
How to Read the Budget

INTRODUCTION

The County's Approved Operating and Capital Budgets and the Approved FY13-18 Capital Improvements Program (CIP) are published in two volumes. Volume I contains a comprehensive picture of the Operating Budget year beginning July 1, including changes from the previous fiscal year. Volume II contains the approved Capital Budget and the approved Capital Improvements Program.

This publication is available on the County's web site: www.montgomerycountymd.gov. As part of the County's effort to reduce paper usage, the following sections of the budget are only published on the internet: Highlights, Linkage to County Result Areas, Accomplishments and Initiatives, Program Descriptions, Program Performance Measures, Program Approved Changes, Charges to Other Departments, and Annualization of Personnel Costs and Full-Time Equivalents (FTEs).

CHANGES FOR FY13/NEW HYPERION BUDGETING SYSTEM

For the FY13 budget, the County transitioned from its mainframe budget preparation system to Oracle's Hyperion budgeting system. As part of this conversion process, the Office of Management and Budget made some business changes to better align with the County's new Financial Core System (Oracle eBusiness Suite). These changes include the following:

- **Conversion from Workyears (WYs) to Full-Time Equivalents (FTEs):** the WYs employment indicator changed to FTEs and in the conversion process, FTEs will no longer measure lapse and overtime as WYs previously did. Also, since the FTEs will be shown to the hundredth decimal place instead of the tenth decimal place from prior years, the FTEs were adjusted due to rounding. Finally, tables throughout the book showing FTEs in prior years have not been converted to FTEs; they still reflect WYs and maintain the integrity of the previously approved budgets.
- **Program expenditures and FTEs are now tracked by General Ledger cost center roll-up:** previously, the County's Core Financial System did not have budgetary programs as part of its index code/organizational hierarchy. In the new system, cost centers replace index codes and program organizational level has been established to help better track program expenditures and FTEs. However, this change caused large, one-time variances in some program budget summaries for FY13 - even though there has been no change in service delivery.
- **Revenues have been rolled-up/consolidated:** in order to better align with the County's General Ledger account roll-up level, revenue items have been consolidated. For example, in Board of Appeals the "Collected Deposit for Sign Fee" and "Refund Deposit for Sign Fee" have been consolidated into "Other Charges/Fees."
- **Budgets will be shown to the dollar:** budgets will now be shown to the dollar; in the past they were rounded to the nearest ten. Also, the tables throughout the book showing dollars in prior years are still rounded to the nearest ten; the numbers have not been restated to the dollar.

CONTENTS OF THE OPERATING BUDGET DOCUMENT

The major components of the Approved Operating Budget are described below in order of appearance in this document.

Message and Highlights

The message summarizes the financial status of the County and how the budget is funded. The highlights provide a listing of major program initiatives and changes approved in the budget.

Debt Service

Debt service is the amount the County must pay each year for the principal and interest on the County's bonded and other indebtedness. Debt service is presented both in terms of the specific bond allocations by category and fund and by sources of revenue, including six-year projections of debt service requirements.

Agencies Summaries

A summary of approved funding is provided for the budgets of Montgomery County Government, Montgomery County Public Schools, Montgomery College, the Montgomery County and bi-county (administration) portions of the Maryland-National

Capital Park and Planning Commission, and the Montgomery County and bi-county portions of the Washington Suburban Sanitary Commission. A summary of the Housing Opportunities Commission budget is also included, containing the operating budget appropriation. In addition, a section describing the Montgomery County Revenue Authority is provided.

County Government Approved Department Budgets

The approved budgets for departments and offices of the County Government are provided for the following:

- Legislative Branch (the County Council and legislative offices and boards).
- Judicial Branch (Circuit Court and State’s Attorney).
- Executive Branch (departments with functions related to General Government, Public Safety, Transportation, Health and Human Services, Libraries, Culture and Recreation, Community Development and Housing, Environment, and Other County Functions).

The presentations include: the department’s mission statement; a budget overview; linkages to County result areas; accomplishments and initiatives; performance measures; description and cost of programs; approved expenditure, revenue, and workforce allocations for the department; and approved changes for next fiscal year’s budget. For more detailed information about department displays, see the section on “Department Budget Presentations” below.

Non-Departmental Accounts (NDAs)

The Non-Departmental Accounts section contains expenses essential to the operation of the County government which either do not fall within the functional assignment of any department or agency or provide for expenditures related to more than one department or agency. Examples include various grants to municipal governments, contributions to other funds, County government memberships (e.g., Maryland Association of Counties), and certain legally-mandated programs. Responsibility for administration of NDAs is assigned by the Chief Administrative Officer to specific departments. Although classified as an NDA, all utilities expenditures of the County government are displayed in a separate section to provide combined data on costs by energy type and user departments.

Budget Summary Schedules

The Summary Schedules section contains aggregate fiscal data for all agencies for which the County Council sets tax rates, makes levies, or approves programs and/or budgets. The schedules include expenditure and funding totals by agency, department, government function, and source of funding, with both dollar amounts and staffing (i.e., FTEs and positions). Revenues are described and detailed by agency, fund, and type. Ten-year historical trends are also included for major expenditure categories, revenue sources, the government workforce, and tax rates.

Approved Resolutions

Resolutions are passed to express the policy of the Council on certain items or programs or are passed to direct certain types of administrative action. The resolutions included in the Approved FY13 Operating Budget Book specify appropriations for Montgomery County Government and Outside Agencies.

