

GO COMMITTEE #1
April 25, 2016

Worksession

MEMORANDUM

April 22, 2016

TO: Government Operations and Fiscal Policy Committee
FROM: Susan J. Farag, Legislative Analyst *SJF*
SUBJECT: **Worksession – FY17 Operating Budget: Finance**

Those expected to attend this worksession include:

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

Budget Summary:

- Finance assumes certain functions of the former Department of Economic Development.

Overview

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

Finance Department, Including Risk Management

For FY17, the County Executive recommends total expenditures of \$77,765,515, for the Finance Department, a 4.8% increase from the FY16 approved budget of \$74,203,366.

| | <i>FY15 Actual</i> | <i>FY16 Approved</i> | <i>FY17 Recommended</i> | <i>% Change FY16-FY17</i> |
|----------------------------------|---------------------|--------------------------|-----------------------------|-------------------------------|
| <i>Expenditures by fund</i> | | | | |
| General Fund | \$13,221,625 | \$13,712,942 | \$14,072,320 | 2.6% |
| Self Insurance ISF | \$52,393,655 | \$60,490,424 | \$63,693,195 | 5.3% |
| <i>Total Expenditures</i> | \$65,615,280 | \$74,203,366 | \$77,765,515 | 4.8% |
| <i>Positions</i> | | | | |
| Full-Time | 126 | 116 | 121 | 4.3% |
| Part-Time | 0 | 0 | 0 | - |
| <i>FTEs</i> | 125.68 | 125.98 | 121.77 | -3.3% |

FY17 Expenditure Issues

Public Hearing Testimony

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

General Fund

The FY17 Executive's recommended budget for the General Fund component of the Finance Department has a net increase of \$359,378, a 2.6% increase from the FY16 approved budget. The increase comes from the following same-service adjustments:

Identified Same Service Adjustments

| | |
|---|----------------------|
| Shift: Administration of Economic Dev. Fund and Small Business Financing Support to Finance | \$643,355 |
| Increase Cost: MCTime Upgrade - Kronos Timekeeper | \$237,500 |
| Increase Cost: Annualization of FY16 Personnel Costs | \$222,249 |
| Increase Cost: FY17 Compensation Adjustment | \$179,485 |
| Increase Cost: National Philharmonic Operating Support | \$150,000 |
| Increase Cost: Parking Lot Districts - Collection of Parking Violations | \$67,910 |
| Increase Cost: Group Insurance Adjustment | \$66,907 |
| Increase Cost: Property Tax Billing IT Application | \$60,010 |
| Increase Cost: Audit Implementation: Auto. Clearing House& Payment Card Ind. | \$60,000 |
| Increase Cost: Contractual Resources for Indirect Cost Analysis and Services | \$40,000 |
| Increase Cost: Kronos Annual Maintenance and Support | \$10,450 |
| Increase Cost: Annualization of FY16 Operating Expenses | \$6,380 |
| Increase Cost: Printing and Mail | \$1,705 |
| Total Increases: | \$1,745,951 |
| Decrease Cost: Bill, Collection, and Processing for Non-Tax Supported Dept. | (\$6,380) |
| Decrease Cost: Billing and Collection Services - Fee Increase: PLDs | (\$12,636) |
| Shift: Telecommunications to the Telecommunications NDA | (\$27,820) |
| Decrease Cost: Active Montgomery Acct. Services - Recreation | (\$42,010) |
| Decrease Cost: Active Montgomery Acct. Services - CUPF | (\$42,010) |
| Decrease Cost: Department of Liquor Control - Accounts Receivable Services | (\$95,642) |
| Decrease Cost: Retirement Adjustment | (\$115,714) |
| Decrease Cost: Billing and Collection Services - Fee Increase Vacuum Leaf Coll. | (\$132,571) |
| Decrease Cost: Billing and Collection Services - Fee Increase: Solid Waste Coll. | (\$146,078) |
| Decrease Cost: Billing and Collection Services - Fee Increase: Solid Waste Disp. | (\$292,109) |
| Decrease Cost: Billing and Collection Services - Fee Increase: WQPF | (\$473,603) |
| Total Decreases: | (\$1,386,573) |
| NET SAME SERVICES ADJUSTMENT TOTAL: | \$359,378 |

National Philharmonic Operating Support (\$150,000)

This item is scheduled to be heard by the Joint Health and Human Services and Government Operations and Fiscal Policy Committee on April 29.

Shift: Administration of Economic Development Fund and Small Business Financing Support to Finance (\$643,355)

Last year, Bill 25-15 abolished the Department of Economic Development (DED), transferred certain DED duties to other County departments, and assigned other duties to the Montgomery County Economic Development Corporation (MCEDC). The administration of the Economic Development Fund and small business financing support was transferred to Finance, for a total shift in County resources of \$643,355. The following chart illustrates the transfer of positions and functions from the former DED to Finance:

| Finance (CE Recommended) | PC | OE | FTE |
|---|----------------|----------------|------------|
| Shift one SMBS position in DOF to manage NDA-CC | (101,086) | | (1.0) |
| MI (Shift Peter Bang to DOF) | 209,121 | | 1.0 |
| Sr. BDS (Shift Lydia Lan to DOF) | 129,166 | 7,840 | 1.0 |
| PM II (Shift Gene Smith to EDF) | 0 | | 0.0 |
| SBDS (Steve Kapani to DOF) | 118,314 | | 1.0 |
| Operating Expenses/Contracts with Partners | | 280,000 | |
| <i>Subtotal</i> | <i>355,515</i> | <i>287,840</i> | |
| Total | 643,355 | | 2.0 |

Four former DED positions are transferred to Finance – 2 FTEs move directly to Finance (charged to General Fund), the PM II position (charged to the Economic Development Fund), and Finance shifts one staff position to manage the NDA- Conference Center (and charged to the NDA Conference Center).

MCTime Upgrade – Kronos Timekeeper (\$237,500)

Kronos most recently released Workforce Timekeeper, Version 8.0 in May 2015. Kronos should release a JAVA-free application in June 2016. Because of compatibility and security issues related to JAVA, the County will upgrade to the JAVA-free application within several months of the Kronos release. A break-down of the anticipated costs is included on ©14.

Parking Lot Districts – Collection of Parking Violations (\$67,910)

The PLDs have stopped using the Finance Treasury Cashiering services for the collection of parking violations. This increased expenditure reflects the loss of the chargeback to the PLDs. There is a corresponding chargeback reduction in the PLD FY17 recommended budget.

Audit Implementation: Automated Clearing House & Payment Card Industry transaction processes (\$60,000).

The audits reflect annual assessments of all major IT stems that handle Automated Clearing House (ACH) data, as well as current Payment Card Industry (PCI) standards.

Billing, Collection, and Processing Services for Non-Tax Supported Depts. (-\$6,380)

These chargebacks to PLDs, Solid Waste Services, Water Quality Protection Fund, and Leaf Vacuuming funds are based on the most recent actual number of property tax accounts billed. In FY17, there were 6,380 more accounts that will be charged to the various funds.

Billing and Collection Services (Various Enterprise Funds, -\$1,056.997)

The expenditure reduction reflects the increased fee charged to enterprise funds for billing and collection services provided. The fee increases from \$1.00 to \$2.70, which is the current cost incurred per instance of billing on a property tax bill. The fee has not been changed since 2004.

Active Montgomery Accounting Services (Recreation and CUPF, total -84,020)

Finance currently provides accounting and financial services for Active Montgomery. Finance currently charges M-NCPPC for one third of the cost of an Accountant/Auditor III position for the services provided. This change reflects charging both Recreation and CUPF one-third each of the cost, to fully capture the full cost of providing Active Montgomery services.

