

GO #3  
April 11, 2011

## MEMORANDUM

April 1, 2011

TO: Government Operations and Fiscal Policy Committee  
*CHS*  
FROM: Charles H. Sherer, Legislative Analyst  
SUBJECT: FY12 Operating Budget for the Department of Finance, section 29 in the Executive's budget  
1) General Fund component of the Department of Finance  
2) Division of Risk Management  
3) Risk Management NDA for the County's General Fund contribution to the Risk Management Fund, section 65  
4) Working Families Income Supplement, section 65  
5) State Property Tax Services NDA, section 65  
6) Restricted Donations NDA, section 65

Those expected to attend this worksession include:

Jennifer Barrett, Director  
Karen Hawkins, Chief Operating Officer  
Rob Hagedoorn, Chief, Treasury Division  
Lenny Moore, Chief, Controller Division  
Terry Fleming, Chief, Risk Management Division  
Nancy Moseley, Administrative Services Manager  
Bryan Hunt, Management and Budget Specialist

Relevant pages from the operating budget are attached at ©1-10.

### Overview

The Department has a General Fund component and the Division of Risk Management. The expenditures in each of the 13 programs in the Department are summarized at the top of ©9. The General Fund component has three units: Director's Office, Controller Division, and Treasury Division. Risk Management has three programs: Insurance, Occupational Safety and Health, and Legal Services.

**Update on issue from last year and the year before that** Some property owners pay their property tax bills directly to the County, and some pay their mortgage company, which then pays the County. Property tax bills are readily available to see and/or to print from the Department's web page:

<https://www.montgomerycountymd.gov/apps/tax/index.asp>

The Executive had proposed to stop mailing property tax bills to homeowners whose mortgage company pays the property tax bill, to save \$42,950 from savings in printing, postage, and handling. FY11 would have been the first such year. However, Finance staff explained that "due to the fiscal environment, the complexity of the information contained in the Property Tax Invoice, and the Department's goal to provide outstanding customer service to our residents, the Director decided to find savings elsewhere and to continue to mail the bills."

**Electronic timekeeping** has now been "deployed" to all departments, saving \$330,000 (FY11 - \$255,000 + FY12 - \$75,000) per year in a contract that Finance no longer needs for keypunching costs. A related savings results from using electronic pay advices for 80% of total pay advices instead of mailing paper pay advices, to save roughly \$206,000 per year in printing and mailing costs. The savings in printing are partially offset by the fact that some employees print their pay advices on their office printers.

**I. General Fund component** The total FY12 operating budget for the General Fund component is \$9,652,550, an increase of \$55,660 or 0.6% from the FY11 approved budget of \$9,596,890. Workyears will increase by 4.0, from 73.7 to 77.7, and the number of positions will decrease by one, from 103 to 102. Personnel Costs account for 87 percent of the General Fund budget. Operating Expenses account for the remaining 13 percent.

The increase of \$55,660/0.6% is somewhat misleading because of a shift of 3 positions and \$261,340 from the Technology Modernization project in the CIP to the operating budget. The increase in the operating budget is exactly offset by the decrease in the capital budget, so there is no change in costs for the County "as a whole". Without this transfer, the operating budget would have decreased (\$205,680/2.1%).

Some positions (23.7 workyears) in the Department are **not** included in the amounts above and are instead included in the budgets for other departments or to the CIP project for which Finance provides support (©9). These positions are reviewed with the other departments' budgets.

The Executive's recommended expenditures are shown in the table below.

	FY10 Actual	FY11 Approved	FY12 CE Recommended	Change from FY11-12	
				Amount	%
<b>Expenditures</b>	8,885,844	9,596,890	9,652,550	55,660	0.6%
<b>Positions:</b>					
Full time	113	101	100	(1)	-1.0%
Part time	2	2	2	0	0.0%
Total positions	115	103	102	(1)	-1.0%
<b>Workyears</b>	79.0	73.7	77.7	4.0	5.4%

### **FY12 Expenditure Issues**

The changes proposed for FY12 are shown on ©8 and summarized below. As noted last year, the challenge for Finance continues to be that of absorbing an increased workload resulting from the implementation of the various components of the Technology Modernization Project: the Core Financials — General Ledger, Projects and Grants, Accounts Payable, Purchasing, Accounts Receivable, and Fixed Assets – became operational in July 2010; followed by Human Resources and Payroll components six months later, on January 1, 2011.

FY11 Approved budget	9,596,890	73.7
<b>Changes</b>	Amount	WY
Shift 3 ERP positions from the CIP project for Technology Modernization to the operating budget. The CIP costs will decrease by this amount, so there is no change to total costs.	261,340	1.8
Restore personnel costs for furlough days.	170,300	2.9
The Department's FY11 budget for Central Duplication, Printing, and Postage (the Printing and Mail Internal Service Fund) was too low and the Department will spend more than their budget in FY11. This increase in FY12 will prevent another deficit.	56,570	0
Pay consultant to revise the methodology for assessing the indirect cost rate for operating and CIP projects. See discussion below.	40,000	0.0
Printing and mail adjustment, to cover increased costs in the Printing and Mail Internal Service Fund. This increase is charged to all departments.	28,630	0.0
Annualize the cost of one position funded for 0.8 workyear in FY11.	26,230	0.2
Charge (shift) 20% of the cost of one position from the operating budget to the CIP for time devoted to the White Flint Redevelopment Program.	(27,000)	(0.2)
Turnover savings, resulting from paying new positions a lower salary than the positions being replaced.	(56,170)	0.0
Eliminate contract for keypunching timesheet data.	(75,000)	

FY11 Approved budget	9,596,890	73.7
<b>Changes</b>	Amount	WY
Retirement adjustment: This and the savings below for group insurance result from the Executive's proposal to reduce County costs for retirement and group insurance and to shift some County costs to employees.	(82,740)	0.0
Currently, the Department has one IT specialist position to support the Municipal Information System (the database for the County's property tax records). Shifting to an Application Support Provider (ASP) or cloud computing model results in lower overall costs to DTS and Finance and allows Finance to redeploy 70% of the position's time to the project for Technology Modernization in the CIP.	(98,150)	(0.7)
Group insurance adjustment. See Retirement adjustment above.	(197,020)	0.0
Minor changes	8,670	0.0
Total changes	55,660	4.0
% change	0.6%	5.4%
FY12 Executive's recommended budget	9,652,550	77.7
FY12 without shift positions from CIP	9,391,210	75.9
Amount change from FY11 to FY12	(205,680)	2.2
% change	-2.1%	3.0%

**Council staff recommendation** Approve the budget as the Executive recommended.

**Information item** One increase is \$40,000 to pay a consultant to revise the methodology for assessing the indirect cost rate for operating and CIP projects. The explanation why this is needed follows.

Many of the expenses in the General Fund portion of County Government support or assist other departments and funds. The departments which provide support and assistance include OMB, County Attorney, Finance, General Services (for procurement and maintenance of facilities), Human Resources, and Technology Services. These costs do not appear in the budgets of the departments that use the services, and these costs are referred to as "indirect" costs. For this explanation, consider that all departments in the County Government are either in the General Fund or not.

For the departments in the General Fund, there is no need to allocate the indirect costs to these departments, because they are in the same Fund and are therefore funded in part by the General Fund property tax.

However, for the departments **not** in the General Fund, there is a need to allocate these costs to these departments because they are not in the same Fund and are, therefore, funded by the property tax in other funds and/or user fees. The allocation reduces the costs in the General Fund that the General Fund taxpayers must pay, and increases the costs that the taxpayers and/or users of other funds must pay. Without the allocation of indirect costs, General Fund taxpayers would pay too much property tax and taxpayers and/or users of other funds would not pay their full share of costs.

Indirect costs are also added to direct costs of programs funded by Federal grants, so the County gets reimbursed for all costs of providing such programs. For this reason, the indirect cost formula must comply with Federal requirements for the way it is calculated, or the County will or may not get the reimbursement. The revenue from this reimbursement is roughly \$1.1 million each year for the General Fund.

There are at least two ways to determine how much of the indirect costs to allocate to the using departments. One would be to try to keep track of the actual costs incurred in support of each department, but this would be a difficult and time consuming task. A second way is to more simply calculate the total of the indirect costs, divide this total by the total personal service cost (salaries and benefits) of all departments to get the indirect cost rate, and then to multiply this rate by the personal service cost of each department or fund not in the General Fund.

OMB and Finance state that “The current indirect cost model, maintained by OMB to calculate indirect costs, was created 15 years ago. Since that time there have been many changes, including the creation of new NDAs, reorganizations, and the implementation of the ERP, that affect the indirect cost model. The model now needs to be updated to address these changes.” OMB and Finance propose to hire a consultant at an estimated cost of \$40,000 to do the update.

Executive staff stated persuasively that they do not have the knowledge to revise the model in accordance with the detailed and complex requirements of the Federal Government. Therefore, they need a consultant with that knowledge to ensure that the new model is correct and to ensure that the County does not lose reimbursement. The amount of potential lost reimbursement is far larger than the \$40,000 cost.

### **Revenue Issues**

Revenues in FY12 are estimated to be \$771,400, up \$168,080/28% from \$603,320 in the FY11 budget. The individual components and changes are shown on ©7. Estimated revenue from rebates from the use of procurement cards is \$207,000, up \$184,000 from \$23,000 in the FY11 budget. This increase results from switching to a new bank that pays a higher rebate and from assuming increased use of procurement cards instead of paying by check.

**II. Division of Risk Management** As described on ©1, the total FY12 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is \$49,264,680, up \$1,372,610/2.9% from the FY11 approved budget of \$47,892,070.

Personnel Costs account for 9% of the Self-Insurance Fund budget for 10 full-time positions, down 1 from FY11; and 29.4 workyears, up 0.2 workyears from FY11. Operating Expenses account for the remaining 91% of the budget. Included in the total workyears are 19.0 workyears (\$2.5 million) charged to the Self-Insurance Fund by the Office of the County Attorney.

The latest estimate for FY11, as shown on ©7, is that costs in FY11 will be \$47.520 million, down \$372,000 from the budget of \$47.892 million.

