


**MEMORANDUM**

April 23, 2013

TO: Government Operations and Fiscal Policy Committee

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: FY14 Operating Budget: Office of Management and Budget

Those expected to attend this worksession include: Jennifer Hughes, Director; Lori O'Brien; Darlene Fairfax.

Relevant pages from the FY14 Recommended Operating Budget are attached on © 1-3.

<b>Council Staff Recommendation: Approve FY14 recommended Operating Budget for OMB.</b>
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**Overview**

The Office of Management and Budget (OMB) prepares the Operating Budget and Public Services Program every year, as well as the Capital Budget and six-year Capital Improvements Program during even-numbered calendar years. OMB's other major responsibilities include preparation of fiscal projections, fiscal planning and debt capacity analyses, transfers, CIP amendments, supplemental appropriations, participation in collective bargaining, and compensation policy development. This year, as is the case every year, personnel costs represent nearly all of OMB's annual expenditures (97.2% in the Executive's FY14 recommended budget).

The Executive recommends \$3,870,467 for FY14, an increase of \$172,518 (4.7%) from FY13. The FY14 recommended operating budget for this department of 33 full time employees would increase FTEs in OMB from 27.50 in FY13 to 28.00 in FY14. An additional 5.00 FTEs would be charged to other departments (an increase from 4.50 in FY13): 3.50 charged to the CIP (down from 4.00 in FY13), 1.00 charged to Environmental Protection (up from 0.00 in FY13), and 0.50 charged to Human Resources (same as in FY13).

<i>Change</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY13 Original Appropriation</b>	<b>\$3,697,949</b>	<b>27.50</b>
Increase Cost: Manager III, Term Position; ERP backfill	\$138,511	1.00
Increase Cost: FY 14 Compensation Adjustment	\$111,740	0.00
Increase Cost: Restore Funding for Charges to the ERP	\$59,980	0.50
Increase Cost: Group Insurance Adjustment	\$50,380	0.00
Increase Cost: Annualization of FY13 Personnel Costs	\$23,144	0.00
Increase Cost: Retirement Adjustment	\$4,434	0.00
Increase Cost: Other Labor Contract Costs	\$3,657	0.00
Increase Cost: Printing and Mail Adjustment	\$1,480	0.00
Decrease Cost: Elimination of FY13 \$2,000 Lump Sum	(\$59,153)	0.00
Technical Adj: Position Charge to DEP CIP	(\$161,644)	(1.00)
<b>FY14 Recommended</b>	<b>\$3,870,467</b>	<b>28.00</b>

#### **FY14 expenditure issues**

##### ***Increase Cost: Manager III Term position; ERP backfill***

This position was created as a three-year term position to backfill for the process manager shifted to ERP implementation. OMB explained the cost increase in response to Council Staff's questions: *The individual in this position will backfill for our process manager who oversees the budget processes, as well as supervises a number of management and budget specialists. Additionally, the incumbent will be responsible for tracking the impact of State legislation and actions on the County's budget and moving the County's efforts for effective results based budgeting forward.*

##### ***Technical Adjustment: Position Charge to Environmental Protection CIP***

This position (Senior Management and Budget Specialist) is permanently assigned to DEP. OMB explained the charge in response to Council Staff's questions: *The complexities that arise from developing and monitoring the critical storm water management MS-4 permit system required an accomplished, experienced Senior CIP Management and Budget Specialist.*

# 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 FY14 Operating Budget for the Office of Management and Budget is \$3,870,467, an increase of \$172,518 or 4.7 percent from the FY13 Approved Budget of \$3,697,949. Personnel Costs comprise 97.2 percent of the budget for 33 full-time positions. A total of 28.00 FTEs includes these positions as well as any seasonal, temporary, and positions charged to or from other departments or funds. Operating Expenses account for the remaining 2.8 percent of the FY14 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 FY13 estimates reflect funding based on the FY13 approved budget. The FY14 and FY15 figures are performance targets based on the FY14 recommended budget and funding for comparable service levels in FY15.

Measure	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
<b>Program Measures</b>					
Overall Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award ratings - percent rated outstanding or proficient <sup>1</sup>	97.5	97.5	98.5	100.0	100.0
Percentage of customers rating OMB services as good or very good on the OMB Customer Survey for the budget process <sup>2</sup>	81.3	79.4	82.0	83.0	83.0
Percentage 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	95.7	93.6	96.0	97.0	97.0
Percentage 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	78.6	77.6	82.0	85.0	85.0
Average number of days to process requests: Budget Adjustment	3.2	10.5	5.0	5.0	3.0
Average number of days to process requests: Position Profile Form <sup>3</sup>	9.1	NA	NA	NA	NA
Average number of days to process requests: County Executive Correspondence	4.1	1.3	2.0	2.0	2.0
Average number of days to process requests: Future fiscal impacts of legislation	18.4	7.4	10.0	10.0	10.0

<sup>1</sup> The fiscal year shown for GFOA ratings corresponds to the fiscal year during which the budget was prepared (e.g., FY10 GFOA results apply to the FY11 budget document, which was prepared during FY10).

<sup>2</sup> The fiscal year shown in connection with all OMB Customer Survey results corresponds to the fiscal year during which the budget was prepared (e.g., FY10 results apply to the process of preparing the FY11 budget, which occurred during FY10).

<sup>3</sup> With the introduction of the County's new Enterprise Resource Planning (ERP) system in FY11, the Position Profile Form is no longer used.