Department of Liquor Control – Accounts Receivable (-\$115,714)

This reduction in expenditures reflects the new chargeback to DLC that began in FY16 and accurately reflects the cost of an accountant position dedicated to DLC accounts receivable activities.

Risk Management/Self-Insurance Internal Service Fund

The Executive's recommended FY17 operating budget for the Self-Insurance Fund component of Finance has a net increase of \$3,202,771, or 5.3% over the approved FY16 budget. This increase comes from the following identified same service adjustments:

| Identified Same Service Adjustments | |
|---|--------------------|
| Increase Cost: Claims Expenses | \$3,852,262 |
| Increase Cost: Annualization of FY16 Personnel Costs | \$76,584 |
| Increase Cost: FY17 Compensation Adjustment | \$59,128 |
| Increase Cost: Professional Services - Actuarial Study | \$30,000 |
| Increase Cost: Workers Compensation State Payroll Assessment | \$20,000 |
| Increase Cost: Group Insurance Adjustment | \$18,750 |
| Increase Cost: Printing and Mail | \$161 |
| Increase Cost: Motor Pool Adjustment | \$1 |
| Total Increases: | \$4,056,886 |
| Decrease Cost: Retiree Health Insurance Pre-funding | (\$10) |
| Decrease Cost: Paralegal Contractual Services | (\$33,334) |
| Decrease Cost: Professional Services - Claims Audit Contract | (\$40,000) |
| Decrease Cost: Retirement Adjustment | (\$48,203) |
| Decrease Cost: Commercially Purchased Property and Casualty Insurance | (\$250,251) |
| Decrease Cost: Claims Service Contract Administrative Costs | (\$482,317) |
| Total Decreases: | (\$854,115) |
| NET SAME SERVICES ADJUSTMENT TOTAL: | \$3,202,771 |

FY17 Expenditure Issues

Claims Expense (\$3,852,262)

This increase reflects actuarial projections. Some driving factors in the increase include medical costs, which have increased by about 10% each year over the past several years. Average weekly wages have also increased, which impacts the temporary total benefits payable while an employee is out of work.

Actuarial Study (\$30,000)

While actuarial analysis work is currently performed within the Broker Service contract, Finance anticipates the need to expand actuarial services due to changes in forecasts.

Commercially Purchased Property and Casualty Insurance (-\$250,251)

Finance anticipates the production of an improved, more accurate and detailed property schedule, which should help the department achieve better underwriting results. ***This reduction follows last year's \$375,000 increase. The Committee may wish to ask for further detail on the changes in underwriting details and how it impacts the cost of this item.***

Claims Service Contract Administrative Costs (\$-482,317)

This agreement was renegotiated in 2016 and the reduction reflects the lower annual service fee.

Risk Management NDA

The recommended FY17 appropriation for this NDA is \$16,276,943, which is approximately \$291,483 less than the FY16 approved amount.

The NDA funds the General Fund contribution to the Self-Insurance Fund. The Self-Insurance Fund, managed by the Division of Risk Management in the Department of Finance, provides comprehensive insurance coverage to contributing agencies. Contribution levels are based on the results of an annual actuarial study.

Council Staff Recommendation

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

This packet contains

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Finance Department FY17 Recommended Budget

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Risk Management NDA FY17

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Finance Department Responses

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Finance

Mission Statement

The mission of the Department of Finance is to prudently manage financial operations, recommend and implement sound fiscal policies, safeguard public assets, and encourage a safe environment on public property.

Budget Overview

The total recommended FY17 Operating Budget for the Department of Finance is \$77,765,515, an increase of \$3,562,149 or 4.80 percent from the FY16 Approved Budget of \$74,203,366. Personnel Costs comprise 20.43 percent of the budget for 121 full-time position(s) and no part-time position(s), and a total of 121.77 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 79.57 percent of the FY17 budget.

The Finance Operating Budget is comprised of a General Fund component (the Director's Office and the Divisions of Fiscal Management, Treasury and Controller) and the Division of Risk Management, which is funded by the Liability and Property Coverage Self-Insurance Fund. The total FY17 Operating Budget for the General Fund component is \$14,072,320 an increase of \$359,378 or 2.62 percent over the FY16 approved budget of \$13,712,942. Personnel Costs comprise approximately 81.69 percent of the General Fund budget for 111 full-time positions. A total of 91.65 FTEs includes these positions as well as any seasonal, temporary, and positions charged to or from other departments or funds. Operating Expenses account for the remaining 18.31 percent of the budget.

The total FY17 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is \$63,693,195, an increase of \$3,202,771 or 5.29 percent over the FY16 approved budget of \$60,490,424. Personnel Costs comprise approximately 6.90 percent of the Self-Insurance Fund budget for 10 full-time positions. A total of 30.12 FTEs includes these positions as well as any seasonal, temporary, and positions charged to or from other departments or funds. Operating Expenses account for the remaining 93.10 percent of the budget. Included in the total FTEs are 19.75 FTEs charged to the Self-Insurance Fund by the Office of the County Attorney and 0.37 FTE charged by the General Fund component of Finance (Controller Division) for services provided in support of Risk Management.

Linkage to County Result Areas

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ **A Responsive, Accountable County Government**
- ❖ **Strong and Vibrant Economy**

Department Performance Measures

Performance measures for this department are included below (where applicable), with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY16 estimates reflect funding based on the FY16 approved budget. The FY17 and FY18 figures are performance targets based on the FY17 recommended budget and funding for comparable service levels in FY18.

Initiatives

- ★ Implement a Risk Management Information System (RMIS) to provide real time reports and analysis on claims, workplace injuries, out of work time, and other risk management data to support County staff to effectively manage their risk and safety programs.
- ★ Conduct an enterprise wide assessment to ensure adherence to Payment Card Industry and National Automated Clearing House Association guidelines to protect the integrity of County and resident financial data.

Accomplishments

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- ✓ Successfully retained the County's AAA bond rating from the three major credit rating agencies in the fall of 2015.
- ✓ In past two years have sold \$800 million in new money GO Bonds and \$387.6 million in Refunding Bonds resulting in over \$36 million in savings for the General Fund, Bethesda Parking District and the West Germantown and Kingsview Development Districts.
- ✓ Expanded the Small Business Plus Program to \$50 million with local community banks which leveraged \$100 million in loans to local businesses creating hundreds of new jobs in the County.
- ✓ Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY14 Comprehensive Annual Financial Report (CAFR), the 45th year for this achievement.
- ✓ Expanded the County's Clean Energy Financing programs to include Commercial Property Assessed Clean Energy (PACE) program to provide financing for commercial property clean energy improvements; and use of Qualified Energy Conservation Bonds for County facilities as well as support the implementation of the Green Bank to support public and private energy and environmental efficiency programs.
- ✓ Conducted a claims management audit that returned an overall rating of 95% - the highest rating the program has achieved since the 1978 inception of the Self Insurance Program.
- ✓ Supported County safety and risk management programs by developing and deploying six new enterprise-wide Information Technology (IT) applications to conduct safety reviews and receive training on various safety topics.

Productivity Improvements

- ✱ Implemented the Electronic Cigarette Excise Tax web application to expedite collection of this tax revenue from wholesalers.
- ✱ Enhanced the Bag Tax Web Application to include data validation when entering data.
- ✱ Issued Conduit Debt on behalf of several private schools as part of the Economic Development Revenue Bond program creating significant savings from the refundings. The standard Conduit Debt fees that are paid by eligible third-party entities was increased to the maximum allowable under the Resolution adopted by Council, which now more appropriately compensates the County for the services provided, and enhanced the revenue stream.
- ✱ Coordinated the on-line credit card payment system for the Division of Animal Services for pet licensing; for the Office of Emergency Management and Homeland Security for hazard material certifications; and for HHS for private donations for certain safety net programs.
- ✱ Partnered with all departments and offices to conduct Accounts Payable audit of invoices under \$10,000. Met with each department to present audit findings and work through any issues to prevent errors in the future.

