

**M E M O R A N D U M**

March 31, 2016

TO: Health and Human Services Committee

FROM: Linda McMillan, Senior Legislative Analyst *LM*  
Jean Arthur, Legislative Analyst *JA*  
Justina Ferber, Legislative Analyst *JF*  
Vivian Yao, Legislative Analyst *VY*

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 Health and Human Services (DHHS), the Office of Human Rights (OHR) and the Department of Public Libraries (MCPL).

Those expected to attend this session include:

Loretta Garcia, Office of Human Rights  
Parker Hamilton and Eric Carzon, Department of Public Libraries  
Uma Ahluwalia, Department of Health and Human Services  
Phillip Weeda, Office of Management and Budget (for OHR)  
Deborah Lambert, Office of Management and Budget (for Libraries)  
Pofen Salem and Rachel Silberman, Office of Management and Budget (for DHHS)

**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

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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 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.

**Budget Review**

**I. Office of Human Rights**

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.

<b>Office of Human Rights</b>									
<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>	\$1,738,400	\$1,738,847	\$1,568,640	\$170,207	9.8%	\$0	0.0%	Surplus	Surplus
<b>FY12</b>	\$891,580	\$912,752	\$851,433	\$61,319	6.7%	\$0	0.0%	Surplus	Surplus
<b>FY13</b>	\$896,948	\$921,085	\$960,105	-\$39,021	-4.2%	\$57,840	6.3%	On Budget	Shortfall
<b>FY14</b>	\$942,673	\$950,642	\$967,325	-\$16,683	-1.8%	\$17,170	1.8%	Surplus	On Budget
<b>FY15</b>	\$1,023,278	\$1,029,410	\$1,046,514	-\$17,104	-1.7%	\$25,470	2.5%	Shortfall	Shortfall
<b>FY16</b>	\$1,074,757	\$1,075,293*	\$659,538	\$415,755	38.7%	TBD	TBD	Surplus	TBD

*\*Includes prior year carryforward of \$536 in operating expenses.*

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

Office of Human Rights								
	<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>	\$1,738,847	\$1,599,730	\$1,468,065	\$131,665	\$139,117	\$100,575	\$38,542	\$170,207
<b>FY12</b>	\$912,752	\$803,190	\$751,872	\$51,318	\$109,562	\$99,561	\$10,001	\$61,319
<b>FY13</b>	\$921,085	\$839,458	\$892,041	-\$52,583	\$81,627	\$68,065	\$13,562	-\$39,021
<b>FY14</b>	\$950,642	\$885,405	\$902,566	-\$17,161	\$65,237	\$64,759	\$478	-\$16,683
<b>FY15</b>	\$1,029,410	\$926,998	\$952,466	-\$25,468	\$102,412	\$94,049	\$8,363	-\$17,104
<b>FY16</b>	\$1,075,293*	\$1,001,265	\$607,004	\$394,261	\$74,028	\$52,535	\$21,494	\$415,755

\*Includes prior year carryforward of \$536 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.

- FY13 year-end transfer - Personnel costs exceeded the budget because lapse was not achieved and because of higher than expected costs for overtime and multilingual pay.
- FY14 year-end transfer - Personnel costs exceeded the budget because of increased costs for overtime and part-time staff in the fair housing testing program.
- 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 surplus of \$321 at the end of the year.

### Council staff comments

- The Office of Human Rights budget is well under \$9 million; in the last five fiscal years, the office has overspent its budget twice and is forecasting a surplus this year. **Council staff recommends no action be taken at this time.**

## II. Department of Public Libraries

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 Public Libraries									
<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	\$28,851,080	\$28,851,080	\$28,861,891	-\$10,811	0.0%	\$235,770	0.8%	Shortfall	Shortfall
FY12	\$28,353,010	\$29,451,802	\$29,709,071	-\$257,268	-0.9%	\$257,270	0.9%	Shortfall	Shortfall
FY13	\$31,362,801	\$32,386,085	\$31,902,936	\$483,149	1.5%	\$0	0.0%	Surplus	Surplus
FY14	\$34,769,584	\$35,993,788	\$34,879,807	\$1,113,981	3.1%	\$0	0.0%	Surplus	Surplus
FY15	\$38,234,670	\$39,530,276	\$37,807,950	\$1,722,326	4.4%	\$0	0.0%	Surplus	Surplus
FY16	\$40,707,935	\$42,237,170*	\$24,347,450	\$17,889,720	42.4%	TBD	TBD	Surplus	TBD

