

GO COMMITTEE #4
April 21, 2014

Worksession

M E M O R A N D U M

April 17, 2014

TO: Government Operations & Fiscal Policy Committee

FROM: Susan J. Farag, Legislative Analyst *SJF*

SUBJECT: **Worksession: FY15 Operating Budget
Department of Finance, including Division of Risk
Management, and the Risk Management NDA**

Those expected for this worksession:

Joseph F. Beach, Director, Department of Finance
Nancy Moseley, Administrative Services Manager, Department of Finance
Jedediah Millard, Office of Management and Budget
Corey Orlosky, Office of Management and Budget

Major Issues:

The Compliance Unit has made significant progress identifying accounts ineligible for the Homestead Tax Credit and Property Tax Credit.

The Department has also made progress reducing its vacancy rate and addressing certain work process backlogs.

See discussion below.

The Executive's recommendation for the Department of Finance is attached at ©1-9.

Overview

The Finance Department's operating budget is comprised of a General Fund component (the Director's Office, Treasury Division, and Controller Division) and a Liability and Property Coverage Self Insurance Fund component (Division of Risk Management).

Finance Department, Including Risk Management

For FY15, the County Executive recommends total expenditures of \$72,282,004 for the Finance Department, a 4.5% increase from the FY14 Approved Budget of \$69,142,455.

	FY13 Actual	FY14 Approved	FY15 CE Recommended	% Change FY14-15
Expenditures:				
General Fund	\$9,925,620	\$12,299,265	\$13,412,437	9.1%
Self Insurance ISF	\$49,702,621	\$56,843,190	\$58,869,567	3.6%
TOTAL Expenditures	\$59,628,241	\$69,142,455	\$72,282,004	4.5%
Positions:				
Full-time	116	123	126	2.4%
Part-time	2	1	0	
TOTAL Positions	118	124	126	1.6%
TOTAL FTEs	113.68	124.68	125.68	0.8%

FY15 Expenditure Issues

Public Hearing Testimony

As of the writing of this packet, Council staff is not aware of any public hearing testimony that is relevant to the Finance Department's operating budget.

General Fund

The FY15 Executive's recommended budget for the General Fund component of the Finance Department has a net increase of \$1,113,172 or 9.1% more than the approved FY14 budget. This increase comes from the following same service adjustments:

General Fund -- Identified Same Service Adjustments		
Shift: Funds for Kronos from Technology Services, Police, and Fire & Rescue		\$520,131
Increase Cost: FY15 Compensation Adjustment		\$439,042
Increase Cost: Principal Administrative Aide - Project Search Intern		\$47,440
Increase Cost: Contractual Resources - Indirect Cost Analysis and Services		\$40,000
Increase Cost: Central Duplicating: Imaging Services		\$22,100
Increase Cost: Retirement Adjustment		\$20,001
Increase Cost: Group Insurance Adjustment		\$19,770
Increase Cost: Chargeback for Bill, Collection, and Processing Services for Non-Tax Supported Funds		\$5,280
Increase Cost: Printing and Mail		\$4,688
	Total Increase:	\$1,118,452
Decrease Cost: Annualization of FY14 Personnel Costs		(\$5,280)
	Total Decreases:	(\$5,280)
NET SAME SERVICES ADJUSTMENT TOTAL:		\$1,113,172

Personnel (\$47,440)

The recommended FY15 budget includes three more full time positions and one fewer part-time position than the approved FY14 budget. The changes are outlined below:

Payroll Manager (\$0): The Payroll Manager position was detailed to the ERP project in 2009, and Finance backfilled the function with a contractor. In FY14, the contractor resigned and Finance tried several times to fill the position with another contractor, but was unsuccessful. In order to maintain critical operations, a new full-time Payroll Manager position was created mid-year FY14. The position was filled in November 2013.

MCTime/Labor Distribution/Payroll Position (\$0): This position was converted from part-time to full-time as previously approved in the CIP-ERP Technology Project Budget.

Principal Administrative Aide (\$47,440): This position was created mid-year FY14 and provides administrative support and data analysis in support of the Public Advocate. It also supports the dedicated Homestead Compliance position that is responsible for ensuring property owners receive only tax credits for which they are eligible.

Kronos Maintenance Support Contract Shifted to Finance (\$520,131)

Funds shift from three other departments to Finance to consolidate all Kronos maintenance support contracts for MCTime and Telestaff. Corresponding funds have been shifted from the following departments:

- \$375,000 from Department of Technology Services;
- \$91,052 from the Police Department; and
- \$54,079 from Fire and Rescue Service.

Contractual Resources – Indirect Cost Analysis and Services (\$40,000)

This is a biennial cost for contractual services to update the County's Cost Allocation Plan and Indirect Cost Rates for the actual FY13 expenditures that are allowable under OMB Circular A-87. This is a joint effort between the Office of Management and Budget. Funding is included in Finance's budget and OMB monitors the contract.

Chargeback for Billing, Collection, and Processing Services for Non-Tax Supported Funds (\$5,280)

Finance charges \$1 per property tax account to non-tax funds, including the Parking Districts, Solid Waste Services, Water Quality Protection, and Leaf Vacuuming Funds. For FY15, there are 5,280 fewer accounts that will be charged. The \$5,280 increase reflects increased General Fund expenditures to make up for the reduced chargebacks.

Risk Management/Self Insurance Internal Service Fund

The FY15 Executive's recommended operating budget for the Self-Insurance Fund component of Finance has a net increase of \$2,026,377 or 3.6% over the approved FY14 budget. This increase comes from the following same service adjustments:

Self-Insurance Internal Service Fund -- Identified Same Service Adjustments	
Increase Cost: Claims Administration Contract	\$1,700,250
Increase Cost: Commercial Insurance	\$375,000
Increase Cost: FY15 Compensation Adjustment	\$164,296
Increase Cost: Risk Analyst and Paralegal Contractual Services	\$113,334
Increase Cost: Workers' Compensation Payroll Tax	\$60,003
Increase Cost: Retirement Adjustment	\$10,257
Increase Cost: Group Insurance Adjustment	\$5,700
Increase Cost: Printing and Mail	\$415
Total Increase:	\$2,429,255
Decrease Cost: Motor Pool Rate Adjustment	(\$2,514)
Decrease Cost: Retiree Health Insurance Pre-Funding Adjustment	(\$37,660)
Decrease Cost: Biennial Claims Audit	(\$40,000)
Decrease Cost: Claims Expense	(\$137,000)
Decrease Cost: Annualization of FY14 Personnel Costs	(\$185,704)
Total Decreases:	(\$402,878)
NET SAME SERVICES ADJUSTMENT TOTAL:	\$2,026,377

Claims Administration Contract (\$1,700,250)

The total FY15 recommended budget for the claims administration contract is \$7,696,090. The FY14 allocation is \$5,995,840.

Risk Analyst and Paralegal Contractual Services (\$113,334)

Finance is seeking these services under contract due to increased workloads for legal and contract work. Finance indicates it will consider alternative staffing options in the future as the budget allows.

Workers' Compensation Payroll Tax (\$60,000)

The payroll tax rate is set by the State each year. This increase reflects an increase in gross payrolls for all MCSIP member agencies.

Retiree Health Insurance Pre-Funding Adjustment (\$-37,600)

This reflects the Self Insurance Internal Service Fund's portion of prefunding Retiree Health Benefits. Montgomery County Government contributions for FY15 total \$44.63 million.

Biennial Claims Audit (\$-40,000)

The Finance Department contracts with an auditor to conduct an audit of third-party administrator that handles property and casualty claims for the County's Self Insurance Program. The audit is conducted every other year. The \$40,000 decrease reflects that FY15 is an off-year and no audit will be conducted until FY16.

Claims Expense (-137,000)

Based on actuarial reports, the total claims expense is expected to be \$41,339,000 in FY15, or -\$137,000 less than FY14.

Risk Management NDA

The recommended FY15 appropriation for this NDA is \$19,547,940, which is approximately \$1 million less than the FY14 approved amount.

The NDA funds the General Fund contribution to the 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. Risk Management began using a more reliable allocation system that takes more of the exposure base into consideration than the past methodology did.

FY14 Issues

Last year, the Committee identified several operational issues that required follow-up. The Committee requested three mid-year reports:

- Mid-Year update on Hiring, Vacancies, and Controller's Division Reorganization (©20-21);
- Written report describing efforts undertaken to implement the Office of the Inspector General (OIG) recommendations related to commercial property tax assessments, including actual or expected results from that effort (©23-24);
- Quarterly reports regarding the efforts of the Compliance Unit to identify accounts ineligible for the Homestead Credit and Property Tax Credit, resulting revenues, and related issues (© 25-31).

Update on Hiring, Vacancies, and Controller's Division Reorganization:

Last year, there had been concern that staff turnover, changing demands on the department, and changes to business processes had resulted in internal control issues, a delay in Comprehensive Financial Reports (CAFR) production, and workload backlogs. The FY14 Operating Budget included a significant reorganization of the Controller's Division to address some of these issues. The most significant changes to the Controller's Division were the addition of five FTEs in Accounts Receivable and four FTEs in General Accounting.

The January update outlined actions taken and results, including:

- Finance hired 18 positions and had nine vacancies in FY14;
- Since the summer of 2012, Finance has hired 26 new positions in the Controller's Division, which is about 43% of the 61 total positions in the Division;
- All Controller's Division business processes have been mapped out and the Department is in the process of documenting all current procedures to enhance training, provide guidance to staff and departments, and provide continuity for anticipated future staff turnover. Several new financial reports have been developed;
- Centralized certain functions in both Accounts Payable and Accounts Receivable, provided training and guidance to expedite both recording receipts and making payments.
- Implemented the Single Use Application module for paying vendors with the P-Card;
- Rebate revenues exceeded \$250,000 in FY13 and are expected to increase significantly in FY14;
- Both the FY12 and FY13 CAFR were completed on time;
- The Audit of the FY13 CAFR indicated no significant deficiencies;
- Finance is current on all monthly bank reconciliations;
- Finance is performing proactive reviews of certain funds to address issues identified during FY13 CAFR preparation; and
- Reduced overtime by more than 50%.