Program Contacts

Contact Nancy Moseley of the Department of Finance at 240.777.8886 or Jane Mukira of the Office of Management and Budget at 240.777.2754 for more information regarding this department's operating budget.

Program Descriptions

Fiscal Management

This program provides effective management of County capital and operating funds and the fiscal analysis and issue management associated with master plan development, economic development, and legislative issues. It is also responsible for accurate revenue and economic forecasting and publishing reports on economic and revenue analysis on a monthly and quarterly basis for dissemination to the County Council and public. The program's primary goal is to maintain the County's AAA General Obligation Bond debt rating and to actively invest the County's working capital to minimize risk while generating maximum investment income. Program objectives related to debt and cash management include managing the timely and economic issuance of short- and long-term financial obligations; developing and maintaining strong rating agency and investor relations; preparing accurate and timely financing documents, including the County's Annual Information Statement; ensuring strict compliance with disclosure requirements; coordinating bond counsel review; providing high-quality consulting

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services for County agencies, managers, staff, elected officials, and residents on issues related to debt and cash management; and managing the County's relationship with the banking and investment community. Program objectives related to policy and fiscal projects include the proactive development of intergovernmental policy alternatives and recommendations, including necessary local and state legislation and regulations; fiscal and economic impact analysis for local and state legislation; fiscal impact analysis and effective management associated with the financing and implementation aspects of Master and Sector Plans; and high quality financial consulting services for County agencies, managers, staff, elected officials, and residents.

| Program Performance Measures | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|---|----------------|----------------|-------------------|----------------|----------------|
| Bond Rating - Rating given to Montgomery County by Fitch, Moody's, and Standard and Poor's (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition) | AAA | AAA | AAA | AAA | AAA |
| Interest Rate - True Interest Cost for Montgomery County General Obligation Bonds (the most common debt instrument used by the County) | 3.1 | 2.7 | 3.0 | 3.5 | 4.0 |
| Interest Rate Benchmarking - County General Obligation (GO) vs. Municipal Market Data Index (basis point spread) | -6 | -3 | -5 | -7 | -10 |
| Investment Return - Rate of return on Montgomery County's investments | 0.15 | 0.18 | 0.35 | 0.50 | 1.00 |
| Investment Return Benchmarking - County Return vs. S&P Local Government Investment Pool Index (basis point spread) | 10 | 10 | 10 | 10 | 10 |
| Revenue forecasting - Percent variance between actual revenue and projected revenue | 3.26 | -1.48 | 0.00 | 0.00 | 0.00 |

| FY17 Recommended Changes | Expenditures | FTEs |
|---|------------------|--------------|
| FY16 Approved | 1,381,697 | 9.00 |
| Shift: Administration of Economic Development Fund and Small Business Financing Support to Department of Finance | 643,355 | 2.00 |
| Increase Cost: National Philharmonic Operating Support | 150,000 | 0.00 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | (90,144) | (1.00) |
| FY17 Recommended | 2,084,908 | 10.00 |

Information Technology

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

| FY17 Recommended Changes | Expenditures | FTEs |
|---|------------------|-------------|
| FY16 Approved | 1,268,937 | 4.00 |
| Increase Cost: Property Tax Billing IT Application | 60,010 | 0.00 |
| Increase Cost: Audit Implementation: Automated Clearing House & Payment Card Industry transaction processes | 60,000 | 0.00 |
| Decrease Cost: Billing and Collection Services - Fee Increase: Water Quality Protection Fund | (473,603) | (2.80) |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 42,202 | 0.80 |
| FY17 Recommended | 957,546 | 2.00 |

Accounts Payable

This program is responsible for timely and accurate payments to vendors for goods and services provided to the County; complying with County policies and procedures; and carrying out State and Federal reporting requirements. Payments to vendors are initiated and approved

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by individual departments. The Accounts Payable program is responsible for review and final approval of payments of \$10,000 or more, as well as most refunds and other non-expenditure disbursements. Payments under \$10,000 are individually reviewed and approved by operating departments subject to post-payment audits by Accounts Payable.

| Program Performance Measures | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|---|----------------|----------------|-------------------|----------------|----------------|
| Procurement Card rebate revenue generated | 467,129 | 487,901 | 475,000 | 475,000 | 475,000 |

| FY17 Recommended Changes | Expenditures | FTEs |
|---|------------------|--------------|
| FY16 Approved | 1,004,553 | 10.00 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 24,099 | 0.00 |
| FY17 Recommended | 1,028,652 | 10.00 |

Accounts Receivable

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

| FY17 Recommended Changes | Expenditures | FTEs |
|---|----------------|-------------|
| FY16 Approved | 754,491 | 7.00 |
| Decrease Cost: Department of Liquor Control - Accounts Receivable Services | (95,642) | (1.00) |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | (3,609) | 0.00 |
| FY17 Recommended | 655,240 | 6.00 |

General Accounting

This program is responsible for the analysis, interpretation, and presentation of the County's financial position and results of operations through timely, accurate, and professional financial reports. These reports provide public assurance as to the accountability and integrity of the use of County resources; adherence to budgetary policies established by management; and compliance with Federal, State, and County mandates. The program prepares the Comprehensive Annual Financial Report, Debt Service Booklet, as well as numerous other standardized and specialized reports. This program also provides high quality, timely service to County departments through analysis and technical assistance and through preparation, review, and approval of financial transactions.

| Program Performance Measures | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|--|----------------|----------------|-------------------|----------------|----------------|
| Receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting ¹ | Received | Expected | Expected | Expected | Expected |

¹ The County has been awarded this certificate more times than any other county in the nation (FY14 = 45 times)

| FY17 Recommended Changes | Expenditures | FTEs |
|---|------------------|--------------|
| FY16 Approved | 1,719,178 | 15.31 |
| Decrease Cost: Active Montgomery Accounting Services - Community Use of Public Facilities | (42,010) | (0.33) |
| Decrease Cost: Active Montgomery Accounting Services - Recreation | (42,010) | (0.33) |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 131,215 | 0.00 |
| FY17 Recommended | 1,766,373 | 14.65 |

Grants Accounting

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This program is responsible for the analysis, interpretation, and presentation of the County's financial position relating to grants through timely, accurate, and professional financial reports. These reports provide public assurance as to the accountability and integrity of the use of Federal, State, and other outside resources; adherence to budgetary policies established by management; and compliance with Federal, State, and County mandates. The program prepares the Single Audit Report on expenditures of Federal awards, and State Uniform Financial Report, as well as numerous other standardized and specialized reports. This program also provides high quality, timely service to County departments through analysis and technical assistance; and through preparation, review, and approval of grant financial transactions.

| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|-------------|
| FY16 Approved | 583,796 | 5.00 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 15,920 | 0.00 |
| FY17 Recommended | 599,716 | 5.00 |

Payroll

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

| Program Performance Measures | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|--|------------------------|------------------------|---------------------------|------------------------|------------------------|
| Pension and long-term disability (LTD2) payroll payments processed | 65,000 | 74,621 | 76,000 | 76,000 | 76,000 |

| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|-------------|
| FY16 Approved | 917,477 | 8.00 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 223,544 | 1.00 |
| FY17 Recommended | 1,141,021 | 9.00 |