The CAO intends to schedule two County Stat meetings each year to review risk management costs with each of the six departments with the highest risk management costs: Corrections, Fire, General Services, Liquor, Police, and Transportation. Hopefully, the CAO's added focus and attention to risk management costs will result in some reduction. The most recent review was on April 20, 2010.

**Mid-year update** Starting in January 1998, the Committee has received mid-year updates of the status of the self-insurance fund. The briefing this year was in the form of a memorandum from the Director of Finance, dated January 25, 2011 (©11).

**Programs in the Division** The budget for the Division includes three programs: the Insurance program, the Legal Services program (charge from the County Attorney), and the Occupational Health and Safety program (this program promotes health and safety in the County Government only, so the expense is not included in the Self Insurance Fund); **plus** an allocation of the Operations and Administration program for its share of the Department's overhead. The detail of the programs is on ©9 and the detail of the changes is on ©8-9.

The expenses are funded by contributions from the members listed in the budget on ©7-8, in the section titled "Revenues". The amounts are based on an actuarial analysis and an evaluation of prior claims. Charges to the members are set at amounts to cover their expected claims, plus amounts to provide a sufficient reserve. As can be seen on ©7-8, there is a wide variation of percentage changes among the members.

### **Expenditure Issues**

The major changes from FY11 to FY12 are explained below.

1. Claims Expense (Insurance), \$3,275,000. Actuarially set increase in claims expense based on past and expected claims for each member.
2. The City of Rockville left the fund as of June 30, 2010. However, the Fund must still pay for claims that occurred when Rockville was in the Fund, and the County's actuary expects such costs to increase \$511,000 in FY12.
3. Restore personnel costs for furloughs in FY11 that are not budgeted to occur in FY12, \$117,170.
4. Claims administration fees to the private company that administers claims, \$108,440 for a CPI adjustment for FY12.
5. Prefunding retiree health insurance (OPEB), \$37,070, in accordance with the County's Fiscal Plan.
6. Claims audit contract, \$30,000 for the biennial audit which was last conducted in FY10 (not in FY11).
7. Annualize operating costs incurred for only part of FY11. The full year costs add \$26,830.
8. Workers Compensation payroll assessment, \$13,890. This is for an increase the State Workers Compensation Commission charges Counties, based on each County's payroll, to cover the costs of operating the Commission.
9. Retirement cost decrease, (\$42,550); and group insurance cost decrease, (\$78,380). These savings result from the Executive's proposal to reduce County costs for retirement and group insurance and to shift some County costs to employees.

10. In FY11, Finance filled a vacant position at a lower cost than was in the FY11 budget for the previous employee, resulting in turnover savings in FY11. The annualized turnover savings, plus other smaller changes in FY12, is (\$54,340).
11. Reduce the cost for commercial property insurance for claims greater than \$250,000, (\$159,970). This is the expected reduction in premium due to competition among commercial insurance companies, loss experience, and the fact that Rockville and Takoma Park left the Fund, so there is less property to insure.
12. Adjustment to claims reserves, (\$2,318,000). The easiest way, perhaps the only way, to understand this decrease is that the County's actuary calculates it, based on an actuarial projection of claims liability as of June 30, 2011.
13. Abolish one Occupational Health and Safety Program Specialist position, -\$99,700. Mr. Fleming provided a detailed explanation of the impact of losing the position.

“The three incumbents are assigned a group of departments. The proposed position covers HHS, Libraries, Recreation and DOCR. With the exception of DOCR, there are relatively few workers' comp claims in the other three departments and occasional complaints regarding indoor air quality or ergonomics issues that need to be responded to urgently. The impact of the DOCR work can be absorbed by the other two incumbents and the OS&H Manager. The incumbents can also cover other issues that arise in the departments. The number of inspections and accident investigations will be reduced by the loss of the position. The number of training sessions and visits to the departments will be reduced. Loss of the position will result in one vehicle being returned to Fleet Management, reducing overhead.

The workload will increase for the incumbents in dealing with day to day safety issues in DOCR and the other departments mentioned above, and they will also assume responsibility for reviewing inspection reports and injury report forms and completing on-the-scene investigations, random inspection sampling and accident review committees.

The involved departments will lose the specific name and face recognition of a hands-on safety representative. Since the duties will be shared among the incumbents, a certain level of customer relations will suffer.”

**Revenues and Fund balance** In the mid-year update in January 2011, the Director noted that claims costs for workers' compensation continued to increase in FY10, resulting in a negative \$6.9 million fund balance at the end of FY10. The County's policy is to maintain a fund balance in the self insurance fund to provide an 80% - 85% actuarial confidence level that the fund can cover its costs. Starting in FY11, the County began a three year plan to restore fund balance to \$12.8 million by the end of FY13. As Mr. Fleming explained, “As we have done in the past in similar circumstances, we propose to restore the self insurance fund balance to the policy level over three years, beginning with FY11.” Fund balance is restored by setting the member contributions high enough to cover costs plus add to fund balance. For FY12, revenues will be \$56.9 million, projected expenses are \$49.3 million, so fund balance will increase \$7.6 million, from (\$2.7 million) to \$4.9 million. See ©14A for the six year fiscal plan, which shows fund balance increasing to \$10 million in FY13, then to \$15 million in FY14-17.

**Council staff recommendation** Approve.

**III. Risk Management NDA for the General Fund portion of the County’s contribution to the Risk Management Fund** (©7 and 16) The County Government is a member of the Fund. As shown on ©7, the County Government contributions to the Fund appear on three lines: 1) the General fund; 2) a summary of the various special funds, enterprise funds, and internal service funds; and 3) Fire and Rescue Services. The risk management costs for the departments and funds in #2-3 are included in their individual budgets.

The risk managements cost for #1, the General Fund departments of County Government, is in a non-departmental account (NDA), \$17,127,290 for FY12. The increase is based on the annual actuarial study and higher claims costs and the need to restore the fund balance.

FY11 approved	16,861,890
Increase assessment from the Fund to cover expected increased costs	365,100
Reduce contribution from the General Fund to the Risk Management Fund resulting from the abolishment of one position in RM.	(99,700)
Total changes	265,400
FY12 recommended	17,127,290
% change	1.6%

**IV. Working Families Income Supplement** (©18) “This NDA provides funds to match the State’s Refundable Earned Income Tax Credit (EITC). The intent of the Working Families Income Supplement is to provide financial assistance to low-income working families in Montgomery County. The County, through the NDA, reimburses the State for the cost of the refund and related administrative expenses.” This type of credit is available to low income families in 22 states, the District of Columbia, New York City, and Montgomery County, MD.

Before FY11, the County matched the State payment. For example if the State paid a County resident \$250, the County paid \$250, for a total of \$500. The State would send the resident a check for \$500 and the County reimbursed the State for the County share.

In FY11, for fiscal reasons, the County reduced its match by 27.2%, as shown in the table below, and the Executive recommends an additional reduction of 12.8% from the FY11 budget, adjusted for more families.

FY11 at same payment per recipient as FY10	\$16,182,300
FY11 Executive recommended reduction, for fiscal reasons	(\$5,394,100)
% reduction from FY10 to FY11	-33.3%
Council restored at reconciliation	\$1,000,000
FY11 approved budget	\$11,788,200
Amount reduction	(\$4,394,100)
% reduction	-27.2%
Number families in FY11 budget	30,505
Average payment per family	\$386
Latest estimate in the number of families in FY11	33,856
Estimated number families in FY12	34,558
Increase number of families compared to FY11 budget	4,053
FY11 approved budget, from above	\$11,788,200
CE's FY12 changes:	
Increase for more families in FY12 than in FY11	\$2,327,800
FY12 budget at same payment per recipient as FY11	\$14,116,000
<b>Decrease for fiscal reasons</b>	<b>(\$1,805,800)</b>
FY12 CE recommended budget	\$12,310,200
% reduction	-12.8%

	Average payment per family	% change
FY10	\$530	
FY11	386	-27.2%
FY12	355	-8.0%

Another way to describe the changes is shown on ©18. In FY10 and prior years, the County matched the State exactly, so if the State paid \$100, the County paid \$100. In FY11, the County reduced its payment 27.2% to \$72.80 for every \$100 the State paid. In FY12, the Executive proposes to reduce the County's payment an additional 8.0% to \$66.98 for every \$100 the State pays, which is roughly 33% less than in FY10. In the table above, the proposed FY12 payment of \$355 is 33% less than the FY10 payment of \$530.

The income limits are shown in the table below from the State's web site.

**Earned Income Tax Credit** If you qualify for the federal earned income tax credit and claim it on your federal return, you may be entitled to a Maryland earned income tax credit on the state return equal to 50 percent of the federal tax credit. The Maryland earned income tax credit will either reduce or eliminate the amount of the state and local income tax that you owe.

For tax year 2010, the earned income credit is allowed if you meet the following conditions:

You have three or more qualifying children and you earn less than \$43,352 (\$48,362 if married filing jointly).

You have two qualifying children and you earn less than \$40,363 (\$45,373 if married filing jointly).

You have one qualifying child and you earn less than \$35,535 (\$40,545 if married filing jointly).

You do not have a qualifying child and you earn less than \$13,460 (\$18,470 if married filing jointly).

Council staff suggests that the Committee consider putting the amount of reduction, \$1.8 million, on the reconciliation list, perhaps in three amounts of \$600,000 each.

**V. State Property Tax Services** ©17 This was a new NDA in FY11 to pay a fee the State Department of Assessment and Taxation charges the County. Finance explained that “The County is charged by SDAT for administering the County Supplemental Homeowners’ and Senior Property Tax Credit programs and for the homestead credit certification program by SDAT. The first two credit programs are County only optional credit programs, while the certification program is required under State Law where each local jurisdiction pays its share of the cost.” The FY12 charge from the State is \$136,430.

**VI. Restricted Donations NDA** Individuals sometimes donate money to the County, and this money is accounted for in the non-tax supported Restricted Donations Fund. Because of the reappropriation provision in the appropriation resolution, the County will have the authority to spend in FY12 whatever amount exists at the end of FY11. Actual spending was \$672,190 in FY10 and actual spending through February in FY11 is \$292,880. However, the appropriation for the next budget year (FY12) is always shown in the budget as \$0.

