

GO COMMITTEE#1  
March 17, 2016

**MEMORANDUM**

March 15, 2016

TO: Government Operations and Fiscal Policy Committee

FROM: Susan J. Farag, Legislative Analyst *SJF*  
Jean Arthur, Legislative Analyst *JCA*  
Justina Ferber, Legislative Analyst *JF*  
Costis Toregas, Council IT Adviser *CT*

SUBJECT: Review – County Government FY15 year-end transfers and FY16 2<sup>nd</sup> quarterly analysis

At this meeting, the Committee will review year-end transfer and quarterly analysis information for a number of offices and departments. The offices and departments included in today's meeting include: Department of Finance; Office of the County Attorney; Ethics Commission; Office of Human Resources; the Office of Public Information; and Department of Technology Services and the Office of Cable and Broadband Services.

Those expected to attend this session include:

- Joseph Beach, Director, Department of Finance
- Marc Hansen, County Attorney
- Robert Cobb, Staff Director/Chief Counsel, Ethics Commission
- Patrick Lacefield, Director, Office of Public Information (PIO)
- Dieter Klinger, Chief Operating Officer, Department of Technology Services
- Jenna Shovlin, Budget Manager, Office of Human Resources
- Leslie Hamm, Manager III, PIO
- Anne Santora, MC311
- Jason Rundell, Office of Cable and Broadband Services
- Naeem Mia, Office of Management and Budget (OMB)
- Dennis Hetman, OMB
- Jane Mukira, OMB
- Corey Orlosky, OMB
- Phil Weeda, OMB
- Helen Vallone, OMB

## **Background**

On November 30, 2015 the Government Operations and Fiscal Policy (GO) Committee reviewed issues related to the Executive branch's implementation of the Council's FY16 approved budget for County Government.<sup>1</sup> The GO Committee recommended that Council Committees follow up with the offices and departments within their jurisdiction for which they feel that further review of budget shortfalls and surpluses is necessary. **For the purpose of this memo, staff is highlighting the departments and offices that have either overspent their budget appropriation in three out of the last five fiscal years or have budgets larger than \$9 million.**

An office or department that is on pace to overspend its budget can choose from a number of available approaches to reduce operating expenditures and reduce the need for year-end transfers. These options were provided in a June 4, 2010 OMB memo (see © 6). Fewer options are available for offices and departments that end the year with a budget shortfall as a result of personnel costs in excess of the approved budget.

This meeting will enable the Committee to more closely examine the budgets of departments that routinely over- or under-spend their budgets. The Committee may decide to request additional budget information, request the Executive to submit a supplemental appropriation, or consider the spending history when reviewing the Executive's FY17 Recommended Operating Budget request for the office or department.

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<sup>1</sup> See [http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2015/151130/20151130\\_GO3.pdf](http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2015/151130/20151130_GO3.pdf) for the November 30, 2015 Government Operations and Fiscal Policy Committee packet on Implementation of the FY16 Operating and Capital Budgets.

## Budget Review

### I. Department of Finance

The following table includes totals for the FY16 original budget appropriation, latest budget<sup>2</sup> totals, and expenditures and encumbrances. The table also includes year-end transfer information and second and third quarterly analysis projections provided by the Executive Branch. FY16 totals reflect budget data as of February 26, 2016.

Department of Finance									
Fiscal Year	Original Budget	Latest Budget	Expen. + Encum.	Variance	Variance As % of Latest	Year-End Transfer	Transfer As % of Latest	Second Quarter Projection	Third Quarter Projection
FY11	\$9,596,890	\$9,456,421	\$8,834,482	\$621,939	6.6%	-\$477,000	-5.0%	Surplus	Surplus
FY12	\$9,701,210	\$10,306,923	\$10,031,677	\$275,246	2.7%	\$201,790	2.0%	Surplus	Surplus
FY13	\$10,791,460	\$11,583,128	\$10,705,782	\$877,345	7.6%	\$0	0.0%	Surplus	Surplus
FY14	\$12,299,265	\$12,620,260	\$12,318,880	\$301,380	2.4%	\$0	0.0%	On Budget	On Budget
FY15	\$13,412,437	\$14,241,594	\$13,965,432	\$276,162	1.9%	\$0	0.0%	Surplus	Surplus
FY16	\$13,712,942	\$14,652,407*	\$9,132,664	\$5,519,743	37.7%	TBD	TBD	Surplus	TBD

\*Includes prior year carryforward of \$939,465 in operating expenses.

The following table provides greater detail on personnel costs and operating expenses for the Department prior to the year-end transfer. FY16 totals reflects budget data as of February 26, 2016.

Department of Finance								
	Latest Budget Total	Personnel Cost Budget	Personnel Cost Expenditures	Personnel Cost Variance	Operating Expense Budget	Operating Expenditures	Operating Expense Variance	Variance from Latest Budget Total
FY11	\$9,456,421	\$8,207,170	\$7,842,626	\$364,544	\$1,249,251	\$991,856	\$257,395	\$621,939
FY12	\$10,306,923	\$7,796,648	\$7,319,612	\$477,036	\$2,510,275	\$2,712,065	-\$201,790	\$275,246
FY13	\$11,583,128	\$8,730,260	\$8,019,842	\$710,418	\$2,852,868	\$2,685,940	\$166,928	\$877,345
FY14	\$12,620,260	\$9,745,722	\$9,444,346	\$301,376	\$2,874,538	\$2,874,534	\$4	\$301,380
FY15	\$14,241,594	\$10,506,125	\$10,433,162	\$72,963	\$3,735,469	\$3,532,270	\$203,199	\$276,162
FY16	\$14,652,407*	\$11,647,502	\$6,781,935	\$4,865,567	\$3,004,905	\$2,350,728	\$654,177	\$5,519,743

\*Includes prior year carryforward of \$939,465 in operating expenses.

### Year-end transfer and quarterly analysis details

The Executive branch provided the following details in the year-end transfer and quarterly analysis memorandums.