Tax Operations

This program is responsible for the timely and accurate collection and processing of all County administered taxes, including property taxes (which are the County's largest revenue source), transfer and recordation taxes (relating to real property transfers and recordation of instruments of writing), and several excise taxes (fuel/energy, telephone, hotel/motel, carryout bags, electronic cigarettes). The program is also responsible for the administration of the County's Working Families Income Supplement program, the Public Advocate for Assessments and Taxation (Public Advocate) program, and numerous tax credit, deferral, and assistance programs. The property tax portion of this program provides the calculation and distribution of tax bills; accounting and distribution of tax collections to the State of Maryland, municipalities, and other entities; collection of delinquent accounts through the tax lien sale process; and communication of and access to tax and account information by attorneys and title companies for preparation of property settlements; and customer service assistance to the public for complex tax-related matters and issues. The transfer and recordation tax portion of this program ensures that all other taxes, fees, and charges associated with the property tax account are paid in full prior to recording of the deed for that property by the State of Maryland. The Public Advocate program provides an independent review of State-determined property assessment valuations for fairness and accuracy and, therefore, protects the public interest by acting on behalf of the taxpayers and the County.

| Program Performance Measures | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|-------------------------------------|------------------------|------------------------|---------------------------|------------------------|------------------------|
| Property tax accounts billed | 366,847 | 367,708 | 369,000 | 371,000 | 371,000 |

| FY17 Recommended Changes | Expenditures | FTEs |
|--|---------------------|--------------|
| FY16 Approved | 2,201,228 | 21.35 |
| Decrease Cost: Billing, Collection and Processing Services for Non-Tax Supported Departments | (6,380) | 0.00 |

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| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|--------------|
| Decrease Cost: Billing and Collection Services - Fee Increase: Parking Lot Districts | (12,636) | 0.10 |
| Decrease Cost: Billing and Collection Services - Fee Increase: Vacuum Leaf Collection: | (132,571) | (0.20) |
| Decrease Cost: Billing and Collection Services - Fee Increase: Solid Waste Collection | (146,078) | (0.30) |
| Decrease Cost: Billing and Collection Services - Fee Increase: Solid Waste Disposal: | (292,109) | (2.00) |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 121,730 | (0.85) |
| FY17 Recommended | 1,733,184 | 18.10 |

Treasury Operations

This program is responsible for providing coordination and oversight of treasury operations and customer services through the cashiering function. All money received by the County, directly through the Treasury cashiering operation, from other County agencies, or through the internet and bank lockbox operation, is processed, administered, and recorded in a timely fashion in the County's accounting system. This program handles property, transfer and recordation, and excise taxes; fines and fees; and offers specific employee services, such as the fare media pass. Functioning as a banking operation, the tellers are a primary provider of person-to-person customer service to County residents.

| Program Performance Measures | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|-------------------------------------|------------------------|------------------------|---------------------------|------------------------|------------------------|
| Cashier transactions processed | 35,730 | 40,792 | 40,000 | 40,000 | 40,000 |

| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|-------------|
| FY16 Approved | 332,080 | 4.15 |
| Increase Cost: Parking Lots Districts - Collection of Parking Violations | 67,910 | 0.70 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 35,880 | 0.05 |
| FY17 Recommended | 435,870 | 4.90 |

Insurance

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

| Program Performance Measures | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|---|------------------------|------------------------|---------------------------|------------------------|------------------------|
| Number of contract review actions to ensure adequate insurance coverage and compliance ¹ | 7,460 | 11,613 | 9,000 | 10,000 | 10,000 |
| Workers Compensation - Cost per \$100 of payroll | 3.50 | 3.36 | 3.34 | 3.30 | 3.29 |
| Workers Compensation - Number of Montgomery County Government cases resulting in lost work time | 499 | 543 | 596 | 614 | 632 |

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

| FY17 Recommended Changes | Expenditures | FTEs |
|--|---------------------|-------------|
| FY16 Approved | 56,348,233 | 4.00 |
| Increase Cost: Claims Expense | 3,852,262 | 0.00 |
| Increase Cost: Professional Services - Actuarial Study | 30,000 | 0.00 |
| Increase Cost: Workers Compensation State Payroll Assessment | 20,000 | 0.00 |
| Decrease Cost: Paralegal Contractual Services | (33,334) | 0.00 |

| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|-------------|
| Decrease Cost: Professional Services - Claims Audit Contract | (40,000) | 0.00 |
| Decrease Cost: Commercially Purchased Property and Casualty Insurance | (250,251) | 0.00 |
| Decrease Cost: Claims Service Contract Administrative Costs | (482,317) | 0.00 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | (74,484) | (1.00) |
| FY17 Recommended | 59,370,109 | 3.00 |

Occupational Safety and Health

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

| Program Performance Measures | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|---|------------------------|------------------------|---------------------------|------------------------|------------------------|
| Training classes conducted by Safety and Health Specialists | 93 | 155 | 350 | 520 | 1,000 |

| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|-------------|
| FY16 Approved | 611,827 | 3.00 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | (1,298) | 0.00 |
| FY17 Recommended | 610,529 | 3.00 |

Legal Services

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

| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|--------------|
| FY16 Approved | 2,854,190 | 19.75 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 56,282 | 0.00 |
| FY17 Recommended | 2,910,472 | 19.75 |

Operations and Administration

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

| FY17 Recommended Changes | Expenditures | FTEs |
|--|---------------------|--------------|
| FY16 Approved | 4,225,679 | 15.37 |
| Increase Cost: MCtime Upgrade - Kronos Timekeeper | 237,500 | 0.00 |
| Increase Cost: Contractual Resources for Indirect Cost Analysis and Services | 40,000 | 0.00 |
| Increase Cost: Kronos Annual Maintenance and Support | 10,450 | 0.00 |
| Decrease Cost: Retiree Health Insurance Pre-funding | (10) | 0.00 |
| Shift: Telecommunications to the Telecommunications Non-Departmental Account | (27,820) | 0.00 |

| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|--------------|
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | (13,904) | 1.00 |
| FY17 Recommended | 4,471,895 | 16.37 |

Budget Summary

| | Actual FY15 | Budget FY16 | Estimate FY16 | REC FY17 | %Chg Bud/Rec |
|--|------------------------|------------------------|--------------------------|---------------------|-------------------------|
| COUNTY GENERAL FUND | | | | | |
| EXPENDITURES | | | | | |
| Salaries and Wages | 7,681,382 | 8,919,005 | 8,441,514 | 8,952,065 | 0.4 % |
| Employee Benefits | 2,751,780 | 2,728,497 | 2,867,548 | 2,543,561 | -6.8 % |
| County General Fund Personnel Costs | 10,433,162 | 11,647,502 | 11,309,062 | 11,495,626 | -1.3 % |
| Operating Expenses | 2,788,463 | 2,065,440 | 2,237,645 | 2,576,694 | 24.8 % |
| County General Fund Expenditures | 13,221,625 | 13,712,942 | 13,546,707 | 14,072,320 | 2.6 % |
| PERSONNEL | | | | | |
| Full-Time | 116 | 106 | 106 | 111 | 4.7 % |
| Part-Time | 0 | 0 | 0 | 0 | — |
| FTEs | 95.31 | 95.81 | 95.81 | 91.65 | -4.3 % |
| REVENUES | | | | | |
| Miscellaneous Revenues | 490,812 | 475,000 | 475,000 | 475,000 | — |
| Other Charges/Fees | 268,041 | 244,360 | 330,360 | 317,490 | 29.9 % |
| Other Fines/Forfeitures | 22,955 | 15,000 | 10,000 | 10,000 | -33.3 % |
| Other Intergovernmental | 150,216 | 141,220 | 171,040 | 238,420 | 68.8 % |
| County General Fund Revenues | 932,024 | 875,580 | 986,400 | 1,040,910 | 18.9 % |