\*Includes prior year carryforward of \$1,529,235 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 Public Libraries								
	<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	\$28,851,080	\$24,378,940	\$24,614,704	-\$235,764	\$4,472,140	\$4,247,187	\$224,953	-\$10,811
FY12	\$29,451,802	\$23,403,283	\$23,660,552	-\$257,269	\$6,048,519	\$6,048,519	\$0	-\$257,268
FY13	\$32,386,085	\$25,325,151	\$24,853,974	\$471,177	\$7,060,934	\$7,048,962	\$11,972	\$483,149
FY14	\$35,993,788	\$28,462,063	\$27,348,568	\$1,113,495	\$7,531,725	\$7,531,239	\$486	\$1,113,981
FY15	\$39,530,276	\$31,397,293	\$29,912,076	\$1,485,217	\$8,132,983	\$7,895,874	\$237,109	\$1,722,326
FY16	\$42,237,170*	\$32,982,912	\$18,961,253	\$14,021,659	\$9,254,258	\$5,386,197	\$3,868,061	\$17,889,720

\*Includes prior year carryforward of \$1,529,235 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.
- FY12 year-end transfer - Personnel costs exceeded the budget because expected lapse was not achieved.
- FY16 second quarterly analysis – The Department projects a surplus of \$1,183,573 at the end of the year.

## **Council staff questions and Executive branch responses**

### **1. Is any of the FY16 projected budget surplus related to the Budget Savings Plan?**

Yes. All but \$308,383 of the projected surplus is because of the Budget Savings Plan. The portion that is not stems from turnover and lapse savings in excess of budgetary assumptions. A substantial portion of the projected surplus beyond the savings plan may be taken up by the FY16 costs for the Wheaton Interim Library.

### **2. Please briefly explain the budget surplus for each year FY13, FY14, FY15 and FY16.**

#### **FY16**

The Department of Public Libraries projects ending fiscal year FY16 under the targeted budget for personnel costs primarily due to the FY16 Savings Plan; with some additional turnover and lapse savings experienced because of very substantial activity in new employee hiring, transfers, retirements, resignations, and promotions. MCPL is in the process of filling several vacancies recently exempted from the County's Hiring Freeze. The department projects ending the fiscal year with a surplus in the Operating Expenses character due to the FY16 Savings Plan.

#### **FY15**

The Department of Public Libraries ended the fiscal year FY15 under the targeted budget for personnel costs due to turnover and lapse savings experienced because of very substantial activity in new employee hiring, transfers, retirements, resignations, and promotions, driven by the opening of the new Silver Spring Library with a larger staff complement, and new system-wide library hours. The Silver Spring branch also opened later in the Fiscal Year than was budgeted for, which led to further savings in personnel costs. Materials were also slightly underspent for the year.

#### **FY14**

The Department of Public Libraries ended the fiscal year FY14 under the targeted budget for personnel costs due to turnover and lapse savings experienced because of very substantial activity in new employee hiring, transfers, retirements, resignations, and promotions, driven by the re-opening of and complete re-staffing of Gaithersburg and Olney Libraries. The library branches also opened later in the Fiscal Year than was budgeted for, which led to further savings in personnel costs.

#### **FY13**

The MCPL Personnel Cost actual spending for FY13 was below the targeted budget because of savings from the turnover of positions during the fiscal year. Turnover activity was high because of pent-up demand from prior fiscal year's position freezes. Structural adjustments to MCPL's budget for FY13 allowed the department to fill all vacant positions, starting in Summer 2012. The resultant waves of transfers and promotions created several turnover savings. Operating Expenses were slightly below the targeted budget due to savings in office supply operating expenses and services contracts.

**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.

Increase library materials (includes \$50,000 for Spanish language materials)	\$150,000
Restore hours at Potomac and Chevy Chase branches to pre-recession levels	\$202,870

**Council staff questions and Executive branch responses**

- 1. Has the \$150,000 increase in library materials (budgeted by the Council) for FY16, including \$50,000 for Spanish language materials been spent on these materials? If not, will it be encumbered or spent by June 30? If not, why?**

The FY16 Approved Budget for Library Materials is \$5,850,000, an increase of \$500,000 over the FY15 Approved Library Materials budget of \$5,350,000, per the FY16 Savings Plan approved by the Council on July 28, 2015. As of March 29<sup>th</sup>, \$3,453,182 of the FY16 materials budget has been encumbered or expended. That total includes \$50,000 that has been encumbered towards the purchase of Spanish language materials. These materials will be in a variety of formats including eaudio, ebooks and Latin American fiction and English as a Second Language; and workforce development materials.

