

**MEMORANDUM**

April 17, 2015

TO: Government Operations and Fiscal Policy Committee  
FROM: Susan J. Farag, Legislative Analyst *SJF*  
SUBJECT: **FY16 Operating Budget: Finance**

Those expected to attend this worksession include:

Joseph Beach, Director, Department of Finance  
Nancy Moseley, Administrative Services Manager, Finance  
Jed Millard, Office of Management and Budget

**Budget Summary:**

- The number of full-time positions in Finance decreases from 126 to 116, which reflects the shift of 11 ERP positions from Finance's Capital Improvement Program (CIP) budget to the Department of Technology Services budget, as well as the addition of an IT Specialist position that supports the MCTime project.
- Finance has 11 vacancies, two of which are subject to the County's hiring freeze.

**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 FY16, the County Executive recommends total expenditures of \$74,203,366 for the Finance Department, a 2.7% increase from the FY15 approved budget of \$72,282,004.

	<i>FY14 Actual</i>	<i>FY15 Approved</i>	<i>FY16 Recommended</i>	<i>% Change FY15 - FY16</i>
<i>Expenditures by fund</i>				
General Fund	\$12,097,037	\$13,412,437	\$13,712,942	2.2%
Self Insurance ISF	\$52,941,543	\$58,869,567	\$60,490,424	2.8%
<b>Total Expenditures</b>	<b>\$65,038,580</b>	<b>\$72,282,004</b>	<b>\$74,203,366</b>	<b>2.7%</b>
<i>Positions</i>				
Full-Time	123	126	116	-7.9%
Part-Time	1	0	0	-
<b>FTEs</b>	<b>124.68</b>	<b>125.68</b>	<b>125.93</b>	<b>0.2%</b>

## FY16 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 FY16 Executive's recommended budget for the General Fund component of the Finance Department has a net increase of \$300,505, a 2.2% increase from the FY15 approved budget.

The increase comes from the following same-service adjustments:

<b>General Fund -- Identified Same Service Adjustments</b>	
Increase Cost: FY16 Compensation Adjustment	\$370,503
Increase Cost: Annualization of FY15 Personnel Costs	\$136,491
Shift: Enterprise Resource Planning (ERP) staff support from CIP to Operating Bgt.	\$53,378
Increase Cost: Retirement Adjustment	\$45,706
Increase Cost: Group Insurance Adjustment	\$30,569
Increase Cost: Mctime - Contractual Services for Maintenance and Support	\$15,240
<b>Total Increases:</b>	<b>\$651,887</b>
Shift: Chargeback for Billing, Collection, and Processing Services for Non-Tax Supported Funds	(\$3,900)
Decrease Cost: Printing and Mail	(\$11,512)
Decrease Cost: Contractual Resources: Indirect Cost Analysis and Services	(\$40,000)
Decrease Cost: Delay Implementation of Property Tax Billing IT Application	(\$40,000)
Decrease Cost: Chargeback to Department of Liquor Control for Preparation of Year-End Financial Statements	(\$41,730)
Decrease Cost: MCTime- Funds Designated for Short-Term Loans to Purchase Hardware, Software, and Licenses	(\$90,240)
Decrease Cost: Contractual Services -- Payroll	(\$124,000)
<b>Total Decreases:</b>	<b>(\$351,382)</b>
<b>NET SAME SERVICES ADJUSTMENT TOTAL:</b>	<b>\$300,505</b>

**Shift 11 ERP positions from the CIP to the Department of Technology Services Operating Budget (\$53,378)**

Eleven positions are being shifted from the Finance CIP to the DTS Operating Budget to assume ongoing operations of the ERP sustaining organization. The increase of \$53,378 in Finance's budget is the net difference between shifting two positions between the ERP project office and Finance's operating budget. One OSC position will be retained in ERP (-\$113,283). This position has been detailed to the ERP project since it began, and is currently backfilling ongoing enterprise-wide payroll, labor distribution, and compensation support functions. An IT Specialist position (\$166,661) that supports the MCTime Project will shift from the ERP Project Office to Finance's budget to perform ongoing home operation responsibilities.

**MCTime Contractual Services (\$15,240)**

The recommended budget includes an increase of \$15,240 for the MCTime Kronos Contract, which reflects a negotiated 3% annual increase. The total budgeted amount for the contract in FY16 is \$523,246.

**Shift Chargeback for Billing, Collection, and Processing Services for Non-Tax Supported Funds (-\$3,900)**

The Treasury Division charges Enterprise and Proprietary Funds for any services provided. The chargebacks are to the Parking Districts, Solid Waste Services, Water Quality and Protection, and Leaf Vacuuming Funds and are based on the most recent actual number of property tax accounts billed at \$1 per account. The chargeback reflects an increase of 3,900 accounts that will be charged to the applicable fund.

**Indirect Cost Analysis and Services (-\$40,000)**

Finance contracts with a provider to update the County's Cost Allocation Plan and Indirect Cost Rates on a biennial basis. In on-years, the charge is \$40,000. The expenditure reduction reflects the fact this is an off-year in the biennial update.

**Delay the Implementation of Property Tax Billing IT Applications (-\$40,000)**

This decrease reflects the delay of migrating the MUNIS property tax billing system to a Software as a Service (SaaS) cloud-based solution that would be hosted by an independent contractor. There are several complex IT systems that are involved with generating the property tax bills, including Tax Assessment System (TAS), ePilot (Payment in lieu of taxes), and the MUNIS property tax billing system. TAS was just upgraded after 30 years on the Mainframe system. Since there was significant risk associated with upgrading two complex public revenue generating systems simultaneously, the MUNIS SaaS project was put on hold until the TAX system upgrade was completed.

