GO Committee #2
April 19, 2012

MEMORANDUM

April 17, 2012

TO: Government Operations and Fiscal Policy Committee

FROM: Jacob Sesker, Senior Legislative Analyst

SUBJECT: FY13 Operating Budget: Department of Finance

Those expected to attend this worksession include:

Joe Beach, Director, Finance
Nancy Moseley, Finance
Terry Fleming, Finance (Risk Management)
Angela Dizelos, OMB
Bryan Hunt, OMB

- Relevant pages from the FY13 Recommended Operating Budget are attached on © 1-12.
- A letter from Joe Beach, Director of Finance, to Chair Navarro is attached on © 13-19.
- A list of counties with populations greater than 500,000 and "triple AAA" bond ratings is attached on © 20.
- An article from the Washington Post regarding fires on RideOn's Navistar buses is attached on © 21-22.

Overview

The FY13 recommended operating budget for the Department of Finance is $61,255,578, an increase of $2,289,688 (3.9%) above the FY12 Approved Budget of $58,965,890.

The operating budget of the Department of Finance is comprised of a General Fund component (the Director's Office, Division of Treasury, Division of Controller) and the Liability and Property Coverage Self-Insurance Fund (Division of Risk Management). The Executive has requested an 11.3% increase for the General Fund components of Finance's budget (from $9,701,210 in FY12 to $10,797,865 in FY13). The Executive requested a 2.4% increase for the

Liability and Property Coverage Self-Insurance Fund (from $49,264,680 in FY12 to $50,457,713 in FY13).

In addition, there are four non-departmental accounts (NDAs) associated with Finance:

- NDA for the General Fund portion of the County's contribution to the Risk Management Fund: The Executive requests $17,282,930 for FY13 (increase of $155,640 above FY12);
- NDA for Working Families Income Supplement: The Executive requests $13,629,500 for FY13 (increase of $719,300 from FY12);
- NDA for State Property Tax Services: The Executive requests $5,339,430 for FY13 (no change from FY12);
- NDA for Restricted Donations: The Executive requests $0 for FY13 (no change from FY12).

Department of Finance: General Fund

Overview

The budgets of the Director's Office, Division of Treasury, and Division of Controller are all supported by the General Fund.

				Change from FY12-13	
	FY11 Actual	FY12 Approved	FY13 CE Recommended	Amount	%
Expenditures	8,974,950	9,701,210	10,797,865	1,096,655	11.3%
Positions:					
Full time	101	104	106	2	1.9%
Part time	2	2	2	0	0.0%
FTEs	73.7	78.7	84.31	4.0	7.1%

Finance is adding a position to focus on collection of the property taxes from homeowners who claim the homestead property tax credit but fail the eligibility tests. FTEs also increase to reflect 2.20 positions returning from the ERP CIP to the operating budget and 0.20 FTEs returning from the White Flint CIP to the operating budget. Conversion of WYs to FTEs led to an upward technical adjustment of 2.10 FTEs.

Change	*Expenditure*	*FTEs*
FY12 Original Appropriation	**$9,701,210**	**78.70**
Enhance Homestead Property Tax Credit-Resident Compliance - Add Program Manager II	$105,200	1.00
Reduce Contractual Resources for Indirect Cost Analysis and Services	($40,000)	
Shift ERP Positions to Operating Budget	$274,670	2.20
Increase Cost: Retirement Adjustment	$229,069	0.00
Increase Cost: Group Insurance Adjustment	$226,820	0.00
Increase Cost: Maintenance Cost for Tyler Application Support Provider Cloud Computing	$200,000	0.00
Increase Cost: Lump Sum Wage Adjustment	$194,632	0.00
Increase Cost: Overtime, General Accounting	$40,000	0.00
Shift: CIP White Flint Development Staff Costs to OB	$27,000	0.20
Shift: Chargeback to PLDs, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing Collection and Processing	$13,700	0.00
Increase Cost: Chargeback from County Attorney	$8,850	0.00
Increase Cost: Longevity Adjustment	$8,134	0.00
Technical Adj.: Controller's Proprietary Fund Chargeback	$0	0.11
Technical Adj.: Conversion of WYs to FTEs	$0	2.10
Shift: Desk Side Support to Desktop Modernization NDA	($1,370)	0.00
Decrease Cost: Printing and Mail	($13,030)	0.00
Decrease Cost: OE Adjustment to Offset Change in Chargebacks	($22,550)	0.00
Decrease Costs: Contractual Resources for Licenses, Maintenance, and Professional Contracts	($31,240)	0.00
Decrease Cost: OE Adjustment to Offset Increase in Overtime Costs	($40,000)	0.00
Decrease Costs: MCTime Master Lease Payments	($82,780)	0.00
FY13 Recommended	**$10,797,865**	**84.31**

