

MEMORANDUM

March 22, 2016

TO: Transportation, Infrastructure, Energy and Environment Committee

FROM: ^{GO} Glenn Orlin, Deputy Council Administrator
^L Linda Price, Legislative Analyst

SUBJECT: Review – County Government FY15 year-end transfers and FY16 2nd 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 Transportation and the Vacuum Leaf Collection Fund; Mass Transit; and the Department of General Services.

Those expected to attend this session include:

- Emil Wolanin, Deputy Director, Department of Transportation (DOT)
- Beryl Feinberg, Deputy Director, DGS
- Angela Dizelos, Department of General Services (DGS)
- Jed Millard, Office of Management and Budget (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.¹ 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.

¹ See 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.

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.

Budget Review

I. Department of Transportation – General Fund

The following table includes totals for the FY16 original budget appropriation, latest budget² 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 Transportation – General Fund									
<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	\$35,464,960	\$55,457,870	\$54,199,797	\$1,258,073	2.3%	\$56,820	0.1%	Surplus	Surplus
FY12	\$36,059,030	\$40,359,649	\$41,241,122	-\$881,473	-2.2%	\$1,214,390	3.0%	Shortfall	Shortfall
FY13	\$41,128,342	\$61,397,529	\$59,289,533	\$2,107,996	3.4%	\$0	0.0%	Shortfall	Shortfall
FY14	\$42,132,940	\$73,199,062	\$72,707,178	\$491,884	0.7%	\$0	0.0%	On Budget	Surplus
FY15	\$45,531,797	\$68,778,710	\$68,519,816	\$258,894	0.4%	\$0	0.0%	Surplus	Surplus
FY16	\$46,099,835	\$53,439,537*	\$64,610,705	-\$11,171,168	-20.9%	TBD	TBD	Surplus	TBD

*Includes prior year carryforward of \$963,611 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 Transportation – General Fund								
	<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 Expense Expenditures</i>	<i>Operating Expense Variance</i>	<i>Variance from Latest Budget Total</i>
FY11	\$55,457,870	\$26,594,730	\$26,651,543	-\$56,813	\$28,863,140	\$27,548,254	\$1,314,886	\$1,258,073
FY12	\$40,359,649	\$19,226,642	\$20,047,263	-\$820,621	\$21,133,007	\$21,193,859	-\$60,852	-\$881,473
FY13	\$61,397,529	\$23,539,662	\$22,200,265	\$1,339,397	\$37,857,867	\$37,089,268	\$768,599	\$2,107,996
FY14	\$73,199,062	\$24,204,913	\$23,713,034	\$491,879	\$48,994,149	\$48,994,144	\$5	\$491,884
FY15	\$68,778,710	\$24,966,734	\$24,707,849	\$258,885	\$43,811,976	\$43,811,967	\$9	\$258,894
FY16	\$53,439,537*	\$21,207,699	\$13,006,143	\$8,201,556	\$32,231,838	\$51,604,562	-\$19,372,724	-\$11,171,168

*Includes prior year carryforward of \$963,611 in operating expenses.

² 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.

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 leave payouts for separating employees. Total department spending was less than the budget.
- FY12 year-end transfer - Personnel costs exceeded the appropriation due to unbudgeted leave payouts, unbudgeted overtime expenditures, and chargebacks to the CIP that didn't occur. Operating expenses exceeded the budget due to emergency storm drain system repairs.
- FY16 second quarterly analysis - The Department projects a surplus of \$661,304 at the end of the year.

FY16 Operating Budget Reconciliation List Items

The following items were added to the FY16 Operating Budget during reconciliation and were not cut during the Council's review and approval of the FY16 Savings Plan.³

Restore cut to sidewalk repair	\$40,000
Restore cut to traffic signal retiming	\$100,000
Restore cut to stump removal	\$500,000
Pedestrian safety education	\$100,000
Sidewalk inventory	\$200,000

Council staff questions and responses

- The projected \$661,304 is largely based on the Savings Plan reductions, but it does not take into account the snow and storm supplemental appropriation the County will be seeking soon. By how much will the DOT-General Fund exceed its budget due to the blizzard and other snow and storm events this winter?

OMB response: While the figures have not been finalized, and there is still the potential for more snow and storm events this spring, OMB estimates that the costs will exceed the budget by about \$42 million. The County will be seeking FEMA assistance to offset some of these costs; OEHMS estimates the County could receive about \$14 million in Federal aid.

II. Mass Transit Fund

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.