The Committee may wish to ask the Department whether it has any updated information since the report was issued in January.

Written Report Regarding OIG Recommendations:

The OIG report stated that Finance should "develop a policy and a method for identifying assessed values to review and a method for determining if the values are accurate." Finance advises that it calculates the sales data versus assessment data for three years. The Department looks for any transactions that have a difference of \$300,000 or more, and mark those for appeal. Finance then researches each account to check the deed for the sale. Once these, and other issues

are researched and verified, Finance sends the list to the State Department of Assessments and Taxation.

Quarterly Reports: Tax Compliance Unit Results

Finance has forwarded two quarterly reports to the Committee this fiscal year. According to the latest report (February 20, 2014), the Compliance Unit has identified about 5,000 accounts that should be corrected, and which could save the County up to \$3.3 million in revenues each year. Since the program was established in March 2012, the Department has more than \$2.5 million in actual revenues. ***The Committee may wish to ask the Department whether it has any updated projections regarding identified accounts and projected revenues.***

Council Staff Recommendation

Council staff recommends approval of the Finance Department Operating Budget and of the Risk Management NDA as submitted by the Executive.

This packet contains

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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 FY15 Operating Budget for the Department of Finance is \$72,282,004, an increase of \$3,139,549 or 4.5 percent from the FY14 Approved Budget of \$69,142,455. Personnel Costs comprise 20.6 percent of the budget for 126 full-time positions, and a total of 125.68 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 79.4 percent of the FY15 budget.

The Finance Operating Budget is comprised of a General Fund component (the Director's Office and the Divisions of Fiscal Management, Treasury and Controller) and the Division of Risk Management, which is funded by the Liability and Property Coverage Self-Insurance Fund. The total FY15 Operating Budget for the General Fund component is \$13,412,437 an increase of \$1,113,172 or 9.1 percent over the FY14 approved budget of \$12,299,265. Personnel Costs comprise approximately 81.8 percent of the General Fund budget for 116 full-time positions. A total of 95.31 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 18.2 percent of the budget.

The total FY15 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is \$58,869,567, an increase of \$2,026,377 or 3.6 percent over the FY14 approved budget of \$56,843,190. Personnel Costs comprise approximately 6.7 percent of the Self-Insurance Fund budget for 10 full-time positions. A total of 30.37 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 93.3 percent of the budget. Included in the total FTEs are 20.00 FTEs charged to the Self-Insurance Fund by the Office of the County Attorney and 0.37 FTE 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 FY14 estimates reflect funding based on the FY14 approved budget. The FY15 and FY16 figures are performance targets based on the FY15 recommended budget and funding for comparable service levels in FY16.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***Successfully retained the County's AAA bond rating from the three major credit rating agencies in the fall of 2013.***
- ❖ ***In 2013, successfully doubled the investment program with County community banks to support the growth of local jobs, making over \$77 million in capital available for small business loans. Continually looking for ways to raise investment yields and reduce banking costs.***
- ❖ ***Implementing a comprehensive modernization of the Tax Assessment System and an upgrade of the MUNIS property tax billing system (including moving the system to a Cloud environment). These systems are used in the collection of over \$2 billion in revenues annually.***
- ❖ ***Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY12 Comprehensive Annual Financial Report (CAFR). This is the 43rd year for this achievement--longer than any other government in***

the United States and Canada.

- ❖ **Strengthened the funding mechanism for the Montgomery County Self Insurance Program by ordering an actuarial review of the funding process and the contribution allocation system; making the process stable and sustainable.**
- ❖ **Developed in-house a new electronic Volunteer Registration System that will launch in FY14 to replace the paper registration system.**
- ❖ **Provide departments with workers compensation data and analytical tools to help identify where to focus their cost reduction/worksites safety efforts.**
- ❖ **Risk Management is conducting a Total Absence Management study in collaboration with other County Departments to identify enhancements to existing policies and practices on employee absences to increase employee availability, reduce workplace injuries, reduce backfill overtime, and expedite return to work.**
- ❖ **Benchmarking Montgomery County workers compensation claim and cost data and practices to other Maryland and regional jurisdictions.**
- ❖ **Productivity Improvements**
 - **Implemented the Homestead Tax Credit Program to verify and monitor resident eligibility to receive the County's Homestead Property Tax Credit, Property Tax Credit, and other tax credits. To date, this program has generated \$2,491,540 in additional revenues.**
 - **Developed and implementing a Self Inspection web application to streamline paper-driven processes for the Division of Risk Management and expedite safety inspections.**
 - **Updated the Risk Management page on the Department of Finance intranet website with information on volunteers, information for departments on how to report claims, and how to request assistance from our Occupational Safety and Health Section. An additional website (MCSIP.org) has been added to assist in clearer communication and expedite various claim processes.**
 - **Provided training and additional resources to assist in handling claims for all coverage types that involve Medicare recipients to ensure that all settlements are appropriate and represent Montgomery County Government interests while protecting Medicare benefits.**

PROGRAM CONTACTS

Contact Nancy Moseley of the Department of Finance at 240.777.8886 or Jedediah Millard of the Office of Management and Budget at 240.777.2769 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Fiscal Management

This program provides effective management of County capital and operating funds and the fiscal analysis and issue management associated with master plan development, economic development, and legislative issues. 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's primary goal is to maintain the County's AAA General Obligation Bond debt rating, and to actively invest the County's working capital to minimize risk while generating maximum investment income. Program objectives related to debt and cash management 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 and investment community. Program objectives related to policy and fiscal projects include the 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.

Program Performance Measures	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
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

	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Investment Return Benchmarking – County Return vs. S&P Local Government Investment Pool Index (basis point spread)	4.0	10.0	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)	3.23	2.30	5.0	5.0	5.0
Interest Rate Benchmarking – County GO vs. Municipal Market Data Index (basis point spread)	14.0	2	0	0	0
Investment Return - Rate of return on Montgomery County's investments	0.2%	0.17%	0.19%	0.36%	0.36%
Revenue forecasting - Percent variance between actual revenue and projected revenue ¹	1.1%	2.0%	0.0%	0.0%	0.0%

¹ FY13 is final based on CAFR.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	1,014,342	7.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	182,898	1.00
FY15 CE Recommended	1,197,240	8.00

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.

Program Performance Measures	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Requests for assistance with computer systems, i.e. Service Tickets (average number of days to close)	4.0	2.0	1.0	1.0	1.0
Oracle: Enterprise Business Solutions (EBS): User service requests processed ¹	1,402	1,400	1,200	1,300	1,300

¹ FY15 potential increase due to DLC.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	1,357,610	4.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	1,223	0.00
FY15 CE Recommended	1,358,833	4.00

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.

Program Performance Measures	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Procurement Card rebate revenue generated ¹	134,002	264,320	488,600	496,700	498,000

¹ FY12 new contract with JP Morgan Chase; FY13 Single Use Application implemented.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	778,793	9.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	52,864	0.00
FY15 CE Recommended	831,657	9.00

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.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	644,744	6.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	57,895	1.00
FY15 CE Recommended	702,639	7.00

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, Debt 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 FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting ¹	Received	Expected	Expected	Expected	Expected

¹ The County has been awarded this certificate more times than any other county in the nation (FY12 = 43 times).

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	1,939,865	18.81
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-3,400	-1.00
FY15 CE Recommended	1,936,465	17.81

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.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	513,745	5.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	51,620	0.00
FY15 CE Recommended	565,365	5.00

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.

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FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	864,731	8.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	14,832	0.00
FY15 CE Recommended	879,563	8.00

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 and 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.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	1,842,187	19.35
Increase Cost: Principal Administrative Aide - Project Search Intern	47,440	1.00
Increase Cost: Chargeback for Billing, Collection and Processing Services for Non-Tax Supported Funds	5,280	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	116,765	0.00
FY15 CE Recommended	2,011,672	20.35

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.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	291,078	4.15
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	24,857	0.00
FY15 CE Recommended	315,935	4.15

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.

Program Performance Measures	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Workers Compensation - Cost per \$100 of payroll	\$3.05	\$2.91	\$2.91	\$2.91	\$2.91
Workers Compensation - Number of MCG cases resulting in lost work time	544	520	610	625	625
Number of contracted documents reviewed for adequate insurance coverage ¹	7,459	7,389	7,500	7,500	7,500

¹ The number of contracts reviewed depends upon the number of contracts processed by the Office of Procurement (90%) and other departments

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(10%).

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	52,983,643	4.00
Increase Cost: Claims Administration Contract	1,700,250	0.00
Increase Cost: Commercial Insurance	375,000	0.00
Increase Cost: Risk Analyst and Paralegal Contractual Services	113,334	0.00
Increase Cost: Workers' Compensation Payroll Tax	60,003	0.00
Decrease Cost: Biennial Claims Audit	-40,000	0.00
Decrease Cost: Claims Expense	-137,000	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	10,225	0.00
FY15 CE Recommended	55,065,455	4.00

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.