While the upgrade was on hold, it was discovered that the County's version of MUNIS and the most current version of MUNIS are significantly different, with different operating systems and database platforms. The complexity of the upgrade requires an initial data conversion and migration in-house before it is put on the SaaS cloud. This process will cost \$200,000. Delaying the project temporarily in FY16 to facilitate the in-house upgrade will have a one-time savings of \$40,000 in FY16.

**Chargeback to the Department of Liquor Control for Year-End Financial Statements (-\$41,730)**

The Department of Liquor Control (DLC) requested that Finance assume the ongoing responsibility for preparing the DLC end-of-year financial statements and work papers, and charge back the DLC Fund appropriately. \$41,730 and 0.5 FTE will be charged to DLC to provide the services.

**Short-Term Loans to Purchase Hardware, Software and IT licenses (-\$90,240)**

This reduction reflects the fact that all short-term loans have been paid off. Finance had opted to take out short-term Master Lease loans to spread out the large fiscal obligation and impact for purchasing hardware, software, and IT licenses. These loans were spread out over three or four fiscal years, and payments were due every six months.

**Contractual Services – Payroll (-\$124,000)**

A Program Manager I Payroll Analyst position and a Program Specialist II Payroll Specialist position have been vacant. Finance is in the process of hiring for the positions and it is working with OHR to extend contingent offers. Contractors have been backfilling these duties at a greater cost to the County. The reduction in contractual costs assumes the positions will be filled during FY15.

**Risk Management/Self Insurance Internal Service Fund**

The Executive’s recommended FY16 operating budget for the Self-Insurance Fund component of Finance has a net increase of \$1,620,857, or 2.8% over the approved FY15 budget. This increase comes from the following identified same service adjustments:

<b>Self-Insurance Internal Service Fund -- Identified Same Service Adjustments</b>	
Increase Cost: Claims Expenses	\$597,000
Increase Cost: Commercially Purchased Property and Casualty Insurance	\$375,000
Increase Cost: Claims Service Contract Administrative Costs	\$230,883
Increase Cost: Annualization of FY15 Personnel Costs	\$181,266
Increase Cost: FY16 Compensation Adjustment	\$148,572
Increase Cost: Professional Service - Claims Audit Contract	\$40,000
Increase Cost: Retirement Adjustment	\$21,950
Increase Cost: Group Insurance Adjustment	\$8,730
Increase Cost: Motor Pool Rate Adjustment	\$7,178
Increase Cost: Workers Compensation Payroll Tax	\$6,600
Increase Cost: Retiree Health Insurance Pre-Funding Adjustment	\$4,670
	<b>Total Increase: \$1,621,849</b>
Decrease Cost: Printing and Mail	(\$992)
	<b>Total Decreases: (\$992)</b>
<b>NET SAME SERVICES ADJUSTMENT TOTAL:</b>	<b>\$1,620,857</b>

## **FY16 Expenditure Issues**

### **Commercially Purchased Property and Casualty Insurance (\$375,000)**

This increase reflects that commercial insurance premiums are subject to inflationary and insurance market pressures. This is particularly true for Commercial Property Insurance since it is based on total insured replacement cost values.

### **Claims Service Contract Administrative Costs (\$230,833)**

This increase reflects the CPI, plus the previously expected increase in the contract amount as compared to other jurisdictions.

### **Biennial Claims Audit (\$40,000)**

Finance contracts with an auditor to conduct an audit of the third-party administrator that handles property and casualty claims for the County's Self Insurance Program. The audit is conducted every other year, and FY16 is an on-year.

### **Retiree Health Insurance Pre-Funding Adjustment (\$4,670)**

This reflects the Self Insurance Internal Service Fund's portion of prefunding Retiree Health Benefits. Montgomery County Government contributions for FY16 total \$50.39 million.

## **Risk Management NDA**

The recommended FY16 appropriation for this NDA is \$15,568,426, which is approximately \$4 million less than the FY15 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.

The FY16 reduction reflects both the actuarially determined contribution as well as an additional one-time reduction for fiscal reasons; however, it still maintains the fund between the policy level of 80% to 85%.

## **Update on Tax Compliance Unit**

Last year, the Committee was briefed on the Compliance Unit's identification of 5,000 accounts that were ineligible for the Homestead Credit and Property Tax Credit, the resulting revenues, and related issues. At that time, Finance indicated that correcting the status of these accounts could save the County up to \$3.3 million in revenues each year. Since the program had been established in March 2012, Finance has more than \$2.5 million in actual revenues.

In FY15, the Compliance Unit continues to follow up with the State Department of Assessments and Taxation (SDAT) to implement and update the first batch of accounts. But because SDAT is short-staffed and overwhelmed by the workload from the first update request, the Compliance Unit has not sent over any additional accounts. The Unit continues to gather information for the next update. In addition, the Compliance Unit staff has been detailed to cover the Excise Tax administration because of staff turnover and vacancies. Finance is currently recruiting to fill the Excise Tax Administrative position. *The Committee may wish to ask when the Compliance Unit will likely provide the next batch of ineligible accounts to SDAT.*

### **Update on Hiring and Vacancies**

Finance currently has 11 mid-year vacancies for FY15 (list attached on © 14). For nine of these positions, Finance is actively recruiting and some offers have been extended. Two positions are still subject to the County's hiring freeze, including a Senior Management and Budget Specialist in Fiscal Management, and a Program Manager II P Card-Manager in Accounts Payable. *The Committee may wish to ask what operational impact the vacancies are having and how long it will take to hire someone after the freeze has been lifted.*

### **Council Staff Recommendation**

Council staff recommends approval of the budget as submitted by the Executive.