- FY11 year-end transfer - Personnel costs surplus is due to detailing staff to the CIP Technology Modernization Project to assist with ERP implementation activities and lapse generated from an unusually large number of vacancies due to position turnover and staff

<sup>2</sup> Latest budget includes the original budget appropriation, Management Leadership Services distributions from the Compensation and Employee Benefits Adjustments Non-departmental Account, and approved and anticipated supplemental appropriations.

retirements. Operating expenses surplus is due to the delay in executing a contract by the end of June for the Tyler Application Support Provider (ASP) for the MUNIS Tax Application Services. The contract was executed and encumbered in FY12.

- FY12 year-end transfer - Operating expenses exceeded the budget due to the use of contractual services for: bank reconciliation services, assistance with the FY11 year-end closeout, backfilling vacancies with contractual services, and additional costs related to the annual external audit of the County's financial records. Total department spending was less than the budget, but a year-end transfer was needed because of insufficient transferability between categories within the Department.
- FY16 second quarterly analysis - The Department projects a surplus of \$277,616 at the end of the year.

### Council staff questions and responses

- Is the expected FY16 surplus due to the FY16 Savings Plan?

**Finance Response:** Yes.

**Council staff comments:** The Department of Finance required year-end transfers in FY11 and FY12 only, due to isolated circumstances rather than ongoing issues. The current surplus projected in the FY16 second quarterly analysis closely matches the department's required savings under the FY16 Savings Plan.

## II. Office of the County Attorney

The following table includes totals for the FY16 original budget appropriation, latest budget totals, and expenditures and encumbrances. The table also includes year-end transfer information and second and third quarterly analysis projections provided by the Executive Branch. FY16 totals reflect budget data as of February 26, 2016.

Office of the County Attorney									
<i>Fiscal Year</i>	<i>Original Budget</i>	<i>Latest Budget</i>	<i>Expen. + Encum.</i>	<i>Variance</i>	<i>Variance As % of Latest</i>	<i>Year-End Transfer</i>	<i>Transfer As % of Latest</i>	<i>Second Quarter Projection</i>	<i>Third Quarter Projection</i>
FY11	\$4,552,550	\$4,563,836	\$4,966,891	-\$403,055	-8.8%	\$403,070	8.8%	Shortfall	Shortfall
FY12	\$4,039,500	\$4,085,972	\$5,054,066	-\$968,094	-23.7%	\$968,100	23.7%	Surplus	Shortfall
FY13	\$5,736,881	\$5,745,056	\$5,832,080	-\$87,024	-1.5%	\$95,730	1.7%	Surplus	Surplus
FY14	\$5,351,793	\$5,756,603	\$6,426,314	-\$669,711	-11.6%	\$669,720	11.6%	Surplus	Shortfall
FY15	\$5,381,236	\$5,643,171	\$6,286,494	-\$643,323	-11.4%	\$643,330	11.4%	Shortfall	Shortfall
FY16	\$5,660,259	\$5,692,457*	\$3,702,443	\$1,990,014	35.0%	TBD	TBD	Shortfall	TBD

\*Includes prior year carryforward of \$32,198 in operating expenses.

The following table provides greater detail on personnel costs and operating expenses for the Department prior to the year-end transfer. FY16 totals reflects budget data as of February 26, 2016.

Office of the County Attorney								
	<i>Latest Budget Total</i>	<i>Personnel Cost Budget</i>	<i>Personnel Cost Expenditures</i>	<i>Personnel Cost Variance</i>	<i>Operating Expense Budget</i>	<i>Operating Expenditures</i>	<i>Operating Expense Variance</i>	<i>Variance from Latest Budget Total</i>
<b>FY11</b>	\$4,563,836	\$4,211,300	\$4,366,731	-\$155,431	\$352,536	\$600,160	-\$247,624	-\$403,055
<b>FY12</b>	\$4,085,972	\$3,700,151	\$4,280,936	-\$580,785	\$385,821	\$773,130	-\$387,309	-\$968,094
<b>FY13</b>	\$5,745,056	\$4,695,291	\$4,731,715	-\$36,424	\$1,049,765	\$1,100,365	-\$50,600	-\$87,024
<b>FY14</b>	\$5,756,603	\$4,740,984	\$5,195,286	-\$454,302	\$1,015,619	\$1,231,028	-\$215,409	-\$669,711
<b>FY15</b>	\$5,643,171	\$4,671,416	\$5,303,884	-\$632,468	\$971,755	\$982,610	-\$10,855	-\$643,323
<b>FY16</b>	\$5,692,457*	\$5,093,260	\$3,221,686	\$1,871,574	\$599,197	\$480,757	\$118,439	\$1,990,014

\*Includes prior year carryforward of \$32,198 in operating expenses.

### Year-end transfer and quarterly analysis details

The Executive branch provided the following details in the year-end transfer and quarterly analysis memorandums.

- FY11 year-end transfer - Personnel costs exceeded the budget because of higher than expected group insurance costs. Operating expenses exceeded the budget due to the cost of outside contract attorneys in the Division of Health and Human Services for work on child welfare cases.
- FY12 year-end transfer - Personnel costs exceeded the budget because lapse was not achieved. Operating expenses exceeded the budget because of costs related to the FOP ballot petition case, temporary clerical support in the Debt Collection Unit, and child welfare contract attorneys.
- FY13 year-end transfer - Personnel costs exceeded the budget because lapse was not achieved. Operating expenses exceeded the budget because of temporary clerical support in the Debt Collection Unit and child welfare contract attorneys.
- FY14 year-end transfer - Personnel costs exceeded the budget because lapse was not achieved. Operating expenses exceeded the budget because of child welfare contract attorneys.
- FY15 year-end transfer - Personnel costs exceeded the budget because the budgeted lapse assumption was not achieved. Operating expenses exceeded the budget because of child welfare contract attorneys.
- FY16 second quarterly analysis - The Office projects a shortfall of \$5,703 at the end of the year. *The projected shortfall is due to exceeding the lapse assumption and anticipated child welfare contract attorney costs being higher than budgeted.*

### Council staff questions and responses

OCA projects a shortfall for FY16 due to exceeding the lapse assumption and anticipated child welfare contract attorney costs being higher than budgeted.