³ See http://montgomerycountymd.granicus.com/MetaViewer.php?view_id=6&clip_id=9877&meta_id=87054 for the July 28, 2015 packet to approve the FY16 Savings Plan.

Mass Transit Fund									
<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	\$104,309,460	\$102,981,901	\$106,100,197	-\$3,118,296	-3.0%	\$3,118,300	3.0%	Shortfall	Shortfall
FY12	\$102,750,000	\$103,994,277	\$109,378,236	-\$5,383,959	-5.2%	\$5,383,960	5.2%	Shortfall	Shortfall
FY13	\$113,854,693	\$114,202,958	\$113,586,880	\$616,078	0.5%	\$0	0.0%	Shortfall	Shortfall
FY14	\$116,665,732	\$117,031,393	\$117,253,437	-\$222,044	-0.2%	\$222,060	0.2%	Surplus	Shortfall
FY15	\$121,172,193	\$122,536,210	\$120,972,353	\$1,563,857	1.3%	\$0	0.0%	Surplus	Surplus
FY16	\$121,491,890	\$122,381,355*	\$74,155,434	\$48,225,921	39.4%	TBD	TBD	Surplus	TBD

*Includes prior year carryforward of \$1,229,465 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.

Mass Transit Fund								
	<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>
FY11	\$102,981,901	\$57,898,810	\$60,302,659	-\$2,403,849	\$45,083,091	\$45,797,538	-\$714,448	-\$3,118,296
FY12	\$103,994,277	\$57,274,095	\$57,274,095	\$0	\$46,720,182	\$52,104,141	-\$5,383,959	-\$5,383,959
FY13	\$114,202,958	\$59,999,156	\$59,829,226	\$169,930	\$54,203,802	\$53,757,654	\$446,148	\$616,078
FY14	\$117,031,393	\$62,820,127	\$62,820,121	\$6	\$54,211,256	\$54,433,316	-\$222,060	-\$222,044
FY15	\$122,536,210	\$66,992,189	\$66,303,404	\$688,785	\$55,544,021	\$54,668,949	\$875,072	\$1,563,857
FY16	\$122,381,355*	\$69,575,317	\$41,173,686	\$28,401,631	\$52,806,038	\$32,981,748	\$19,824,290	\$48,225,921

*Latest budget includes prior year carryforward of \$1,229,465 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 exceeded the budget due to overtime backfill of vacant positions. Operating expenses exceeded the budget because of higher costs for fuel and maintenance.
- FY12 year-end transfer - Operating expenses exceeded the budget because of increased fuel and bus maintenance costs.
- FY14 year-end transfer - Operating expenses exceeded the appropriation due to motor pool charges.
- FY16 second quarterly analysis - Mass Transit projects a surplus of \$1,346,948 at the end of the year.

Council staff questions and responses: No questions.

III. Vacuum Leaf Collection Fund

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.

Vacuum Leaf Collection Fund									
<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	\$5,303,340	\$5,303,340	\$4,565,176	\$738,164	13.9%	-\$350,860	-6.6%	Surplus	Surplus
FY12	\$5,272,920	5,323,685	4,945,191	\$378,494	7.1%	-312,092	-5.9%	Surplus	Surplus
FY13	\$5,444,337	\$5,044,337	\$5,333,885	-\$289,548	-5.7%	\$318,510	6.3%	Surplus	Surplus
FY14	\$5,155,303	\$5,155,303	\$5,447,247	-\$291,944	-5.7%	\$296,170	5.7%	Shortfall	Shortfall
FY15	\$5,224,643	\$5,254,998	\$5,889,758	-\$634,759	-12.1%	\$660,570	12.6%	On Budget	On Budget
FY16	\$5,417,595	\$5,668,333	\$6,176,040	-\$507,707	-9.0%	TBD	TBD	On Budget	TBD

*Includes prior year carryforward of \$250,738 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.

Vacuum Leaf Collection Fund								
	<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>
FY11	\$5,303,340	\$3,452,180	\$2,719,668	\$732,512	\$1,851,160	\$1,845,508	\$5,652	\$738,164
FY12	\$5,323,685	\$2,610,184	\$2,506,712	\$103,471	\$2,713,501	\$2,438,478	\$275,023	\$378,494
FY13	\$5,044,337	\$2,846,727	\$2,846,721	\$6	\$2,197,610	\$2,487,165	-\$289,555	-\$289,548
FY14	\$5,155,303	\$2,585,343	\$2,581,120	\$4,223	\$2,569,968	\$2,866,127	-\$296,159	-\$291,944
FY15	\$5,254,998	\$2,684,053	\$2,658,245	\$25,808	\$2,570,945	\$3,231,513	-\$660,568	-\$634,759
FY16	\$5,668,333	\$3,093,384	\$2,727,293	\$366,091	\$2,574,949	\$3,448,747	-\$873,798	-\$507,707