MCPL anticipates encumbering or expending the remainder of the FY16 Approved Library Materials budget by June 30<sup>th</sup>.

- 2. Have pre-recession level hours been restored at Potomac, Chevy Chase, Kensington, Little Falls and Twinbrook libraries? When? If not, why not?**

Library hours at Potomac and Chevy Chase were increased on November 16, 2015 to 56 hours per week (Monday – Thursday, 10am – 8 pm, Friday/Saturdays 10am – 6pm). Their hours now exceed pre-recession levels. These were the two branches approved by the County Council in July 2015 to receive expanded library hours. Library hours were not increased at Kensington Park, Little Falls, or Twinbrook libraries, per the Council Approved FY16 Savings Plan. Overall, the system’s hours as a whole are 6% higher than pre-recession levels.

### III. Department of Health and Human Services

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 Health and Human 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	\$177,832,030	\$178,060,311	\$170,151,446	\$7,908,865	4.4%	-\$7,134,470	-4.0%	Surplus	Surplus
FY12	\$171,748,980	\$174,691,583	\$171,417,002	\$3,274,581	1.9%	-\$3,071,600	-1.8%	Surplus	Surplus
FY13	\$181,733,135	\$185,470,366	\$181,656,263	\$3,814,103	2.1%	-\$3,583,000	-1.9%	Surplus	Surplus
FY14	\$193,225,217	\$199,593,068	\$199,305,604	\$287,464	0.1%	\$0	0.0%	Surplus	Surplus
FY15	\$208,197,960	\$214,317,437	\$210,941,083	\$3,376,355	1.6%	\$0	0.0%	Surplus	Surplus
FY16	\$209,253,900	\$212,424,089*	\$147,821,485	\$64,602,604	30.4%	TBD	TBD	Surplus	TBD

\*Includes prior year carryforward of \$3,170,189 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 Health and Human 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	\$178,060,311	\$104,544,180	\$100,750,510	\$3,793,670	\$73,516,131	\$69,400,936	\$4,115,195	\$7,908,865
FY12	\$174,691,583	\$98,821,218	\$95,749,537	\$3,071,681	\$75,870,365	\$75,667,465	\$202,900	\$3,274,581
FY13	\$185,470,366	\$104,122,710	\$100,539,613	\$3,583,097	\$81,347,656	\$81,116,650	\$231,006	\$3,814,103
FY14	\$199,593,068	\$104,663,188	\$104,375,730	\$287,458	\$94,929,880	\$94,929,874	\$6	\$287,464
FY15	\$214,317,437	\$112,786,091	\$109,414,754	\$3,371,337	\$101,531,346	\$101,526,329	\$5,017	\$3,376,355
FY16	\$212,424,089*	\$116,058,416	\$61,479,803	\$54,578,613	\$96,365,673	\$86,341,682	\$10,023,991	\$64,602,604

\*Includes prior year carryforward of \$3,170,189 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 the hiring freeze, which delayed recruitments and caused higher than budgeted lapse. The operating surplus is due to the following factors: a delay in the Cordell house projects, savings in the IHAS program,

<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.

- savings in the My Turn Program, contract savings in the Linkages to Learning program, savings in miscellaneous operating expenditures, and savings in telephone charges.
- FY12 year-end transfer - Personnel costs surplus is due to higher than expected employee turnover and lapse savings.
  - FY13 year-end transfer - Personnel costs surplus is due to turnover and lapse savings.
  - FY16 second quarterly analysis - The Department projects a surplus of \$2,053,379 at the end of the year.