Schedule A4 shows that the latest estimate for the balance at the end of FY11 is \$3.5 million, up \$1.8 million from \$1.7 million estimated in the FY11 budget. Finance explained the increase as follows.

“In FY11 there has been one large deposit for \$2,150,000 to the Chungbuk (DED) Cost Center. A large expenditure totaling \$150,000 is also attributable to Chungbuk.

“Chungbuk (more formally, “Chungcheongbuk-Do”) is a province in South Korea that the County Executive visited in 2008, where, after discussing mutual economic development interests he received a commitment from Chungbuk for a \$2 million contribution to the development of the East County Incubator. Because market conditions have caused the County to delay the construction of the Incubator, and because Chungbuk still wished to maintain an economic development partnership with the County, Chungbuk decided to allow the County to use the committed funds to supplement the County’s Economic Development Fund Small Business Revolving Loan Program until such time as the Incubator is developed.”

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# Finance

## MISSION STATEMENT

The mission of the Department of Finance is to prudently manage financial operations, recommend and implement sound fiscal policies, safeguard public assets, and encourage a safe environment on public property.

## BUDGET OVERVIEW

The total recommended FY12 Operating Budget for the Department of Finance is \$58,917,230, an increase of \$1,428,270 or 2.5 percent from the FY11 Approved Budget of \$57,488,960. Personnel Costs comprise 20.7 percent of the budget for 110 full-time positions and two part-time positions for 107.1 workyears. Operating Expenses account for the remaining 79.3 percent of the FY12 budget.

The Finance Operating Budget is comprised of a General Fund component (the Director's Office and the Divisions of Treasury and Controller) and the Risk Management Division, which is funded by the Liability and Property Coverage Self-Insurance Fund. The total FY12 Operating Budget for the General Fund component is \$9,652,550, an increase of \$55,660 or 0.6 percent from the FY11 approved budget of \$9,596,890. Personnel Costs comprise 87.0 percent of the General Fund budget for 100 full-time and 2 part-time positions for 77.7 workyears. Operating Expenses account for the remaining 13.0 percent of the budget.

The total FY12 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is \$49,264,680, an increase of \$1,372,610 or 2.9 percent from the FY11 approved budget of \$47,892,070. Personnel Costs comprise approximately 9.2 percent of the Self-Insurance Fund budget for 10 full-time positions for 29.4 workyears. Operating Expenses account for the remaining 92.3 percent of the budget. Included in the total workyears are 19.0 workyears charged to the Self-Insurance Fund by the Office of the County Attorney and 0.4 workyear charged by the General Fund component of Finance (Controller Division) for services provided in support of Risk Management.

## 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**
- ❖ **Strong and Vibrant Economy**

## DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below, with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY11 estimates incorporate the effect of the FY11 savings plan. FY12 and FY13 targets assume the recommended FY12 budget and FY13 funding for comparable service levels.

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ **Successfully retained the County's AAA bond rating from the three major credit rating agencies in the spring of 2010. In conjunction with this effort and in coordination with the County Council and Office of Management and Budget, strengthened the County's fiscal reserve policies and implemented changes to the Revenue Stabilization Fund law.**
- ❖ **The County again took advantage of opportunities afforded by the American Recovery and Reinvestment Act of 2009, issuing another series of Build America Bonds (BABs) and a new series of Recovery Zone Economic Development Bonds. The County issued \$106 million of taxable BABs and will receive a 35% subsidy from the Federal government to offset the interest payable on the bonds. The \$24 million Recovery Zone Bond issue will receive an even higher subsidy of 45%, resulting in significant County debt service savings.**
- ❖ **Continue Business Process Re-engineering and Enterprise Resource Planning implementation. Implemented July 1, 2010, on-time and budget, ERP core financial (general ledger, accounts payable, accounts receivable, projects and grants, fixed assets and purchasing) functionality. Implemented January 1, 2011 ERP core payroll, human resource, and employee self-service functionality. Expanded functionality will continue through fiscal year 2012.**

- ❖ Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the 40th year, longer than any other government in the USA and Canada.
- ❖ Successfully completed the first comprehensive interdepartmental fiscal impact analyses of County Master Plans, for Great Seneca Science Corridor (Gaithersburg West), White Flint Sector Plan, Kensington and Vicinity Sector Plan, and the Takoma/Langley Crossroads Sector Plan.
- ❖ Occupational Safety and Health staff provided training for over 1,037 County employees, who attended 69 classes scheduled through the Safety Academy, and 79 department specific classes.
- ❖ Productivity Improvements
  - Process Re-engineering Initiative: The MTime Project Team has deployed the MTime Electronic Timekeeping and Records Management application to all 41 Departments and 13,000 employees.
  - Cost Savings and Process Re-engineering Initiative: ERP implementation activities have commenced with final implementation planned by the end of FY12. The end result of this initiative positively impacts all eight results areas, as improved access to more accurate data enables managers to make better program decisions, and the continuing transformation of business processes allows more productive program management and execution. Specifically, this initiative will re-engineer County government business processes to fully integrate financial, purchasing, budget, and human resource applications, avoid data duplication, meet internal and external information needs, and replace outdated legacy systems with enterprise wide solutions such as Enterprise Resource Planning (ERP) and MTime.
  - Cost Savings and Process Re-engineering Initiative: The Department of Finance deployed electronic pay advices instead of mailing employee bi-weekly pay advices to save printing and mailing costs. Employee pay advices are now available on the web.

## PROGRAM CONTACTS

Contact Nancy Moseley of the Department of Finance at 240.777.8886 or Bryan Hunt of the Office of Management and Budget at 240.777.2770 for more information regarding this department's operating budget.

## PROGRAM DESCRIPTIONS

### Debt and Cash Management

This program provides effective debt and cash management with the goal of maintaining the County's AAA General Obligation Bond debt rating, and the active investment of the County's working capital to minimize risk while generating the maximum investment income. Program objectives include managing the timely and economic issuance of short- and long-term financial obligations; developing and maintaining strong rating agency and investor relations; preparing accurate and timely financing documents, including the County's Annual Information Statement; ensuring strict compliance with disclosure requirements; coordinating bond counsel review; providing high-quality consulting services for County agencies, managers, staff, elected officials, and residents on issues related to debt and cash management; and managing the County's relationship with the banking community.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Bond Rating - Rating given to Montgomery County by Fitch, Moody's, and Standard and Poor's (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	AAA	Expected	Expected
Investment Return Benchmarking - County Return vs. S&P Local Government Investment Pool Index (basis point spread)	50.0	20.0	20.0	20.0	20.0
Interest Rate - Montgomery County General Obligation Bond true interest cost (The interest rate of Montgomery County's most common type of bond)	4.18	2.86	2.81	5.0	5.0
Interest Rate Benchmarking - County GO vs. Municipal Market Data Index (basis point spread)	27.0	(17.0)	14.0	25.0	25.0
Investment Return - Rate of return on Montgomery County's investments	1.71%	.22%	.85%	1.80%	3.25%

FY12 Recommended Changes	Expenditures	WYs
<b>FY11 Approved</b>	<b>662,070</b>	<b>4.6</b>
Increase Cost: Annualization of FY11 Lapsed Positions	26,230	0.2
Shift: White Flint Redevelopment Program	-27,000	-0.1
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-14,990	0.2
<b>FY12 CE Recommended</b>	<b>646,310</b>	<b>4.8</b>

## Information Technology

This program provides planning, direction, and support for finance and core business systems, technology, and business processes to support effective and efficient achievement of the Department's mission. Activities are proactively coordinated with the Department of Technology Services, other County departments, vendors, and Department staff to ensure consistency of Department systems and financial controls with countywide automation policies and standards and with appropriate financial control standards. The program oversees and coordinates business requirements analysis, development, selection, procurement, implementation, maintenance, administration, security, and training on and reporting from, the Finance Department's automated systems and applications. This program is also responsible for managing data integrity associated with daily and year-end processing, providing timely response to customer questions and proactive trouble shooting of financial transaction issues, supporting continuity of Finance Department business operations, managing service contracts and vendor relationships, and providing responses to FOIA-related and auditor requests of Finance.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Requests for assistance with computer systems, i.e. Service Tickets (average number of days to close) <sup>1</sup>	1.8	1.9	TBD	TBD	TBD
County Core Business Systems: User service requests processed <sup>2</sup>	820	638	TBD	TBD	TBD

<sup>1</sup> ERP implementation - no data on which to base FY11 through FY13 estimates.

<sup>2</sup> ERP implementation - no data on which to base FY11 through FY13 estimates. Service requests are received through help desk, emails, and phone calls.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>1,465,760</b>	<b>6.4</b>
Eliminate: Timesheet Data Entry Keypunch Contract	-75,000	0.0
Shift: Outsource Municipal Information System (MUNIS) Support: Implement Application Support Provider (ASP) Model and Redeploy Sr. IT Specialist	-98,150	-0.7
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	8,400	0.3
<b>FY12 CE Recommended</b>	<b>1,301,010</b>	<b>6.0</b>

## Accounts Payable

This program is responsible for timely and accurate payments to vendors for goods and services provided to the County; complying with County policies and procedures; and carrying out State and Federal reporting requirements. Payments to vendors are initiated and approved by individual departments. The Accounts Payable program is responsible for review and final approval of payments of \$10,000 or more, as well as most refunds and other non-expenditure disbursements. Payments under \$10,000 are individually reviewed and approved by operating departments subject to post-payment audit by Accounts Payable.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>588,130</b>	<b>6.8</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-6,420	0.2
<b>FY12 CE Recommended</b>	<b>581,710</b>	<b>7.0</b>

## Accounts Receivable

This program is responsible for the timely receipt and accounting for monies due to the County from residents, businesses, and government agencies. In conjunction with the implementation of the Enterprise Resource Planning (ERP) system and associated best practices, this program provides for development of standardized policies and procedures, and provision of services including invoicing/billing, collection, accounting, reconciliation, and reporting reconciliation of monies due. This program will provide greater accountability through improved reporting, enhanced tracking of payment trends, and increased opportunities for maximizing collectibility.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>0</b>	<b>0.0</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	157,970	1.0
<b>FY12 CE Recommended</b>	<b>157,970</b>	<b>1.0</b>

Notes: Includes a Shift of an Accounts Receivable Manager to Home Operations from CIP: ERP (1 FT, 1.0 WY)

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## General Accounting

This program is responsible for the analysis, interpretation, and presentation of the County's financial position and results of operations through timely, accurate, and professional financial reports. These reports provide public assurance as to the accountability and integrity of the use of County resources; adherence to budgetary policies established by management; and compliance with Federal, State, and County mandates. The program prepares the Comprehensive Annual Financial Report, District Service Booklet, as well as numerous other standardized and specialized reports. This program also provides high quality, timely service to County departments through analysis and technical assistance and through preparation, review, and approval of financial transactions.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting <sup>1</sup>	Received	Expected	Expected	Expected	Expected

<sup>1</sup> The County is continuing practices necessary to qualify for the GFOA Certificate of Achievement. The County has been awarded this certificate more times than any other county in the nation (40 times).