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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 FY16 Operating Budget for the Department of Finance is \$74,203,366, an increase of \$1,921,362 or 2.7 percent from the FY15 Approved Budget of \$72,282,004. Personnel Costs comprise 21.5 percent of the budget for 116 full-time positions, and a total of 125.93 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 78.5 percent of the FY16 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 FY16 Operating Budget for the General Fund component is \$13,712,942 an increase of \$300,505 or 2.2 percent over the FY15 approved budget of \$13,412,437. Personnel Costs comprise approximately 84.9 percent of the General Fund budget for 106 full-time positions. A total of 95.81 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 15.1 percent of the budget.

The total FY16 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is \$60,490,424, an increase of \$1,620,857 or 2.8 percent over the FY15 approved budget of \$58,869,567. Personnel Costs comprise approximately 7.1 percent of the Self-Insurance Fund budget for 10 full-time positions. A total of 30.12 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 92.9 percent of the budget. Included in the total FTEs are 19.75 FTEs charged to the Self-Insurance Fund by the Office of the County Attorney and 0.37 FTEs 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 FY15 estimates reflect funding based on the FY15 approved budget. The FY16 and FY17 figures are performance targets based on the FY16 recommended budget and funding for comparable service levels in FY17.

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***Successfully retained the County's AAA bond rating from the three major credit rating agencies in the fall of 2014.***
- ❖ ***Sold \$500 million in GO Bonds and \$298 million in Refunding Bonds in November 2014 resulting in \$23 million in savings.***
- ❖ ***Released spendingMontgomery, a live database disclosing the County's spending information in a multidimensional format in December 2014.***
- ❖ ***Prepared an implementation plan and legislation to establish a Commercial Property Assessed Clean Energy (PACE) program. PACE will provide financing to commercial property owners for energy efficiency and renewable energy improvements. Finance will assist lenders and property owners by collecting the annual loan repayment on the County's property tax bill. This reduces the annual repayment cost for the property owner. It will provide***

*greater security to lenders in terms of loan repayment, as well as potentially reduce interest costs for the borrower.*

- ❖ **Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY13 Comprehensive Annual Financial Report (CAFR). This will be the 44th year for this achievement, longer than any other government in the United States and Canada.**
- ❖ **Conducted a claims management audit that returned an overall rating of 95% - the highest rating the program has achieved since the 1978 inception of the Self-Insurance Program. This was the result of a team of professionals who used a continuous improvement model for developing processes and procedures to improve efficiency and effectiveness of claim handling.**
- ❖ **Upgrade the MUNIS tax billing system to enhance the efficiency of the collection of \$2 billion in County and municipal revenues.**
- ❖ **Investigate and solicit the purchase and implementation of a Risk Management Information System in order to provide program management statistics and information to be utilized by Risk Management and the various department, division, and agency representatives responsible for managing their programs.**
- ❖ **Productivity Improvements**
  - **In FY15, began conducting an enterprise wide assessment to ensure adherence to Payment Card Industry and National Automated Clearing House Association guidelines.**
  - **In FY15, the Controller's Division initiated and will continue to implement and enhance a Shared Services Model with other County departments for both Accounts Receivable and Accounts Payable activities.**
  - **Migrated the Tax Assessment System from a legacy Information Technology infrastructure to a more modern environment which leveraged automation, web browser access, and robust auditing.**
  - **Continued enhancement of the Volunteer Tracking Database web application.**
  - **Continued enhancement of the Self Inspection web application which expedites safety inspections.**

## **PROGRAM CONTACTS**

Contact Nancy Moseley of the Department of Finance at 240.777.8886 or Elyse Greenwald of the Office of Management and Budget at 240.777.2768 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.

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
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
Interest Rate - True Interest Cost for Montgomery County General Obligation Bonds (the most common debt instrument used by the County)	2.3	3.1	2.7	4.0	5.0

	Actual FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Interest Rate Benchmarking - County GO vs. Municipal Market Data Index (basis point spread)	-22	-6	-10	-10	-10
Investment Return - Rate of return on Montgomery County's investments	0.16%	0.15%	0.17%	0.65%	1.25%
Investment Return Benchmarking - County Return vs. S&P Local Government Investment Pool Index (basis point spread)	8	10	10	10	10
Revenue forecasting - Percent variance between actual revenue and projected revenue	1.95%	3.26%	-1.00%	0.00%	0.00%

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>1,197,240</b>	<b>8.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	184,457	1.00
<b>FY16 CE Recommended</b>	<b>1,381,697</b>	<b>9.00</b>

### Information Technology

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

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>1,358,833</b>	<b>4.00</b>
Decrease Cost: MTime- funds designated for short-term loans to purchase hardware, software and licenses.	-90,240	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.	344	0.00
<b>FY16 CE Recommended</b>	<b>1,268,937</b>	<b>4.00</b>

### Accounts Payable

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

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Procurement Card rebate revenue generated	264,320	467,129	475,000	475,000	475,000

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>831,657</b>	<b>9.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	172,895	1.00
<b>FY16 CE Recommended</b>	<b>1,004,552</b>	<b>10.00</b>

### Accounts Receivable

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

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>702,639</b>	<b>7.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	51,852	0.00
<b>FY16 CE Recommended</b>	<b>754,491</b>	<b>7.00</b>

## 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.

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting <sup>1</sup>	Received	Expected	Expected	Expected	Expected

<sup>1</sup> The County has been awarded this certificate more times than any other county in the nation (FY13 = 44 times).