- OCA has been unable to achieve budgeted lapse for several years. How can the office more realistically project staff hiring?

**OCA Response:** Our lapse has been adjusted by OMB for the FY17 budget year by \$250,000 in order to bring the estimate more in line with our actual number.

- From July 1, 2015 through November 30, 2015, OCA spent \$94,471.50 on outside counsel for child protective cases. Has OCA considered bringing that position in-house?

**OCA Response:** OCA's budget for outside counsel in connection with child welfare cases has been chronically underfunded for decades. The recent average of annual expenditures for these outside counsel is \$228,000. We currently pay outside counsel the outstandingly low rate of \$70 per hour. At this rate, OCA obtains about 3000 hours of time or about 1.5 work years. OCA could hire an entry level attorney for about \$53 per hour, which would net at \$228,000 for about 4000 work hours or about two work years. This "gain" of 0.5 work years is offset in on opinion by the following factors:

- 1) OCA usually retains three to five outside counsel. These extra "bodies" (as opposed to two in-house attorneys) provide a significant advantage because the child welfare unit, which has 6.5 in-house attorneys and covers 2000+ CINA (Child in Need of Assistance) hearings, TPR (Termination of Parental Rights) cases, and general counsel duties for Department of Health and Human Services, cannot cover six courtrooms plus afternoon emergency hearings. Having to cover multiple hearings that occur at one time will become exacerbated by the new "one judge/one family" program being instituted by the Circuit Court. In short, two additional "bodies" is not as good as three to five additional "bodies".
- 2) The exceptionally low hourly rate for these outside counsel is comparable to the rate paid to in-house counsel especially as in-house counsel's cost goes up over time given step increases and promotions.
- 3) Using outside counsel for the overflow work in child welfare provides more flexibility if the volume of the work fluctuates.
- 4) Adding in-house counsel creates some challenges in finding available office space where the child welfare is currently housed on the 12<sup>th</sup> floor of the EOB.
- 5) At least initially, the County would be exchanging highly experienced outside counsel for less experienced in-house lawyers.

### III. Ethics Commission

The following table includes totals for the FY16 original budget appropriation, latest budget totals, and expenditures and encumbrances. The table also includes year-end transfer information and second and third quarterly analysis projections provided by the Executive Branch. FY16 totals reflect budget data as of February 26, 2016.

Ethics Commission									
Fiscal Year	Original Budget	Latest Budget	Expen. + Encum.	Variance	Variance As % of Latest	Year-End Transfer	Transfer As % of Latest	Second Quarter Projection	Third Quarter Projection
FY11	\$218,250	\$218,250	\$250,748	-\$32,498	-14.9%	\$37,010	17.0%	Surplus	Surplus
FY12	\$191,430	\$193,350	\$191,456	\$1,894	1.0%	\$0	0.0%	Surplus	Shortfall
FY13	\$307,776	\$307,776	\$326,795	-\$19,019	-6.2%	\$22,260	7.2%	Surplus	Surplus
FY14	\$337,007	\$389,504	\$363,240	\$26,264	6.7%	\$0	0.0%	Surplus	Surplus
FY15	\$355,641	\$400,622	\$401,346	-\$724	-0.2%	\$1,260	0.3%	On Budget	On Budget
FY16	\$382,007	\$442,047*	\$279,429	\$162,618	36.8%	TBD	TBD	Surplus	TBD

\*Includes prior year carryforward of \$60,040 in operating expenses.

The following table provides greater detail on personnel costs and operating expenses for the Department prior to the year-end transfer. FY16 totals reflects budget data as of February 26, 2016.

Ethics Commission								
	Latest Budget Total	Personnel Cost Budget	Personnel Cost Expenditures	Personnel Cost Variance	Operating Expense Budget	Operating Expenditures	Operating Expense Variance	Variance from Latest Budget Total
FY11	\$218,250	\$194,650	\$231,658	-\$37,008	\$23,600	\$19,090	\$4,510	-\$32,498
FY12	\$193,350	\$174,300	\$172,420	\$1,880	\$19,050	\$19,036	\$14	\$1,894
FY13	\$307,776	\$252,616	\$272,853	-\$20,237	\$55,160	\$53,943	\$1,217	-\$19,019
FY14	\$389,504	\$285,750	\$261,961	\$23,789	\$103,754	\$101,279	\$2,474	\$26,264
FY15	\$400,622	\$336,565	\$337,822	-\$1,257	\$64,057	\$63,525	\$532	-\$724
FY16	\$442,047*	\$355,748	\$217,755	\$137,993	\$80,020	\$61,674	\$18,346	\$162,618

\*Includes prior year carryforward of \$60,040 in operating expenses.

#### Year-end transfer and quarterly analysis details

The Executive branch provided the following details in the year-end transfer and quarterly analysis memorandums.

- FY11 year-end transfer - Personnel costs exceeded the appropriation due to an unbudgeted leave payout and because of a shortfall resulting from a shift in appropriation to operating expenses to cover the cost of outside attorneys to support a four-month Commission investigation, which was not included in the original budget.
- FY13 year-end transfer - Personnel costs exceeded the appropriation because positions were filled at a higher cost than assumed in the budget.
- FY15 year-end transfer - Personnel costs exceeded the budget due to higher than budgeted staff salary costs and actual retirement costs being more than the budget.

- FY16 second quarterly analysis - The Commission projects a surplus of \$7,200 at the end of the year.

**Council staff questions and responses**

- Is any of the FY16 projected surplus related to the Budget Savings Plan?