SELF INSURANCE INTERNAL SERVICE FUND

| | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|---------------|
| EXPENDITURES | | | | | |
| Salaries and Wages | 2,992,567 | 3,265,501 | 3,244,104 | 3,397,425 | 4.0 % |
| Employee Benefits | 961,218 | 1,021,245 | 1,042,642 | 995,580 | -2.5 % |
| Self Insurance Internal Service Fund Personnel Costs | 3,953,785 | 4,286,746 | 4,286,746 | 4,393,005 | 2.5 % |
| Operating Expenses | 48,438,870 | 56,203,678 | 56,203,678 | 59,300,190 | 5.5 % |
| Self Insurance Internal Service Fund Expenditures | 52,392,655 | 60,490,424 | 60,490,424 | 63,693,195 | 5.3 % |
| PERSONNEL | | | | | |
| Full-Time | 10 | 10 | 10 | 10 | — |
| Part-Time | 0 | 0 | 0 | 0 | — |
| FTEs | 30.37 | 30.12 | 30.12 | 30.12 | — |
| REVENUES | | | | | |
| Investment Income | 193,008 | 632,940 | 436,250 | 623,210 | -1.5 % |
| Miscellaneous Revenues | 503,547 | 0 | 0 | 0 | — |
| Self Insurance Revenues | 69,171,015 | 65,803,243 | 65,803,243 | 63,301,393 | -3.8 % |
| Self Insurance Internal Service Fund Revenues | 69,867,570 | 66,436,183 | 66,239,493 | 63,924,603 | -3.8 % |

DEPARTMENT TOTALS

| | | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|---------------|
| Total Expenditures | 65,614,280 | 74,203,366 | 74,037,131 | 77,765,515 | 4.8 % |
| Total Full-Time Positions | 126 | 116 | 116 | 121 | 4.3 % |
| Total Part-Time Positions | 0 | 0 | 0 | 0 | — |
| Total FTEs | 125.68 | 125.93 | 125.93 | 121.77 | -3.3 % |
| Total Revenues | 70,799,594 | 67,311,763 | 67,225,893 | 64,965,513 | -3.5 % |

FY17 Recommended Changes

| | Expenditures | FTEs |
|----------------------------|---------------------|-------------|
| COUNTY GENERAL FUND | | |

FY16 ORIGINAL APPROPRIATION**13,712,942 95.81****Other Adjustments (with no service impacts)**

| | | |
|--|-----------|--------|
| Shift: Administration of Economic Development Fund and Small Business Financing Support to Department of Finance [Fiscal Management] | 643,355 | 2.00 |
| Increase Cost: MCTime Upgrade - Kronos Timekeeper [Operations and Administration] | 237,500 | 0.00 |
| Increase Cost: Annualization of FY16 Personnel Costs | 222,249 | 0.00 |
| Increase Cost: FY17 Compensation Adjustment | 179,485 | 0.00 |
| Increase Cost: National Philharmonic Operating Support [Fiscal Management] | 150,000 | 0.00 |
| Increase Cost: Parking Lots Districts - Collection of Parking Violations [Treasury Operations] | 67,910 | 0.70 |
| Increase Cost: Group Insurance Adjustment | 66,907 | 0.00 |
| Increase Cost: Property Tax Billing IT Application [Information Technology] | 60,010 | 0.00 |
| Increase Cost: Audit Implementation: Automated Clearing House & Payment Card Industry transaction processes [Information Technology] | 60,000 | 0.00 |
| Increase Cost: Contractual Resources for Indirect Cost Analysis and Services [Operations and Administration] | 40,000 | 0.00 |
| Increase Cost: Kronos Annual Maintenance and Support [Operations and Administration] | 10,450 | 0.00 |
| Increase Cost: Annualization of FY16 Operating Expenses | 6,380 | 0.00 |
| Increase Cost: Printing and Mail | 1,705 | 0.00 |
| Decrease Cost: Billing, Collection and Processing Services for Non-Tax Supported Departments [Tax Operations] | (6,380) | 0.00 |
| Decrease Cost: Billing and Collection Services - Fee Increase: Parking Lot Districts [Tax Operations] | (12,636) | 0.10 |
| Shift: Telecommunications to the Telecommunications Non-Departmental Account [Operations and Administration] | (27,820) | 0.00 |
| Decrease Cost: Active Montgomery Accounting Services - Recreation [General Accounting] | (42,010) | (0.33) |
| Decrease Cost: Active Montgomery Accounting Services - Community Use of Public Facilities [General Accounting] | (42,010) | (0.33) |
| Decrease Cost: Department of Liquor Control - Accounts Receivable Services [Accounts Receivable] | (95,642) | (1.00) |
| Decrease Cost: Retirement Adjustment | (115,714) | 0.00 |
| Decrease Cost: Billing and Collection Services - Fee Increase: Vacuum Leaf Collection: [Tax Operations] | (132,571) | (0.20) |
| Decrease Cost: Billing and Collection Services - Fee Increase: Solid Waste Collection [Tax Operations] | (146,078) | (0.30) |
| Decrease Cost: Billing and Collection Services - Fee Increase: Solid Waste Disposal: [Tax Operations] | (292,109) | (2.00) |
| Decrease Cost: Billing and Collection Services - Fee Increase: Water Quality Protection Fund [Information Technology] | (473,603) | (2.80) |

FY17 RECOMMENDED**14,072,320 91.65****SELF INSURANCE INTERNAL SERVICE FUND****FY16 ORIGINAL APPROPRIATION****60,490,424 30.12****Other Adjustments (with no service impacts)**

| | | |
|---|-----------|------|
| Increase Cost: Claims Expense [Insurance] | 3,852,262 | 0.00 |
| Increase Cost: Annualization of FY16 Personnel Costs | 76,584 | 0.00 |
| Increase Cost: FY17 Compensation Adjustment | 59,128 | 0.00 |
| Increase Cost: Professional Services - Actuarial Study [Insurance] | 30,000 | 0.00 |
| Increase Cost: Workers Compensation State Payroll Assessment [Insurance] | 20,000 | 0.00 |
| Increase Cost: Group Insurance Adjustment | 18,750 | 0.00 |
| Increase Cost: Printing and Mail | 161 | 0.00 |
| Increase Cost: Motor Pool Adjustment | 1 | 0.00 |
| Decrease Cost: Retiree Health Insurance Pre-funding [Operations and Administration] | (10) | 0.00 |
| Decrease Cost: Paralegal Contractual Services [Insurance] | (33,334) | 0.00 |
| Decrease Cost: Professional Services - Claims Audit Contract [Insurance] | (40,000) | 0.00 |
| Decrease Cost: Retirement Adjustment | (48,203) | 0.00 |
| Decrease Cost: Commercially Purchased Property and Casualty Insurance [Insurance] | (250,251) | 0.00 |
| Decrease Cost: Claims Service Contract Administrative Costs [Insurance] | (482,317) | 0.00 |