DEPARTMENT BUDGET PRESENTATIONS

For each department within Montgomery County government and for most Agency summaries, the budget presentation includes:

Mission Statement: the overall purpose of the department (or major division), including the goals or results it expects to achieve for the community or its function in the County government.

Budget Overview: approved appropriations for the department, with changes from the prior fiscal year, in dollars, FTEs, and percentage change.

Linkages to County Result Areas: denotes which of the County Executive’s eight result areas relate to the department.

Performance Measures: provides “headline,” or key measures for the department with actual data for the past two completed fiscal years and estimates for the current and next two fiscal years. When applicable, program performance measures that relate to more than one program are also listed in this section on the internet.

Accomplishments and Initiatives: provides a summary of major department accomplishments completed in the last year and the anticipated results of the approved funding for next fiscal year. In addition, productivity enhancements within the department are described.

Program Contacts: department and OMB contacts for the budget, including phone numbers.

Program Descriptions: provides a descriptive narrative of the program, including, as applicable:

- Nature, functions, and features of program activity.
- The public need to which the program responds.
- Who or what benefits from the program activity, and
- What the resources allocated will provide to the community.

Program Performance Measures: actual performance data are shown for the previous two years, as well as estimates for the current year and projections for the next two years. Montgomery County's performance measurement efforts have expanded to include performance at the program level. In some cases, this expansion has resulted in a relatively large number of measures that do not yet have data. These have been included to indicate the kind of performance information that will be provided in the future.

Program Approved Changes: table displays the approved program expenditures and FTEs for next fiscal year compared to the current year's approved budget, including an itemization of key changes within individual programs based on approved budget actions. Budget changes that relate to a unique program are listed individually within each program approved changes chart. Budget changes that affect more than one program, such as compensation increases, are summarized in a multi-program adjustment item for each affected program.

Budget Summary: summary data for the department, including actual expenditures for the prior fiscal year, the approved budget and estimated expenditures for the current fiscal year, and the approved budget for the coming fiscal year. The presentation includes, by fund, expenditures within appropriation category (Personnel Costs, Operating Expenses, Capital Outlay, and Debt Service); personnel requirements (full-time and part-time positions and FTEs); and related revenue sources. One FTE is equivalent to 2,080 work hours or 260 workdays. Appropriation categories within the Budget Summary include:

- Salaries and Wages: the cost of all salary expenses for both full-time and part-time positions, including other personnel cost adjustments (e.g., overtime, shift differential, multilingual pay, etc.).
- Employee Benefits: social security, group insurance, and retirement.
- Operating Expenses: those costs required to support the operations of the agency, including such items as contracted services, printing, motor pool, and office supplies.
- Debt Service (for selected funds only): the annual payment of principal and interest on bonded indebtedness (for both general obligation and other debt) incurred by departments/agencies funded by a Special or Enterprise fund.
- Capital Outlay: funding for the acquisition of fixed assets that have a value of \$5,000 or more and a useful life of more than one year.

Approved Changes Crosswalk: describes department-wide expenditure and FTE changes from the current year's approved budget to next fiscal year's approved budget. The crosswalk includes:

- Additional items funded in next year's approved budget for new or expanded services.
- Cuts from last year's approved budget relating to reduction in service or elimination of one-time funding in the base for printers, servers, etc.
- Negotiated compensation.
- Group insurance and retirement rate adjustments.
- Rate adjustments for other expenses such as motor pool, printing and mail, occupational medical, risk management, etc.
- Increases or reductions in charges to or from other departments (including charges to the CIP).
- Shifts in resources to another department.
- Other personnel cost adjustments, including changes related to annualization of current year increments; position or job class reclassifications; staff turnover; and lapse changes.
- Other operating expense changes, including inflation adjustments for contracts, rent, etc.

The presentation is organized under two categories: first by items with service impacts, then by other adjustments with no service impacts. Under each category, the items are organized by largest to smallest dollar value change. For items that affect a single program, the name of the relevant program is shown in parentheses. If no program is shown, the adjustment affects several programs.

A verb precedes each approved crosswalk item. The following verbs describe *service impact changes*:

Verb and Definition
Add – New funding for services that presently do not exist.
Enhance – More of an existing service or improvement to the quality of an existing service.
Eliminate – Total elimination of an existing service, with no anticipation of the service being provided by another entity.
Reduce – Reduction but not elimination of an existing service.

The following verbs describe other adjustments with *no service impact changes*:

Verb and Definition
Increase Cost – Additional expenditures to provide the same quantity and scope of existing services (e.g., compensation or benefit increases).
Decrease Cost – Reduction in cost without service impact (e.g., elimination of one-time item approved in the current fiscal year).
Shift – The transfer of service delivery and attendant costs between County Government departments; or elimination or reduction of a service, with the anticipation that the service will be provided by another (e.g., State, private sector).
Replace – County assumption of responsibilities previously provided by a non-county entity or funded by a restricted grant (e.g., Federal/State/private).
Technical Adjustment – to be used in situations where there is no net change in a department’s total expenditures within a fund. This could be related to: a shift of expenditures between characters (i.e., personnel and operating costs); changes in revenue which have no related changes in expenditures; or minor workforce adjustments which have no related expenditure changes.

Program Summary: listing of each program, including approved expenditures and full-time equivalents (FTEs).

Charges to Other Departments: provides listing of Personnel Costs and Operating Expenses charged to other departments or to the Capital Budget. The amounts in the table are not reflected in the expenditure or FTE figures displayed in the Budget Summary.

Annualization of Personnel Costs: identifies next fiscal year’s annualized cost for the lapsed portion of new approved positions as most new positions are budgeted for only a portion of the fiscal year.