**Ethics Commission Response:** Yes. The Ethics Savings Plan is \$7,640 in Operating Expenses.

- Will personnel cost projections be as budgeted for FY16? If not, what is the Office doing to better estimate personnel costs in the future?

**Ethics Commission Response:** The personnel costs projections for this office is estimated to be overspent by \$440. The Ethics Commission personnel cost budget is for three filled full time positions. There are no vacant positions in this budget.

**IV. Office of Human Resources**

The following table includes totals for the FY16 original budget appropriation, latest budget totals, and expenditures and encumbrances. The table also includes year-end transfer information and second and third quarterly analysis projections provided by the Executive Branch. FY16 totals reflect budget data as of February 26, 2016.

Office of Human Resources									
<i>Fiscal Year</i>	<i>Original Budget</i>	<i>Latest Budget</i>	<i>Expen. + Encum.</i>	<i>Variance</i>	<i>Variance As % of Latest</i>	<i>Year-End Transfer</i>	<i>Transfer As % of Latest</i>	<i>Second Quarter Projection</i>	<i>Third Quarter Projection</i>
FY11	\$6,082,800	\$6,247,004	\$5,986,222	\$260,782	4.2%	\$154,680	2.5%	Surplus	Surplus
FY12	\$5,996,540	\$6,215,549	\$6,204,545	\$11,005	0.2%	\$186,850	3.0%	Surplus	On Budget
FY13	\$7,136,988	\$7,244,102	\$7,336,825	-\$92,724	-1.3%	\$239,890	3.3%	Shortfall	Shortfall
FY14	\$7,656,440	\$7,784,603	\$8,032,503	-\$247,899	-3.2%	\$312,080	4.0%	Shortfall	Shortfall
FY15	\$7,778,639	\$8,156,549	\$8,669,402	-\$512,853	-6.3%	\$512,870	6.3%	Shortfall	Shortfall
FY16	\$8,088,066	\$8,562,060*	\$6,288,380	\$2,273,680	26.6%	TBD	TBD	Shortfall	TBD

\*Includes prior year carryforward of \$473,994 in operating expenses.

The following table provides greater detail on personnel costs and operating expenses for the Department prior to the year-end transfer. FY16 totals reflects budget data as of February 26, 2016.

Office of Human Resources								
	Latest Budget Total	Personnel Cost Budget	Personnel Cost Expenditures	Personnel Cost Variance	Operating Expense Budget	Operating Expenditures	Operating Expense Variance	Variance from Latest Budget Total
FY11	\$6,247,004	\$4,093,180	\$4,247,855	-\$154,675	\$2,153,824	\$1,738,367	\$415,457	\$260,782
FY12	\$6,215,549	\$4,304,932	\$4,491,773	-\$186,841	\$1,910,617	\$1,712,771	\$197,846	\$11,005
FY13	\$7,244,102	\$4,822,539	\$5,040,618	-\$218,079	\$2,421,563	\$2,296,207	\$125,356	-\$92,724
FY14	\$7,784,603	\$5,101,936	\$5,414,007	-\$312,071	\$2,682,667	\$2,618,495	\$64,172	-\$247,899
FY15	\$8,156,549	\$5,059,413	\$5,569,354	-\$509,941	\$3,097,136	\$3,100,048	-\$2,912	-\$512,853
FY16	\$8,562,060*	\$5,437,653	\$3,624,356	\$1,813,297	\$3,124,407	\$2,664,024	\$460,383	\$2,273,680

\*Includes prior year carryforward of \$473,994 in operating expenses.

### Year-end transfer and quarterly analysis details

The Executive branch provided the following details in the year-end transfer and quarterly analysis memorandums.

- FY11 year-end transfer - Personnel costs exceeded the appropriation because expected lapse was not achieved. Total department spending was less than the budget.
- FY12 year-end transfer - Personnel costs exceeded the budget because lapse was not achieved. Total department spending was less than the budget, but a year-end transfer is needed because of insufficient transferability.
- FY13 year-end transfer - Personnel costs exceeded the budget because lapse was not achieved and because of increased temporary personnel services to support the deployment of Oracle Workforce Performance Management.
- FY14 year-end transfer - Personnel costs exceeded the budget because lapsed positions were filled to handle an increased workload.
- FY15 year-end transfer - Personnel costs exceeded the budget because lapsed positions were filled to handle an increased workload. Operating expenses exceeded the budget due to computer software expenses.
- FY16 second quarterly analysis - The Office projects a shortfall of \$147,909 at the end of the year. *The projected shortfall is due to unbudgeted employee separation and leave payouts. The Department states that it is controlling these cost overruns by holding several positions vacant for the remainder of the fiscal year.*

### Council staff questions and responses

- Over the last 5 years OHR has not achieved lapse or has not anticipated increased costs associated with workload. What steps is OHR taking to better anticipate personnel costs, workload and associated lapse?

**OHR Response:** For the last two fiscal years, OHR's budget has been appropriated funds to cover costs associated with approved, but unfunded positions. OHR continues to respond to lapse targets by delaying hiring when possible, but can't foresee all personnel related items that may occur during a given fiscal year.

- Would there be an FY16 budget shortfall without the unbudgeted employee separation costs?

**OHR Response:** There is a likelihood that OHR would have been able to meet its lapse target; however, there is recognition that employee turnover throughout the year can impact the budget up or down.

## V. Office of Public Information

The following table includes totals for the FY16 original budget appropriation, latest budget totals, and expenditures and encumbrances. The table also includes year-end transfer information and second and third quarterly analysis projections provided by the Executive Branch. FY16 totals reflect budget data as of February 26, 2016.