FY12 Recommended Changes	Expenditures	WYs
<b>FY11 Approved</b>	<b>1,462,630</b>	<b>12.8</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-83,540	0.8
<b>FY12 CE Recommended</b>	<b>1,379,090</b>	<b>13.6</b>

Notes: Includes the Shift of a Fixed Assets position back to Home Operations from CIP: ERP (\$49,190, 0.3 WY).

## Grants Accounting

This program is responsible for the analysis, interpretation, and presentation of the County's financial position relating to grants through timely, accurate, and professional financial reports. These reports provide public assurance as to the accountability and integrity of the use of federal, state, and other outside resources; adherence to budgetary policies established by management; and compliance with Federal, State, and County mandates. The program prepares the Single Audit Report on expenditures of Federal awards, and State Uniform Financial Report, as well as numerous other standardized and specialized reports. This program also provides high quality, timely service to County departments through analysis and technical assistance; and through preparation, review, and approval of grant financial transactions.

FY12 Recommended Changes	Expenditures	WYs
<b>FY11 Approved</b>	<b>543,620</b>	<b>4.8</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-25,270	0.2
<b>FY12 CE Recommended</b>	<b>518,350</b>	<b>5.0</b>

## Payroll

This program is responsible for managing and maintaining the County's payroll system and functions as prescribed by Federal, State, and County laws, and local regulations. The program provides timely and accurate payroll disbursements to County employees, accounts for payroll deductions, issues W-2 statements to account for pre-tax and post-tax benefits, maintains official payroll and leave records, and responds to internal and external inquiries. The program proactively operates in conjunction with other County departments to maintain and develop efficient and effective improvements to the personnel/payroll and electronic timekeeping systems.

FY12 Recommended Changes	Expenditures	WYs
<b>FY11 Approved</b>	<b>666,790</b>	<b>6.8</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-9,320	0.2
<b>FY12 CE Recommended</b>	<b>657,470</b>	<b>7.0</b>

## Tax Operations

This program is responsible for the timely and accurate collection and processing of all County administered taxes, including property taxes (which are the County's largest revenue source), transfer and recordation taxes (relating to real property transfers and recordation of instruments of writing), and several excise taxes (fuel/energy, telephone, hotel/motel). The program is also responsible for the administration of the County's Working Families Income Supplement program, the Public Advocate for Assessments & Taxation (Public Advocate) program, and numerous tax credit, deferral, and assistance programs. The property tax portion of this program provides the calculation and distribution of tax bills; accounting and distribution of tax collections to the State of Maryland.

municipalities, and other entities; collection of delinquent accounts through the tax lien sale process; and communication of and access to tax and account information by attorneys and title companies for preparation of property settlements; and customer service assistance to the public for complex tax-related matters and issues. The transfer and recordation tax portion of this program ensures that all other taxes, fees, and charges associated with the property tax account are paid in full prior to recording of the deed for that property by the State of Maryland. The Public Advocate program provides an independent review of State-determined property assessment valuations for fairness and accuracy and, therefore, protects the public interest by acting on behalf of the taxpayers and the County.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Average number of seconds to answer customer calls to the Treasury Call Center <sup>1</sup>	116	130	NA	NA	NA

<sup>1</sup> FY11 - function was transferred to the MC311 Call Center.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>1,679,460</b>	<b>16.2</b>
Increase Cost: Compensation Adjustment for Charges from County Attorney	9,880	0.0
Shift: Chargeback to Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing, Collection and Processing Services	-7,420	0.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-6,910	0.6
<b>FY12 CE Recommended</b>	<b>1,675,010</b>	<b>16.8</b>

### Treasury Operations

This program is responsible for providing coordination and oversight of treasury operations and customer services through the cashing function. All money received by the County, directly through the Treasury cashing operation, from other County agencies, or through the internet and bank lockbox operation, is processed, administered, and recorded in a timely fashion in the County's accounting system. This program handles property, transfer and recordation, and excise taxes; fines and fees; and offers specific employee services, such as the fare media pass. Functioning as a banking operation, the tellers are a primary provider of person-to-person customer service to County residents.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>309,050</b>	<b>3.9</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-53,470	0.1
<b>FY12 CE Recommended</b>	<b>255,580</b>	<b>4.0</b>

### Insurance

The Montgomery County Self-Insurance Program, established under County Code 20-37, provides comprehensive property and casualty insurance for the County and participating agencies. The program is funded through contributions from the agencies, which are based upon an annual actuarial analysis of outstanding and projected future claims filed against the participants. The program provides accurate and timely insurance and risk management advice to participating agencies and reduces County and participating agency exposure to risk by: comparing the cost of commercially available coverage to evaluate the best method of funding exposure to loss; transferring contractual risk under indemnification/hold harmless agreements; avoiding risk; operating proactive safety programs; and purchasing commercial insurance policies.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Number of Workers' Compensation claims resulting in lost work time	603	579	550	550	550
Workers' Compensation Cost per \$100 of Payroll	\$2.47	\$2.87	\$2.95	\$3.07	\$3.07

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>44,073,400</b>	<b>3.9</b>
Increase Cost: Claims Expense	3,275,000	0.0
Increase Cost: City of Rockville Leaving the County's Self Insurance Program	511,000	0.0
Increase Cost: Contract for Claims Administration	108,440	0.0
Increase Cost: Biennial Claims Audit	30,000	0.0
Increase Cost: Workers' Compensation Payroll Assessment	13,890	0.0
Decrease Cost: Commercial Property Insurance	-159,970	0.0
Decrease Cost: Adjustment to Claims Reserves	-2,318,000	0.0

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	<b>Expenditures</b>	<b>WYs</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-45,170	0.1
<b>FY12 CE Recommended</b>	<b>45,488,590</b>	<b>4.0</b>

### **Occupational Safety and Health**

This program coordinates reporting to Federal and State regulatory agencies on health and safety issues. The State-required injury reports and the mandated safety training and record keeping are completed on schedule. The program responds promptly to inspections and queries from the Maryland Occupational Safety and Health Administration. Accident prevention programs are conducted, and training is provided continuously in loss prevention and loss control to promote a safe and healthy work environment for County employees.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Workers Compensation - Cost per \$100 of payroll	\$2.38	\$2.87	\$2.95	\$3.07	\$3.07
Workers Compensation - Number of cases resulting in lost work time	603	632	550	550	550

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>726,660</b>	<b>4.9</b>
Reduce: Abolish Occupational Health and Safety Program Specialist	-99,700	-1.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-22,330	0.1
<b>FY12 CE Recommended</b>	<b>604,630</b>	<b>4.0</b>

### **Policy and Fiscal Projects**

This program provides issue management and fiscal analysis associated with economic development policies and initiatives; proactive development of intergovernmental policy alternatives and recommendations, including necessary local and state legislation and regulations; fiscal and economic impact analysis for local and state legislation; fiscal impact analysis and effective management associated with the financing and implementation aspects of Master and Sector Plans; and high quality financial consulting services for County agencies, managers, staff, elected officials, and residents.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>262,730</b>	<b>1.9</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-1,170	0.1
<b>FY12 CE Recommended</b>	<b>261,560</b>	<b>2.0</b>

### **Legal Services**

This program funds activities of the Office of the County Attorney, which provides legal services including investigation, negotiation, and litigation on behalf of the County and agencies that participate in the Self-Insurance Program.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>2,396,930</b>	<b>18.1</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	116,140	0.9
<b>FY12 CE Recommended</b>	<b>2,513,070</b>	<b>19.0</b>

### **Operations and Administration**

This program includes operational support for the Department as well as the administrative portions of the Director's Office, the Division of the Controller, the Treasury Division, and the Division of Risk Management. The program provides support for efficient, effective, and timely accomplishment of the Department's mission, including budget development and oversight, personnel administration, strategic planning, and contract administration. It is also responsible for accurate revenue and economic forecasting, and publishing reports on economic and revenue analysis on a monthly and quarterly basis for dissemination to the County Council and public. The program provides high quality consulting services for County agencies, managers, staff, elected officials, and residents.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Revenue forecasting - Percent variance between actual revenue and projected revenue	-2.9%	-6.1%	TBD	TBD	TBD

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>2,651,730</b>	<b>11.8</b>
Increase Cost: Central Duplicating, Printing and Postage Structural Deficit Adjustment	56,570	0.0
Increase Cost: Revise Methodology for Assessing Indirect Cost Rate for Operating and CIP Projects	40,000	0.0
Increase Cost: Retiree Health Insurance Pre-Funding	37,070	0.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	91,510	1.1
<b>FY12 CE Recommended</b>	<b>2,876,880</b>	<b>12.9</b>