FY17 RECOMMENDED**63,693,195 30.12****Program Summary**

| Program Name | FY16 APPR Expenditures | FTEs | FY17 REC Expenditures | FTEs |
|--------------|---------------------------|------|--------------------------|------|
|--------------|---------------------------|------|--------------------------|------|

| Program Name | FY16 APPR | | FY17 REC | |
|--------------------------------|-------------------|---------------|-------------------|---------------|
| | Expenditures | FTEs | Expenditures | FTEs |
| Fiscal Management | 1,381,697 | 9.00 | 2,084,908 | 10.00 |
| Information Technology | 1,268,937 | 4.00 | 957,546 | 2.00 |
| Accounts Payable | 1,004,553 | 10.00 | 1,028,652 | 10.00 |
| Accounts Receivable | 754,491 | 7.00 | 655,240 | 6.00 |
| General Accounting | 1,719,178 | 15.31 | 1,766,373 | 14.65 |
| Grants Accounting | 583,796 | 5.00 | 599,716 | 5.00 |
| Payroll | 917,477 | 8.00 | 1,141,021 | 9.00 |
| Tax Operations | 2,201,228 | 21.35 | 1,733,184 | 18.10 |
| Treasury Operations | 332,080 | 4.15 | 435,870 | 4.90 |
| Insurance | 56,348,233 | 4.00 | 59,370,109 | 3.00 |
| Occupational Safety and Health | 611,827 | 3.00 | 610,529 | 3.00 |
| Legal Services | 2,854,190 | 19.75 | 2,910,472 | 19.75 |
| Operations and Administration | 4,225,679 | 15.37 | 4,471,895 | 16.37 |
| Total | 74,203,366 | 125.93 | 77,765,515 | 121.77 |

Charges to Other Departments

| Charged Department | Charged Fund | FY16 | | FY17 | |
|------------------------------------|---|-----------|-------|-----------|-------|
| | | Total\$ | FTEs | Total\$ | FTEs |
| COUNTY GENERAL FUND | | | | | |
| Human Resources | Employee Health Self Insurance | 108,490 | 0.75 | 122,320 | 0.75 |
| Human Resources | Retiree Health Benefits Trust Fund | 41,690 | 0.25 | 43,180 | 0.25 |
| General Services | Central Duplicating (Printing & Mail) | 6,210 | 0.05 | 6,320 | 0.05 |
| Transportation | Leaf Vacuuming | 82,110 | 0.23 | 214,571 | 0.43 |
| Parking District Services | Bethesda Parking | 68,551 | 0.71 | 40,043 | 0.24 |
| Parking District Services | Silver Spring Parking | 59,033 | 0.52 | 43,522 | 0.27 |
| Parking District Services | Montgomery Hills Parking | 7,177 | 0.05 | 267 | 0.00 |
| Parking District Services | Wheaton Parking | 15,571 | 0.12 | 13,744 | 0.09 |
| Community Use of Public Facilities | Community Use of Public Facilities | 6,670 | 0.04 | 48,920 | 0.37 |
| Recreation | Recreation | 0 | 0.00 | 42,010 | 0.33 |
| Permitting Services | Permitting Services | 11,340 | 0.10 | 11,470 | 0.10 |
| Economic Development | General Fund | 0 | 0.00 | 114,178 | 1.00 |
| Environmental Protection | Water Quality Protection | 385,313 | 3.20 | 865,388 | 6.00 |
| Solid Waste Services | Solid Waste Disposal | 221,600 | 2.38 | 515,059 | 4.38 |
| Solid Waste Services | Solid Waste Collection | 91,070 | 0.34 | 237,178 | 0.64 |
| Liquor Control | Liquor | 41,730 | 0.50 | 315,990 | 2.50 |
| CIP | Capital Fund | 140,943 | 1.00 | 153,400 | 1.00 |
| Non-Departmental Accounts | Employees Retirement Savings Plan (RSP) | 11,680 | 0.07 | 12,090 | 0.07 |
| Non-Departmental Accounts | Retirement Fund (ERS) | 61,710 | 0.37 | 63,900 | 0.37 |
| Non-Departmental Accounts | BIT 457 Deferred Comp. Plan | 5,000 | 0.03 | 5,180 | 0.03 |
| Non-Departmental Accounts | RSP-Disability Benefits (LTD2) | 26,690 | 0.16 | 27,630 | 0.16 |
| NDA - Conference Center | General Fund | 0 | 0.00 | 129,079 | 1.00 |
| Total | | 1,392,578 | 10.87 | 3,025,439 | 20.03 |

Future Fiscal Impacts

| Title | CE RECOMMENDED (\$000s) | | | | | |
|----------------------------|-------------------------|--------|--------|--------|--------|--------|
| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 |
| COUNTY GENERAL FUND | | | | | | |
| EXPENDITURES | | | | | | |
| FY17 Recommended | 14,072 | 14,072 | 14,072 | 14,072 | 14,072 | 14,072 |

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| Title | CE RECOMMENDED (\$000s) | | | | | |
|--|-------------------------|---------------|---------------|---------------|---------------|---------------|
| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 |
| No inflation or compensation change is included in outyear projections. | | | | | | |
| Contractual Resources for Indirect Cost Analysis and Services | 0 | (40) | 0 | (40) | 0 | (40) |
| Indirect Cost Analysis through contract. | | | | | | |
| Kronos Annual Maintenance and Support | 0 | 16 | 33 | 50 | 68 | 68 |
| Kronos annual maintenance and support is a contractual obligation with a 3% cap increase per year based on the current contract, expiring December 31, 2018. | | | | | | |
| Labor Contracts | 0 | 94 | 94 | 94 | 94 | 94 |
| These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items. | | | | | | |
| Subtotal Expenditures | 14,072 | 14,142 | 14,199 | 14,176 | 14,234 | 14,194 |

SELF INSURANCE INTERNAL SERVICE FUND

EXPENDITURES

| | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| FY17 Recommended | 63,693 | 63,693 | 63,693 | 63,693 | 63,693 | 63,693 |
| No inflation or compensation change is included in outyear projections. | | | | | | |
| Professional Services - Claims Audit Contract | 0 | 40 | 0 | 40 | 0 | 40 |
| The Claims Audit is conducted every other year and is not needed in odd years. | | | | | | |
| Retiree Health Insurance Pre-funding | 0 | (2) | (4) | (5) | (6) | (6) |
| These figures represent the estimated cost of pre-funding retiree health insurance costs for the County's workforce. | | | | | | |
| Labor Contracts | 0 | 20 | 20 | 20 | 20 | 20 |
| These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items. | | | | | | |
| Subtotal Expenditures | 63,693 | 63,751 | 63,709 | 63,748 | 63,707 | 63,747 |

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| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|-------------|
| FY16 Approved | 43,520,060 | 0.00 |
| Decrease Cost: County Contribution Based on Actuarial Valuation | (6,510) | 0.00 |
| FY17 Recommended | 43,513,550 | 0.00 |

Risk Management (General Fund Portion)

This NDA funds the General Fund contribution to the Liability and Property Coverage Self-Insurance Fund. The Self-Insurance Fund, managed by the Division of Risk Management in the Department of Finance, provides comprehensive insurance coverage to contributing agencies. Contribution levels are based on the results of an annual actuarial study. Special and Enterprise Funds, as well as outside agencies and other jurisdictions, contribute to the Self-Insurance Fund directly. A listing of these member agencies and the amounts contributed can be found in the Department of Finance, Risk Management Budget Summary.

| FY17 Recommended Changes | Expenditures | FTEs |
|---|---------------------|-------------|
| FY16 Approved | 15,568,426 | 0.00 |
| Decrease Cost: County Contribution Based on Actuarial Valuation | (291,483) | 0.00 |
| FY17 Recommended | 15,276,943 | 0.00 |

Rockville Parking District

This NDA provides funding towards the redevelopment of the City of Rockville Town Center and the establishment of a parking district. The funding reflects a payment from the County to the City of Rockville for County buildings in the Town Center development and is based on the commercial square footage of County buildings.

