 full-time positions for 24.5 workyears. Operating Expenses account for the remaining 3.3 percent of the FY11 budget.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

❖ A Responsive, Accountable County Government

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below. The FY10 estimates incorporate the effect of the FY10 savings plan. The FY11 and FY12 targets assume the recommended FY11 budget and FY12 funding for comparable service levels.

Measure	Actual FY08	Actual FY09	Estimated FY10	Target FY11	Target FY12
Program Measures					
Percent of customers rating the ability of OMB staff to provide effective support in solving problems as somewhat or very effective on the OMB Customer Survey for the budget process ¹	90.7	NA	93.0	95.0	95.0
Percent of customers rating the quality of OMB training and instructional materials as good or very good on the OMB Customer Survey for the budget process ²	81.4	NA	85.0	85.0	85.0
Percentage of customers rating OMB services as good or very good on the OMB Customer Survey for the budget process ³	80.7	NA	85.0	85.0	85.0
Average absolute percent variance between budgeted and actual expenditures	5.3	6.5	6.5	3.0	3.0
Average number of days to process requests: County Executive Correspondence	9.2	2.0	3.0	4.0	3.0
Overall Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award ratings - percent rated outstanding or proficient	95.1	91.4	100	100	100
Average absolute dollar variance between budgeted and actual expenditures ⁴	\$742,762	\$1,190,341	\$1,200,000	\$500,000	\$500,000
Average number of days to process requests: Reports on future fiscal impact of legislation	16.8	10.4	10.4	10.4	10.4
Average number of days to process requests: Budget Adjustment	4.6	5.9	6.0	6.0	6.0
Average number of days to process requests: Position Profile Form	7.3	10.1	9.2	11.0	9.2

¹ Survey not administered in FY09

² Survey not administered in FY09

³ Survey not administered in FY09

⁴ Data includes Tax-Supported departments and Enterprise Funds; actual and estimated variances reflect implementation of a savings plan in FY08, FY09 and FY10

ACCOMPLISHMENTS AND INITIATIVES

- ❖ *Administered seven separate fiscal reduction processes in FY08-FY11 that provided solutions for closing nearly \$2.0 billion budgetary shortfalls, produced balanced budgets, and preserved and advanced key County priorities.*
- ❖ *Continue to reform budgetary process to link performance with resource allocation decisions by using performance data and evidence of what works for program effectiveness and efficiency in other jurisdictions.*
- ❖ *Collaborated with County Council Staff, Offices of the County Executive, Public Information, and the National Research Center to conduct a comprehensive survey every other year of resident's views on the quality of life, County services, and satisfaction with local government.*
- ❖ *Broaden the scope of analysis for Fiscal Impact Statements to include the economic impact of actions or decisions.*

PROGRAM CONTACTS

Contact Angela Dizelos of the Office of Management and Budget at 240.777.2758 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Budget Preparation and Administration

The Budget Preparation and Administration program covers the annual preparation of the Capital Budget, the six-year Public Services Program and Operating Budget, and the various activities designed to assure compliance with the County Charter and decisions of elected officials. The six-year Capital Improvements Program is prepared during even-numbered calendar years. Fiscal policy and procedures are developed to assure conformity with generally accepted accounting principles and County policies.

Six-year fiscal projections are prepared, including the identification of various Executive fiscal policy proposals and planning allocations. Fiscal planning assumptions and debt capacity analyses are updated, guidance is provided to departments and agencies, and budget recommendations are given to the Executive and Council. In addition, special analyses to monitor expenditures and revenues are conducted periodically during the year. County Executive transfers, Council transfers, and supplemental appropriations are handled as are transactions involving the creation, deletion, and movement of positions in the official position complement.

Related work includes participation in collective bargaining and compensation policy development; fiscal management and policy development; management analyses; measurement initiatives; program evaluations; fiscal impact analyses of legislation and regulations; development and amendment of administrative procedures; development and monitoring of user fees and other revenues; grants coordination; and contract review. The office's leadership, administration, automation, and process management are also included in this program. Staff provide OMB representation on the Contract Review Committee, the Interagency Group on Energy and Utilities Management, the Board of Investment Trustees of the pension system, the Diversity Council, the Telecommunications Transmission Facility Coordinating Group, and the Labor Relations Policy Committee.

BUDGET SUMMARY

	Actual FY09	Budget FY10	Estimated FY10	Recommended FY11	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	2,858,947	2,716,660	2,722,840	2,366,180	-12.9%
Employee Benefits	784,385	814,220	749,420	828,100	1.7%
County General Fund Personnel Costs	3,643,332	3,530,880	3,472,260	3,194,280	-9.5%
Operating Expenses	183,193	173,010	88,110	107,540	-37.8%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	3,826,525	3,703,890	3,560,370	3,301,820	-10.9%
PERSONNEL					
Full-Time	34	33	33	31	-6.1%
Part-Time	0	0	0	0	—
Workyears	30.0	29.0	29.0	24.5	-15.5%

FY11 RECOMMENDED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY10 ORIGINAL APPROPRIATION	3,703,890	29.0
Changes (with service impacts)		
Reduce: Reduce Printing of Budget Books	-51,330	0.0
Reduce: Abolish Sr. Management and Budget Specialist	-79,320	-1.0
Other Adjustments (with no service impacts)		
Increase Cost: Annualization of FY10 Personnel Costs	111,420	0.0
Increase Cost: Retirement Adjustment	30,060	0.0
Increase Cost: Group Insurance Adjustment	16,860	0.0
Decrease Cost: Metropolitan Area Travel	-250	0.0
Decrease Cost: Advertising - Eliminate Budget for Recruitment	-500	0.0
Decrease Cost: Daily Rental Motor Pool	-510	0.0
Decrease Cost: Books/Reference Materials	-600	0.0
Decrease Cost: Special County Functions	-1,000	0.0
Decrease Cost: Other Misc Operating Expenses	-1,400	0.0
Decrease Cost: Dues/Membership	-2,000	0.0
Decrease Cost: Printing and Mail Adjustment	-2,880	0.0
Decrease Cost: Education, Tuition, Training	-5,000	0.0
Decrease Cost: Furlough Days	-111,450	-1.0
Shift: Senior Information Technology Specialist to Department of Technology Services	-126,550	-1.0
Shift: Staff Detailed to Enterprise Resource Planning Project for Implementation of Budget Modules	-177,620	-1.5
FY11 RECOMMENDED:	3,301,820	24.5

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY10		FY11	
		Total\$	WYs	Total\$	WYs
COUNTY GENERAL FUND					
CIP	CIP	279,960	2.0	463,200	3.5

FUTURE FISCAL IMPACTS

Title	CE REC. FY11	FY12	FY13	(5000's) FY14	FY15	FY16
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY11 Recommended No inflation or compensation change is included in outyear projections.	3,302	3,302	3,302	3,302	3,302	3,302
Resident Survey Countywide Resident Survey conducted every two years.	0	39	0	43	0	43
Restore Personnel Costs This represents restoration of funding to remove FY11 furloughs.	0	111	111	111	111	111
Subtotal Expenditures	3,302	3,452	3,413	3,456	3,413	3,456