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>1,936,465</b>	<b>17.81</b>
Decrease Cost: Chargeback to Department of Liquor Control for preparation of year-end financial statements	-41,730	-0.50
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-175,556	-2.00
<b>FY16 CE Recommended</b>	<b>1,719,179</b>	<b>15.31</b>

## 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.

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>565,365</b>	<b>5.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	18,430	0.00
<b>FY16 CE Recommended</b>	<b>583,795</b>	<b>5.00</b>

## Payroll

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

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Pension and Long-term Disability (LTD2) Payroll Payments Processed <sup>1</sup>	65,000	65,000	66,000	66,500	67,000

<sup>1</sup> FY13 First year pension and Long-term Disability (LTD2) payroll payments were processed in-house.

<i>FY16 Recommended Changes</i>	Expenditures	FTEs
<b>FY15 Approved</b>	<b>879,563</b>	<b>8.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	37,914	0.00
<b>FY16 CE Recommended</b>	<b>917,477</b>	<b>8.00</b>

### **Tax Operations**

This program is responsible for the timely and accurate collection and processing of all County administered taxes, including property taxes (which are the County's largest revenue source), transfer and recordation taxes (relating to real property transfers and recordation of instruments of writing), and several excise taxes (fuel/energy, telephone, hotel/motel). The program is also responsible for the administration of the County's Working Families Income Supplement program, the Public Advocate for Assessments 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.

<i>Program Performance Measures</i>	Actual FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Property tax accounts billed	365,495	366,847	367,000	367,000	367,000

<i>FY16 Recommended Changes</i>	Expenditures	FTEs
<b>FY15 Approved</b>	<b>2,011,672</b>	<b>20.35</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	189,557	1.00
<b>FY16 CE Recommended</b>	<b>2,201,229</b>	<b>21.35</b>

### **Treasury Operations**

This program is responsible for providing coordination and oversight of treasury operations and customer services through the cashiering function. All money received by the County, directly through the Treasury cashiering 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.

<i>Program Performance Measures</i>	Actual FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Cashier transactions processed	40,208	35,730	35,000	35,000	35,000

<i>FY16 Recommended Changes</i>	Expenditures	FTEs
<b>FY15 Approved</b>	<b>315,935</b>	<b>4.15</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	16,144	0.00
<b>FY16 CE Recommended</b>	<b>332,079</b>	<b>4.15</b>

### **Insurance**

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

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Number of contract review actions to ensure adequate insurance coverage and compliance <sup>1</sup>	7,389	7,460	7,500	7,500	7,500
Workers Compensation - Cost per \$100 of payroll	\$3.16	\$3.50	\$3.34	\$3.37	\$3.37
Workers Compensation - Number of Montgomery County Government cases resulting in lost work time	513	499	544	596	647

<sup>1</sup> Measurement of contract review actions consist of: Mandatory Insurance Requirements issued; Certificates of Insurance approved; and email responses requesting clarification, corrections or additional information. Contracts include Amendments, RFPs, IFBs, Leases, Right-of-Entry Agreements, MOUs, License Agreements, Bridge Contracts, DPOs, Business Associate.

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>55,065,455</b>	<b>4.00</b>
Increase Cost: Claims Expense	597,000	0.00
Increase Cost: Commercially Purchased Property and Casualty Insurance	375,000	0.00
Increase Cost: Claims Service Contract Administrative costs	230,883	0.00
Increase Cost: Professional Service - Claims Audit Contract	40,000	0.00
Increase Cost: Workers Compensation Payroll Tax	6,600	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.	33,295	0.00
<b>FY16 CE Recommended</b>	<b>56,348,233</b>	<b>4.00</b>

### **Occupational Safety and Health**

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

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Training classes conducted by Safety and Health Specialists <sup>1</sup>	68	93	100	125	150

<sup>1</sup> FY13 implemented a "Train-the-Trainer" program for Fleet Management

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>571,809</b>	<b>3.00</b>
Increase Cost: Motor Pool Rate Adjustment	7,178	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.	32,840	0.00
<b>FY16 CE Recommended</b>	<b>611,827</b>	<b>3.00</b>

### **Legal Services**

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

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>2,633,229</b>	<b>20.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	220,960	-0.25
<b>FY16 CE Recommended</b>	<b>2,854,189</b>	<b>19.75</b>

### **Operations and Administration**

This program includes operational support for the Department as well as the administrative portions of the Director's Office, the Division of the Controller, the Treasury Division, and the Division of Risk Management. The program provides support for efficient, effective, and timely accomplishment of the Department's mission, including budget development and oversight, personnel administration, strategic planning, and contract administration. The program provides high quality consulting services for County agencies, managers, staff, elected officials, and residents.

FY16 Recommended Changes	Expenditures	FTEs
<b>FY15 Approved</b>	<b>4,212,142</b>	<b>15.37</b>
Increase Cost: MCTime - contractual services for annual maintenance and support	15,240	0.00
Increase Cost: Retiree Health Insurance Pre-Funding Adjustment	4,670	0.00
Decrease Cost: Printing and Mail	-992	0.00
Shift: Chargeback for Billing, Collection and Processing Services for Non-Tax Supported Funds	-3,900	0.00
Decrease Cost: Printing and Mail	-11,512	0.00
Decrease Cost: Contractual Resources: Indirect Cost Analysis and Services	-40,000	0.00
Decrease Cost: Delay Implementation of Property Tax Billing IT Application	-40,000	0.00
Decrease Cost: Contractual Services - Payroll	-124,000	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.	214,033	0.00
<b>FY16 CE Recommended</b>	<b>4,225,681</b>	<b>15.37</b>