Also included are funds for the cost of library employee parking and the County's capital cost contribution for the garage facility as agreed in the General Development Agreement.

| FY17 Recommended Changes | Expenditures | FTEs |
|---------------------------------|---------------------|-------------|
| FY16 Approved | 383,400 | 0.00 |
| Increase Cost: Employee Parking | 42,100 | 0.00 |
| FY17 Recommended | 425,500 | 0.00 |

Snow Removal and Storm Cleanup

This NDA funds the snow removal and storm clean up costs for the Department of Transportation and General Services above the budgeted amounts in these departments for this purpose. This program includes the removal of storm debris and snow from County roadways and facilities. This includes plowing, applying salt and sand, equipment preparation and cleanup from snow storms, and wind and rain storm cleanup.

| FY17 Recommended Changes | Expenditures | FTEs |
|-------------------------------------|---------------------|-------------|
| FY16 Approved | 5,884,990 | 0.00 |
| Increase Cost: Snow and Storm Costs | 4,115,010 | 0.00 |
| FY17 Recommended | 10,000,000 | 0.00 |

State Positions Supplement

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland appellate courts.

Finance Department – FY17 Operating Budget Questions
(includes Risk Management NDA)

DED-Related Issues

Jacob Sesker has asked Pofen Salem the following questions. I don't want to duplicate efforts, but would like you to know this issues exist:

1. In the DED section the shift to Finance is \$600,142. In the Finance section the shift from DED is \$643,355. Can you help me understand the difference?

See attached spreadsheet

2. I see the 2 FTEs shifted. Are those FTEs Peter and Lydia?

See the attachment. Four DED positions will be transferred to Finance – 2 FTEs (Peter & Lydia) move to Finance, the PM II position will be charged to Economic Development Fund, and Finance will shift one staff to manage the NDA-Conference Center while reassigning Kapani to Treasury.

3. Where is Ruth Semple's position? Did she end up filling a vacancy in Finance rather than being shifted from DED?

That's correct, Ruth Semple will be filling a vacant position in Finance.

4. Here are the operating expenditures shifted per my notes—is there anything else?

Are any of the amounts below incorrect?

| | |
|--|------------------|
| Operating Expenditures/Partners | \$280,000 |
| LEDC | \$125,000 |
| Bethesda Green | \$25,000 |
| Rockville Economic Development Inc. | \$40,000 |
| Asian Pacific Chamber | \$20,000 |
| Hispanic Chamber | \$25,000 |
| SBDC | \$30,000 |
| EMSI License | \$15,000 |

Additionally, Finance will administer three additional NDA accounts:

- Conference and Visitors Bureau (\$1,423,788)
- Conference Center (\$582,769; 1.0 FTE)
- MEDCO Grant – Incubator Network (\$3,416,621)

- 1) Please provide an overview of the shift of administration of DED and Small Business Financing Support to Finance, and how it will be incorporated into Finance operations.

See above. The four DED positions will shift to FIN to continue the Economic Development business operations and functions that were transferred to Finance.

General Fund Questions

1. The recommended FY17 reflects an increase in full-time positions from 106 in FY16 to 111 in FY17. Please describe.

4 Full-Time positions shifted from DED: A net of 2.0 FTEs will continue to be charged to the General Fund, 1.0 FTE will continue to be charged to the Economic Development Fund and 1.0 FTE will be charged to the NDA Conference Center

1 Full-Time position shifted from DLC to FIN Accounts Receivable

2. Please describe the increased cost the MCtime upgrade – what is the total annual maintenance and support cost for FY16?

The County is currently using unsupported software for the enterprise-wide time and attendance system. The County last upgraded Kronos Workforce Timekeeper in June 2012. Kronos most recently released Workforce Timekeeper, Version 8.0 in May 2015. Kronos is anticipating releasing a JAVA free application in June 2016. Due to compatibility and security issues related to JAVA, the County will upgrade to the JAVA free application within several months of a Kronos release.

\$237,500 includes:

- \$92,500 = servers last replaced March 2012. 2016 is the normal 4 year replacement cycle.
- \$25,000 = Professional Services – Technical 125 Hours for configuration, troubleshooting hardware set up, testing, etc.
- \$45,000 = Professional Services – Functional 225 Hours for New Features review, overall configuration, testing, etc.
- \$60,000 = Training 300 Hours for improved, but significant look and feel change to existing application and On-line refresher training, creation of Job Aids, Instructor Led Training, etc.
- \$15,000 = Training Materials Publications, producing and publication Job Aids for common tasks

Kronos officially supports the current version and two previous versions. The version that the County has deployed enterprise-wide is no longer supported by the vendor. Without this support, the County will not get any software fixes, security improvements, troubleshooting, or compatibility for newer technologies such as tablets, mobile devices, and new versions of web browsers when they are released. The County has a critical need in using the upcoming JAVA free release of MCtime due to the compatibility and security issues related to the required use of Java on manager computers. An upgrade to the next Kronos version will eliminate these Java compatibility issues, reduce staff resources required to troubleshoot time-consuming technical issues that the County currently experiences, and reduce potential security exposures.

The Kronos annual maintenance and support is a contractual obligation with a 3% cap increase per year based on the current Kronos Contract. The annual maintenance contract

in FY16 is \$535,372 with \$524,047 subject to an annual 3% contractual increase. Fixed costs in each year total \$6,000.

3. Please describe the \$67,910 increased cost for PLDs.

The PLDs made an operational change and stopped using the Finance Treasury Cashiering services for the collection of Parking Violations. The PLDs requested elimination of this chargeback because services are no longer being provided by Finance and therefore it is not appropriate to charge their Funds. The chargeback was 0.7 FTE and \$67,910 and is included in both FINs (and PLDs) FY17 CE Recommended Budget.

4. Please describe the audit implementation of automated clearing house and payment card industry transaction processes.

ACH: An annual ACH assessment (\$60,000) is required as part of our banking contract with PNC. In FY15-16 a MCCATS Task Order was issued and the County entered into a contract with ASSYT subcontracting this work Accume Partners who created an assessment report on all major IT system that handles ACH data to include a number of recommendations. This assessment report was based on Rules and Guidelines from the National Automated Clearing House Association (NACHA). The ongoing and required annual ACH assessment Task Order will include components of reassessing all major IT system and other new IT systems that handle ACH data with NACHA rules and assistance with the remediation of recommendations made from previous assessments. This annual assessment is required to ensure that the \$4.5+ billion dollars' worth of ACH transactions that occur annually is secure.

PCI: An annual Payment Card Industry (PCI) assessment is required to verify the status of County Department's compliance with current PCI security standards on preventing breaches and recommend necessary changes. Failure to comply with PCI regulations could entail several hundred thousand dollars in fines and/or the loss of our ability to accept credit card payments. In FY15-16 a MCCATS Task Order was issued and the County entered into a contract with PowerSolv, subcontracting to Protivi, who performed the initial assessment and assisted the County with submitting its compliance status to American Express and provided solutions in order to reduce the County's exposure to risk. Due to the volume of credit cards that is processed, the County is required to provide and Attestation of Compliance (AoC) to American Express annual. In the future this may be expanded to other card issuing brands. In FY17 the ongoing obligation to be compliant with the mandated PCI requirements and continue same service activities is \$125,000. This is the total projected expenditure required for all County entities accepting the use of purchasing cards.

PCI and ACH compliance are also a critical part of the County's cybersecurity strategy to protect the financial information of citizens and vendors doing business with the County. Compliance is not only contractually required but the compliance efforts strengthen the County's IT security.