Office of Public Information									
Fiscal Year	Original Budget	Latest Budget	Expen. + Encum.	Variance	Variance As % of Latest	Year-End Transfer	Transfer As % of Latest	Second Quarter Projection	Third Quarter Projection
FY11	\$4,960,350	\$4,960,350	\$5,072,835	-\$112,485	-2.3%	\$112,490	2.3%	Surplus	Surplus
FY12	\$4,719,510	\$5,016,937	\$5,155,563	-\$138,626	-2.8%	\$138,630	2.8%	On Budget	Surplus
FY13	\$5,016,769	\$5,279,976	\$5,429,662	-\$149,685	-2.8%	\$164,660	3.1%	Surplus	Surplus
FY14	\$4,660,061	\$4,899,434	\$5,004,036	-\$104,602	-2.1%	\$104,620	2.1%	Surplus	Surplus
FY15	\$4,816,129	\$5,065,618	\$5,165,101	-\$99,483	-2.0%	\$99,490	2.0%	Surplus	Surplus
FY16	\$4,932,519	\$5,161,235*	\$3,213,274	\$1,947,961	37.7%	TBD	TBD	Surplus	TBD

\*Includes prior year carryforward of \$228,716 in operating expenses.

The following table provides greater detail on personnel costs and operating expenses for the Department prior to the year-end transfer. FY16 totals reflects budget data as of February 26, 2016.

Office of Public Information								
	Latest Budget Total	Personnel Cost Budget	Personnel Cost Expenditures	Personnel Cost Variance	Operating Expense Budget	Operating Expenditures	Operating Expense Variance	Variance from Latest Budget Total
FY11	\$4,960,350	\$3,813,460	\$3,849,949	-\$36,489	\$1,146,890	\$1,222,886	-\$75,996	-\$112,485
FY12	\$5,016,937	\$3,725,952	\$3,759,781	-\$33,829	\$1,290,985	\$1,395,782	-\$104,797	-\$138,626
FY13	\$5,279,976	\$3,927,319	\$3,937,326	-\$10,007	\$1,352,657	\$1,492,336	-\$139,679	-\$149,685
FY14	\$4,899,434	\$3,726,273	\$3,759,262	-\$32,989	\$1,173,161	\$1,244,774	-\$71,613	-\$104,602
FY15	\$5,065,618	\$3,845,910	\$3,945,394	-\$99,484	\$1,219,708	\$1,219,707	\$1	-\$99,483
FY16	\$5,161,235*	\$3,989,600	\$2,555,181	\$1,434,419	\$1,171,635	\$658,093	\$513,543	\$1,947,961

\*Includes prior year carryforward of \$228,716 in operating expenses.

### Year-end transfer and quarterly analysis details

The Executive branch provided the following details in the year-end transfer and quarterly analysis memorandums.

- FY11 year-end transfer - Personnel costs exceeded the budget due to reduced chargebacks to other departments. Operating expenses exceeded the budget due to higher than budgeted printing expenses and audio equipment rentals.
- FY12 year-end transfer - Personnel costs exceeded the appropriation due to greater than expected group insurance costs. Operating expenses exceeded the budget due to an increased amount of printed materials.
- FY13 year-end transfer - Personnel costs exceeded the appropriation due to charges from the Department of Technology Services for support of MC311. Operating expenses exceeded the budget due to an increased amount of printed materials and mailings.
- FY14 year-end transfer - Personnel costs exceeded the appropriation due to overtime and lump sum leave payouts. Operating expenses exceeded the budget due to printed materials and maintenance expenses.
- FY15 year-end transfer - Personnel costs exceeded the budget due to overtime related to emergency response activations and group insurance costs being greater than the budget.
- FY16 second quarterly analysis - The Office projects a surplus of \$87,936 at the end of the year.

#### **Council staff questions and responses**

- Is any of the FY16 projected budget surplus related to the Budget Savings Plan?

**PIO Response:** Yes, there is an approved FY16 savings plan.

- Will there actually be an FY16 shortfall due to overtime related to snow emergencies?

**PIO Response:** The second quarter estimate did not fully anticipate emergency activations. Updated cost information will be incorporated in the third quarter report.

- Over the last 5 years PIO has incurred increased costs associated with personnel and operating expenses. What steps is PIO taking to better anticipate personnel costs and expenses for FY17?

**PIO Response:** As for personnel costs, this is very dependent on the number of Emergency Response Activations we have in any given fiscal year. The Customer Service Representatives are Essential Employees and must be paid for everything they are eligible for. We try to minimize non-emergency overtime, but occasionally have to pay due to spikes in call volume for things like the delinquent tax bills. All overtime requests from the 311 management team must be approved by Operations Director. As for operating expenses, we monitor our expenditure reports on a regular basis.

## VI. Department of Technology Services

The following table includes totals for the FY16 original budget appropriation, latest budget totals, and expenditures and encumbrances. The table also includes year-end transfer information and second and third quarterly analysis projections provided by the Executive Branch. FY16 totals reflect budget data as of February 26, 2016.

Department of Technology Services									
Fiscal Year	Original Budget	Latest Budget	Expen. + Encum.	Variance	Variance As % of Latest	Year-End Transfer	Transfer As % of Latest	Second Quarter Projection	Third Quarter Projection
FY11	\$26,370,280	\$27,456,637	\$27,046,504	\$410,134	1.5%	\$570,770	2.1%	Shortfall	Surplus
FY12	\$25,649,440	\$27,440,835	\$26,717,875	\$722,959	2.6%		0.0%	Shortfall	Shortfall
FY13	\$26,259,783	\$28,075,525	\$28,063,204	\$12,322	0.0%		0.0%	Surplus	Surplus
FY14	\$28,754,504	\$31,087,949	\$31,747,355	-\$659,406	-2.1%	\$659,420	2.1%	Shortfall	Shortfall
FY15	\$30,272,068	\$33,935,732	\$33,457,561	\$478,171	1.4%		0.0%	Surplus	Surplus
FY16	\$40,907,969	\$42,819,430*	\$31,368,820	\$11,450,610	26.7%	TBD	TBD	Surplus	TBD

\*Includes prior year carryforward of \$1,911,461 in operating expenses.

The following table provides greater detail on personnel costs and operating expenses for the Department prior to the year-end transfer. FY16 totals reflects budget data as of February 26, 2016.