## BUDGET SUMMARY

	Actual FY14	Budget FY15	Estimated FY15	Recommended FY16	% Chg Bud/Rec
<b>COUNTY GENERAL FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	6,906,911	8,441,163	7,947,571	8,919,005	5.7%
Employee Benefits	2,537,435	2,529,612	2,764,859	2,728,497	7.9%
<b>County General Fund Personnel Costs</b>	<b>9,444,346</b>	<b>10,970,775</b>	<b>10,712,430</b>	<b>11,647,502</b>	<b>6.2%</b>
Operating Expenses	2,652,691	2,441,662	2,684,831	2,065,440	-15.4%
Capital Outlay	0	0	0	0	—
<b>County General Fund Expenditures</b>	<b>12,097,037</b>	<b>13,412,437</b>	<b>13,397,261</b>	<b>13,712,942</b>	<b>2.2%</b>
<b>PERSONNEL</b>					
Full-Time	113	116	116	106	-8.6%
Part-Time	1	0	0	0	—
FTEs	94.31	95.31	95.31	95.81	0.5%
<b>REVENUES</b>					
Miscellaneous Revenues	466,521	496,700	475,000	475,000	-4.4%
Other Charges/Fees	244,566	253,680	243,480	244,360	-3.7%
Other Fines/Forfeitures	29,814	50,000	15,000	15,000	-70.0%
Other Intergovernmental	156,462	149,680	149,680	141,220	-5.7%
<b>County General Fund Revenues</b>	<b>897,363</b>	<b>950,060</b>	<b>883,160</b>	<b>875,580</b>	<b>-7.8%</b>
<b>SELF INSURANCE INTERNAL SERVICE FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	2,784,178	2,944,729	2,944,731	3,265,501	10.9%
Employee Benefits	945,217	981,499	981,497	1,021,245	4.0%
<b>Self Insurance Internal Service Fund Personnel Costs</b>	<b>3,729,395</b>	<b>3,926,228</b>	<b>3,926,228</b>	<b>4,286,746</b>	<b>9.2%</b>
Operating Expenses	49,212,148	54,943,339	54,943,339	56,203,678	2.3%
Capital Outlay	0	0	0	0	—
<b>Self Insurance Internal Service Fund Expenditures</b>	<b>52,941,543</b>	<b>58,869,567</b>	<b>58,869,567</b>	<b>60,490,424</b>	<b>2.8%</b>
<b>PERSONNEL</b>					
Full-Time	10	10	10	10	—
Part-Time	0	0	0	0	—
FTEs	30.37	30.37	30.37	30.12	-0.8%
<b>REVENUES</b>					
Investment Income	88,614	65,810	162,780	632,940	861.8%
Miscellaneous Revenues	656,087	0	1,000,000	1,000,000	—
Self Insurance Revenues	65,843,710	69,489,767	68,489,767	64,803,243	-6.7%
<b>Self Insurance Internal Service Fund Revenues</b>	<b>66,588,411</b>	<b>69,555,577</b>	<b>69,652,547</b>	<b>66,436,183</b>	<b>-4.5%</b>
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>65,038,580</b>	<b>72,282,004</b>	<b>72,266,828</b>	<b>74,203,366</b>	<b>2.7%</b>
<b>Total Full-Time Positions</b>	<b>123</b>	<b>126</b>	<b>126</b>	<b>116</b>	<b>-7.9%</b>
<b>Total Part-Time Positions</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total FTEs</b>	<b>124.68</b>	<b>125.68</b>	<b>125.68</b>	<b>125.93</b>	<b>0.2%</b>
<b>Total Revenues</b>	<b>67,485,774</b>	<b>70,505,637</b>	<b>70,535,707</b>	<b>67,311,763</b>	<b>-4.5%</b>



## FY16 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>COUNTY GENERAL FUND</b>		
<b>FY15 ORIGINAL APPROPRIATION</b>	<b>13,412,437</b>	<b>95.31</b>
<b><u>Other Adjustments (with no service impacts)</u></b>		
Increase Cost: FY16 Compensation Adjustment	370,503	0.00
Increase Cost: Annualization of FY15 Personnel Costs	136,491	1.00
Shift: Enterprise Resource Planning (ERP) staff support from Capital Improvement Program (CIP) to Operating budget (eleven positions are transferred to the Department of Technology Services)	53,378	0.00
Increase Cost: Retirement Adjustment	45,706	0.00
Increase Cost: Group Insurance Adjustment	30,569	0.00
Increase Cost: MCTime - contractual services for annual maintenance and support [Operations and Administration]	15,240	0.00
Shift: Chargeback for Billing, Collection and Processing Services for Non-Tax Supported Funds [Operations and Administration]	-3,900	0.00
Decrease Cost: Printing and Mail [Operations and Administration]	-11,512	0.00
Decrease Cost: Contractual Resources: Indirect Cost Analysis and Services [Operations and Administration]	-40,000	0.00
Decrease Cost: Delay Implementation of Property Tax Billing IT Application [Operations and Administration]	-40,000	0.00
Decrease Cost: Chargeback to Department of Liquor Control for preparation of year-end financial statements [General Accounting]	-41,730	-0.50
Decrease Cost: MCTime- funds designated for short-term loans to purchase hardware, software and licenses. [Information Technology]	-90,240	0.00
Decrease Cost: Contractual Services - Payroll [Operations and Administration]	-124,000	0.00
<b>FY16 RECOMMENDED:</b>	<b>13,712,942</b>	<b>95.81</b>
<b>SELF INSURANCE INTERNAL SERVICE FUND</b>		
<b>FY15 ORIGINAL APPROPRIATION</b>	<b>58,869,567</b>	<b>30.37</b>
<b><u>Other Adjustments (with no service impacts)</u></b>		
Increase Cost: Claims Expense [Insurance]	597,000	0.00
Increase Cost: Commercially Purchased Property and Casualty Insurance [Insurance]	375,000	0.00
Increase Cost: Claims Service Contract Administrative costs [Insurance]	230,883	0.00
Increase Cost: Annualization of FY15 Personnel Costs	181,266	-0.25
Increase Cost: FY16 Compensation Adjustment	148,572	0.00
Increase Cost: Professional Service - Claims Audit Contract [Insurance]	40,000	0.00
Increase Cost: Retirement Adjustment	21,950	0.00
Increase Cost: Group Insurance Adjustment	8,730	0.00
Increase Cost: Motor Pool Rate Adjustment [Occupational Safety and Health]	7,178	0.00
Increase Cost: Workers Compensation Payroll Tax [Insurance]	6,600	0.00
Increase Cost: Retiree Health Insurance Pre-Funding Adjustment [Operations and Administration]	4,670	0.00
Decrease Cost: Printing and Mail [Operations and Administration]	-992	0.00
<b>FY16 RECOMMENDED:</b>	<b>60,490,424</b>	<b>30.12</b>