Program Performance Measures	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Training classes conducted by Safety and Health Specialists ¹	125	68	75	75	75

¹ FY13 implemented a "Train-the-Trainer" program for Fleet Management

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	571,343	3.00
Decrease Cost: Motor Pool Rate Adjustment	-2,514	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	2,980	0.00
FY15 CE Recommended	571,809	3.00

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.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	2,631,289	20.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	1,940	0.00
FY15 CE Recommended	2,633,229	20.00

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. The program provides high quality consulting services for County agencies, managers, staff, elected officials, and residents.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	3,709,085	16.37
Shift: Funds for Kronos (Timekeeping Software) Maintenance Support Contract from Technology Services, Police, and Fire & Rescue	520,131	0.00
Increase Cost: Contractual Resources - Indirect Cost Analysis and Services	40,000	0.00
Increase Cost: Central Duplicating: Imaging Services	22,100	0.00
Increase Cost: Printing and Mail	4,688	0.00
Increase Cost: Printing and Mail	415	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding Adjustment	-37,660	0.00

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	Expenditures	FTEs
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-46,617	-1.00
FY15 CE Recommended	4,212,142	15.37

BUDGET SUMMARY

	Actual FY13	Budget FY14	Estimated FY14	Recommended FY15	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	6,072,996	8,046,189	7,273,496	8,441,163	4.9%
Employee Benefits	1,946,846	2,404,593	2,533,106	2,529,612	5.2%
County General Fund Personnel Costs	8,019,842	10,450,782	9,806,602	10,970,775	5.0%
Operating Expenses	1,905,778	1,848,483	2,576,153	2,441,662	32.1%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	9,925,620	12,299,265	12,382,755	13,412,437	9.1%
PERSONNEL					
Full-Time	106	113	113	116	2.7%
Part-Time	2	1	1	0	—
FTEs	84.31	94.31	94.31	95.31	1.1%
REVENUES					
Miscellaneous Revenues	268,213	134,000	488,600	496,700	270.7%
Other Charges/Fees	198,060	272,540	238,200	253,680	-6.9%
Other Fines/Forfeitures	25,321	50,000	50,000	50,000	—
Other Intergovernmental	163,841	154,760	155,890	149,680	-3.3%
County General Fund Revenues	655,435	611,300	932,690	950,060	55.4%
SELF INSURANCE INTERNAL SERVICE FUND					
EXPENDITURES					
Salaries and Wages	2,787,608	2,990,140	2,990,140	2,944,729	-1.5%
Employee Benefits	905,776	941,539	941,539	981,499	4.2%
Self Insurance Internal Service Fund Personnel Costs	3,693,384	3,931,679	3,931,679	3,926,228	-0.1%
Operating Expenses	46,009,237	52,911,511	52,911,511	54,943,339	3.8%
Capital Outlay	0	0	0	0	—
Self Insurance Internal Service Fund Expenditures	49,702,621	56,843,190	56,843,190	58,869,567	3.6%
PERSONNEL					
Full-Time	10	10	10	10	—
Part-Time	0	0	0	0	—
FTEs	29.37	30.37	30.37	30.37	—
REVENUES					
Investment Income	16,399	350	33,910	65,810	18702.9%
Miscellaneous Revenues	371,641	0	1,000,000	0	—
Self Insurance Revenues	56,154,716	66,233,195	65,233,195	69,489,767	4.9%
Self Insurance Internal Service Fund Revenues	56,542,756	66,233,545	66,267,105	69,555,577	5.0%
DEPARTMENT TOTALS					
Total Expenditures	59,628,241	69,142,455	69,225,945	72,282,004	4.5%
Total Full-Time Positions	116	123	123	126	2.4%
Total Part-Time Positions	2	1	1	0	—
Total FTEs	113.68	124.68	124.68	125.68	0.8%
Total Revenues	57,198,191	66,844,845	67,199,795	70,505,637	5.5%

FY15 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY14 ORIGINAL APPROPRIATION	12,299,265	94.31
<u>Other Adjustments (with no service impacts)</u>		
Shift: Funds for Kronos (Timekeeping Software) Maintenance Support Contract from Technology Services, Police, and Fire & Rescue [Operations and Administration]	520,131	0.00
Increase Cost: FY15 Compensation Adjustment	439,042	0.00
Increase Cost: Principal Administrative Aide - Project Search Intern [Tax Operations]	47,440	1.00
Increase Cost: Contractual Resources - Indirect Cost Analysis and Services [Operations and Administration]	40,000	0.00
Increase Cost: Central Duplicating: Imaging Services [Operations and Administration]	22,100	0.00
Increase Cost: Retirement Adjustment	20,001	0.00
Increase Cost: Group Insurance Adjustment	19,770	0.00
Increase Cost: Chargeback for Billing, Collection and Processing Services for Non-Tax Supported Funds [Tax Operations]	5,280	0.00
Increase Cost: Printing and Mail [Operations and Administration]	4,688	0.00
Decrease Cost: Annualization of FY14 Personnel Costs	-5,280	0.00
FY15 RECOMMENDED:	13,412,437	95.31
SELF INSURANCE INTERNAL SERVICE FUND		
FY14 ORIGINAL APPROPRIATION	56,843,190	30.37
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Claims Administration Contract [Insurance]	1,700,250	0.00
Increase Cost: Commercial Insurance [Insurance]	375,000	0.00
Increase Cost: FY15 Compensation Adjustment	164,296	0.00
Increase Cost: Risk Analyst and Paralegal Contractual Services [Insurance]	113,334	0.00
Increase Cost: Workers' Compensation Payroll Tax [Insurance]	60,003	0.00
Increase Cost: Retirement Adjustment	10,257	0.00
Increase Cost: Group Insurance Adjustment	5,700	0.00
Increase Cost: Printing and Mail [Operations and Administration]	415	0.00
Decrease Cost: Motor Pool Rate Adjustment [Occupational Safety and Health]	-2,514	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding Adjustment [Operations and Administration]	-37,660	0.00
Decrease Cost: Biennial Claims Audit [Insurance]	-40,000	0.00
Decrease Cost: Claims Expense [Insurance]	-137,000	0.00
Decrease Cost: Annualization of FY14 Personnel Costs	-185,704	0.00
FY15 RECOMMENDED:	58,869,567	30.37

PROGRAM SUMMARY

Program Name	FY14 Approved		FY15 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Fiscal Management	1,014,342	7.00	1,197,240	8.00
Information Technology	1,357,610	4.00	1,358,833	4.00
Accounts Payable	778,793	9.00	831,657	9.00
Accounts Receivable	644,744	6.00	702,639	7.00
General Accounting	1,939,865	18.81	1,936,465	17.81
Grants Accounting	513,745	5.00	565,365	5.00
Payroll	864,731	8.00	879,563	8.00
Tax Operations	1,842,187	19.35	2,011,672	20.35
Treasury Operations	291,078	4.15	315,935	4.15
Insurance	52,983,643	4.00	55,065,455	4.00
Occupational Safety and Health	571,343	3.00	571,809	3.00
Legal Services	2,631,289	20.00	2,633,229	20.00
Operations and Administration	3,709,085	16.37	4,212,142	15.37
Total	69,142,455	124.68	72,282,004	125.68

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CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY14		FY15	
		Total\$	FTEs	Total\$	FTEs
COUNTY GENERAL FUND					
CIP	CIP	1,376,198	10.50	1,593,724	12.00
Community Use of Public Facilities	Community Use of Public Facilities	4,730	0.04	6,380	0.04
Environmental Protection	Water Quality Protection Fund	372,970	3.20	376,376	3.20
General Services	Printing and Mail Internal Service Fund	6,640	0.05	6,020	0.05
Human Resources	Employee Health Benefit Self Insurance	94,850	0.75	101,260	0.75
Human Resources	Retiree Health Benefits	41,110	0.25	39,920	0.25
NDA - Mont. County Employee Retirement Plans	BIT 457 Deferred Comp. Plan	24,670	0.15	4,790	0.03
NDA - Mont. County Employee Retirement Plans	Employee Retirement System	52,630	0.32	59,090	0.37
NDA - Mont. County Employee Retirement Plans	Retirement Savings Plan	26,320	0.16	11,170	0.07
NDA - Mont. County Employee Retirement Plans	RSP-Disability Benefits LTD2	0	0.00	25,550	0.16
Parking District Services	Bethesda Parking District	59,828	0.70	64,707	0.70
Parking District Services	Montgomery Hills Parking District	5,707	0.05	6,949	0.05
Parking District Services	Silver Spring Parking District	52,258	0.52	56,798	0.52
Parking District Services	Wheaton Parking District	13,257	0.13	15,267	0.13
Permitting Services	Permitting Services	13,660	0.10	11,070	0.10
Solid Waste Services	Solid Waste Collection	90,670	0.34	90,610	0.34
Solid Waste Services	Solid Waste Disposal	219,270	2.38	218,990	2.38
Transportation	Vacuum Leaf Collection	81,320	0.23	81,491	0.23
Total		2,536,088	19.87	2,770,162	21.37

FUTURE FISCAL IMPACTS

Title	CE REC.		(S000's)			
	FY15	FY16	FY17	FY18	FY19	FY20
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY15 Recommended	13,412	13,412	13,412	13,412	13,412	13,412
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	97	97	97	97	97
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
Labor Contracts - Other	0	-12	-12	-12	-12	-12
These figures represent other negotiated items included in the labor agreements.						
Contractual Resources for Indirect Cost Analysis and Services	0	-40	0	-40	0	-40
Indirect Cost Analysis through contract.						
Subtotal Expenditures	13,412	13,457	13,497	13,457	13,497	13,457
SELF INSURANCE INTERNAL SERVICE FUND						
Expenditures						
FY15 Recommended	58,870	58,870	58,870	58,870	58,870	58,870
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	49	49	49	49	49
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
Professional Services - Claims Audit Contract	0	40	0	40	0	40
The Claims Audit is conducted every other even year, and is not needed in odd years.						
Retiree Health Insurance Pre-Funding	0	-2	-5	-7	-10	-12
These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.						
Subtotal Expenditures	58,870	58,956	58,914	58,951	58,909	58,946