## BUDGET SUMMARY

	<b>Actual FY10</b>	<b>Budget FY11</b>	<b>Estimated FY11</b>	<b>Recommended FY12</b>	<b>% Chg Bud/Rec</b>
<b>COUNTY GENERAL FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	6,086,854	5,965,270	5,940,580	6,136,550	2.9%
Employee Benefits	2,158,060	2,491,900	2,236,100	2,262,600	-9.2%
<b>County General Fund Personnel Costs</b>	<b>8,244,914</b>	<b>8,457,170</b>	<b>8,176,680</b>	<b>8,399,150</b>	<b>-0.7%</b>
Operating Expenses	640,930	1,139,720	1,321,690	1,253,400	10.0%
Capital Outlay	0	0	0	0	—
<b>County General Fund Expenditures</b>	<b>8,885,844</b>	<b>9,596,890</b>	<b>9,498,370</b>	<b>9,652,550</b>	<b>0.6%</b>
<b>PERSONNEL</b>					
Full-Time	113	101	101	100	-1.0%
Part-Time	2	2	2	2	—
Workyears	79.0	73.7	73.7	77.7	5.4%
<b>REVENUES</b>					
Miscellaneous	2,028	0	0	0	—
Development District Fees	45,150	148,330	71,700	148,330	—
Procurement Card Rebate	25,278	23,000	23,000	207,000	800.0%
WSSC Reimb.: Benefit Charge on Tax Bill	86,575	78,220	78,220	70,080	-10.4%
Municipalities Reimb.: Property Tax Services	53,679	55,510	54,110	54,310	-2.2%
State Reimb.: Bay Restoration Fund	22,082	22,500	22,500	22,500	—
Bad / Dishonored Check Fees	52,179	50,000	50,000	50,000	—
Tax Certification Fee	580	4,000	500	500	-87.5%
Tax Sale Fee	88,288	90,000	90,000	90,000	—
Child Support Payment Fees	19,630	22,260	20,540	20,540	-7.7%
Conduit Bond Fees	108,547	109,500	109,000	108,140	-1.2%
<b>County General Fund Revenues</b>	<b>504,016</b>	<b>603,320</b>	<b>519,570</b>	<b>771,400</b>	<b>27.9%</b>
<b>SELF INSURANCE INTERNAL SERVICE FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	2,647,955	2,973,170	2,733,850	2,867,750	-3.5%
Employee Benefits	770,974	994,580	861,350	942,200	-5.3%
<b>Self Insurance Internal Service Fund Personnel Costs</b>	<b>3,418,929</b>	<b>3,967,750</b>	<b>3,595,200</b>	<b>3,809,950</b>	<b>-4.0%</b>
Operating Expenses	38,352,466	43,924,320	43,924,320	45,454,730	3.5%
Capital Outlay	0	0	0	0	—
<b>Self Insurance Internal Service Fund Expenditures</b>	<b>41,771,395</b>	<b>47,892,070</b>	<b>47,519,520</b>	<b>49,264,680</b>	<b>2.9%</b>
<b>PERSONNEL</b>					
Full-Time	11	11	11	10	-9.1%
Part-Time	0	0	0	0	—
Workyears	30.4	29.2	29.2	29.4	0.7%
<b>REVENUES</b>					
Montgomery County (Special, Entpr. & Int. Serv.)	5,230,246	6,078,410	6,078,410	7,173,890	18.0%
Montgomery County General Fund NDA	11,908,250	16,861,890	16,861,890	17,127,290	1.6%
Fire and Rescue Services	8,408,840	12,088,110	12,088,110	11,835,310	-2.1%
Board of Education	9,752,270	13,605,620	13,605,620	16,023,500	17.8%
Montgomery College	456,450	622,100	622,100	905,870	45.6%
M-NCPPC	1,421,220	1,047,640	1,047,640	1,130,890	7.9%

	Actual FY10	Budget FY11	Estimated FY11	Recommended FY12	% Chg Bud/Rec
Housing Opportunities Commission	290,780	473,170	473,170	881,800	86.4%
Revenue Authority	198,360	203,230	203,230	200,020	-1.6%
City of Gaithersburg	233,300	0	0	318,410	—
City of Rockville	1,329,910	0	0	0	—
Takoma Park	334,730	0	0	0	—
Housing Authority-City of Rockville	18,030	17,070	17,070	14,670	-14.1%
Other Municipal Income	83,820	38,780	38,780	48,910	26.1%
Other - Recovered Losses	846,138	1,100,000	620,940	1,000,000	-9.1%
Investment Income - Pooled and Non-Pooled	218,643	740,000	120,000	250,000	-66.2%
Bethesda Urban Partnership	0	12,410	12,410	12,250	-1.3%
<b>Self Insurance Internal Service Fund Revenues</b>	<b>40,730,987</b>	<b>52,888,430</b>	<b>51,789,370</b>	<b>56,922,810</b>	<b>7.6%</b>
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>50,657,239</b>	<b>57,488,960</b>	<b>57,017,890</b>	<b>58,917,230</b>	<b>2.5%</b>
<b>Total Full-Time Positions</b>	<b>124</b>	<b>112</b>	<b>112</b>	<b>110</b>	<b>-1.8%</b>
<b>Total Part-Time Positions</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>—</b>
<b>Total Workyears</b>	<b>109.4</b>	<b>102.9</b>	<b>102.9</b>	<b>107.1</b>	<b>4.1%</b>
<b>Total Revenues</b>	<b>41,235,003</b>	<b>53,491,750</b>	<b>52,308,940</b>	<b>57,694,210</b>	<b>7.9%</b>

## FY12 RECOMMENDED CHANGES

	Expenditures	WYs
<b>COUNTY GENERAL FUND</b>		
<b>FY11 ORIGINAL APPROPRIATION</b>	<b>9,596,890</b>	<b>73.7</b>
<b>Changes (with service impacts)</b>		
Eliminate: Timesheet Data Entry Key punch Contract [Information Technology]	-75,000	0.0
<b>Other Adjustments (with no service impacts)</b>		
Shift: ERP Positions to Operating Budget to Assume Home Operation Responsibilities (OBI)	261,340	1.8
Increase Cost: Restore Personnel Costs - Furloughs	170,300	2.9
Increase Cost: Central Duplicating, Printing and Postage Structural Deficit Adjustment [Operations and Administration]	56,570	0.0
Increase Cost: Revise Methodology for Assessing Indirect Cost Rate for Operating and CIP Projects [Operations and Administration]	40,000	0.0
Increase Cost: Printing and Mail Adjustment	28,630	0.0
Increase Cost: Annualization of FY11 Lapsed Positions [Debt and Cash Management]	26,230	0.2
Increase Cost: Compensation Adjustment for Charges from County Attorney [Tax Operations]	9,880	0.0
Increase Cost: Annualization of FY11 Operating Expenses	7,020	0.0
Increase Cost: Help Desk - Desk Side Support	1,370	0.0
Decrease Cost: Verizon Point to Point T1 Replacement	-2,180	0.0
Shift: Chargeback to Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing, Collection and Processing Services [Tax Operations]	-7,420	0.0
Shift: White Flint Redevelopment Program [Debt and Cash Management]	-27,000	-0.2
Decrease Cost: Turnover Savings	-56,170	0.0
Decrease Cost: Retirement Adjustment	-82,740	0.0
Shift: Outsource Municipal Information System (MUNIS) Support: Implement Application Support Provider (ASP) Model and Redeploy Sr. IT Specialist [Information Technology]	-98,150	-0.7
Decrease Cost: Group Insurance Adjustment	-197,020	0.0
<b>FY12 RECOMMENDED:</b>	<b>9,652,550</b>	<b>77.7</b>
<b>SELF INSURANCE INTERNAL SERVICE FUND</b>		
<b>FY11 ORIGINAL APPROPRIATION</b>	<b>47,892,070</b>	<b>29.2</b>
<b>Changes (with service impacts)</b>		
Reduce: Abolish Occupational Health and Safety Program Specialist [Occupational Safety and Health]	-99,700	-1.0
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: Claims Expense [Insurance]	3,275,000	0.0
Increase Cost: City of Rockville Leaving the County's Self Insurance Program [Insurance]	511,000	0.0
Increase Cost: Restore Personnel Costs - Furloughs	117,170	1.2
Increase Cost: Contract for Claims Administration [Insurance]	108,440	0.6
Increase Cost: Retiree Health Insurance Pre-Funding [Operations and Administration]	37,070	0.0

	Expenditures	WYs
Increase Cost: Biennial Claims Audit [Insurance]	30,000	0.0
Increase Cost: Annualization of FY11 Operating Expenses	26,830	0.0
Increase Cost: Workers' Compensation Payroll Assessment [Insurance]	13,890	0.0
Increase Cost: Printing and Mail Adjustment	3,320	0.0
Increase Cost: Motor Pool Rate Adjustment	2,830	0.0
Decrease Cost: Retirement Adjustment	-42,550	0.0
Increase Cost: Annualization of FY11 Personnel Costs	-54,340	0.0
Decrease Cost: Group Insurance Adjustment	-78,380	0.0
Decrease Cost: Commercial Property Insurance [Insurance]	-159,970	0.0
Decrease Cost: Adjustment to Claims Reserves [Insurance]	-2,318,000	0.0
<b>FY12 RECOMMENDED:</b>	<b>49,264,680</b>	<b>29.4</b>

## PROGRAM SUMMARY

Program Name	FY11 Approved		FY12 Recommended	
	Expenditures	WYs	Expenditures	WYs
Debt and Cash Management	662,070	4.6	646,310	4.8
Information Technology	1,465,760	6.4	1,301,010	6.0
Accounts Payable	588,130	6.8	581,710	7.0
Accounts Receivable	0	0.0	157,970	1.0
General Accounting	1,462,630	12.8	1,379,090	13.6
Grants Accounting	543,620	4.8	518,350	5.0
Payroll	666,790	6.8	657,470	7.0
Tax Operations	1,679,460	16.2	1,675,010	16.8
Treasury Operations	309,050	3.9	255,580	4.0
Insurance	44,073,400	3.9	45,488,590	4.0
Occupational Safety and Health	726,660	4.9	604,630	4.0
Policy and Fiscal Projects	262,730	1.9	261,560	2.0
Legal Services	2,396,930	18.1	2,513,070	19.0
Operations and Administration	2,651,730	11.8	2,876,880	12.9
<b>Total</b>	<b>57,488,960</b>	<b>102.9</b>	<b>58,917,230</b>	<b>107.1</b>

## CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY11		FY12	
		Total\$	WYs	Total\$	WYs
<b>COUNTY GENERAL FUND</b>					
Board of Investment Trustees	BIT 457 Deferred Comp. Plan	23,230	0.1	23,230	0.1
Board of Investment Trustees	Employee Retirement System	49,560	0.3	49,560	0.3
Board of Investment Trustees	Retiree Health Benefits	38,720	0.3	38,720	0.3
Board of Investment Trustees	Retirement Savings Plan	24,780	0.2	24,780	0.2
CIP	CIP	1,837,580	14.3	1,702,620	13.4
Community Use of Public Facilities	Community Use of Public Facilities	5,090	0.1	5,090	0.1
Environmental Protection	Water Quality Protection Fund	271,430	2.2	278,490	2.2
Finance	CIP	0	0.0	176,670	1.4
Finance	Self Insurance Internal Service Fund	50,620	0.4	50,620	0.4
General Services	Printing and Mail Internal Service Fund	6,430	0.1	6,430	0.1
Human Resources	Employee Health Benefit Self Insurance Fund	104,800	0.8	104,800	0.8
Parking District Services	Bethesda Parking District	58,530	0.6	58,000	0.6
Parking District Services	Montgomery Hills Parking District	5,770	0.1	5,780	0.1
Parking District Services	Silver Spring Parking District	53,970	0.5	54,340	0.5
Parking District Services	Wheaton Parking District	13,590	0.1	13,400	0.1
Permitting Services	Permitting Services	13,070	0.1	13,070	0.1
Solid Waste Services	Solid Waste Collection	34,710	0.4	89,860	0.4
Solid Waste Services	Solid Waste Disposal	316,940	2.3	216,380	2.3
Transportation	Vacuum Leaf Collection	34,400	0.3	80,530	0.3
<b>Total</b>		<b>2,943,220</b>	<b>23.2</b>	<b>2,992,370</b>	<b>23.7</b>

# FUTURE FISCAL IMPACTS

Title	(\$000's)					
	CE REC. FY12	FY13	FY14	FY15	FY16	FY17
This table is intended to present significant future fiscal impacts of the department's programs.						
<b>COUNTY GENERAL FUND</b>						
<b>Expenditures</b>						
FY12 Recommended	9,653	9,653	9,653	9,653	9,653	9,653
No inflation or compensation change is included in outyear projections.						
<b>Subtotal Expenditures</b>	<b>9,653</b>	<b>9,653</b>	<b>9,653</b>	<b>9,653</b>	<b>9,653</b>	<b>9,653</b>
<b>SELF INSURANCE INTERNAL SERVICE FUND</b>						
<b>Expenditures</b>						
FY12 Recommended	49,265	49,265	49,265	49,265	49,265	49,265
No inflation or compensation change is included in outyear projections.						
<b>Subtotal Expenditures</b>	<b>49,265</b>	<b>49,265</b>	<b>49,265</b>	<b>49,265</b>	<b>49,265</b>	<b>49,265</b>

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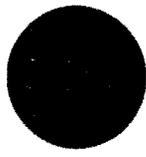
Isiah Leggett  
County Executive

Jennifer E. Barrett  
Director

January 25, 2011

TO: Nancy Navarro, Chair  
Government Operations and Fiscal Policy Committee

FROM: Jennifer E. Barrett, Director  
Department of Finance



060235

SUBJECT: Mid-year Risk Management Update

I am pleased to provide information in reference to the GOFP Committee's annual review of the County's risk management program. Please let me know if you have questions or require additional information.

**FY10 Financial Results and FY11 Projections**

The balance sheet and income statement are attached. Increasing workers' compensation claims costs continued in FY10, leading to a fund balance of (\$6.9 million). The County's policy is to fund claims to an actuarial confidence level of 80% - 85%, which equates to a fund balance of \$12.8 million based on the actuarial analysis of the Self Insurance Fund at June 30, 2010. In FY11, the County began a three-year plan to restore fund balance to the policy level. Based on current projections, FY11 will end with a fund balance of (\$1.6 million). Recommendations will be made in the FY12 and FY13 year budgets to restore fund balance to the policy level.

**FY10 Claim Results and Trends**

**Workers' Compensation:** Typical of the County's self insurance program, workers' compensation claims encompass the largest component of claims activity. Workers' compensation claims continue to increase in frequency and severity. The most costly workers' compensation claims involve injuries causing lost time from work and permanent partial disability payments awarded by the Maryland Workers' Compensation Commission. Although the number of claims reported annually fluctuates, the general trend is upward. The charts below report claims frequency and cost per \$100 payroll for the participating agencies, and for the County, including County departments with the highest workers' compensation claims activity.

The following two charts show the number of lost time claims for the three largest agencies in the self insurance fund and for the County departments with the highest frequency. For FY11, the year-to-date numbers in the two charts appear to be trending significantly lower than prior years. It is important to recognize that there can

Office of the Director

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be considerable lag time for claims to be reported and entered into the database. Therefore, we expect the final numbers to be higher:

**Largest Agencies**  
**Lost Time Claims**

<u>Year</u>	<u>All Agencies</u>	<u>County</u>	<u>MCPS</u>	<u>MNCPPC</u>
FY05	856	499	224	76
FY06	962	535	270	92
FY07	910	547	237	73
FY08	1033	601	269	98
FY09	1025	605	237	102
FY10	1074	632	256	120
FY11 (12/31/10)	372	214	99	44

**Montgomery County Departments**  
**Lost Time Claims**

<u>Year</u>	<u>FRS</u>	<u>Police</u>	<u>DOT</u>
FY05	228	138	47
FY06	197	157	70
FY07	231	150	66
FY08	201	165	71
FY09	244	154	69
FY10	246	143	105
FY11 (12/31/10)	81	50	47

The next two charts show the cost of workers' compensation per \$100 of payroll for larger County departments and for all of the agencies participating in the County's self insurance fund.

**Montgomery County Departments Incurred WC Cost per \$100 Payroll**

<u>Department</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
Fire & Rescue Svcs	4.41	4.99	5.68	6.36	7.05	6.48	5.54	6.40	6.84	7.93
Police	2.20	2.25	2.93	3.35	4.23	3.91	3.70	4.59	4.56	
DPW&T	1.67	1.73	1.74	1.80	2.20	2.28	2.48	*		
Liquor Control	2.50	2.74	2.78	2.99	3.67	3.23	2.68	2.80	2.73	2.80
Correction	1.57	1.90	1.80	2.21	2.75	2.70	3.28	3.21	2.88	3.14
DOT							*	3.21	3.11	3.26
General Svcs							*	2.11	2.12	2.96
All Other	0.25	0.33	0.34	0.39	0.53	0.39	0.32	0.32	0.38	0.41

\* FY09  
 County  
 reorganization

Nancy Navarro  
 January 25, 2011  
 Page Three

Agency	FY02	FY03	FY04	FY05	FY06	FY07*	FY08	FY09	FY10	FY11
Montgomery County	1.07	1.16	1.32	1.50	1.93	2.64	2.35	2.55	2.81	3.16
MCPS	0.60	0.55	0.55	0.56	0.61	0.51	0.45	0.50	0.52	0.53
Montgomery College	0.17	0.15	0.14	0.15	0.17	0.15	0.12	0.15	0.16	0.16
M-NCPPC	1.91	1.61	1.62	1.54	1.70	1.52	1.95	2.12	2.30	2.22
City of Gaithersburg	1.33	1.19	0.81	0.93	0.99	0.83	0.74	0.91	0.97	1.03
MC Revenue Authority	0.98	0.98	0.97	1.27	1.69	1.18	1.06	0.99	1.04	1.03
HOC	0.36	0.38	0.34	0.85	1.08	1.21	0.59	0.70	0.72	0.83
Rockville Housing	0.35	0.34	0.34	1.36	0.29	0.29	0.33	0.42	2.02	1.27
Town of Somerset	1.30	1.46	1.41	1.37	1.28	1.31	1.09	1.06	1.51	1.42
Martins' Additions	3.77	3.59	3.33	3.49	3.40	2.77	3.07	2.86	5.56	3.45
Bethesda Urban Partn.	0.96	0.82	0.76	0.71	0.56	0.41	0.51	0.47	0.30	0.24
Friendship Heights					0.46	0.41	0.40	0.37	0.86	0.86
All Agencies Combined	0.96	0.94	1.01	1.08	1.28	1.18	1.23	1.19	1.27	1.24

**Commercial Insurance**

Commercial insurance rates continue to be competitive. All policies were renewed for FY11 with premium rates that were either static or lower. There have been several large weather-related property insurance claims filed in the past 12 months resulting in significant payments by the commercial insurance company. Although market conditions remain favorable, adverse claims experience may lead to higher premiums at renewal on July 1, 2011.

Please let me know if the Committee would like additional information.