FY13 Issue: Vacancies

The attached letter (see © 13-19) from Joseph Beach, Director of Finance, indicates that Finance currently has 16 vacancies including 8 vacancies within the Controller's Division. In addition, Finance is conducting a comprehensive review of the structure, staffing levels, and position classifications in the Controller's Division to ensure that the Division is adequately staffed relative to its mission given the new ERP system. That review will include analysis of potential repurposing of some vacant positions to more appropriately address current staffing and resource needs.

FY13 Issue: Homestead Property Tax Credit- Resident Compliance Program

Finance is currently interviewing for the position of Homestead Property Tax Credit-Resident Compliance (Program Manager II). Only owner-occupied residential dwellings are eligible for the County's Homestead Credit and Property Tax Credit programs. Throughout the year, the Department of Finance, the County Council, and the State Department of Assessments and Taxation (SDAT) is notified of individuals or organizations who may be receiving these credits despite their ineligibility. This could include renters, abandoned houses, bank owned foreclosures, individuals who have two or more residences and the Montgomery County residence is not their primary domicile. However, investigating these reported violations are time consuming, since they require research into land records; site visits; and extensive discussions with SDAT, legal counsel, and property owners. In addition, the County could do more to proactively enforce eligibility restrictions, including reaching out to banks and mortgage companies on bank-owned foreclosed properties, researching the Real Estate Multiple Listing Information Service and DHCA's rental license database, and comparing that to the SDAT property assessment records. Existing staff resources are not available to follow up on reported violations or to perform pro-active research. Therefore, Finance requested the creation of a Program Manager II (grade 25) as a term position to perform the following duties:

1. Find residential properties that the State Department of Assessments and Taxation (SDAT) classifies as "Principal residence" but which should be classified as "Not a principal residence".

2. Work with SDAT to determine how the County can assist SDAT in making the correct classification. For example, determine whether the occupant(s) of a residence own it and occupy it as their principal residence.

3. As a check on all rental properties which have rental licenses, get the list of rental properties from DHCA and check the tax bill for each property. If classified as "Not A Principal Residence", the property is not getting credits. However, if classified as "Principal Residence", the property is getting credits it is not entitled to get. Prepare a list of such properties and notify SDAT to review its classification.

4. Work with municipalities in the County that issue their municipal rental licenses (i.e., those properties not covered by DHCA) to obtain municipal rental license information to cross-check SDAT occupancy code and disseminate municipal rental license data to SDAT on a semi-annual basis.

5. Using internet tools and rental databases, find rental properties that were advertised for rent in prior years and are currently advertised (Craig's list, newspapers, other), then check the property tax bill for each to determine how it is classified and check whether the property has a rental license. Prepare a list of properties classified as "Principal Residence" and notify SDAT to review its classification and notify DHCA that the property is being rented or offered for rent.

6. Create a list of properties with the following 2 characteristics, then check to determine whether the residence was principal or not:
    a. classified as "Principal Residence", and
    b. identified as having a property address different from the owner's mailing address (suggesting that the owner may not live at the property).

7. From the County database, get a list of all property addresses classified as "Principal Residence". From public utility companies (e.g., PEPCO), get the name of each residential utility account. If the name in the County's database is different from the name on the utility account for that address, then follow-up to determine whether the owner is renting the property but getting improper credits.

8. Develop other ways to find improper credits.

9. Research whether the County can collect improper credits from prior years and propose a change in law if necessary.

The expectation is that this position will generate sufficient revenues to not only cover its costs, but provide additional revenues as well. With the existing property tax credit of $692 per resident, it will require identifying 152 ineligible properties. To the extent that the property was illegally receiving this credit, the County can ask for repayments as well. Baltimore City has implemented a similar program and identified 2,157 properties that should not have been receiving the credit. If Montgomery County had a similar experience, it could result in additional revenues of $1.471 million ($692 x 2,157).