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FY15-20 PUBLIC SERVICES PROGRAM: FISCAL PLAN							
Risk Management							
FISCAL PROJECTIONS	FY14 ESTIMATE	FY15 REC	FY16 PROJECTION	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION	FY20 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	15.69%	15.87%	15.87%	15.87%	15.87%	15.87%	15.87%
CPI (Fiscal Year)	1.6%	2.0%	2.2%	2.5%	2.6%	2.4%	2.3%
Investment Income Yield	0.19%	0.35%	0.95%	1.55%	2.15%	2.85%	3.45%
Rate Adjustment			2.0%	0.0%	-7.5%	0.0%	0.0%
BEGINNING FUND BALANCE	(16,421,065)	(6,997,150)	3,688,860	13,420,682	21,781,995	23,367,000	23,580,275
REVENUES							
Intergovernmental	496,470	449,676	458,670	458,670	424,269	424,269	424,269
Miscellaneous	1,033,910	1,065,810	214,100	401,130	614,410	834,050	943,270
Subtotal Revenues	1,530,380	1,515,486	672,770	859,800	1,038,679	1,258,319	1,367,539
INTERFUND TRANSFERS (Net Non-CIP)	64,736,725	68,040,091	69,400,893	69,400,893	64,195,826	64,195,826	64,195,826
Transfers Risk Management Fund	64,736,725	68,040,091	69,400,893	69,400,893	64,195,826	64,195,826	64,195,826
TOTAL RESOURCES	49,846,040	62,558,427	73,762,522	83,681,375	87,016,500	88,821,145	89,143,640
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(56,843,190)	(58,869,567)	(60,254,997)	(61,855,257)	(63,567,587)	(65,201,777)	(66,781,837)
Labor Agreement	n/a	0	(48,743)	(48,743)	(48,743)	(48,743)	(48,743)
Refiree Health Insurance Pre-funding	n/a	0	1,900	4,620	6,830	9,650	12,370
Claims Audit	n/a	n/a	(40,000)	0	(40,000)	0	(40,000)
Subtotal PSP Oper Budget Approp / Exp's	(56,843,190)	(58,869,567)	(60,341,840)	(61,899,380)	(63,649,500)	(65,240,870)	(66,858,210)
TOTAL USE OF RESOURCES	(56,843,190)	(58,869,567)	(60,341,840)	(61,899,380)	(63,649,500)	(65,240,870)	(66,858,210)
YEAR END FUND BALANCE	(6,997,150)	3,688,860	13,420,682	21,781,995	23,367,000	23,580,275	22,285,430
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	-14.0%	5.9%	18.2%	26.0%	26.9%	26.5%	25.0%
Assumptions: 1. Risk Management contributions projected for this fund are adjusted as necessary to reflect the County's fiscal policy of maintaining an unrestricted net asset 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 an actuarial analysis and evaluation of prior claims expenses.							

Finance Department – FY15 Operating Budget Questions (includes Risk Management NDA)

General Fund Questions

1. The recommended FY15 budget includes 3 more full time positions and one fewer part-time position than the approved FY14 budget. Please describe the changes, including program and impact on workflow.

CIP ERP: +2 F-T positions, -1 P-T position, +1.5 FTEs

- +1 F-T; +1.0 FTE; \$0. In 2009 the Payroll Manager SME was detailed to the ERP Project and Finance backfilled this function with a contractor. In FY14 the long-term contractual individual resigned, and after several unsuccessful attempts at backfilling this function with another contractor, it was evident that using a contractor was no longer a viable option for the continuity of mission critical operations. In FY14 mid-year a Payroll Manager position was created (\$0), and on November 18, 2013, Finance hired a permanent Payroll Manager.

- +1 F-T, -1 P-T, +0.5 FTE. In FY15 convert the MCtime/Labor Distribution/Payroll SME position from part-time to full-time as previously approved in the CIP – ERP Technology Project Budget

General Fund: +1 F-T, +1.0 FTE

- +1 F-T; +1.0 FTE. This is a FY14 Mid-Year creation of a Principal Administrative Aide position to assist the Division of Treasury, Tax Operations Section, to provide administrative support and conduct basic data analyses in support of the Public Advocate position for the County. This position was filled by a Project Search Intern. Primary responsibilities include: assisting in preparing information for the Public Advocate, assisting in reviewing commercial and residential property assessment and sales data to determine which properties are eligible for appeal by the County, and preparing documents required for filing an appeal with the State. In addition, administrative support and basic data analyses is provided to the dedicated Homestead Compliance position responsible for ensuring that property owners receive only tax credits for which they are eligible.

2. Please describe the fund shift for Kronos Maintenance Support contract from DTS, Police, and MCFRS.

Funds for the Kronos Maintenance Support Contracts for MCtime and Telestaff previously resided in three Departments (DTS, Police and MCFRS). In FY14 it was determined that the best business practice was to consolidate all contracts into one umbrella contract, which was accomplished under Amendment 19, and in doing this we were able to negotiate an annual 3% pricing increase with Kronos through Dec 31, 2018.

\$520,131 to Finance
\$375,000 from DTS
\$ 91,052 from Police
\$ 54,079 from MCFRS

3. Please describe the increased cost for Contractual Resources – Indirect Cost Analysis and Services.

The \$40,000 is a biennial re-occurring obligation required for contractual resources to prepare the Indirect Cost Analysis and Services to update the County's Cost Allocation Plan and Indirect Cost Rates for the actual expenditures (FY13) allowable in accordance with the requirements of OMB Circular A-87, "Cost Principles for State and Local Governments" and the Federal award(s) to which they apply. This is a joint effort between OMB and Finance. Funding for the contract is included in Finance's budget and OMB monitors the contract.

4. Please describe the increased cost for Chargeback for billing, collection, and processing services for non-tax supported funds.

The chargebacks to the Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming Funds are based on the most recent actual number of property tax accounts billed x \$1.00 per account. FY15 is based on the FY13 actual number of property tax accounts for each Fund. Each year there will be a slight fluctuation between PC and OE because the formula is based on the actual percentage of the prior fiscal year PC and OE expenditures for the Division of Treasury. In FY14 (FY12 Actual) there was a total of 616,760 accounts. In FY15 (FY13 Actual) there were 611,480 accounts; a decrease of 5,280 accounts that will be charged to the various funds (therefore the General Fund will have an increased cost).

FY14 (FY12 Actual # of Accounts):

616,760 Accounts

FY15 (FY13 Actual # of Accounts):

611,480 Accounts

FY15 Change to General Fund:

-5,280 Accounts x \$1.00 = \$5,280. This is an additional charge to General Fund (and reduced charges to Other Funds)

5. Please describe the decreased cost related to annualization of FY14 personnel costs.

The -\$5,280 is the net change resulting from of all the known FY14 Personnel actions (e.g. turnover savings or increases from hiring) and the FY15 personnel/position assumptions required for continuity of Finance operations.

6. Q from Prior e-mail 3/31/2014 requesting mid-year update regarding hiring, vacancies, and lapse

See attached

- Memo from Joseph Beach to Nancy Navarro dated 1/22/2014
- Spreadsheet - current Status of Vacancies, Recruitment and Personnel Actions 4/8/2014.

Any lapse savings generated is being used for contractual services to backfill the vacant positions duties and responsibilities.

for such a significant increase? *Investment income projections are provided by the Finance Department's Chief Economist and are based on projected reserve levels and interest rates. The FY15 reserves are projected at higher levels for FY15 compared to FY14.*

7. What is the target FY15 Cost per \$100 of payroll for Workers Compensation based on? It is \$2.91 in the budget book, but the recent Mid-Year Risk Management Update shows an average cost of \$3.13 per \$100 for Montgomery County Government. *The Mid-Year Update contained a calculation for Montgomery County Government using projected ultimate loss numbers from the actuarial report. The performance measures report contained a calculation that used actual net workers' compensation costs. The projected ultimate costs from the actuary are more accurate and more appropriate for budget projections.*

Risk Management NDA

1. The FY15 recommended amount is about \$1 million less than the FY14 approved amount. Please describe the reduction. *Contribution amounts are based on an Actuarial analysis of past claims, projections of future claims and on the exposure(s) being insured. For the first time in FY15, Risk Management began using a more reliable allocation system that takes more of the exposure base into consideration than the past methodology and it caused some fluctuations that should stabilize in the future.*

Other Questions

1. If not provided as part of the mid-year update on vacancies, hiring, and lapse, please provide the following:

- a) updated organizational chart(s); and – see attached
- b) number of vacancies and brief description of their positions. see attached

2. In the packet, I will briefly synopsize the various updates that Jacob had recommended and the Council approved. Please provide any new **material** information you have since the following were issued to the GO Committee this year: previously provided with the NDA State Property Tax Services

- a) March 18, 2014 Mid-Year Risk Management Update;
- b) February 20, 2014 Quarterly Report: Tax Compliance Unit Results; and
- c) February 19, 2014 e-mail the provided updates on items identified by the 2013

OIG report, including:

- 1) Assessment appeal methodology;
- 2) Efforts to identify incorrect Homestead Tax Credits; and
- 3) Appealing commercial assessments.

Finance Department – FY15 Operating Budget Questions
(Includes Risk Management NDA)

Division of Risk Management/Self Insurance Internal Service Fund

1. Please describe the \$1.7 million increase for the claims administration contract.
This contract was last bid in FY08 and must be rebid. In checking with comparable jurisdictions, we find that similar services that were bid recently cost more even for smaller jurisdictions.
2. Please describe the increased cost for commercial insurance.
Commercial insurance premiums are subject to inflationary pressures, particularly Commercial Property Insurance since they are based on total insured replacement cost values. New Capital improvements along with the cost to rebuild damaged property will cause actual billed premiums to rise even if the rates remain stable.
3. Please describe the increased cost for the risk analyst and paralegal contractual services. Why are these positions contractual and not permanent?
The need for additional support is immediate due to additional workloads attributable to legal and contract activities. Future staffing options will be considered as budgetary constraints allow.
4. Please describe the increased cost for workers' compensation payroll tax.
The State of Maryland sets the rate each year. The increase in the amount of payroll directly drives this cost since it is tied to gross payrolls for all of the MCSIP member agencies.
5. Please describe the decreased cost related to annualization of FY14 personnel costs.
This is the net change resulting from the appropriated FY14 Personnel Costs and the current FY15 personnel/position assumptions required for continuity of Finance Risk Management operations. By County Code Agency contribution rates are established by November 1st and are not adjusted. The FY15 CE Recommended Budget Personnel Costs have been adjusted to align with the CE's recommended compensation requests and the current labor agreements.
6. In prior budget books, the revenue portion of the self insurance internal service fund showed itemized sources of income, including County, the General Fund NDA, MCFRS, etc.
 - a) Do you have a list of contributors/participants for FY15 that shows contribution amounts? *Yes. Please see the attached.*
 - b) What are "miscellaneous" revenues? *These involve subrogation and insurance claim recoveries.*
 - c) Please provide a brief description of investment income and why the FY14 budgeted amount was \$350 and FY15 recommended amount is \$65,810. What accounts

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Insurance

3.16 3.33 3.30 3.37

Headline Measure	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
<input checked="" type="checkbox"/> Workers Compensation - Cost per \$100 of payroll	✓ \$3.05	\$2.91	\$2.91	\$2.91	\$2.91

Farag, Susan

From: Moseley, Nancy
Sent: Wednesday, April 16, 2014 4:13 PM
To: Farag, Susan
Cc: Beach, Joseph; Schroeder, Pamela; Orlosky, Corey; Peeling, Katharine; Bales, Lissa; Moseley, Nancy
Subject: 15 follow-up Q&As for RM - Susan Farag 4.16.2014 Claims Administration

Hi Susan. Re your Q below about the claims administration contract:

The \$1,700,250 is in addition to the current FY14 allocation of \$5,995,840. The total FY15 CE Recommended budget is \$7,696,090. The FY13 budget was \$5,698,080 and the FY13 YTD Actual Amount is \$5,638,592

*Nancy Moseley
Department of Finance
Administrative Services Manager*
[REDACTED]

From: Farag, Susan
Sent: Wednesday, April 16, 2014 10:29 AM
To: Moseley, Nancy
Subject: RE: 15 Finance (Gen Fund + Risk Management) Q&As for Susan Farag 4.15.2014

Hi, Nancy,

Just one quick question about the claims administration contract. Is the total cost of the contract projected to be \$1.7 million? Or is that \$1.7 million than you currently pay? Could you let me know what your annual costs were for the current contract?