Department of Technology Services								
	Latest Budget Total	Personnel Cost Budget	Personnel Cost Expenditures	Personnel Cost Variance	Operating Expense Budget	Operating Expenditures	Operating Expense Variance	Variance from Latest Budget Total
FY11	\$27,456,637	\$14,366,490	\$14,937,255	-\$570,765	\$13,090,147	\$12,109,249	\$980,898	\$410,134
FY12	\$27,440,835	\$14,663,943	\$14,643,939	\$20,004	\$12,776,892	\$12,073,937	\$702,955	\$722,959
FY13	\$28,075,525	\$14,368,073	\$14,355,761	\$12,312	\$13,707,452	\$13,707,443	\$9	\$12,322
FY14	\$31,087,949	\$14,826,078	\$15,090,899	-\$264,821	\$16,261,871	\$16,656,456	-\$394,585	-\$659,406
FY15	\$33,935,732	\$15,389,919	\$15,364,232	\$25,687	\$18,545,813	\$18,093,330	\$452,483	\$478,171
FY16	\$42,819,430*	\$21,518,981	\$11,131,687	\$10,387,294	\$21,300,449	\$20,237,132	\$1,063,316	\$11,450,610

\*Includes prior year carryforward of \$1,911,461 in operating expenses.

### Year-end transfer and quarterly analysis details

The Executive branch provided the following details in the year-end transfer and quarterly analysis memorandums.

- FY11 year-end transfer - Personnel costs exceeded the appropriation because expected lapse was not achieved. Total department spending was less than the budget.
- FY14 year-end transfer - Personnel costs exceeded the appropriation because lapse was not achieved. Operating expenses exceeded the budget due to enterprise cyber security initiatives.
- FY16 second quarterly analysis - The Department projects a surplus of \$939,299 at the end of the year.

**Council staff questions and responses**

- In the DTS budget, is the sizable surplus projected due to the ERP unit absorption into the DTS workforce, or does it reflect a one-time issue? Also, why is there such a high carry forward from 2015?

**DTS Response:** The large variance displayed in current ERP reports for the DTS FY16 budget is because FY16 is approximately 70% complete. The variance for full FY16 is currently projected to be approximately 1% of the budgeted amount.

The carry forward from FY15 is normal. A number of the DTS contracts do not start July 1st, but start during the year, so the PO, which is created on the contract date, carries over to the next year until the contract is renewed and a new PO is cut. In addition, some purchases placed near the end of the FY15 were not received until FY16. The purchase orders for these purchases were created in FY15 and carried over to FY16 in order to pay for the goods after they were received.

- Given this pattern, should the GO Committee be prepared to review the 2017 budget requests with an eye towards avoiding these overages that seem to be recurring?

**DTS Response:** Given that both budgets are well managed to avoid budget overruns and have spent on average over 99% of budgeted amounts, DTS and OMB do not believe any adjustments are advised.

**VII. Office of Cable and Broadband Services**

The following table includes totals for the FY16 original budget appropriation, latest budget totals, and expenditures and encumbrances. The table also includes year-end transfer information and second and third quarterly analysis projections provided by the Executive Branch. FY16 totals reflect budget data as of February 26, 2016.

Office of Cable and Broadband Services									
<i>Fiscal Year</i>	<i>Original Budget</i>	<i>Latest Budget</i>	<i>Expen. + Encum.</i>	<i>Variance</i>	<i>Variance As % of Latest</i>	<i>Year-End Transfer</i>	<i>Transfer As % of Latest</i>	<i>Second Quarter Projection</i>	<i>Third Quarter Projection</i>
<b>FY11</b>	\$10,492,160	\$10,973,300	\$11,016,682	-\$43,382	-0.4%	\$475,740	4.3%	Shortfall	Shortfall
<b>FY12</b>	\$11,813,340	\$12,448,735	\$12,606,464	-\$157,729	-1.3%	\$157,730	1.3%	Shortfall	Shortfall
<b>FY13</b>	\$13,146,951	\$13,818,630	\$14,120,808	-\$302,178	-2.2%	\$332,410	2.4%	Shortfall	Shortfall
<b>FY14</b>	\$13,622,905	\$15,226,905	\$14,518,696	\$708,209	4.7%	\$0	0.0%	Surplus	Surplus
<b>FY15</b>	\$14,705,985	\$15,721,925	\$15,558,601	\$163,325	1.0%	\$0	0.0%	Shortfall	Shortfall
<b>FY16</b>	\$15,764,947	\$17,520,412*	\$12,841,287	\$4,679,126	26.7%	TBD	TBD	Surplus	TBD

\*Includes prior year carryforward of \$1,755,465 in operating expenses.

The following table provides greater detail on personnel costs and operating expenses for the Department prior to the year-end transfer. FY16 totals reflects budget data as of February 26, 2016.

Office of Cable and Broadband Services								
	<i>Latest Budget Total</i>	<i>Personnel Cost Budget</i>	<i>Personnel Cost Expenditures</i>	<i>Personnel Cost Variance</i>	<i>Operating Expense Budget</i>	<i>Operating Expenditures</i>	<i>Operating Expense Variance</i>	<i>Variance from Latest Budget Total</i>
<b>FY11</b>	\$10,973,300	\$2,838,690	\$2,406,335	\$432,355	\$8,134,610	\$8,610,347	-\$475,737	-\$43,382
<b>FY12</b>	\$12,448,735	\$2,605,599	\$2,605,598	\$1	\$9,843,136	\$10,000,865	-\$157,730	-\$157,729
<b>FY13</b>	\$13,818,630	\$2,905,030	\$2,905,020	\$10	\$10,913,600	\$11,215,788	-\$302,188	-\$302,178
<b>FY14</b>	\$15,226,905	\$3,448,635	\$3,330,123	\$118,512	\$11,778,270	\$11,188,573	\$589,697	\$708,209
<b>FY15</b>	\$15,721,925	\$3,561,766	\$3,428,006	\$133,760	\$12,160,159	\$12,130,595	\$29,565	\$163,325
<b>FY16</b>	\$17,520,412*	\$3,842,870	\$2,288,101	\$1,554,769	\$13,677,542	\$10,553,186	\$3,124,357	\$4,679,126

\*Includes prior year carryforward of \$1,755,465 in operating expenses.