Future Expenditure Issues

Positions will continue to shift from the ERP CIP to the Operating Budget as the ERP project matures. Finance estimates that 3.0 FTEs will migrate to the Operating Budget over the course of the next two budget cycles.

Council staff recommendation: Approve the Executive's request, with clarification that Finance will work to fill only those vacancies that are found to be essential following the completion of the study of Controller Division staffing and position repurposing. Finance is understaffed today, and several positions will be moved from the Capital Budget to the Operating Budget in the coming years. *The GO Committee should request an update from Finance following completion of that study.*

- The Department of Finance has successfully retained the County's AAA bond rating throughout very challenging financial times and has worked with the County Council and OMB to strengthen the County's fiscal reserve policies and implement changes to the Revenue Stabilization Fund.

- Montgomery County is one of 23 counties in the nation that have populations greater than 500,000 and have AAA bond ratings from all three ratings agencies ("triple AAA"). There are 15 counties with populations between 100,000 and 499,999 with triple AAA bond ratings. Taken together, this means that there are 38 counties with populations above 100,000 with triple AAA bond ratings. Only 9 such counties in the nation have populations greater than Montgomery County's population (see © 20).

- Finance continues to implement business process re-engineering and the Enterprise Resource Planning (ERP) project. The Department of Finance has faced numerous challenges throughout the implementation of the Enterprise Resource Planning project. Finance successfully obtained extensions from the State of Maryland and the Government Finance Officers Association (see letter from Director © 13-19).

- The Department's efforts to enhance the Homestead Property Tax Credit Compliance program should result in significant additional revenue, and improve the overall fairness of the County's property tax system by improving the compliance rate.

Liability and Property Self-Insurance Fund

The total FY13 Operating Budget for the Self-Insurance Fund (Risk Management) is $50,457,713, up from $49,264,680 in FY12 (an increase of $1,193,033 or 2.4%). The 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. The contributions are based on annual actuarial analysis of outstanding and projected claims filed against the plan participants.

				Change from FY12-13	
	FY11 Actual	FY12 Approved	FY13 CE Recommended	Amount	%
Expenditures	52,218,984	49,264,680	50,457,713	1,193,033	2.4%
Positions:					
Full time	11	10	10	0	1.9%
Part time	0	0	0	0	0.0%
FTEs	29.20	29.40	29.37	(0.03)	(0.1%)

A total of 29.37 FTEs are charged to Risk Management; however, most of those positions are outside of the division. The Risk Management Division has only 10 full time employees.

Change	*Expenditure*	*FTEs*
FY12 Original Appropriation	**$49,264,680**	**29.40**
Increase Cost: Adjustment to Claims Reserve	$1,100,000	0.00
Increase Cost: Claims Expense	$369,000	0.00
Increase Cost: Contract for Claims Administration	$166,000	0.00
Increase Cost: Retirement Adjustment	$41,417	0.00
Increase Cost: Lump Sum Wage Adjustment	$22,279	0.00
Increase Cost: Commercial Insurance	$16,570	0.00
Increase Cost: Longevity Adjustment	$6,768	0.00
Increase Cost: Motor Pool Rate Adjustment	$7,540	0.00
Technical Adj.: FTE Rounding	$0	(0.03)
Decrease Cost: Printing and Mail Adjustment	($980)	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding	($5,430)	0.00
Decrease Cost: Group Insurance Adjustment	($29,021)	0.00
Decrease Cost: Biennial Claims Audit	($30,000)	0.00
Decrease Cost: Adjustments due to Agency Allocation	($481,110)	0.00
FY13 Recommended	**$50,457,713**	**29.37**

The fund balance was depleted during recent years. According to Risk Management: "We reported to the GO Committee in the mid-year update (Jan 23, 2012) that our expectation for the restoration of fund balance to the policy level is by the end of FY14. Our projections remain on track to meet that goal. As mentioned in the January meeting, the number of workers' compensation claims reported for FY11 was down about 20 percent from FY10. That trend continues in FY12, and we expect the number of WC claims for the program to remain flat or slightly lower. Barring unforeseen adverse claim payments, we expect actual payments to come in below projections and budget. If this occurs, the impact flows directly to fund balance. The only 'wild card' in the projections will be actuarial analysis of claim reserves, which is done during the summer with a September 15 target date."