Thanks!

Susan
[REDACTED]

From: Moseley, Nancy
Sent: Tuesday, April 15, 2014 1:49 PM
To: Farag, Susan; Sesker, Jacob
Cc: Beach, Joseph; Schroeder, Pamela; Peeling, Katharine; Espinosa, Alex; Millard, Jedediah; Orlosky, Corey; Gomez, Sarah; Moseley, Nancy
Subject: 15 Finance (Gen Fund + Risk Management) Q&As for Susan Farag 4.15.2014

Hi Susan. As promised attached is the complete Q&A for **Finance: General Fund, Risk Management and the NDA-Risk Management** with the update to the Risk Management Q #7, and the revised Performance Measure information for "Workers Compensation - Cost per \$100 or Payroll".

*Nancy Moseley
Department of Finance
Administrative Services Manager*
[REDACTED]

Farag, Susan

From: Moseley, Nancy
Sent: Wednesday, April 16, 2014 4:48 PM
To: Farag, Susan
Cc: Beach, Joseph; Orlosky, Corey; Schroeder, Pamela; Peeling, Katharine; Moseley, Nancy; Gomez, Sarah
Subject: Action: Q&A RM follow-up #2 Susan Farag 4.16.2014

Hi Susan: Below are the last two follow-up Qs for Risk Management. And yes, thank you -- I would love to review your FIN GO packet once it is complete.

- **Biennial Claims Audit (-\$40,000).** The Biennial claims audit is done to assess the accuracy of the claims handling and reserve setting by our third party administrator. Since the reserving practices are critical to the funding of the MCSIP, we must audit this regularly. Since we do it every other year, it will always show in the budget as either -\$40K or +\$40K over the previous year. We do it on even numbered years so FY15 will show -\$40K. Below is a description from the solicitation:

Biennially, the Montgomery County Government, Department of Finance, Division of Risk Management solicits qualified organizations to conduct an audit of the third-party administrator that handles property and casualty claims for the Montgomery County Self Insurance Program.

The chosen vendor reviews a significant number of open and closed claim files to determine contract compliance, and adherence to general insurance industry standards for claims handling.

A report is produced that contains the itemized results of the audit, recommendations for improvements, if any, and a summary of the overall performance of the third-party claims administrator.

- **Claims Expense (-\$137,000).** We split the total claims expense numbers into two sections, one is the called "Projected Cash for Claim Payments" and the other is called "Adjustment to Reserves (IBNR)". This combined number is the total claims expense number and these numbers come directly from the actuarial reports. The combined amount for FY15 is \$41,339,000, -\$137,000 less than the amount for FY14 (\$41,476,000).

Nancy Moseley
Department of Finance
Administrative Services Manager


From: Farag, Susan
Sent: Wednesday, April 16, 2014 12:06 PM
To: Moseley, Nancy
Subject: Last Questions (I think)

Nancy,

It seems I forgot to ask about two items in the Risk Management Self Insurance Fund

Biennial Claims Audit (-\$40,000) and the Claims Expense (-\$137,000).

Could you give me a really brief description of each?
Thanks!

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MONTGOMERY COUNTY PRODUCTION REPORT
Revenue Summary by Cost Center
FY15 Budget

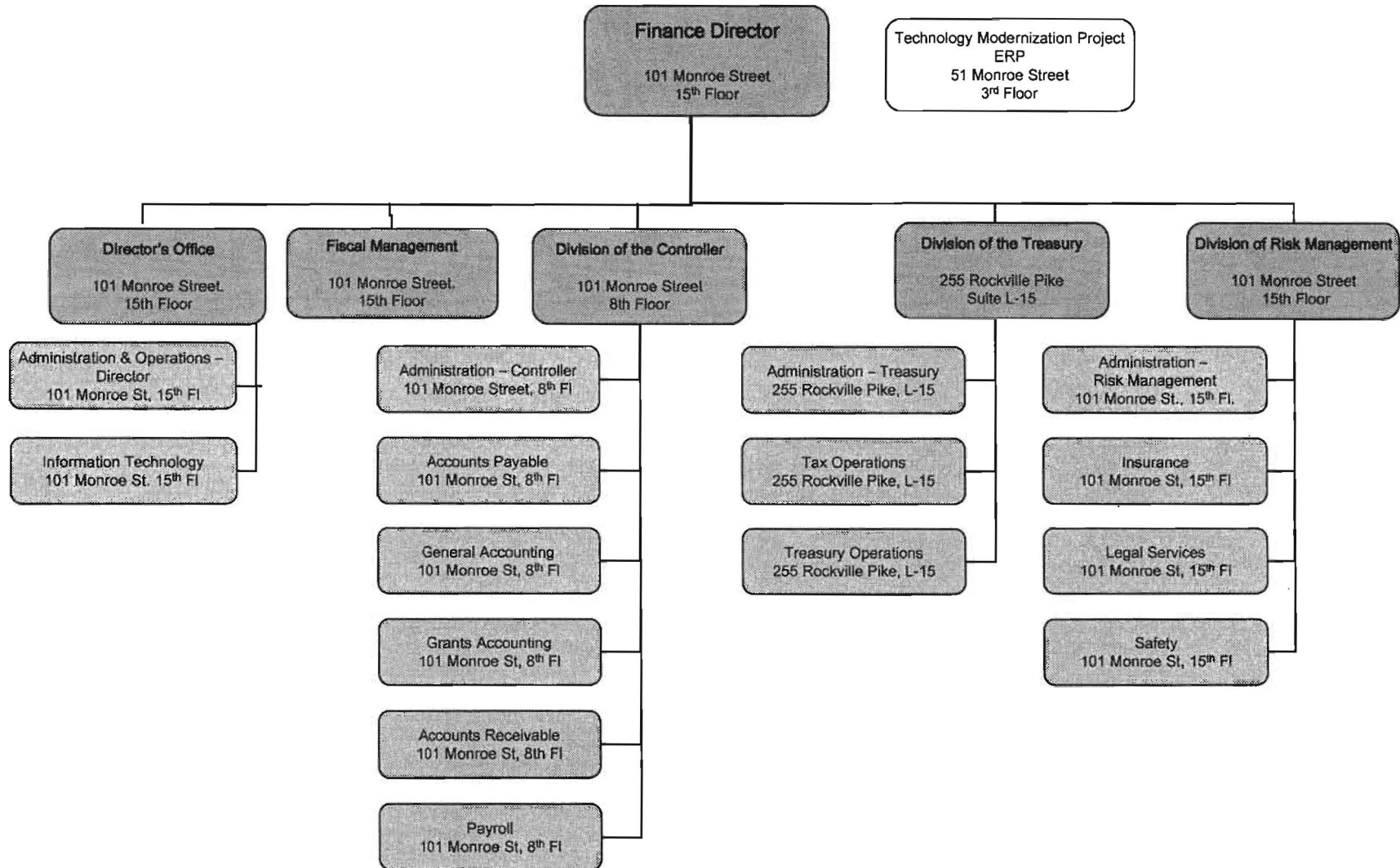
Run Date: 04/08/2014
Run Time: 3:02:20 PM
Page 1 of 1

Self Insur - Liability & Property (615), CE OMB Recommended

		<u>Total Revenue</u>
C32400	Administration - Risk Management (C32400)	0
C32420	Direct Charges - Accounting (C32420)	0
C32410	Direct Charges - County Attorney (C32410)	0
C32500	Insur - County Government-Self Insur (C32500)	29,854,424
C32510	Insur - Mcps - Self Insur (C32510)	18,668,897
C32515	Insur - Montgomery College-Self Insur (C32515)	1,488,554
C32520	Insur - M-NCPPC-Self Insur (C32520)	1,010,050
C32525	Insur - Fire Departments-Self Insur (C32525)	16,525,778
C32535	Ins - Revenue Authority-Self Ins (C32535)	211,033
C32540	Ins - HOC - Self Ins (C32540)	1,324,485
C32545	Ins - HACR - Self Ins (C32545)	22,680
C32550	Ins - Town Of Somerset - Self Ins (C32550)	4,937
C32565	Ins - City Of Gaithersburg-Self Ins (C32565)	388,867
C32570	Ins - Bup-Self Insur (C32570)	28,729
C32575	Ins - Village Of Drummond -Self Ins (C32575)	4,260
C32585	Ins - Vill.Of Friendship Hgts - Self Ins (C32585)	22,883
C32700	Safety (C32700)	0
		<hr/>
TOTALS		<u><u>69,555,577</u></u>

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DEPARTMENT OF FINANCE
 FY15 CE Recommended Division/Section/Function
 March 15, 2014





DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

January 22, 2014

TO: Nancy Navarro, Chair
Government Operations Committee

FROM: Joseph F. Beach, Director
Department of Finance

SUBJECT: Update on Hiring, Vacancies and Controller's Division Reorganization

Hiring and Vacancies

As requested during your review of the Finance Department's FY14 operating budget, below is a report on the status of hiring, vacancies, and the Controller's Division Reorganization.