### Year-end transfer and quarterly analysis details

The Executive branch provided the following details in the year-end transfer and quarterly analysis memorandums.

- FY11 year-end transfer - Operating expenses exceeded the budget due to higher than expected franchise fee revenue that is passed through to municipalities. The personnel cost surplus is due to the FY11 Savings Plan, which included lapse from several positions.
- FY12 year-end transfer - Operating expenses exceeded the budget due to higher than expected franchise fee revenue that is passed through to municipalities.
- FY13 year-end transfer - Operating expenses exceeded the budget due to higher than expected franchise fee revenue that is passed through to municipalities as well as increased use of contractors and temporary employees due to staff vacancies.
- FY16 second quarterly analysis - The Office projects a surplus of \$40,382 at the end of the year.

### Council staff questions and responses

- Is the large variance in the Cable office is due to the lack of distribution to municipalities on the revenues owed to them; can you verify this? Also, why is there such a high carry forward from 2015?

**Cable Office Response:** The large variance displayed in current ERP reports for the Cable FY16 budget is because FY16 is approximately 70% complete. The variance for full FY16 is currently projected to be less than 0.5% of the budgeted amount. The variances are generally due to changes in municipal payments based on revenues received.

The carry forward from FY15 is normal. A number of the Cable Office contracts do not start July 1st, but start during the year, so the PO, which is created on the contract date, carries over to the next year until the contract is renewed and a new PO is cut. In addition, some purchases such as some of the FY 15 PEG Equipment orders were not received and/or installed until the new fiscal year. The purchase orders for these purchases were created in FY15 and carried over to FY16 in order to pay for the goods after they were received and installed.

**Attachments:**

- © 1 Council President Floreen Memorandum
- © 2 FY15 Year-End Transfer Transmittal Memorandum
- © 4 FY16 Second Quarterly Analysis Transmittal Memorandum
- © 6 FY11 Budget Controls Implemented in ERP Memorandum

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MONTGOMERY COUNTY COUNCIL  
ROCKVILLE, MARYLAND

OFFICE OF THE COUNCIL PRESIDENT

**MEMORANDUM**

January 14, 2016

TO: Councilmembers  
FROM: Nancy Floreen, Council President  
SUBJECT: FY16 Budget Implementation

On November 30, 2015 the Government Operations and Fiscal Policy Committee reviewed issues related to the Executive branch's implementation of the Council's FY16 approved budget for County Government, including items on the reconciliation list. The Committee recommended close monitoring of all reporting and notification requirements included in the operating budget resolution.

The Committee also recommended that each Committee, as necessary, should review budget information for the County Government departments and offices under its jurisdiction that appears in two documents: the FY15 year-end transfer resolution, which the Council approved in December, and the FY16 2<sup>nd</sup> quarterly analysis, which OMB will transmit in mid-February. (The Education Committee would not participate because the only County Government budget it oversees, CUPF, is an enterprise fund.)

I want to thank the GO Committee for its work on this important issue. Linda Lauer has tentatively scheduled time for these reviews on Committee agendas in the February 22-29 period. See the attached draft Committee schedule for this period; please let Linda know if any adjustments are needed. Council analysts will discuss with Committee Chairs which County Government department and office budgets should be reviewed – based on the budget information noted above – and whether a different time for the review would better fit Committee schedules.

Attachment

cc: Budget Staff Members  
Confidential Aides



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

November 23, 2015

TO: George Leventhal, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: Year-End Transfers for the FY15 Operating Budget

The Department of Finance and the Office of Management and Budget have completed an analysis of expenditures by County Departments for FY15. The purpose of this memorandum is to transmit to Council the year-end transfers for the FY15 Operating Budget. Transfers of appropriation totaling \$12,615,300 are required for several departments to cover actual FY15 expenditures.

Some departments ended FY15 with higher spending than appropriated, consistent with our year-end projections at the end of last fiscal year. Other departments are included in this year-end transfer to reconcile over-spending in a category (i.e., personnel costs or operating expenditures) even though total department appropriations were not over-spent. This is because the County Council appropriates by category rather than at the total department level.

These transfers represent the following percentages of the FY15 appropriations for their respective funds and functions:

	<u>FY15</u> <u>Appropriation</u>	<u>Total</u> <u>Transfers</u>	<u>% of Total Fund</u> <u>Appropriation</u>
General Fund: Legislative	\$ 13,886,857	\$ 332,470	2.39%
General Fund: Judicial (incl. Sheriff)	49,444,525	568,000	1.15%
General Fund: Executive	770,760,903	3,216,960	0.42%
General Fund: Non-Departmental	295,579,702	808,850	0.27%
Special Funds: Tax Supported	386,371,569	3,050,050	0.79%
Special Funds: Non-Tax Supported	421,798,387	660,570	0.16%
Special Funds: Internal Service Funds	263,122,536	3,978,400	1.51%

Attached is a recommended resolution for transfers of appropriation to implement these changes. Justifications for the recommended budgetary actions are attached to the resolution.

George Leventhal, President, County Council

November 23, 2015

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Staff from the Office of Management and Budget and the appropriate departments will be present to provide additional information that may be requested when the Council considers these transfers. The Department of Finance is still in the process of completing its work on the year-end financial statements. Staff will provide additional information if changes to this transfer resolution are necessary prior to Council action. If you have any questions, please contact Alex Espinosa at (240) 777-2800.