An additional issue that was discussed at the mid-year update was self-insured property damage claims, including those related to extreme weather (ongoing), the 2011 earthquake, and bus fires. Total self-insured property losses (including those related to bus fires) increased from an average annual cost of $900,000 from FY02 to FY09 to an average annual cost of $1.7 million from FY10 to FY12. The largest of such losses are covered by commercial insurance, but many are self-insured.

The County continues to experience fires on some of the Navistar diesel buses in the RideOn bus fleet. The fires are being investigated by the National Highway Traffic Safety Administration (see April 11 Washington Post article at © 21-22). It is not yet clear whether the manufacturer will have any liability to the County for claims related to these fires, though no specific cause of the fires has been identified.

Staff recommendation: Approve Executive's request.

NDA-General Fund portion of the County's contribution to the Risk Management Fund

This NDA funds the General Fund contribution to the Liability and Property Coverage Self-Insurance Fund. Contribution levels are based on the results of an annual actuarial study. Special Funds, Enterprise Funds, and outside agencies contribute to the Fund directly. The FY13 budget request is $17,282,930, an increase of $155,640 from the FY12 Approved budget ($17,127,290).

Staff recommendation: Approve the Executive's request, which is based on the results of an annual actuarial study.

NDA-Working Families Income Supplement

The Executive requests $13,629,500 for the Working Families Income Supplement, an increase of $719,300 (5.6%) from the FY12 Approved budget of $12,910,200.

Twenty-two states, the District of Columbia, New York City, and Montgomery County, Maryland offer their residents an earned income tax credit (EITC). Montgomery County is the only county in the nation that offers this credit. Montgomery County pays the State of Maryland to administer the credit because the County "piggybacks" on the Maryland income tax (Montgomery County does not administer a separate income tax).

In May 2010, the Council adopted Expedited Bill 33-10, which changed County Code Article XIV, Section 20-79 to accommodate a County match of less than 100% for FY11 and subsequent years. Under Bill 33-10, the County "match" may be set by resolution or by an amount approved in the annual operating budget.

The Executive request for this NDA assumes a County "match" equal to 68.9% of the State's contribution. Put differently, if under this tax credit the State sends a Montgomery County taxpayer $100, the County would match that by sending the same taxpayer $68.90. In FY11, the County matched 72.5% of the Maryland credit; in FY12, the County is matching 68.9% of the credit.

Fiscal Year	Number of Recipients	Average Payment	State Formula	County Match
FY08	26,584	$485.66	20%	100.0%
FY09	19,559	$460.19	20%	100.0%
FY10	30,189	$498.97	25%	100.0%
FY11	33,840	$381.81	25%	72.5%

The number of recipients dropped sharply in FY09. A change to the State's formula in FY10 increased the number of eligible recipients and the amount those recipients were eligible to receive.

Finance estimates that the cost of restoring the 100% County match to the Working Families Income Supplement NDA would increase the cost from $13,629,500 to $19,459,900. Staff estimates that the cost of each 0.1% increase is an additional $18,750. To restore the WFIS to the 72.5% match from FY11 would cost an additional $675,000. To restore the full match would cost approximately $5,830,400.

Staff recommendation: Approve the Executive's request.

NDA-State Property Tax Services

The Executive requests $5,339,430 for State Property Tax Services in FY13. This amount is equal to the FY12 Approved amount. The State Property Tax Services NDA reimburses the State for three programs that support the property tax billing administration conducted by the Department of Finance: the Homeowner's Credit Supplement, the Homestead Certification Program, and the County's share of the cost of conducting property tax assessments by the State Department of Assessments and Taxation (SDAT).

Staff recommendation: Approve the Executive's request.

NDA-Restricted Donations

The Executive requests $0 for this NDA in FY13, as was the case in FY12. This NDA was established to comply with the requirements of Government Accounting Standards Board Statement No. 34.

Staff recommendation: Approve the Executive's request.

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 FY13 Operating Budget for the Department of Finance is $61,255,578, an increase of $2,289,688 or 3.9 percent from the FY12 Approved Budget of $58,965,890. Personnel Costs comprise 21.9 percent of the budget for 116 full-time positions and two part-time positions for 113.68 FTEs. Operating Expenses account for the remaining 78.1 percent of the FY13 budget.