JEB/dtf

List of Attachments

SIF Balance Sheet & Income Statement

- cc: Terry Fleming, Risk Management  
 Kurt Wolfe, MCPS  
 Lynda von Bargaen, Montgomery College  
 Wanda Wesley-Major, MNCPPC

<b>FY12 RM Balance Sheet</b>										
March 15, 2011										
<b>BALANCE SHEET</b>	FY05 ACTUAL	FY06 ACTUAL	FY07 ACTUAL	FY 08 ACTUAL	FY09 Actual	FY10 Prelim Actual	FY11 Budget	FY11 Projected	FY12 CE REC	
<b>ASSETS</b>										
CASH & INVESTMENT	70,515,351	94,411,741	96,579,845	96,052,685	89,870,769	88,983,647	98,547,900	94,827,860	105,705,990	
CASH-RESTRIC	0	0	0	0						
OTHER ASSETS	310,475	300,000	273,533	300,000	300,000	278,106	300,000	300,000	300,000	
<b>TOTAL</b>	<b>70,825,826</b>	<b>94,711,741</b>	<b>96,853,378</b>	<b>96,352,685</b>	<b>90,170,769</b>	<b>89,261,753</b>	<b>98,847,900</b>	<b>95,127,860</b>	<b>106,005,990</b>	
<b>LIABILITIES &amp; EQUITY</b>										
CLAIMS PAYABLES	70,887,000	79,710,000	75,499,000	80,831,000	88,141,000	94,833,000	99,539,000	96,649,000	99,869,000	
OTHER LIABILITIES	834,781	1,133,584	1,032,776	1,200,000	1,264,321	1,419,743	1,200,000	1,200,000	1,200,000	
CONTRIB CAPITAL	0	0	0	0						
EQUITY/FUND BAL	(895,955)	13,868,157	20,321,602	14,321,685	765,448	(293,990)	(1,891,101)	(2,721,140)	4,936,990	
<b>TOTAL</b>	<b>70,825,826</b>	<b>94,711,741</b>	<b>96,853,378</b>	<b>96,352,685</b>	<b>90,170,769</b>	<b>95,958,753</b>	<b>98,847,900</b>	<b>95,127,860</b>	<b>106,005,990</b>	
<b>INCOME STATEMENT</b>										
<b>REVENUES</b>										
CONTRIBUTIONS	44,052,086	48,099,083	32,310,240	31,253,956	32,061,588	39,666,206	51,048,430	51,048,430	55,672,810	
RECOVERED LOSSES	1,854,859	879,494	574,701	507,978	513,560	622,730	1,000,000	520,940	900,000	
INVESTMENT INCOME	2,042,173	4,782,807	6,138,902	5,182,510	1,740,521	218,318	740,000	120,000	250,000	
INVEST INC-ESCROW										
G F TRANSFER				68,480	24,030					
MISC INCOME	0	(822)	311	489,825	224,286	223,733	100,000	100,000	100,000	
	47,949,118	53,760,562	39,024,154	37,502,749	34,563,985	40,730,987	52,868,430	51,789,370	56,922,810	
<b>EXPENSES</b>										
CLAIMS EXPENSE	20,524,036	20,336,586	26,834,168	25,897,416	29,242,713	29,128,614	27,859,000	31,267,000	31,134,000	
RESERVE/IBNR ADJUSTMENT	6,681,000	8,823,000	(4,211,000)	5,332,000	7,310,000	6,692,000	5,544,000	1,816,000	3,226,000	
MISC ADJUSTMENT	570,492	33,005	0							
OTHER INSUR COSTS	7,209,154	7,793,231	7,800,440	9,813,739	9,035,810	10,094,856	11,499,010	11,499,010	11,090,170	
COUNTY ATTORNEY	1,739,570	1,716,757	1,737,920	1,941,843	2,044,281	2,195,938	2,576,600	2,563,690	2,513,070	
GEN'L & ADMIN	276,937	294,871	409,181	517,668	487,418	376,017	413,460	389,090	400,460	
PREMIUM REFUND										
MEDICAL PROGRAM										
INTEREST EXPENSE										
UNEMPLOYMENT										
INTEREST EXP-ESCROW										
LOSS ON INVESTMENT										
<b>TOTAL</b>	<b>37,001,189</b>	<b>38,996,450</b>	<b>32,570,709</b>	<b>43,502,666</b>	<b>48,120,222</b>	<b>48,487,425</b>	<b>47,892,070</b>	<b>47,519,520</b>	<b>49,264,680</b>	
<b>NET INCOME (LOSS)</b>	<b>10,947,929</b>	<b>14,764,112</b>	<b>6,453,445</b>	<b>(6,999,917)</b>	<b>(13,556,237)</b>	<b>(7,756,438)</b>	<b>4,996,360</b>	<b>4,269,850</b>	<b>7,658,130</b>	
<b>BEGINNING BALANCES</b>										
OTHER CHANGES										
EQUITY/FUND BAL	(11,843,884)	(895,955)	13,868,157	20,321,602	14,321,685	765,448	(6,887,461)	(6,990,990)	(2,721,140)	
ESCROW FUND										
<b>ENDING BALANCES</b>										
EQUITY/FUND BAL	(895,955)	13,868,157	20,321,602	14,321,685	765,448	(6,990,990)	(1,891,101)	(2,721,140)	4,936,990	
ESCROW FUND										
<b>DEPRECIATION</b>										
<b>UNEMPLOYMENT RES.</b>										

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FY12-17 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Risk Management					
FISCAL PROJECTIONS	FY11 ESTIMATE	FY12 REC	FY13 PROJECTION	FY14 PROJECTION	FY15 PROJECTION	FY16 PROJECTION	FY17 PROJECTION
<b>ASSUMPTIONS</b>							
CPI (Fiscal Year)	2.0%	2.4%	2.7%	3.0%	3.2%	3.4%	3.6%
Investment Income Yield	0.14%	0.40%	0.90%	2.00%	2.75%	3.50%	4.00%
Rate Changes	-	-	-2.8%	1.4%	-7.0%	2.5%	3.1%
<b>BEGINNING FUND BALANCE</b>	<b>(6,990,990)</b>	<b>(2,721,140)</b>	<b>4,936,990</b>	<b>10,000,000</b>	<b>15,000,000</b>	<b>15,000,000</b>	<b>15,000,000</b>
<b>REVENUES</b>							
Intergovernmental	51,190	379,570	389,820	401,510	414,360	428,450	443,870
Miscellaneous	740,940	1,250,000	1,590,000	2,370,000	2,960,000	3,600,000	4,090,000
<b>Subtotal Revenues</b>	<b>792,130</b>	<b>1,629,570</b>	<b>1,979,820</b>	<b>2,771,510</b>	<b>3,374,360</b>	<b>4,028,450</b>	<b>4,533,870</b>
<b>INTERFUND TRANSFERS (Net Non-CIP)</b>							
Transfers To Risk Management Fund	50,997,240	55,293,240	53,748,790	54,483,160	50,619,640	51,889,530	53,491,290
Tax Supported MCG Transfers to Fund	28,950,000	28,962,600	27,949,370	28,331,240	26,322,220	26,982,550	27,815,470
Outside Agency Transfers to Fund	15,968,830	19,156,750	18,812,080	19,069,110	17,716,870	18,161,340	18,721,950
<b>TOTAL RESOURCES</b>	<b>44,798,380</b>	<b>54,201,670</b>	<b>60,665,600</b>	<b>67,254,670</b>	<b>68,994,000</b>	<b>70,917,980</b>	<b>73,025,160</b>
<b>PSP OPER. BUDGET APPROP/ EXPS.</b>							
Operating Budget	(47,519,520)	(49,264,680)	(50,671,030)	(52,270,930)	(54,027,380)	(55,952,430)	(58,059,980)
FFI -- Retiree Health Insurance Pre-Funding	n/a	n/a	5,430	16,260	33,380	34,450	34,820
<b>Subtotal PSP Oper Budget Approp / Exp's</b>	<b>(47,519,520)</b>	<b>(49,264,680)</b>	<b>(50,665,600)</b>	<b>(52,254,670)</b>	<b>(53,994,000)</b>	<b>(55,917,980)</b>	<b>(58,025,160)</b>
<b>TOTAL USE OF RESOURCES</b>	<b>(47,519,520)</b>	<b>(49,264,680)</b>	<b>(50,665,600)</b>	<b>(52,254,670)</b>	<b>(53,994,000)</b>	<b>(55,917,980)</b>	<b>(58,025,160)</b>
<b>YEAR END FUND BALANCE</b>	<b>(2,721,140)</b>	<b>4,936,990</b>	<b>10,000,000</b>	<b>15,000,000</b>	<b>15,000,000</b>	<b>15,000,000</b>	<b>15,000,000</b>
<b>END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES</b>							
	-6.1%	9.1%	16.5%	22.3%	21.7%	21.2%	20.5%

**Assumptions:**

1. Risk Management contributions projected for this fund are adjusted as necessary to reflect the County's fiscal policy of maintaining a retained earnings balance, in excess of claims reserves, sufficient to achieve a confidence level in the range of 80 to 85 percent that funding will be sufficient to cover all incurred liabilities.
2. Risk Management contributions to the Self-Insurance Fund are made annually based on actuarial analysis and evaluation of prior claims expenses.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>10,000</b>	<b>0.0</b>
Increase Cost: Medical services expense	40,000	0.0
<b>FY12 CE Recommended</b>	<b>50,000</b>	<b>0.0</b>

### **Public Technology, Inc.**

Funds are budgeted each year to continue membership in Public Technology, Inc. (PTI) as the County's research and development link with the National Association of Counties. Annual dues cover research and development assistance for innovative projects; access to a computerized information-sharing network; and membership in the Urban Consortium. The County participates in, and has received grants as a result of, initiatives in task forces on energy, solid waste, and telecommunications. PTI, as an organization, specializes in the research and assessment of ideas of interest to local governments for increasing efficiency, reducing costs, improving services, and solving problems. A current emphasis is on public enterprise, toward helping local governments identify and capture potential sales from products and information that are outcomes of government investment.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>20,000</b>	<b>0.0</b>
Decrease Cost: Reduce by 15 Percent	-3,000	0.0
<b>FY12 CE Recommended</b>	<b>17,000</b>	<b>0.0</b>

### **Restricted Donations**

This NDA was established to comply with the requirements of Government Accounting Standards Board Statement No. 34 (GASB 34) by budgeting for the receipt of private donations for County programs. The proceeds of the former Expendable Trust Fund accounts and other miscellaneous funds have been transferred to the Restricted Donations Special Revenue Fund. Appropriation authority to spend additional donations received during the year is provided through the County Council Resolution for the Approval of and Appropriation for the Operating Budget of the Montgomery County Government. The budget resolution provides that the unexpended balance in this fund at the end of the fiscal year is reappropriated by the County Council for the next fiscal year; and if needed, the Restricted Donations NDA can receive transfers from the Future Federal, State, or Other Grants NDA for any individual donations up to \$200,000. Additional information relating to the financial activities of this NDA is displayed in Schedule A-4, Fiscal Summary by Fund, Non-Tax Supported, Montgomery County Government, Restricted Donations.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>0</b>	<b>0.0</b>
<b>FY12 CE Recommended</b>	<b>0</b>	<b>0.0</b>

### **Retiree Health Benefits Trust**

Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$3.6 billion – more than half the total FY12 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be \$255 million, or approximately \$212 million more than the previous annual payment for current retirees.