IL:aae

Attachment: Transfers of Appropriation for the Year-End Close Out of the FY15 Operating Budget  
Justifications for Recommended Transfers of Appropriation



ROCKVILLE, MARYLAND

**MEMORANDUM**

February 19, 2016

TO: Nancy Floreen, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget  
For Joseph F. Beach, Director, Department of Finance

SUBJECT: FY16 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. As detailed in the attached report, expenditure variances are relatively small across most departments, and the County Executive's recommended operating budget will incorporate the results of this analysis. We will continue to monitor department spending and may make revisions to this estimate to reflect more up-to-date information in the County Executive's recommended operating budget. Significant expenditure variances are described below.

**Second Quarter Expenditure Results**

The Board of Elections anticipates higher than budgeted costs due to implementation of the State's new voting system and other related costs. The estimate reflects the most recent information and invoices from the State Board of Elections. The estimate will be updated at the end of the third quarter.

The County Attorney's Office expects to exceed its lapse assumption and anticipates higher than budgeted child welfare contract attorney costs.

The Department of Economic Development's expenditure estimate reflects start-up funding for Montgomery County Economic Development Corporation and higher than budgeted costs related to Federal and State lobbying contracts, sponsorships, consultant work, and other expenses.

The Department of General Services' projected overspending results from staffing costs higher than the budgeted lapse rate. At this time, the department is not estimating higher than budgeted contract and other operating expenses for emergency maintenance services and repair of critical equipment and systems.

The Office of Human Resources' projected overage is due to unbudgeted employee separation and leave payouts. The department is controlling these cost overruns by holding several positions vacant for the remainder of the fiscal year.

The Office of Intergovernmental Relations' original budget did not include funding for a position that was transferred to its complement. The projected expenditure overage is due to the additional costs of that position.

Nancy Floreen, President, County Council  
February 19, 2016  
Page 2

The State's Attorney Office does not anticipate meeting its lapse target because of increased workload demands and increased personnel costs due to a grant shortfall. The projected overage also reflects higher than budgeted office operating expenses.

Fire and Rescue Service is estimated to be overspent because of delays in civilianizing uniformed ECC dispatchers, unbudgeted snow removal costs, and higher than anticipated overtime costs.

The Department of Liquor Control has incurred additional staffing costs and overtime expenses to improve warehouse operations. In addition, the department has incurred additional contractor costs to support the Oracle ERP system.

Fleet Management Services is projecting an overage due to increased vehicle maintenance costs, parts, and supplies.

The following non-departmental accounts are projected to be overspent: Municipal Tax Duplication due to additional speed camera payments to municipalities, Rockville Parking District because of a parking rate increase for employee parking, State Property Tax Services due to higher reimbursement costs to the State Department of Assessment and Taxation, and Working Families Income Supplement because of increased formula payments. In addition, Snow Removal and Storm Cleanup expenditures have exceeded the budget of \$9.2 million by \$26 million through January. The projection assumes an additional contingency of \$16 million for additional winter weather mobilizations and potential storm cleanup costs through the rest of the fiscal year. This estimate will be reassessed and may be revised at the end of the third quarter.

Based on analysis by the County's actuary, health insurance claims costs per covered member are higher than estimated in the original budget. The second quarter estimate includes an updated group insurance cost projection. We will continue to monitor these expenses and will update the Council at the end of the third quarter.

#### **Second Quarter Revenue Update**

Attached is an update on tax revenue collections through the end of the second quarter.

#### **Reserves**

The County's FY16 total ending reserves are estimated to be \$389.5 million, or 8.3 percent of adjusted governmental revenues. As noted in the December Fiscal Plan Update, the initial estimate of reserves was preliminary and subject to change based on updated information. Additional details on the County's reserves will be included in the Executive's recommended budget on March 16.

JAH/JFB:ae

Attachments: Second Quarterly Analysis of Expenditures  
Tax Revenue Collections: Through 12/31/15

c: Isiah Leggett, County Executive  
Timothy L. Firestine, Chief Administrative Officer  
Bonnie Kirkland, Assistant Chief Administrative Officer  
All County Government Department Heads and Merit Directors



OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett  
County Executive

Timothy L. Firestine  
Chief Administrative Officer

MEMORANDUM

June 4, 2010

To: Executive Branch Department and Office Directors  
From: Timothy L. Firestine, Chief Administrative Officer  
Subject: FY11 Budget Controls Implemented in ERP

As you know, Phase I of the ERP system (Financials and Purchasing) go live on July 6, 2010. Therefore, beginning in FY11, you will be unable to expend operating dollars if you have insufficient operating appropriation. Hard stops on expenditures are going into effect on total Department/NDA appropriated Operating Expenses (OE) by fund. This budget control provides a tool to assist in managing the budget. If your department staff submit a direct payment or create a requisition in the ERP system that will exceed the budgeted OE, the ERP system will give an error message stating that they have exceeded the department's fund balance and the transaction will not post.

We are aware of specific department situations that might cause difficulty in staying within the OE limit (e.g., purchase of supplies for snow removal by Department of Transportation (DOT) and Department of General Services (DGS) during winter months). Any other overspending OE during the fiscal year, will be addressed on a case-by-case basis.

Below is a series of alternatives that departments must take into account/enact before consideration will be granted to remove budget controls from your department.

1. Submit an Executive Transfer budget change request to Office of Management and Budget (OMB) to move Personnel Costs (PC) to Operating Expenses (OE) within the County Charter's 10% transferability limit. Please note that your department will need to show that savings are available in PC before OMB will approve this transaction.
2. Liquidate current year encumbrances to generate additional current year OE appropriation.
3. Discuss with OMB a request for a Council Supplemental Appropriation. This needs to be done early in the fiscal year because it can take up to two months to administer a Council Supplemental Appropriation.
4. If all the above have been exhausted or is temporarily impractical, and the department can adequately document the need to over-spend your budget, then a request to remove the control for your department should be submitted to the Director of OMB.

TLF:jb

c: Department Administrative Service Coordinators  
Karen Hawkins, Department of Finance  
Lenny Moore, Department of Finance  
Pam Jones, Department of General Services  
Office of Management and Budget Staff