*Includes prior year carryforward of \$250,738 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 less staff time being spent collecting leaves during the fall leaf collection program.
- FY12 year-end transfer – Surplus is due to good weather conditions, which allowed leaf collection to be completed in less time and expense than assumed in the budget.
- FY13 year-end transfer - Operating expenses exceeded the budget due to the purchase of replacement leafing equipment.
- FY14 year-end transfer - Operating expenses exceeded the budget due motor pool charges for replacement leafing equipment and additional contract costs.
- FY15 year-end transfer - Operating expenses exceeded the appropriation due to higher than expected contractor costs and motor pool expenses being greater than the budget.
- FY16 second quarterly analysis - DOT anticipates that it will end the fiscal year on budget with zero dollars remaining in the Fund.

Council staff questions and responses: No questions.

IV. Department of General 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 General 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>
FY10	\$27,970,950	\$33,931,090	\$32,866,163	\$1,064,927		\$0	0.0%	Surplus	Surplus
FY11	\$24,011,240	\$27,572,810	\$27,933,078	-\$360,268	-1.3%	\$886,150	3.2%	Surplus	Surplus
FY12	\$21,354,150	\$23,212,471	\$27,685,417	-\$4,472,946	-19.3%	\$4,472,950	19.3%	Surplus	Shortfall
FY13	\$24,726,123	\$29,608,536	\$32,240,646	-\$2,632,110	-8.9%	\$2,895,330	9.8%	Shortfall	On Budget
FY14	\$26,647,551	\$36,067,022	\$39,676,293	-\$3,609,272	-10.0%	\$3,609,280	10.0%	Shortfall	Shortfall
FY15	\$29,468,025	\$41,335,481	\$42,429,662	-\$1,094,181	-2.6%	\$1,094,190	2.6%	Shortfall	Shortfall
FY16	\$26,939,015	\$29,434,845*	\$26,478,590	\$2,956,254	10.0%	TBD	TBD	Shortfall	TBD

*Includes prior year carryforward of \$2,495,830 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 General 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>
FY11	\$27,572,810	\$13,732,260	\$14,618,405	-\$886,145	\$13,840,550	\$13,314,673	\$525,877	-\$360,268
FY12	\$23,212,471	\$12,628,034	\$13,693,663	-\$1,065,629	\$10,584,437	\$13,991,755	-\$3,407,318	-\$4,472,946
FY13	\$29,608,536	\$14,202,526	\$14,202,519	\$7	\$15,406,010	\$18,038,127	-\$2,632,117	-\$2,632,110
FY14	\$36,067,022	\$14,830,761	\$15,780,187	-\$949,426	\$21,236,261	\$23,896,106	-\$2,659,846	-\$3,609,272
FY15	\$41,335,481	\$15,838,744	\$16,932,930	-\$1,094,186	\$25,496,737	\$25,496,732	\$6	-\$1,094,181
FY16	\$29,434,845*	\$12,303,975	\$8,723,372	\$3,580,603	\$17,130,870	\$17,755,219	-\$624,349	\$2,956,254

*Includes prior year carryforward of \$2,495,830 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 expected lapse was not achieved and because of unbudgeted expenditures for leave payouts and pay premiums for standby pay and shift differential.
- FY12 year-end transfer - Personnel costs exceeded the budget due to overtime, standby pay, filling of the lapsed Deputy Director position, and reduced chargebacks. Operating

expenses exceeded the budget due to unbudgeted facility maintenance repairs, software purchases, and reduced chargebacks as a result of implementation of the new work order system.

- FY13 year-end transfer - Operating expenses exceeded the appropriation due to unbudgeted facility maintenance repairs and motor pool expenditures that were higher than the budget.
- FY14 year-end transfer - Personal costs exceeded the appropriation due to minimal staff turnover and filling vacant positions because of operational requirements. Operating expenses exceeded the budget due to significant emergency maintenance services to repair critical equipment and facilities.
- FY15 year-end transfer - Personnel costs exceeded the budget due to lapse not being met, unbudgeted overtime costs, and mid-year position changes due to the creation of the Office of Procurement.
- FY16 second quarterly analysis - The Department projects a shortfall of \$542,687 at the end of the year. *The projected shortfall is due to 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 or repair of critical equipment and systems.*

FY16 Operating Budget Reconciliation List Items

The following items were added to FY16 Operating Budget during reconciliation and were not cut during the Council’s review and approval of the FY16 Savings Plan.