### **Council staff questions and Executive branch responses**

1. DHHS ended FY15 with about \$3.4 million in General Fund lapse department-wide. The Executive projected that DHHS would end FY15 with additional lapse and so recommended an additional \$2.2 million in lapse for FY16, which the Council approved. FY15 financial information shows that most lapse is accruing in Social Services (General Fund 005) and without the over \$5 million in lapse in this category the Department would have exceeded its Personnel Cost budget. **What is the programmatic/customer service impact of holding positions in Children, Youth, and Family (CYF) Services vacant? Could additional positions have been filled or are there other impediments to hiring?**

The lapse savings in fund 005 (General Fund or GF) can be attributed to two factors related to the HB669 funding. The first factor is the number of vacancies in the HB669 funded positions throughout the year. Because the HB669 positions are technically split funded any savings that is accrued as a result of the vacancy shows on the GF side, in this case fund 005. The second factor is how we manage overall HB669 allocation. When vacancies occur, we routinely shift any GF only positions providing the same services to the HB669 funding to assure full expenditure of the grant funding. The employee funding allocation for these positions is frequently in fund 005. In FY15 there were a total of 131 positions (\$11.7M) 100% budgeted in this fund code.

In an effort to manage our \$8.3M lapse target and avoid a year end deficit, the Department reviews the vacancy list approximately every two weeks and releases positions for recruitment based on the priorities of the Service Areas. The criteria used to prioritize these recruitments include:

- Funding source – grant before general fund
- Direct client services vs. administrative/manager – Social Worker II over an Account Auditor III or Client Assistance Specialist II over a Principal Administrative Aide.
- If there is a GF position that can be charged to a vacant grant funded position the vacant position will be held.
- We have exempted the School Health Services staff – nurses and techs – and recruit for those vacant positions regularly.

We are not holding CYF positions vacant specifically and in fact release the vacant HB669 positions for recruitment about every two weeks.

The table below summarizes the average number of vacancies in the 6 job classes with the highest number of positions and FTEs in the Department. These job classes represent 51% of the Full and Part time positions and 48% of the FTEs in the Department's personnel complement. As you can see in the table, the average number of vacancies does not vary greatly from year to year.

Job Class	Program	Average # of Vacancies		
		FY14	FY15	FY16 YTD
IAPS II	OESS Income Supports	13	9	10
IAPS II	OESS Medical Assistance Eligibility Services	5	4	5
SW II	Child Welfare Services	7	8	9
SW III	Child Welfare Services	3	3	7
Therapist II	BHCS	9	10	11
Community Health Nurse II	School Health Services	8	5	6
School Health Room Tech I	PH - School Health Services	3	5	4

**The Department has provided a vacancy list (as of Feb 29) to Council staff. There are 149 vacancies of which 63 are “on hold” with the rest either being advertised or have a pending offer. In Child Welfare Services there are 29 vacancies, of which 21 are Social Workers and 9 of these are “on hold.” There are 23 vacant positions in income supports/medical eligibility of which 12 positions are “on hold.” While some of the “on hold” positions have only been vacant for a one to three months, it is important to know that the Department is delaying the advertising of positions in order to meet over all lapse requirements. The Executive is recommending a \$375,000 reduction in budgeted lapse for FY17.**

1. DHHS ended FY15 with a \$5,017 surplus in the overall Operating Expense category. There are some categories where the Council has discussed that the budget is not sufficient to cover annual costs such as shelter services (including motel placements) and certain aspects of technology improvements. **Financial information also indicates that two places where there were substantial operating surpluses were Community First Choice (CFC) Nurse monitoring and Rental Assistance Program/Emergency Housing Assistance. What were the reasons for these surpluses?**

**CFC Nurse Monitoring -**

We based the FY15 budget on estimated service levels provided by Department of Health and Mental Hygiene (DHMH) (i.e., visit hours per client, number of clients, etc.). DHMH's assumptions proved to be high, and resulted in the surplus. In FY16, the budget was reduced by a little over \$1.0M based on initial program experience, though ongoing service levels are still unclear. Budget adjustments may be needed in the future as experience implementing the program grows.

**Emergency Housing Assistance –**

In FY15 we had over \$570,000 of DHCA/Housing Initiative Fund (HIF) funds allocated for contractual services that had to go through the RFP process. These contracts were not executed until late in the fiscal year. In addition, there was a \$90,000 surplus in the County Rapid Rehousing program in the HIF. This created the opportunity to shift (through a Journal Entry) HHS General Fund expenditures for emergency housing assistance and Rapid Rehousing to the HIF creating the surplus in HHS. In FY16 the contracts are in place and Rapid Rehousing is fully enrolled, which will result in full expenditure of the budget. This was done in consideration of offsetting the deficit in Motel placements.