The Finance Operating Budget is comprised of a General Fund component (the Director's Office and the Divisions of Treasury and Controller) and the Division of Risk Management, which is funded by the Liability and Property Coverage Self-Insurance Fund. The total FY13 Operating Budget for the General Fund component is $10,797,865 an increase of $1,096,655 or 11.3 percent from the FY12 approved budget of $9,701,210. Personnel Costs comprise approximately 88.6 percent of the General Fund budget for 106 full-time and 2 part-time positions for 84.31 FTEs. Operating Expenses account for the remaining 11.4 percent of the budget.

The total FY12 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is $50,457,713, an increase of $1,193,033 or 2.4 percent from the FY12 approved budget of $49,264,680. Personnel Costs comprise approximately 7.6 percent of the Self-Insurance Fund budget for 10 full-time positions for 29.37 FTEs. Operating Expenses account for the remaining 92.4 percent of the budget. Included in the total FTEs are 19.00 FTEs charged to the Self-Insurance Fund by the Office of the County Attorney and 0.37 FTEs charged by the General Fund component of Finance (Controller Division) for services provided in support of Risk Management.

LINKAGE TO COUNTY RESULT AREAS

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

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

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below, with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY12 estimates reflect funding based on the FY12 approved budget. The FY13 and FY14 figures are performance targets based on the FY13 recommended budget and funding for comparable service levels in FY14.

ACCOMPLISHMENTS AND INITIATIVES

- ***Successfully retained the County's AAA bond rating from the three major credit rating agencies in the summer of 2011. In conjunction with this effort and in coordination with the County Council and Office of Management and Budget, strengthened the County's fiscal reserve policies and implemented changes to the Revenue Stabilization Fund law.***

- ***Saved the County $26.3 million in real cash flow debt service costs by refunding $237.7 million of general obligation bonds in August 2011. At the same time issued $320 million in new GO bonds. One week later issued $28.8 taxable bonds to fund $25 million in affordable housing projects and $3.8 million for the Fillmore Project in Silver Spring. The following month saved $4 million in Metrorail lease revenue debt service upon the issuance of $28 million in refunding bonds to pay off the 2002 and 2004 Metrorail Garage bonds and issued $7.5 million in new Metrorail Garage bonds to finish funding the new Glenmont Garage (total issue: $35.5 million).***

- ***Successfully managed and completed fiscal and economic impact analyses of the Wheaton CBD Master Plan and the revision of the Clarksburg Master Plan. Began implementation of the White Flint Sector Plan by successfully billing $976,000 in Special Taxes.***

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- ***Continue Business Process Re-engineering and Enterprise Resource Planning (ERP) Implementation. July 1, 2010 implemented ERP core financial (general ledger, accounts payable, accounts receivable, projects and grants, and fixed assets) and purchasing functionality. January 1, 2011 implementated core payroll, human resource, and employee self service functionality. In FY12, 11 separate new ERP modules will be implemented. In FY13, work will start on a new Tax Assessment and Billing module.***

- ***In FY13, funding is provided to enhance the Homestead Property Tax Credit Compliance program by adding a Program Manager II position. This will potentially save the County in excess of position costs by enforcing eligibility restrictions for this tax credit program.***

- ***Occupational Safety and Health staff provided training for over 732 County employees, who attended 59 classes scheduled through the Safety Academy, and 70 department specific classes.***

- ***Productivity Improvements***

  - ***Cost Savings and Process Re-engineering Initiative: Re-engineer County government business processes to fully integrate financial, purchasing, budget, and human resource applications, avoid duplication of data, meet internal and external information needs, and replace outdated legacy systems with enterprise wide solutions such as Enterprise Resource Planning (ERP) and MCtime systems. The end result of this initiative directly or indirectly impacts all eight results areas, as improved access to more accurate data will enable managers to make better program decisions, and the continuing transformation of business processes will provide for more productive program management and execution.***

PROGRAM CONTACTS

Contact Nancy Moseley of the Department of Finance at 240.777.8886 or Bryan Hunt of the Office of Management and Budget at 240.777.2770 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Debt, Cash, and Fiscal Projects