During FY14 the Finance Department has hired 18 positions and has nine vacancies. We currently have active recruitments to fill three of the existing nine vacancies and will shortly be advertising to fill three vacant Accountant/Auditor III positions.

Controller's Division Reorganization

Actions:

Hiring: Since implementation of the reorganization of the Controller's Division in the summer of 2012 we have hired 26 new positions in the Controller's Division including twelve Accountants, three Senior Financial Specialist, four Fiscal Assistants, three Administrative positions, two IT positions, and two Managers. This is nearly 43% of the 61 total positions in the Division.

Documentation: All of the business processes in the Division have been mapped out and we have begun the process of documenting all current business processes and procedures to enhance training, guidance to staff and departments, and provide continuity for anticipated future staff turnover.

Office of the Director

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Reporting: Several new financial reports have been developed to expedite bank reconciliations, support the preparation of financial reports, and monitor and analyze ongoing financial position.

Accounts Receivable: Initiated centralization of certain accounts receivable data entry, reporting, and reconciliation and have conducted training and guidance for department staff on Oracle system and process issues to expedite and ensure consistency in recording receipts.

Accounts Payable: Initiated centralization of Accounts Payable to expedite payment processing and enhance accuracy in preparation of payments. In addition, the Single Use Application module for paying vendor payments with the P-Card has been implemented and rebate revenues exceeded \$250,000 in FY13 and are on track to increase significantly above that in FY14.

Payroll: Hired a new MCTime Manager, Payroll Manager and Payroll Supervisor and, in collaboration with the ERP office, successfully implemented the first general wage adjustments, service increments, and MLS pay for performance using the new Oracle payroll module.

Results:

On Time: FY12 and FY13 Comprehensive Financial Reports (CAFR) were both completed on time (on or before 12/31)

Clean Audits: The Audit of the FY13 CAFR contained no material weaknesses or significant deficiencies.

Bank Reconciliations: We are current on all monthly bank reconciliations and are implementing certain auto reconciliation capabilities within Oracle to further expedite these reconciliations.

Consulting: Performing proactive reviews of certain funds to address issues identified during the preparation of the FY13 CAFR.

Overtime: Reduced by over 50% from \$128,105 in FY12 to \$60,439 in FY13 and at \$41,713 through January of 2014.

cc: Jennifer Hughes, Director, Office of Management and Budget
Bonnie Kirkland, Assistant Chief Administrative Officer
Susan Farag, County Council Staff
Jacob Sesker, County Council Staff
Jed Millard, Office of Management and Budget
Corey Orlosky, Office of Management and Budget
Finance Department Senior Management Team

Department of Finance				
FY14 Mid-Year Vacancies + Recruitments + Personnel Actions				
4/15/2014 9:44				
	Position Title	Division	Cost Center	Grade iRecruitment #
	FINANCE GENERAL FUND			
1	M2 General Accounting Manager	Controller: General Accounting		MII 3/12/14 IRC13842 posted - Open Until Filled
2	Sr Financial Specialist	Controller: General Accounting		25 4/9/2014: Conditional Offer Extended
3	Accountant/Auditor III *	Controller: General Accounting		18-21-23 4/9/2014: Conditional Offer Recommended; Pay Equity Analysis to OHR for Approval
4	Accountant/Auditor III *	Controller: General Accounting		18-21-23 4/9/2014: Conditional Offer Recommended; Pay Equity Analysis to OHR for Approval
5	Accountant/Auditor III *	Controller: Grants Accounting		18-21-23 4/9/2014: Conditional Offer Recommended; Pay Equity Analysis to OHR for Approval
6	Sr IT Specialist	Controller: Admin		28 4/10/2014 IRC14113 Closes
7	Senior Executive Administrative Aide	Director: Management & Ops		18 4/15/2014 IRC14256 Closes
8	Program Manager II - Payroll Supervisor	Controller: Payroll		18-21-23 AD in process, Recruitment imminent
9	Administrative Specialist I	Treasury: Tax Operations		18 Recruitment imminent for Property Tax Customer Service
10	Administrative Specialist III - Payroll	Controller: Payroll		23 Holding until Payroll Supervisor is filled
	CIP ERP Project			
1	ERP Functional Program Manager	CIP ERP Project Team		MII Recruitment imminent
2	ERP Sr IT Specialist	CIP ERP Project Team		28 Vacant 3/8/2014; Recruitment imminent
	FY14 HIRED POSITIONS 7/1/2014 - 4/1/2014 = 20			HIRED
1	Principle Admin Aide	Treasury: Tax Operations		13 7/15/2013
2	M2time Functional Manager	Controller: Payroll		MIII 7/28/2013
3	Accountant / Auditor III	Controller: General Accounting		18 - 23 8/12/2013
4	Accountant / Auditor III	Controller: General Accounting		18 - 23 8/26/2013
5	Accountant / Auditor III	Controller: General Accounting		18 - 23 8/26/2013
6	Accountant / Auditor III	Controller: General Accounting		18 - 23 8/26/2013
7	Accountant / Auditor III	Controller: General Accounting		18 - 23 8/26/2013
8	Admin Spec III	Director's Office: Management & Operations		23 8/25/2013
9	Admin Spec III	Controller: Admin		23 9/8/2013
10	IT Expert	Director: IT		32 9/8/2013
11	Admin Spec II	Treasury: Tax Operations		21 9/8/2013
12	Sr IT Specialist	Controller: Admin		28 9/23/2013
13	Admin Spec III	Controller: Accounts Payable		23 10/21/2013
14	Sr Management & Budget Spec	Fiscal Management		27 10/21/2013
15	M3 Payroll Manager	Controller: Payroll		MIII 11/18/2013
16	Sr IT Specialist	Director: IT		28 11/14/2013
17	Program Specialist II - RM Worker's Comp Coordinator	RM: Admin		21 11/14/2013
18	M3 Cash Manager	Fiscal Management		MIII 12/15/2013
19	OSC	Director: Management & Operations		16 2/23/2014
20	Investment Portfolio Manager	Fiscal Management		29 3/24/2014

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Farag, Susan

From: Beach, Joseph
Sent: Wednesday, February 19, 2014 11:29 AM
To: Farag, Susan
Cc: Sesker, Jacob
Subject: Finance Follow-Up Items
Attachments: Combined PTAAB Results - Edited.xlsx; Appeals to SDAT Feb 2014.pdf

Hi Susan, sorry for the delay in responding to these questions. Mike Coveyou actually sent the response several weeks ago and I let it get buried in my email. Let me know if you have any other questions or need clarification on this.

- “Develop a policy and a method for identifying assessed values to review and a method for determining if the values are accurate.”
 - Below is the methodology we have used for the last two years to appeal assessments. This is a very time consuming process, since it must be completed within 45 days of the new assessments being released. This year the finalized list must be emailed/faxed to SDAT by February 7th. With the new computer system at SDAT, the sale price and the assessment have been a lot closer on most accounts compared to prior years.
 - Methodology: DTS or FINANCE/IT calculate the sales data versus assessment data for the new cycle being assessed. We also request a similar report from SDAT. These reports go back for three years to capture all sales for the cycle that is being appealed. We are only allowed to appeal the first year of the triennial cycle. From these reports we then look at the individual transactions and any transactions that have a difference of \$300,000 or more, we mark for appeal. We also gather information from individual transactions that SDAT, citizens, and our transfer/recording brings to our attention when there is a large difference in the sale and assessment when documents are being processed. Once we have compiled a list of all of the accounts we think need to be appealed, we then research each account to check the deed for the sale. Some sales involve multiple parcels, and some sales have a master account that is being subdivided. Many of the accounts on the appeal list are then deleted when more detailed research is done on each transaction. In some cases we consult with SDAT, because some properties are sold and made tax exempt, so we have to verify that information as well. After we have investigated each parcel, we then compile a final list of properties to be appealed and send that to SDAT. The new assessments are released the last week of December, and we have 45 days to complete this entire process and submit the final list to SDAT.
- Where is the department on its efforts to identify incorrect Homestead Tax Credits?
In March 2012, FINANCE/Treasury, with Council support, implemented the Tax Compliance Program to verify and monitor resident eligibility to receive the County’s Homestead Property Tax Credit, Property Tax Credit, and other tax credits. We have identified 4,858 non-compliant accounts and identified \$3.4 million owed to the County, and collected over \$1 million. To date, SDAT has corrected 2,058 accounts.
- Where is the department on the issue with appealing commercial assessments? Was someone hired/contracted to help with this?

We are still going before PTAAB with FY12 and FY13 commercial appeals (we do not control their docket), and we have selected a company (East Coast Building Consultants) to help with identifying properties for PTAAB appeals. ECBC has been assisting us in the appeals sent to SDAT earlier this month (see attached)

Joseph F. Beach, Director
 Department of Finance
 Montgomery County Government
 101 Monroe Street
 Rockville, Maryland 20850
 (240)777-8870 (Office)

PTAAB Property Assessment Appeals
 Summary View - Appeals for 2011 to 2013

Year	No.	Assessment	Sale Price	difference	Revised Assessment	Change in A
Residential						
Completed Appeals	21	36,048,700	60,744,925	24,696,225	54,725,100	18,67
Pending Appeals	48	80,318,600	118,353,429	38,034,829		
Subtotal Residential	69	116,367,300	179,098,354	62,731,054	54,725,100	18,67
Commercial						
Completed Appeals	55	378,186,300	593,895,132	207,734,999	551,533,900	173,34
Pending Appeals	51	523,075,860	693,957,843	170,881,983		
Subtotal Commercial	106	901,262,160	1,287,852,975	378,616,982	551,533,900	173,34
Total Completed Appeals	76	414,235,000	654,640,057	232,431,224	606,259,000	192,02
Total Pending Appeals	99	603,394,460	812,311,272	208,916,812		
Total All Appeals	175	1,017,629,460	1,466,951,329	441,348,036	606,259,000	192,02



DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

February 20, 2014

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

FROM: Joseph F. Beach, Director
Department of Finance

SUBJECT: Quarterly Report: Tax Compliance Unit Results

Attached please find the second quarter report on the results of our property tax compliance efforts. Through the work of the Department's Tax Compliance Office we have identified nearly 5,000 accounts that should be corrected that could save the County up to \$3.3 million in revenues each year. Since this program was established in March 2012 we have generated actual revenues of over \$2.5 million. I want to recognize the GO Committee's initiative and support for this program.