## PROGRAM SUMMARY

Program Name	FY15 Approved		FY16 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Fiscal Management	1,197,240	8.00	1,381,697	9.00
Information Technology	1,358,833	4.00	1,268,937	4.00
Accounts Payable	831,657	9.00	1,004,552	10.00
Accounts Receivable	702,639	7.00	754,491	7.00
General Accounting	1,936,465	17.81	1,719,179	15.31
Grants Accounting	565,365	5.00	583,795	5.00
Payroll	879,563	8.00	917,477	8.00
Tax Operations	2,011,672	20.35	2,201,229	21.35
Treasury Operations	315,935	4.15	332,079	4.15
Insurance	55,065,455	4.00	56,348,233	4.00
Occupational Safety and Health	571,809	3.00	611,827	3.00
Legal Services	2,633,229	20.00	2,854,189	19.75
Operations and Administration	4,212,142	15.37	4,225,681	15.37
<b>Total</b>	<b>72,282,004</b>	<b>125.68</b>	<b>74,203,366</b>	<b>125.93</b>

## CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY15		FY16	
		Total\$	FTEs	Total\$	FTEs
<b>COUNTY GENERAL FUND</b>					
CIP	CIP	1,593,724	12.00	140,943	1.00
Community Use of Public Facilities	Community Use of Public Facilities	6,380	0.04	6,670	0.04
Environmental Protection	Water Quality Protection Fund	376,376	3.20	385,313	3.20
General Services	Printing and Mail Internal Service Fund	6,020	0.05	6,210	0.05
Human Resources	Employee Health Benefit Self Insurance	101,260	0.75	108,490	0.75
Human Resources	Retiree Health Benefits	39,920	0.25	41,690	0.25
Liquor Control	Liquor Control	0	0.00	41,730	0.50
NDA - Mont. County Employee Retirement Plans	BIT 457 Deferred Comp. Plan	4,790	0.03	5,000	0.03
NDA - Mont. County Employee Retirement Plans	Employee Retirement System	59,090	0.37	61,710	0.37
NDA - Mont. County Employee Retirement Plans	Retirement Savings Plan	11,170	0.07	11,680	0.07
NDA - Mont. County Employee Retirement Plans	RSP-Disability Benefits LTD2	25,550	0.16	26,690	0.16
Parking District Services	Bethesda Parking District	64,707	0.70	68,551	0.71
Parking District Services	Montgomery Hills Parking District	6,949	0.05	7,177	0.05
Parking District Services	Silver Spring Parking District	56,798	0.52	59,033	0.52
Parking District Services	Wheaton Parking District	15,267	0.13	15,571	0.12
Permitting Services	Permitting Services	11,070	0.10	11,340	0.10
Solid Waste Services	Solid Waste Collection	90,610	0.34	91,070	0.34
Solid Waste Services	Solid Waste Disposal	218,990	2.38	221,600	2.38
Transportation	Vacuum Leaf Collection	81,491	0.23	82,110	0.23
<b>Total</b>		<b>2,770,162</b>	<b>21.37</b>	<b>1,392,578</b>	<b>10.87</b>

## FUTURE FISCAL IMPACTS

Title	CE REC.			(\$000's)		
	FY16	FY17	FY18	FY19	FY20	FY21
This table is intended to present significant future fiscal impacts of the department's programs.						
<b>COUNTY GENERAL FUND</b>						
<b>Expenditures</b>						
<b>FY16 Recommended</b>	<b>13,713</b>	<b>13,713</b>	<b>13,713</b>	<b>13,713</b>	<b>13,713</b>	<b>13,713</b>
No inflation or compensation change is included in outyear projections.						
<b>Labor Contracts</b>	<b>0</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
<b>Contractual Resources for Indirect Cost Analysis and Services</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>40</b>
Indirect Cost Analysis through contract.						
<b>Property Tax Billing IT Application</b>	<b>0</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>
Delayed moving an IT system to the cloud, an FY16 budget reduction.						
<b>Kronos Annual Maintenance and Support</b>	<b>0</b>	<b>16</b>	<b>32</b>	<b>49</b>	<b>66</b>	<b>66</b>
Kronos annual maintenance and support is a contractual obligation with a 3% cap increase per year based on the current contract, expiring December 31, 2018.						
<b>Subtotal Expenditures</b>	<b>13,713</b>	<b>13,872</b>	<b>13,848</b>	<b>13,904</b>	<b>13,881</b>	<b>13,921</b>
<b>SELF INSURANCE INTERNAL SERVICE FUND</b>						
<b>Expenditures</b>						
<b>FY16 Recommended</b>	<b>60,490</b>	<b>60,490</b>	<b>60,490</b>	<b>60,490</b>	<b>60,490</b>	<b>60,490</b>
No inflation or compensation change is included in outyear projections.						
<b>Labor Contracts</b>	<b>0</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
<b>Professional Services - Claims Audit Contract</b>	<b>0</b>	<b>-40</b>	<b>0</b>	<b>-40</b>	<b>0</b>	<b>-40</b>
The Claims Audit is conducted every other year and is not needed in odd years.						
<b>Retiree Health Insurance Pre-funding</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>-4</b>	<b>-5</b>	<b>-6</b>
These figures represent the estimated cost of pre-funding retiree health insurance costs for the County's workforce.						
<b>Subtotal Expenditures</b>	<b>60,490</b>	<b>60,477</b>	<b>60,515</b>	<b>60,473</b>	<b>60,512</b>	<b>60,471</b>