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## ACCOMPLISHMENTS AND INITIATIVES

- ❖ *Provided solutions for closing approximately \$2.7 billion in budgetary operating budget shortfalls between FY08 and FY14 (six years), to produce balanced budgets while preserving critical services and advancing key County priorities.*
- ❖ *Enhanced the County's budget process by implementing intra-departmental working groups to review cross-departmental issues with a goal of increasing coordination and collaboration, prioritizing budget requests, and streamlining operations.*
- ❖ *Provided analysis of major budget issues for decisions by the Chief Administrative Officer and the County Executive.*
- ❖ *Implemented the Hyperion budgeting system for the amended FY13-18 CIP budget in August 2012. Provided in-service training on the new Hyperion modules.*
- ❖ *In FY12, reviewed and made recommendations for 235 grant applications, awards, and modifications.*
- ❖ **Productivity Improvements**
  - *Increased early review of capital budget project specifications as a tool for identifying key cost drivers and controlling costs.*
  - *Increased use of benchmarking analysis when reviewing budgets.*
  - *OMB continues to build, modify, and test Hyperion's Public Sector software, which will replace OMB's decision support, Future Fiscal Impacts, Six-Year Fund Displays, and Operating Budget Production System. Implementation is targeted for Summer 2013.*
  - *Launched Wave 2 of Hyperion Implementation for the FY14 Operating Budget load which for the first time included position budgeting using eBusiness Human Resources (EBS HR) data.*

## PROGRAM CONTACTS

Contact Darlene Fairfax of the Office of Management and Budget at 240.777.2766 or Lori O'Brien of the Office of Management and Budget at 240.777.2788 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 ensure 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 ensure 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 reviewed and processed 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 a number of committees including the Contract Review Committee, the Interagency Group on Energy and Utilities Management, the Board of Investment Trustees, the Diversity Council, the Telecommunications Transmission Facility Coordinating Group, the Labor Relations Policy Committee, the ERP Steering Committee, the Information Technology Policy Advisory Committee, the Public Safety System Modernization project, and the Rapid Transit Steering Committee.

## BUDGET SUMMARY

	Actual FY12	Budget FY13	Estimated FY13	Recommended FY14	% Chg Bud/Rec
<b>COUNTY GENERAL FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	2,429,274	2,648,901	2,524,115	2,951,821	11.4%
Employee Benefits	703,810	942,718	777,685	810,836	-14.0%
<b>County General Fund Personnel Costs</b>	<b>3,133,084</b>	<b>3,591,619</b>	<b>3,301,800</b>	<b>3,762,657</b>	<b>4.8%</b>
Operating Expenses	122,473	106,330	106,756	107,810	1.4%
Capital Outlay	0	0	0	0	—
<b>County General Fund Expenditures</b>	<b>3,255,557</b>	<b>3,697,949</b>	<b>3,408,556</b>	<b>3,870,467</b>	<b>4.7%</b>
<b>PERSONNEL</b>					
Full-Time	31	32	32	33	3.1%
Part-Time	0	0	0	0	—
FTEs	25.00	27.50	27.50	28.00	1.8%

## FY14 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>COUNTY GENERAL FUND</b>		
<b>FY13 ORIGINAL APPROPRIATION</b>	<b>3,697,949</b>	<b>27.50</b>
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: Manager III Term Position; ERP backfill	138,500	1.00
Increase Cost: FY14 Compensation Adjustment	111,740	0.00
Increase Cost: Restore Funding for Charges to the ERP	59,980	0.50
Increase Cost: Group Insurance Adjustment	50,380	0.00
Increase Cost: Annualization of FY13 Personnel Costs	23,144	0.00
Increase Cost: Retirement Adjustment	4,434	0.00
Increase Cost: Other Labor Contract Costs	3,657	0.00
Increase Cost: Printing and Mail Adjustment	1,480	0.00
Decrease Cost: Elimination of FY13 \$2,000 Lump Sum	-59,153	0.00
Technical Adj: Position Charge to Department of Environmental Protection CIP	-161,644	-1.00
<b>FY14 RECOMMENDED:</b>	<b>3,870,467</b>	<b>28.00</b>

## CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY13		FY14	
		Total\$	FTEs	Total\$	FTEs
COUNTY GENERAL FUND					
CIP	CIP	526,100	4.00	486,620	3.50
Environmental Protection	CIP	0	0.00	161,644	1.00
Human Resources	Employee Health Benefit Self Insurance	61,770	0.50	72,221	0.50
Total		587,870	4.50	720,485	5.00

## FUTURE FISCAL IMPACTS

Title	CE REC.			(5000's)		
	FY14	FY15	FY16	FY17	FY18	FY19
This table is intended to present significant future fiscal impacts of the department's programs.						
<b>COUNTY GENERAL FUND</b>						
<b>Expenditures</b>						
<b>FY14 Recommended</b>	<b>3,870</b>	<b>3,870</b>	<b>3,870</b>	<b>3,870</b>	<b>3,870</b>	<b>3,870</b>
No inflation or compensation change is included in outyear projections.						
<b>Labor Contracts</b>	<b>0</b>	<b>155</b>	<b>198</b>	<b>198</b>	<b>198</b>	<b>198</b>
These figures represent the estimated cost of general wage adjustments, new service increments, and associated benefits.						
<b>Labor Contracts - Other</b>	<b>0</b>	<b>0</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>
These figures represent other negotiated items included in the labor agreements.						
<b>Subtotal Expenditures</b>	<b>3,870</b>	<b>4,025</b>	<b>4,065</b>	<b>4,065</b>	<b>4,065</b>	<b>4,065</b>