We will continue to diligently work with the State Department of Assessments and Taxation to identify and correct tax assessment records to generate additional savings for the County and ensure the integrity and equity of the County's property tax system.

Please contact me at 240-777-8870 if you have any questions or need additional information on this subject.

Attachments

c: Timothy L. Firestine, Chief Administrative Officer
Jennifer Hughes, Director, Office of Management and Budget

Office of the Director

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DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph P. Beach
Director

Subject: Non-Compliant Tax Credit Tracking

Data as of: January 1, 2014

Non-Compliant Accounts Identified for SDAT Review

Fiscal Year	Q1	Q2	Q3	Q4	Reviewed & Sent to SDAT	SDAT Changed	SDAT Letters Sent	
2012				274	274	269	274	
2013	1,146	1,146	1,146	1,146	4,584	1,529	4,584	
2014		259	-	-	-	259	-	259 found & letters sent FY13, re-sent to SDAT FY14
2015	-	-	-	-	-	-	-	
Total:	1,146	1,405	1,146	1,420	4,868	2,057	4,858	

Potential County Credit Saved (estimated \$692/account)

Fiscal Year	Q1	Q2	Q3	Q4	Total
2012	-	-	-	189,608	189,608
2013	793,032	793,032	793,032	793,032	3,172,128
2014		259 counted FY13	-	-	-
2015	-	-	-	-	-
Total:	\$ 793,032	\$ 793,032	\$ 793,032	\$ 982,640	\$ 3,361,736

Note
No new accounts FY14 Q1 & Q2 as SDAT works to catch up. SDAT asked that we begin identifying accounts after their appeal season has concluded in mid-Feb. Also, at that point, SDAT will begin making changes again.

Note: Tax revenues realized if all identified accounts are changed.

Actual County Credit Received OR Credit Saved (estimated \$692/account)

Fiscal Year	Q1	Q2	Q3	Q4	Total
2012	-	-	-	143,204	143,204
2013	237,500	237,500	237,500	237,500	950,000
2014	Included in FY13	179,682	-	-	179,682
2015	-	-	-	-	-
Total:	\$ 237,500	\$ 417,182	\$ 237,500	\$ 380,704	\$ 1,272,886

Note: Actual revenues received through revised billing or correcting bills before they are mailed.

Cumulative Totals - Actual County Credit Received OR Credit Saved

Fiscal Year	2012	2013	2014	2015	Total
2012	143,204	143,204	143,204	-	429,612
2013		950,000	950,000	-	1,900,000
2014			179,682	-	179,682
2015				-	-
Total:	\$ 143,204	\$ 1,093,204	\$ 1,272,886	\$ -	\$ 2,509,294

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TAX COMPLIANCE UNIT QUARTERLY REPORT: AS OF JANUARY 1, 2014

The Compliance Unit was established May 2012, and the following data encompass all research from June 1, 2012 through January 1, 2014.

Process

1. Search rentals for non-compliant accounts. The two main sources are MRIS (a regional multiple listings service) and the DHCA Rental List.
2. Send non-compliant lists to SDAT when SDAT is prepared to receive them.
3. SDAT verifies the list and changes codes from H to N, when warranted.
4. SDAT informs the County when to prepare and mail SDAT Verification Letters to the changed accounts. The County mails the Verification Letters on behalf of SDAT.
5. The attached spreadsheet tracks Potential County Credit Saved, and Actual County Credit Received or Credit Saved.

Methods

The majority of the accounts have been found by searching rentals listed with the MRIS website. This is accomplished by searching MRIS listings with dates that are isolated to one-week blocks of time, beginning with July 1, 2010 and moving toward the present one week at a time. We are currently searching April 2013 and moving toward the present.

The Compliance Unit receives the semi-annual DHCA Rental List. The entire list of about 3,500 accounts is analyzed to delete blocks of accounts that do not need correcting by SDAT. Additional information is researched and added to each account in an effort to help SDAT expedite correcting the accounts, and for our own tracking purposes.

Changes to the Process

During the 20 months that the Homestead Compliance Unit has been in existence, the program processing has become significantly more efficient, and has resulted in concrete numbers, rather than hypothetical projections. After months of research, it is clear that the most reliable resources are MRIS, DHCA Rental List, and public callers.

1. **Updated Homestead Compliance tracking** - Discovery and tracking has been changed from monthly to quarterly in an effort to reconcile SDAT's workload with the speed at which accounts can be discovered.
2. **Changed the frequency of correction requests sent to SDAT** - At the onset of the program, account correction request spreadsheets were sent to SDAT twice per week. It quickly became apparent that this was too much for SDAT to handle in addition to their regular workload. The spreadsheets were then sent once a month, but even then SDAT fell far behind. The last spreadsheet transmitted to SDAT was sent November 20, 2013 and 259 of the 760 accounts from that list have been changed. In December, SDAT informed the County that no more changes could be completed until after their appeal season finishes in mid-February.
3. **Changed the accounts corrected goal** - The County is still hopeful that SDAT will be able to correct at least 1,500 accounts per year. If this goal is met, the potential for County credits saved is about \$1,044,000 each year. Each quarter's list will include at least 100 additional accounts in an effort to bring that total closer to 2,000.
4. **Changed final date for corrections** - At the onset of the program, the timing of billing was not addressed and, as a result, caused an administrative problem for both the County and SDAT when second bills were sent out-of-cycle. An adjustment has been made and this problem will be avoided in the future by having all the accounts changed for the fiscal year by July 1st. Any



DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph F. Beach
Director

February 7, 2014

Ms. Marie Green
Supervisor of Assessments
State Department of Assessments and Taxation
30 West Gude Drive, Suite 400
Rockville, MD 20850
Fax: 301-424-3864/3849

Dear Ms. Green:

Montgomery County's triennial reassessment appeals for 2014 are submitted with this letter on the attached pages which lists the appeals.

We do not request a personal hearing on each appeal, but would appreciate your review of each account in light of the fairly recent sale and other market data you may be aware of, or any possible unique features of the property which may have been overlooked.

Thank you for your cooperation.

Sincerely,

James E. Babb
Tax Operations Manager
Division of Treasury

Division of Treasury

255 Rockville Pike, Suite L-15 (Monroe Street Entrance) • Rockville, Maryland 20850
www.montgomerycountymd.gov



Dist	Account#	Owner	Assessment (\$)	Sale Price (\$)	Difference
7	3698737	[REDACTED]	16,126,700.00	33,371,500.00	17,244,800.00
6	2873384	[REDACTED]	2,126,000.00	7,000,000.00	4,874,000.00
8	712321	[REDACTED]	255,200.00	468,354.00	213,154.00 *combined
8	712332	[REDACTED]	556,000.00	1,302,025.00	746,025.00 *combined
8	712343	[REDACTED]	458,000.00	1,072,530.00	614,530.00 *combined
8	712354	[REDACTED]	334,000.00	782,151.00	448,151.00 *combined
8	2889050	[REDACTED]	284,000.00	665,062.00	381,062.00 *combined
8	3275462	[REDACTED]	1,170,000.00	2,739,870.00	1,569,870.00 *combined
7	2511481	[REDACTED]	50,089,133.00	64,500,000.00	14,410,867.00
7	494362	[REDACTED]	142,594,133.00	209,325,000.00	66,730,867.00
10	2102361	[REDACTED]	1,390,300.00	1,850,000.00	459,700.00
7	3421283	[REDACTED]	1,098,000.00	1,475,000.00	377,000.00
7	3642623	[REDACTED]	900,000.00	1,275,000.00	375,000.00
10	2539815	[REDACTED]	2,031,700.00	4,900,000.00	2,868,300.00
8	707426	[REDACTED]	717,200.00	1,225,000.00	507,800.00
10	866924	[REDACTED]	4,157,600.00	4,700,000.00	542,400.00
13	1124351	[REDACTED]	823,600.00	1,325,000.00	501,400.00
13	960366	[REDACTED]	227,800.00	1,451,000.00	1,223,200.00
5	2898351	[REDACTED]	10,457,200.00	31,100,000.00	20,642,800.00
2	3688088	[REDACTED]	1,130,000.00	1,983,200.00	853,200.00
7	421993	[REDACTED]	2,383,300.00	6,000,000.00	3,616,700.00
1	2253378	[REDACTED]	5,901,800.00	8,000,000.00	2,098,200.00
5	3502526	[REDACTED]	4,092,200.00	8,400,000.00	4,307,800.00
7	3692720	[REDACTED]	396,100.00	1,573,202.00	1,177,102.00
7	510862	[REDACTED]	601,400.00	1,025,000.00	423,600.00
5	1976631	[REDACTED]	27,952,500.00	29,262,412.00	1,309,912.00
5	272074	[REDACTED]	20,454,300.00	23,913,165.00	3,458,865.00