**Rental Assistance Program -**

In FY15, the RAP program was fully enrolled and served an average of 1,731 households per month. County RAP is supported by funds primarily from DHCA with a smaller amount from HHS General Funds. Due to under expenditures in the HIF, the total cost of County RAP subsidies were covered by the HIF.

**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.<sup>3</sup>

Service Area	FY16 CC Approved Budget Items.		Status
All	2% inflation adjustment to non-profits	683,790	Funding added to eligible contracts
OCA	Planning for Anti-Poverty Pilot Program .	32,700	New contract in place
BHCs	2% inflation adjustment to residential treatment providers	20,950	Funding added to eligible contracts
CYF	Funding for supplemental child care subsidy payments for children ages 2-5 in the lowest income brackets	550,880	Funding will be fully spent.
CYF	Bonding and attachment services for Child Welfare involved children and families through the Lourie Center	49,910	Funding added to contract – expect to be fully spent
CYF	FY16 Impact for enactment of Bill 13-15 - Child Care Expansion and Quality Enhancement Initiative	253,095	Interviews have been completed for the MII; recruitment activities for the planning specialist and OSC position will begin once the MII is in place. A contract with Otero Strategies, Inc is in place to develop a strategic plan.

<sup>3</sup> See [http://montgomerycountymd.granicus.com/MetaViewer.php?view\\_id=6&clip\\_id=9877&meta\\_id=87054](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.

CYF	Add Positive Youth Services at Wheaton High School Wellness Center	271,300	The contract is in negotiation.
A&D	Expenses - Resource Coordination for 500 Clients (revenue offset \$749,752)	960,045	Program is fully enrolled at 500 clients
A&D	Grants for assisting emerging villages in diverse neighborhoods	7,500	see response below
A&D	Funding to offset portion of minimum wage impact on DD Providers	146,688	Funding added to contract – expect to be fully spent
PH	Montgomery Cares - Increase reimbursement rate to clinics by \$2	160,056	Funding added to contract – expect to be fully spent
PH	Montgomery Cares - Increase Specialty Care	75,000	Funding added to contract – expect to be fully spent
PH	Montgomery Cares - expand dental program to Muslim Dental Clinic	182,000	Funding added to contract – expect to be fully spent
PH	Care for Kids - Sustain FY15 Funding Level	125,000	Funding added to contract – expect to be fully spent
PH	County Dental Clinic - increase capacity	100,000	Funding added to contract – expect to be fully spent
PH	Outreach to contractor for Bill 14-14, Health Insurance reporting	30,000	New contract in place –expect to fully spend

**Grants for assisting emerging villages in diverse neighborhoods (from spreadsheet)**

Current expenditures to date:

<b>Senior Villages</b>	<b>FY16 YTD</b>
Incorporation cost for East County Village Seniors	288
501 c 3 application for East County Village Seniors	400
Website design for East County Village Seniors - website is final design stages	2,000
<b>Total Expenditures</b>	<b>2,688</b>

The program is experiencing low utilization due to the following issues –

- Few villages qualify under the current restriction put on this fund (only low income and or diverse communities)
- Of the villages that do serve low income/ diverse communities, many were able to secure other larger County grants and we did not want to duplicate funding.

One possible way of spending more in the future would be to expand the fund’s scope, and allow access to all village initiatives, while prioritizing funding for low income and/or diverse communities.

(Note: Council staff will highlight the issue of Senior Villages as a part of the FY17 session on Aging and Disability Services.)

### **Council staff comment**

Because DHHS is a large Department it is likely that they can manage to create a surplus even if there are substantial overages in certain program areas (for example, overages in Maternity Partnership and Care for Kids have been somewhat offset by surpluses in other programs, such as Montgomery Cares.) However, Council staff continues to be concerned about the amount of lapse that is built into the budget. While the Executive branch response says that current vacancies are not out of line with the averages in previous years, Council staff is concerned that the average number of vacancies, particularly in Income Supports and Child Welfare, are too high given the workload. When there is a substantial amount of lapse, concerns about workload may not be resolved by adding new positions, but rather through having the capacity to fill positions that have already been created.

#### **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



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  
Karea Hawkins, Department of Finance  
Lenny Moore, Department of Finance  
Pam Jones, Department of General Services  
Office of Management and Budget Staff