For FY12, the ARC has been recalculated and is now estimated at \$328 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

The County has adopted an approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached. A total of \$31.9 million for all tax supported agencies was budgeted for this

purpose in FY08. In May 2008, the County Council passed resolution No. 16-555 which confirmed an eight-year phase-in approach to the ARC. Consistent with this approach and based on the County's economic situation, the County contributed \$14 million to the Trust in FY08, \$19.7 million in FY09, \$3.3 million in FY10, and \$7.3 million in FY11. Due to fiscal constraints, the County did not budget a contribution for the General Fund in FY10 and FY11. For FY12, the County is resuming contributions from the General Fund to the Retiree Health Benefits Trust in the amount of \$26 million.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>0</b>	<b>0.0</b>
Increase Cost: Retiree Health Insurance Pre-Funding	26,075,000	0.0
<b>FY12 CE Recommended</b>	<b>26,075,000</b>	<b>0.0</b>

### **Risk Management (General Fund Portion)**

This NDA funds the General Fund contribution to the Liability and Property Coverage Self-Insurance Fund. The Self-Insurance Fund, managed by the Division of Risk Management in the Department of Finance, provides comprehensive insurance coverage to contributing agencies. Contribution levels are based on the results of an annual actuarial study. Special and Enterprise Funds, as well as outside agencies and other jurisdictions, contribute to the Self-Insurance Fund directly. A listing of these member agencies and the amounts contributed can be found in the Department of Finance, Risk Management Budget Summary.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>16,861,890</b>	<b>0.0</b>
Increase Cost: Risk Management Adjustment	365,100	0.0
Reduce: Risk Management – Abolish Occupational Health and Safety Program Specialist Position	-99,700	0.0
<b>FY12 CE Recommended</b>	<b>17,127,290</b>	<b>0.0</b>

Notes: Provides for higher required contribution levels. Many factors are used to calculate annual contribution levels, such as: payroll numbers and actual claims experience to derive worker's compensation insurance costs; operating budget and description of operations to derive general liability insurance costs; the number and type of vehicles to derive auto liability and auto physical damage costs; and property value to derive real property insurance costs.

### **Rockville Parking District**

This NDA provides funding towards the redevelopment of the City of Rockville Town Center and the establishment of a parking district. The funding reflects a payment from the County to the City of Rockville for County buildings in the Town Center development and is based on the commercial square footage of County buildings.

Also included are funds to reimburse the City for the cost of library employee parking and the County's capital cost contribution for the garage facility as agreed in the General Development Agreement.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>381,390</b>	<b>0.0</b>
Increase Cost: Employee Parking	920	0.0
Decrease Cost: Payment in Lieu of Taxes	-8,670	0.0
<b>FY12 CE Recommended</b>	<b>373,640</b>	<b>0.0</b>

### **Snow Removal and Storm Cleanup**

This NDA funds the snow removal and storm clean up costs for the Department of Transportation and General Services above the budgeted amounts in these departments for this purpose. This program includes the removal of storm debris and snow from County roadways and facilities. This includes plowing, applying salt and sand; equipment preparation and cleanup from snow storms; and wind and rain storm cleanup.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>0</b>	<b>0.0</b>
Add: Snow and Storm Cleanup	10,000,000	0.0
<b>FY12 CE Recommended</b>	<b>10,000,000</b>	<b>0.0</b>

### **State Positions Supplement**

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland Appellate Court and for certain employees in the Office of Child Care Licensing and Regulation in the Maryland State Department of Human Resources.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>133,150</b>	<b>0.0</b>
Increase Cost: Restore Personnel Costs - Furloughs	5,240	0.0
Increase Cost: Group Insurance Adjustment	2,470	0.0
Increase Cost: Retirement Adjustment	1,410	0.0
Decrease Cost: Annualization of FY11 Personnel Costs	-65,000	0.0
<b>FY12 CE Recommended</b>	<b>77,270</b>	<b>0.0</b>

### State Property Tax Services

This NDA provides for two State reimbursement programs administered by the Department of Finance: the Homeowners Reimbursement and Homestead Property Tax Program.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>205,760</b>	<b>0.0</b>
Decrease Cost: Homeowners Property Tax Credit	-7,100	0.0
Decrease Cost: Homestead Property Tax Credit	-62,230	0.0
<b>FY12 CE Recommended</b>	<b>136,430</b>	<b>0.0</b>

### State Retirement Contribution

This NDA provides for the County's payment of two items to the State Retirement System:

- Maryland State Retirement System: Unfunded accrued liability, as established by the Maryland State Retirement System (MSRS), for employees hired prior to July 1, 1984, who are members of the MSRS (including former Department of Social Services employees hired prior to July 1, 1984), and for those who have retired (all County employees participated in the State Retirement System until 1965.) The County contribution for this account is determined by State actuaries. Beginning in FY81, the amount due was placed on a 40-year amortization schedule.
- State Library Retirement: Accrued liability for retirement costs for three Montgomery County Public Library retirees who are receiving a State retirement benefit. These were County employees prior to 1966 who opted to stay in the State plan.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>1,030,360</b>	<b>0.0</b>
Increase Cost: Amortized amount owed to the State Retirement based on actuarial cost to the plan	51,330	0.0
<b>FY12 CE Recommended</b>	<b>1,081,690</b>	<b>0.0</b>

### Takoma Park Library Annual Payment

The annual amount provided in this NDA is a function of County expenditures for the Montgomery County Public Libraries (as a share of property tax-funded spending) and the City of Takoma Park's assessable base. The payment is authorized by Section 2-53 of the Montgomery County Code. However, due to the passage of Expedited Bill 32-10, Administration - Public Libraries - Payments to Municipalities, the County Council can modify the formula amount for FY11 and FY12.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>100,950</b>	<b>0.0</b>
Decrease Cost: Reduce by 5 Percent	-5,050	0.0
<b>FY12 CE Recommended</b>	<b>95,900</b>	<b>0.0</b>

### Takoma Park Police Rebate

The County provides financial support to the City of Takoma Park for police protection services in accordance with provisions of the County Code. This provision was enacted in 1949 and provides a payment to the City for protective services for the County residents of the City of Takoma Park. The payment is based on a formula, which uses \$0.048 per \$100 of assessable base tax rate with "full value assessment" levied on real property.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>717,580</b>	<b>0.0</b>
Increase Cost: Corrected Payment Formula; Increase Also Based on the Estimated Real Property Growth	204,590	0.0
<b>FY12 CE Recommended</b>	<b>922,170</b>	<b>0.0</b>

## Working Families Income Supplement

This NDA provides funds to match the State's Refundable Earned Income Tax Credit (EITC). The intent of the Working Families Income Supplement is to provide financial assistance to low-income working families in Montgomery County. The County, through the NDA, reimburses the State for the cost of the refund and related administrative expenses.

FY12 Recommended Changes	Expenditures	WYs
<b>FY11 Approved</b>	<b>11,788,200</b>	<b>0.0</b>
Increase Cost: Annualization of FY11 Operating Expenses	2,327,800	0.0
Reduce: Working Family Income Supplement - Service Unique to the County	-1,805,800	0.0
<b>FY12 CE Recommended</b>	<b>12,310,200</b>	<b>0.0</b>

Notes: Cost factors include an FY12 reduction in the State match of 34.3%; compared to the FY11 reduction of 27.5%. Additionally, the amount of refund checks varies based on future changes in economic conditions and taxpayer income.

## BUDGET SUMMARY

	Actual FY10	Budget FY11	Estimated FY11	Recommended FY12	% Chg Bud/Rec
<b>COUNTY GENERAL FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	320,881	303,770	330,140	527,930	73.8%
Employee Benefits	58,457	1,037,120	616,840	67,670	-93.5%
<b>County General Fund Personnel Costs</b>	<b>379,338</b>	<b>1,340,890</b>	<b>946,980</b>	<b>595,600</b>	<b>-55.6%</b>
Operating Expenses	107,056,885	111,658,950	113,281,040	151,323,660	35.5%
Capital Outlay	338,937	0	0	511,110	—
<b>County General Fund Expenditures</b>	<b>107,775,160</b>	<b>112,999,840</b>	<b>114,228,020</b>	<b>152,430,370</b>	<b>34.9%</b>
<b>PERSONNEL</b>					
Full-Time	6	7	7	7	—
Part-Time	1	1	1	0	—
Workyears	3.1	2.6	2.6	1.6	-38.5%
<b>REVENUES</b>					
Takoma Park Munic. Tax Duplic. Loan Reimb.	0	50,000	0	0	—
Rental Property - Conference Center	319,100	319,100	319,100	319,100	—
County - Owned Leased Facilities Income	5,020,511	4,489,070	4,489,070	4,489,070	—
Conference Center - Net Proceeds	1,211,913	900,000	900,000	900,000	—
<b>County General Fund Revenues</b>	<b>6,551,524</b>	<b>5,758,170</b>	<b>5,708,170</b>	<b>5,708,170</b>	<b>-0.9%</b>
<b>GRANT FUND MCG</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Grant Fund MCG Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	23,000	20,000,000	14,359,910	20,000,000	—
Capital Outlay	0	0	0	0	—
<b>Grant Fund MCG Expenditures</b>	<b>23,000</b>	<b>20,000,000</b>	<b>14,359,910</b>	<b>20,000,000</b>	<b>—</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
<b>REVENUES</b>					
Historical Activities: Historic Preservation	23,000	0	0	0	—
Miscellaneous Future Grants	0	20,000,000	14,359,910	20,000,000	—
<b>Grant Fund MCG Revenues</b>	<b>23,000</b>	<b>20,000,000</b>	<b>14,359,910</b>	<b>20,000,000</b>	<b>—</b>
<b>RESTRICTED DONATIONS</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Restricted Donations Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	672,190	0	292,880	0	—
Capital Outlay	0	0	0	0	—
<b>Restricted Donations Expenditures</b>	<b>672,190</b>	<b>0</b>	<b>292,880</b>	<b>0</b>	<b>—</b>
<b>PERSONNEL</b>					