151,976,305.00 commercial

7	3353485	[REDACTED]	1,016,400.00	1,530,000.00	513,600.00
7	596847	[REDACTED]	1,037,100.00	1,410,000.00	372,900.00
7	507215	[REDACTED]	1,818,800.00	2,150,000.00	331,200.00
7	612620	[REDACTED]	1,214,300.00	1,950,000.00	735,700.00
7	3584380	[REDACTED]	1,851,300.00	2,225,000.00	373,700.00
7	439246	[REDACTED]	784,100.00	1,095,000.00	310,900.00
7	545052	[REDACTED]	830,400.00	1,175,000.00	344,600.00
7	3517084	[REDACTED]	850,500.00	1,335,000.00	484,500.00
7	454891	[REDACTED]	1,879,200.00	3,150,000.00	1,270,800.00
7	455656	[REDACTED]	3,964,300.00	4,500,000.00	535,700.00
7	456423	[REDACTED]	1,701,100.00	2,650,000.00	948,900.00
7	456684	[REDACTED]	1,408,300.00	2,450,000.00	1,041,700.00
7	686378	[REDACTED]	1,253,500.00	2,100,000.00	846,500.00
7	454297	[REDACTED]	1,368,200.00	2,050,000.00	681,800.00
7	454388	[REDACTED]	2,046,600.00	3,225,000.00	1,178,400.00
8	710377	[REDACTED]	273,100.00	750,000.00	476,900.00
7	481347	[REDACTED]	765,600.00	1,159,500.00	393,900.00
7	456695	[REDACTED]	1,557,600.00	2,225,000.00	667,400.00

(29)

7	549733	[REDACTED]	1,164,600.00	1,537,450.00	372,850.00
7	466386	[REDACTED]	1,795,700.00	2,185,000.00	389,300.00
7	468682	[REDACTED]	1,290,400.00	1,865,000.00	574,600.00
7	362392	[REDACTED]	487,600.00	1,330,000.00	842,400.00
8	3690468	[REDACTED]	0.00	348,150.00	348,150.00 *combined
8	3690457	[REDACTED]	0.00	216,600.00	216,600.00 *combined
8	3690446	[REDACTED]	0.00	83,100.00	83,100.00 *combined
8	3690435	[REDACTED]	0.00	758,310.00	758,310.00 *combined
8	3690424	[REDACTED]	0.00	1,627,200.00	1,627,200.00 *combined
10	3050604	[REDACTED]	1,090,600.00	1,700,000.00	609,400.00
10	2587321	[REDACTED]	1,785,000.00	2,400,000.00	615,000.00
10	865838	[REDACTED]	3,389,500.00	3,700,000.00	310,500.00
10	1826467	[REDACTED]	578,900.00	1,891,500.00	1,312,600.00
10	883484	[REDACTED]	1,013,200.00	1,500,000.00	486,800.00
10	3429574	[REDACTED]	1,725,000.00	2,050,000.00	325,000.00
10	2693785	[REDACTED]	1,181,800.00	1,675,000.00	493,200.00
10	2960050	[REDACTED]	12,423,700.00	20,000,000.00	7,576,300.00
10	1799842	[REDACTED]	960,600.00	1,385,000.00	424,400.00
10	856116	[REDACTED]	566,800.00	1,100,000.00	533,200.00
7	660146	[REDACTED]	2,103,800.00	2,495,000.00	391,200.00
7	455793	[REDACTED]	2,184,800.00	2,950,000.00	765,200.00
7	672144	[REDACTED]	680,600.00	1,155,000.00	474,400.00
7	465108	[REDACTED]	1,593,400.00	1,940,000.00	346,600.00
7	2164693	[REDACTED]	1,655,200.00	2,350,000.00	694,800.00
7	568097	[REDACTED]	863,900.00	1,325,000.00	461,100.00
7	509178	[REDACTED]	1,244,500.00	1,635,000.00	390,500.00
7	3428422	[REDACTED]	6,022,500.00	7,050,000.00	1,027,500.00
7	540152	[REDACTED]	988,100.00	1,495,000.00	506,900.00
7	639025	[REDACTED]	1,605,000.00	1,950,000.00	345,000.00
7	3380125	[REDACTED]	1,403,700.00	1,750,000.00	346,300.00
7	3447152	[REDACTED]	1,467,300.00	1,800,000.00	332,700.00
7	3600982	[REDACTED]	1,064,400.00	1,399,000.00	334,600.00
7	452527	[REDACTED]	1,575,200.00	1,905,000.00	329,800.00
10	1508740	[REDACTED]	1,390,800.00	1,800,000.00	409,200.00
10	2511388	[REDACTED]	1,940,800.00	2,500,000.00	559,200.00
7	589784	[REDACTED]	522,400.00	1,860,094.00	1,337,694.00
7	502417	[REDACTED]	134,800.00	1,775,825.00	1,641,025.00
7	504655	[REDACTED]	2,169,700.00	2,550,000.00	380,300.00
10	3379616	[REDACTED]	633,800.00	1,300,000.00	666,200.00
10	3448112	[REDACTED]	1,069,000.00	2,000,000.00	931,000.00
10	3625993	[REDACTED]	1,376,400.00	1,854,625.00	478,225.00
7	519576	[REDACTED]	1,117,400.00	2,337,500.00	1,220,100.00
7	624844	[REDACTED]	645,900.00	1,975,000.00	1,329,100.00
7	527782	[REDACTED]	1,320,600.00	1,675,000.00	354,400.00
7	2884866	[REDACTED]	1,440,000.00	2,195,000.00	755,000.00
7	3642736	[REDACTED]	900,000.00	1,300,000.00	400,000.00
7	3253988	[REDACTED]	2,946,500.00	3,500,000.00	553,500.00
7	2884800	[REDACTED]	1,440,000.00	1,850,000.00	410,000.00
7	2886023	[REDACTED]	1,550,000.00	1,995,000.00	445,000.00
7	686573	[REDACTED]	2,306,700.00	2,755,000.00	448,300.00
7	683843	[REDACTED]	546,900.00	1,750,000.00	1,203,100.00
7	463793	[REDACTED]	839,100.00	1,640,000.00	800,900.00

7	458991	[REDACTED]	1,199,000.00	2,050,000.00	851,000.00
7	458648	[REDACTED]	2,211,500.00	2,650,000.00	438,500.00
7	549824	[REDACTED]	2,189,700.00	2,622,500.00	432,800.00
7	455884	[REDACTED]	2,815,800.00	3,175,000.00	359,200.00
7	3699036	[REDACTED]	2,076,700.00	3,150,103.00	1,073,403.00
7	686733	[REDACTED]	2,708,200.00	3,360,000.00	651,800.00
10	2587786	[REDACTED]	1,327,800.00	2,375,000.00	1,047,200.00
10	1879580	[REDACTED]	2,522,600.00	3,000,000.00	477,400.00
10	2977073	[REDACTED]	1,114,400.00	1,467,500.00	353,100.00
10	2543885	[REDACTED]	485,800.00	1,900,000.00	1,414,200.00
10	3575831	[REDACTED]	389,500.00	1,437,197.00	1,047,697.00
10	3575820	[REDACTED]	403,000.00	1,454,077.00	1,051,077.00
10	869871	[REDACTED]	473,700.00	1,700,000.00	1,226,300.00
10	3135982	[REDACTED]	1,954,800.00	2,800,000.00	845,200.00
10	3121462	[REDACTED]	1,461,600.00	1,925,000.00	463,400.00
10	879208	[REDACTED]	2,519,200.00	3,085,000.00	565,800.00
10	1498605	[REDACTED]	1,437,800.00	2,262,500.00	824,700.00
10	878853	[REDACTED]	1,445,600.00	3,475,000.00	2,029,400.00
10	3575897	[REDACTED]	416,600.00	1,454,995.00	1,038,395.00
10	3575842	[REDACTED]	390,900.00	1,428,550.00	1,037,650.00
13	3709898	[REDACTED]	289,700.00	771,229.00	481,529.00
13	3709887	[REDACTED]	292,700.00	685,072.00	392,372.00
13	3709843	[REDACTED]	296,200.00	639,199.00	342,999.00
13	3666286	[REDACTED]	264,900.00	727,029.00	462,129.00
13	3666275	[REDACTED]	267,700.00	664,504.00	396,804.00
13	3666058	[REDACTED]	266,900.00	765,269.00	498,369.00
13	3681247	[REDACTED]	158,600.00	627,700.00	469,100.00
13	3680378	[REDACTED]	273,000.00	650,100.00	377,100.00
13	3709901	[REDACTED]	282,100.00	650,967.00	368,867.00

127 appeals

71,494,345.00 residential
223,470,650.00 total



MONTGOMERY COUNTY, MARYLAND

News Release

For Immediate Release: 11/15/2013

County's New Tax Compliance Office Identifies Thousands of Accounts Mistakenly Claiming Homeowner Tax Credits; Over \$1 Million in Savings Already from Leggett Initiative

The Montgomery County Department of Finance's Tax Compliance Office issued its first quarter report on the results of its property tax compliance efforts. The report identifies nearly 5,000 accounts that should be corrected that could save the County up to \$3.3 million in revenues each year.

The program was established in May 2012 by County Executive Ike Leggett, with the support of the County Council, and since then has generated actual revenues of more than \$1.2 million.

"The Homestead Tax Credit program benefits many eligible homeowners every year," said Leggett. "One of the requirements for eligibility is that the homeowner must reside in the home. Because I felt the County was losing millions of dollars annually due to credits being mistakenly issued, I created the Tax Compliance Office to work with the state to verify that credits are accurately issued."

The process employed by the Tax Compliance Office includes searching two main sources – MRIS listings (Metropolitan Regional Information Systems) and the County's Department of Housing and Community Affairs rental list. Properties that are found to be non-compliant are sent to the State Department of Assessments and Taxation (SDAT) for verification. SDAT verifies the list and informs the County when to mail SDAT Verification Letters to the changed accounts.

"We will continue to diligently work with the State Department of Assessments and Taxation to identify and correct tax assessment records to generate additional savings for the County and ensure the integrity and equity of the County's property tax system," said Finance Director Joe Beach.

During the 16 months that the Homestead Compliance Unit has

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been in existence, the process of ensuring compliance has become significantly more efficient. After months of research, the office has found that the most reliable resources are MRIS, DHCA Rental List and callers who report non-owner-occupied homes.

The Homestead Property Tax Credit was established by state law to help homeowners deal with large assessment increases on their principal residence. The credit limits the amount of assessment on which a homeowner actually pays taxes for their principal residence. The credit does not apply to rental or vacation properties.

For more information about the Tax Compliance program, call 240-777-8860. For information about the Homestead Property Tax Credit, go to <http://www.dat.state.md.us/sdatweb/homestead.html>.

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