**Finance Department – FY16 Operating Budget Questions**  
(includes Risk Management NDA)

**General Fund Questions**

1. The recommended FY16 reflects a reduction in full-time positions from 116 in FY15 to 106 in FY16. Is this all the ERP transfer from CIP to DTS budget? Please describe the \$53,378 increase related to the change.

These positions are being shifted from the Finance CIP to the DTS Operating Budget to assume the on-going home operations of the ERP Sustaining Organization.

The increase of \$53,378 is the net difference between shifting two positions between the ERP Project Office and Finance's Operating Budget. The ERP Project Office requested retaining the resources and the subject matter expertise of one Finance General Fund OSC position (-\$113,283) that has been detailed to the ERP Project since its inception and is backfilling vital on-going enterprise-wide payroll, labor distribution, and compensation support functions. In addition, as planned, an IT Specialist position (\$166,661) that supports the Mctime Project is being shifted back to Finance's General Fund to perform on-going Home Operation responsibilities.

2. Please describe the increased cost Mctime contractual services – what is the total annual maintenance and support cost for FY16?

In FY16 the \$15,240 increased cost for Mctime is for the Kronos Contract. Per the Terms and Conditions there is a 3% annual increase built into this Contract through 12/31/2018, at which time we will have to renegotiate.

FY15 = \$508,006.37 x 3%

FY16 = \$523,246.56

3. Please describe the \$3,900 reduction from shifting the chargeback for billing, collection, and processing services for non-tax supported funds.

The Division of Treasury must charge Enterprise and Proprietary Funds for any services provided (GASB 34). This chargeback is for services provided for the billing, collection and processing services for those Funds for their tax and/or fees itemized on our Property Tax Invoices. These 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. FY16 is based on the FY14 actual number of property tax accounts for each Fund. In FY15 (FY13 Actual) there was a total of 611,480 accounts. In FY16 (FY14 Actual) there were 615,380 accounts; an increase of 3,900 accounts that will be charged to the applicable Fund, and results in a \$3,900 (3,900 x \$1.00 per account) decrease in Finance.

4. The reduced charge for Indirect Cost Analysis and Services reflects the fact this is an off-year in the biennial update, correct? If not, please explain.

Correct -- Resources are appropriated every other year for the Indirect Cost Analysis and Services. FY15 = \$40,000; FY6 = \$0; FY17 = \$40,000

**5. Please explain the delayed implementation of Property Tax Billing IT application. What was the estimated timeline? What is it now?**

There are a number of complex IT systems that are involved with generating the property tax bills such as the Tax Assessment System (TAS), ePilot (Payment in lieu of taxes), and the MUNIS property tax billing system. The Department of Finance's goal is to migrate the MUNIS property tax billing system to a Software as a Service (SaaS) cloud based solution that would be hosted by Tyler Technologies (contractor). The TAS system was recently overhauled and upgraded after 30 years of use on the Mainframe system. Upgrading the TAS system required a significant amount of time and resources. Due to this and the risk associated with upgrading two complex public facing revenue generating systems simultaneously, the MUNIS SaaS project was put on hold until the TAS system upgrade was completed.

During the planning phase it was discovered that the County was behind two major version levels. The County is on version 8.2 while the latest version of MUNIS is 10.5. However version 11 will be made available in May 2015. The version of MUNIS that the County is on is the last version that supports the Linux operating system and IBM Informix database. Newer versions of MUNIS will only be supported on the Microsoft Windows server operating system and database platform. Due to the differences of operating systems and databases, the County's older version level, and the size of the County's database, thorough and exhaustive testing must be done in order to fully certify the software upgrade. After multiple conference calls with the MUNIS technical and account management team, it was acknowledged that due to the risk and complexity of the software upgrade, data conversion and migration to the cloud that the County should first conduct this upgrade in-house. Once that upgrade and data conversion is successful the migration of MUNIS to the SaaS cloud environment will be less complicated and risky. Funding for FY16 to support the SaaS Cloud initiative is \$200,000. Continuing to run MUNIS in-house temporarily in FY16 to facilitate the upgrade will have a one-time savings of \$40,000 in FY16. In FY17 the Department still intends to move MUNIS to the SaaS Cloud environment and will require appropriate on-going funding for this long term initiative.

**6. Please describe the reduced chargeback to Liquor Control regarding year-end financial statements.**

In the past DLC prepared their year-end financial statements and workpapers. With the development and implementation of the DLC Oracle Warehouse Module their DLC's personnel resources were required and detailed to this new initiative, and those resources will be required to support this Module and the workload responsibilities going forward. DLC requested that Finance assume the ongoing responsibility for preparing the DLC year-end financial statements and workpapers and chargeback the DLC Fund appropriately. In FY16 a new chargeback was approved whereby the Controller's Division will charge the DLC Fund \$41,730 and 0.5 FTE to provide these services.