Sustainability Program Manager to implement Bill 2-14, Benchmarking, and Bill 6-14, Office of Sustainability	\$75,662
Operating funds to implement Bill 2-14, Benchmarking	\$150,000
Operating funds to implement Bill 6-14, Office of Sustainability	\$45,000
Program Manager to implement Bill 8-14, Clean Energy Renewable Technology	\$82,035

Council staff questions and responses

- What are the current FY16 snow-related PC/OE costs? Are there any additional storm costs anticipated for the remainder of the fiscal year? If so, how much is estimated?

As of March 17, 2016, snow-related personnel costs total \$733,166 and snow-removal invoices received total \$3,587,358. It is not unusual for snow invoices to trickle in through March and April so the invoice total will likely increase.

<i>Total Personnel Costs</i>	<i>\$773,166</i>
<i>Operating Costs:</i>	
<i>Invoices Processed</i>	<i>\$2,123,816</i>
<i>Est. Outstanding invoices</i>	<i>\$1,463,542</i>
<i>Total Operating Costs</i>	<i>\$3,587,358</i>
<i>Total snow-costs (PC & OE)</i>	<i>\$4,360,524</i>

- Are there estimates on costs that DGS absorbed instead of charging back to departments between FY11-FY15?

DGS came within budget for operating costs in FY11 so we are confident that chargebacks to other departments were correctly processed. During FY12 midyear, the Oracle Work Order Inventory module was implemented with full implementation continuing through FY14. During this transition period, chargebacks were not fully captured.

We continue to work with the ERP Office to implement improvements in the system and to develop more detailed reports, such as the report that validates chargebacks.

- Was an Executive transfer completed to fund Personnel costs in FY13 and to fund Operating Expenses in FY15? If so, please provide the total amounts of the transfer(s).

Executive Transfers and Council Transfers were processed in both FY13 and FY15 as detailed in the grid below.

FY13	PC Transfer	OE Transfer	Total Transfer
CET PC	-\$163,180		-\$163,180
CET OE		\$163,180	\$63,180
CCT OE		\$2,895,330	\$2,895,330
FY13 Totals	-\$163,180	\$3,058,510	\$2,895,330
FY15	PC Transfer	OE Transfer	Total Transfer
CET PC	\$307,570		\$307,570
CET OE		-\$307,570	-\$307,570
CCT PC	\$1,094,190		\$1,094,190
FY15 Totals	\$1,401,760	-\$307,570	\$1,094,570

In FY13, there was an Operating Expenditure deficit of \$3,058,510 of which \$163,180 was transferred from the DGS surplus in Personnel Costs and the remaining deficit of \$2,895,330 was funded by a year-end Council Transfer. In FY15, there was a Personnel Cost deficit of \$1,401,760 of which \$307,570 was transferred from the DGS surplus in Operating Expenditures and the remaining deficit of \$1,094,190 was funded by a year-end Council Transfer.

- Has the FY16 projected shortfall of \$542,687 increased since the 2nd quarterly analysis was published? If so, is there an idea of how much is projected and is it still only in personnel costs?

At this time, there is no update to the projection included in the 2nd quarterly analysis. At the end of the next quarter, we will perform a 3rd quarterly analysis which will be transmitted to the Council upon completion.

- What steps is DGS taking to better anticipate personnel costs and operating expenses for FY17 and prevent being overspent?

DGS incurs overtime costs to respond to facility emergencies. Emergencies such as flooding, electrical outages, HVAC failures, leaky roofs, broken elevators, etc., require

immediate response to prevent more expensive repairs or to prevent temporary shutdown of our facilities.

In FY15, DGS had a surplus of \$307,570 in operating costs and we project to end FY16 on budget as long as unanticipated incident costs don't exceed our 2nd quarterly analysis estimate.

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 2nd 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
Page 2

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.

LL: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/IFB:ae

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

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

(5)



OFFICES OF THE COUNTY EXECUTIVE

Isiah Ingebert
County Executive

Timothy L. Firestone
Chief Administrative Officer

MEMORANDUM

June 4, 2010

To: Executive Branch Department and Office Directors
From: Timothy L. Firestone, 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 export operating deficits if you have insufficient operating appropriation. Hard stops on expenditures are going into effect on total Department/MDA 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 (DCS) 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/execute 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.

TLP:jb

c: Department Administrative Service Coordinators
Korea Hawkins, Department of Finance
Lenny Moore, Department of Finance
Dawn Evans, Department of General Services