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

The Tax Assessment System (TAS) was recently overhauled and upgraded after 30 years of use on the Mainframe system. Upgrading the TAS system required a significant amount of time and resources and would have utilized the same resources to upgrade MUNIS. Due to this and the risk associated with upgrading two complex public facing revenue generating systems simultaneously, the MUNIS SaaS project was put on hold until the TAS system upgrade was completed. After the TAS upgrade was completed FIN reinitiated the MUNIS SaaS project. However, we discovered that the County's MUNIS version was no longer supported and was not eligible to move to the Cloud. This required MUNIS to be upgraded from version 8.2 to 9.4 which was complete in November 2015. The department is now in a position to move to the Cloud by early 2017.

6. Please describe the expenditure reduction for billing, collection, and processing services for non-tax supported departments.

The chargebacks to the Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming Funds are based on the most recent actual number of property tax accounts billed. FY17 is based on the FY15 actual number of property tax accounts for each Fund. In FY16 (FY14 Actual) there was a total of 615,380 accounts. In FY17 (FY15 Actual) there were 621,760 accounts; an increase of 6,380 accounts that will be charged to the various funds.

7. Please describe the fee increase for PLDs and the corresponding expenditure reduction.

The County Executive recommends increasing the fee charged to enterprise funds for billing and collection services provided, from \$1.00 to \$2.70, which is the current cost incurred per instance of billing (line item) on a Property Tax Bill. The last time Finance did an analysis of the actual cost of billing, collection, and customer service activities provided by the Department of Finance was in 2004. At that time the County Executive recommended, and the County Council approved, charging \$1.00 per instance of billing. It is appropriate to accurately charge the users or beneficiaries of services provided to these enterprise operations for the services and full costs incurred by other non-enterprise operations. Currently additional costs are being borne by the General Fund or general taxpayers of the County, which is inconsistent with both the County's fiscal policy and accounting principles. Defined costs include printing, mailing, and postage costs for each bill. Additional services include: mailing and postage for miscellaneous notices, staff time for Treasury operations, cashiering, customer service activities (including responding to the Service Level Requests from the MC311 Call Center), annual maintenance contract agreement with Tyler for the MUNIS Property Tax application, and the Finance IT staff support of all Property Tax related applications.

FY17 (chargeback is based on FY15 actual number of Accounts) will be the last year the PLDs will incur this chargeback, as beginning in FY16 the PLDs no longer levied a Property Tax.

8. Please describe the Active Montgomery Accounting Services reductions in Recreation and CUPF.

Finance is currently providing accounting and financial services for ActiveMONTGOMERY (ActiveNet). We are currently charging MNCPPC (revenue) for 1/3 of the cost of an Accountant/Auditor III for the services provided. Finance is providing the same level of service for ActiveMONTGOMERY to CUPF and Recreation. In order to appropriately capture the full cost for implementing and maintaining the ActiveMONTGOMERY initiative in FY17 Finance will charge CUPF and Recreation 1/3 each for the remaining cost of the position dedicated to this initiative.

9. Please describe the reduced expenditures for DLC accounts receivable services.

The Department of Finance launched a shared services initiative over a year ago to achieve economies of scale and greater accuracy and effectiveness in accounts receivable operations for the County while at the same time allowing County departments to focus more resources on their core mission. It is appropriate to accurately charge the users or beneficiaries of services provided to an enterprise operations for the services and full costs incurred by other non-enterprise operations. Finance began charging DLC in FY16 mid-year for an Accountant dedicated to DLC accounts receivable activities.

10. How much did fees increase for vacuum leaf collection, solid waste collection, solid waste disposal, and water quality protection fund?

Solid Waste and leafing fees did not increase as a result of the increased chargeback. Water Quality fees increased by \$1.60 related to this increased chargeback.

Division of Risk Management/Self Insurance Internal Service Fund

1. Please describe the \$3,852,262 increase in claims expenses. Assuming this is a figure provided by the actuary, what is based on that is making the number increase significantly?

Claims predictions are based on projections calculated by the actuary using multiple factors (e.g., past experience, payroll, medical expenses). Medical costs for instance, have increased approximately 10% each year. Also, as salaries increase, the temporary total benefits (payable while an employee is out of work) portion of the claims increase, as they are calculated on average weekly wages.

2. Please describe the increased cost the actuarial study.

The actuarial analysis work is currently performed within the Broker Service contract. We anticipate we may need expanded service in the upcoming year due to changes in forecasts, to be performed by the actuary.

3. What is the increase in workers compensation state payroll assessment based on?

The State of Maryland annually determines the assessment rate for payroll – which is the fee to support the Workers' Compensation Commission. When payroll increases and the rate increases, the assessment charges increase. We are endeavoring to make sure that we have budgeted funds adequate for the expense for the year. We were notified by the State that the fee is being restructured and will increase in the coming year.

4. Please describe the paralegal contractual services expenditure reduction.
We had a temporary increase for a special project that is now complete.

5. Please describe the expenditure reduction for commercially purchased property and casualty insurance.

Rates for commercial insurance remain fairly stable at this time. Property values are increasing, but we anticipate the production of an improved, more accurate and detailed property schedule, which should help us achieve better underwriting results. We are anticipating a good response by the insurance market to our underwriting information provided to the insurance carriers. The market remains fairly "soft" at this time and we expect a favorable renewal.

6. Please describe the expenditure reduction for claims service contract administrative costs.

The Claim Service Agreement was re-negotiated in 2016 and the reduction reflects the lower annual service fee.

7. What is the target FY17 Cost per \$100 of payroll for Workers Compensation?

The target loss rate per \$100 of payroll for Workers' Compensation for FY17 is \$1.41 as determined by the actuary.

Risk Management NDA

1. Funding for the Risk Management NDA is \$291,483 less than last year. Is this still within the 80-85% funding policy level?

The amount funded is a little above the 85% requirement, but this is necessary due to the recent increase in tort claim limits for the County (effective October 2015) and the expected increase in tort claims limits for the Public Schools (anticipated in the new Fiscal Year).

Other Questions

1. Please provide a current vacancy list and a brief description of the positions. Do you have plans to fill any of these positions in FY17?

4/18/2016

| | Position Title | Division | Cost Center | Grade | Status |
|---|-----------------------------|--------------------------------|--------------------|--------------|--|
| 1 | Senior Financial Specialist | Controller: General Accounting | | 25 | 3/6/2016: Backfilled – Temp Promotion |
| 2 | Accountant III | Controller: General Accounting | | 23 | 4/14/2016: Exemption to Hire PE #67464 Approved by OMB; Ad for IRC to OHR. 7/2/2015: Hold FY16 Savings Plan until 3/2016 |
| 3 | Accountant III | Controller: General Accounting | | 23 | 4/14/2016: Exemption to Hire PE #67464 Approved by OMB; Ad for IRC to OHR. Backfilled - contractor |

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|---|--|---------------------------------|-----|---|
| 4 | Office Services Coordinator | Treasury: Tax Operations | 16 | 8/23/2015: Hold for Lapse FY16 Savings Plan |
| 5 | Program Specialist II - Payroll Specialist | Controller: Payroll | 21 | 9/3/2015: Hold FY16 Savings Plan; Backfilled - contractor |
| 6 | Sr IT Specialist | Controller: Ops & Admin | 28* | 4/18/2016: Working on Ad for IRC. 3/30/16: OMB Approval PE #67402 |
| 7 | Program Specialist II | Controller: Accounts Receivable | 21 | Backfilled - Temp Promotion. 11/30/2015: Hold for Lapse FY16 Savings Plan |
| 8 | Fiscal Assistant | Controller: Accounts Receivable | 16 | Backfilled - contractor; Preparing Hiring Exemption Request. 4/3/2016: vacant |