7. Please describe the reduced cost for MCTime short-term loans for hardware, software, and license purchases. What were the terms the loans?

In the past, due to the large dollar cost and fiscal impact of purchasing hardware, software and licenses pertaining to the MCTime application, Finance opted to take out short-term Master Lease loans to spread out the fiscal obligation / impact for the expenses over 3-4 fiscal years depending on when the first payment was due. Payments for these loans were required every 6 months (a total of six payments for each loan). At this time all prior loans have been paid off. The impact of this reduction is that no additional loans will be entered into for hardware, software, and/or licenses for the MCTime Project.

8. Please describe the reduced cost for payroll contractual services.

Currently a contingent offer has been extended for the Program Manager I - Payroll Analyst position. On April 3, 2015, we completed the interviews for the Program Specialist II - Payroll Specialist position and are working with OHR to extend a contingent offer. Currently contractors are backfilling these responsibilities at a greater cost to the County. This reduction for Payroll contractual services is based on the assumption that these two positions will be filled during FY15.

#### **Division of Risk Management/Self Insurance Internal Service Fund**

1. Please describe the \$597,000 increase in claims expenses.

The \$597,000 increase in claims expenses is a number that is calculated for projection by the actuary.

2. Please describe the increased cost for commercial insurance. Is this the same as last year, where the cost increase was due to increased total cost to replace capital improvements?

This is the same as last year. Commercial insurance premiums are subject to inflationary and insurance market 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 \$230,833 increase for claims service contract administrative costs.

This is the result of the CPI, plus the previously expected increase in the contract amount as compared to other jurisdictions.

4. The claims audit contract increases \$40,000. Does this reflect the biennial audit, and this is an "on" year?

This is the "on" year for the biennial audit.

5. Could you provide a list of revenue sources for the self-insurance internal service fund, including contribution amounts?

- Contributions (similar to premiums) by the participating member agencies. \$64,803,243
- Miscellaneous revenues are comprised of the subrogation and insurance claim recoveries. \$1,000,000
- Investment income as projected by the Finance Department's Chief Economist. These are based on projected reserve levels and interest rates. \$632,940

6. What is the target FY16 Cost per \$100 of payroll for Workers Compensation?

The FY16 Target is \$3.37.

### **Risk Management NDA**

1. Last year, the FY15 recommended amount for the NDA was down about \$1 million. Finance advised that this reduction resulted from the fact that "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." The recommended FY16 amount has decreased almost another \$4 million. Is this still caused by the methodology change, or by actuarial changes? If it's based on actuarial studies, can I get a copy of the annual actuarial study that contributed to the change? If neither of these is the reason, please describe.

The reduction is a combination of the actuarially determined contribution and an additional one-time reduction for fiscal reasons, which still maintains the fund between the policy level of 80% to 85%.

Susan, the Actuarial Study is 280 pages. If you still require this document we will work with our IT Team to provide a solution so you can access it without crashing our/your computer.

### **Other Questions**

1. Please provide a current vacancy list and a brief description of the positions. Do you have plans to fill any of these positions in FY16?

See Attached Spreadsheet

2. Could you provide a brief update on the Tax Compliance Unit performance over YTD FY15, or whatever method you generally break it down (i.e. quarterly)?

The Tax Compliance Unit has been following up with SDAT to implement and update the first batch of Accounts that was sent in FY14 and consisted of almost 5,000 Accounts. Because SDAT is short-staffed and overwhelmed by the workload from first update request. As of March 2015 no additional Accounts have been sent to SDAT, however the Unit continues to gather information which will form the basis for the next update. Also, the Compliance Unit staff has been detailed to cover the Excise Tax administration due to staff turnover. We are recruiting to fill the Excise Tax Administrative position.

Department of Finance					
FY15 Mid-Year Vacancies + Recruitments + Personnel Actions					
4.7.2015					
FY15 Hiring Freeze effective 12/15/2014 - Position Hiring Exemption Approval Required OMB + CAO					
	Position Title	Division	Cost Center	Grade	iRecruitment #
FINANCE GENERAL FUND					
1	Program Manager I - Payroll Analyst	Controller: Payroll		23	4/2015: Conditional Offer Extended
2	Program Specialist II - Payroll Specialist	Controller: Payroll		21	4/2/2015: Conditional Offer Imminent
3	Admin Spec II - Excise Tax Administrator	Treasury: Tax Operations		21	4/15/2015: Interviewing Candidates
4	OSC	Treasury: Tax Operations (Property Tax)		16	4/1/2015: Interviews being scheduled
5	OSC	Treasury: Tax Operations (Transfer Tax)		16	4/1/2015: Interviews being scheduled
6	Program Manager II - Property Tax Billing Manager	Treasury: Tax Operations		25	4/1/2015 IRC16298 Closed. Rating Applications
7	Program Specialist II - RM Workers' Comp Coordinator	RM: Insurance		21	4/1/2015: Conditional Offer Accepted
8	Occupational Safety and Health Specialist	RM: Safety		24	4/1/2015: Conditional Offer Imminent
9	Program Specialist I	RM: Admin		18	4/1/2015: Reopened IRC15817. Closes 4/15/2015
10	Sr Management & Budget Specialist	Fiscal Management		27	12/15/2014: On Hold - Hiring Freeze. Will recruit ASAP
11	Program Manager II - P-Card Manager	Controller: Accounts Payable		25	12/15/2014: On Hold - Hiring Freeze. Will recruit ASAP

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