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. The program's primary goal is to maintain the County's AAA General Obligation Bond debt rating, and to actively invest the County's working capital to minimize risk while generating maximum investment income. Program objectives related to debt and cash management include managing the timely and economic issuance of short- and long-term financial obligations; developing and maintaining strong rating agency and investor relations; preparing accurate and timely financing documents, including the County's Annual Information Statement; ensuring strict compliance with disclosure requirements; coordinating bond counsel review; providing high-quality consulting services for County agencies, managers, staff, elected officials, and residents on issues related to debt and cash management; and managing the County's relationship with the banking and investment community. Program objectives related to policy and fiscal projects include the proactive development of intergovernmental policy alternatives and recommendations, including necessary local and state legislation and regulations; fiscal and economic impact analysis for local and state legislation; fiscal impact analysis and effective management associated with the financing and implementation aspects of Master and Sector Plans; and high quality financial consulting services for County agencies, managers, staff, elected officials, and residents.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Bond Rating - Rating given to Montgomery County by Fitch, Moody's, and Standard and Poor's (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	AAA	Expected	Expected
Investment Return Benchmarking – County Return vs. S&P Local Government Investment Pool Index (basis point spread)	20.0	10.0	20.0	20.0	20.0
Interest Rate - Montgomery County General Obligation Bond true interest cost (The interest rate of Montgomery County's most common type of bond)	2.86	2.81	2.81	5.0	5.0
Interest Rate Benchmarking – County GO vs. Municipal Market Data Index (basis point spread)	(17.0)	14.0	36.0	25.0	25.0
Investment Return - Rate of return on Montgomery County's investments	0.22%	0.10%	0.10%	0.50%	2.00%

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FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**907,870**	**6.80**
Shift: CIP White Flint Development Staff Costs to Assume Home Operations Responsibilties	27,000	0.20
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	73,491	0.00
FY13 CE Recommended	**1,008,361**	**7.00**

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 trouble shooting 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.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Requests for assistance with computer systems, i.e. Service Tickets (average number of days to close)[1]	1.9	4.0	4.0	4.0	4.0
Oracle: Enterprise Business Solutions (EBS): User service requests processed[2]	638	1,476	1,402	1,402	1,402

[1] FY11 ERP implementation.
[2] FY11 ERP implementation - Service requests are received through help desk.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**1,301,010**	**6.00**
Increase Cost: Maintenance Cost for Tyler Application Support Provider (ASP) Cloud Computing - Property Tax System	200,000	0.00
Decrease Cost: Contractual Resources for Licenses, Maintenance and Professional Contracts	-31,240	0.00
Decrease Cost: MCtime Master Lease Payments for Loans	-82,780	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	23,392	0.00
FY13 CE Recommended	**1,410,382**	**6.00**

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

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**581,710**	**7.00**
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	43,241	0.00
FY13 CE Recommended	**624,951**	**7.00**

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 stardardized 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

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collectibility.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**157,970**	**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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	12,352	0.00
FY13 CE Recommended	**170,322**	**1.00**

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 FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
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 (FY10 = 41 times).

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**1,379,090**	**13.60**
Increase Cost: Overtime	40,000	0.00
Technical Adj: Controller's Proprietary Fund Chargeback - FTE Adjustment	0	0.11
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	97,710	1.10
FY13 CE Recommended	**1,516,800**	**14.81**

Grants Accounting

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

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**518,350**	**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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	31,020	0.00
FY13 CE Recommended	**549,370**	**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.

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FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**657,470**	**7.00**
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	269,045	2.00
FY13 CE Recommended	**926,515**	**9.00**

Notes: Multi-program adjustments include a shift of CIP Tech Modernization positions to assume Home Operation Responsibilities.

Tax Operations

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

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Average number of seconds to answer customer calls to the Treasury Call Center[1]	130	NA	NA	NA	NA

[1] FY11 - function was transferred to the MC311 Call Center in FY10.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**1,675,010**	**16.80**
Enhance: Homestead Property Tax Credit - Resident Compliance - Add Program Manager II	105,020	1.00
Shift: Chargeback to Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing, Collection and Processing Services	13,700	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	167,157	0.70
FY13 CE Recommended	**1,960,887**	**18.50**

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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**304,240**	**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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	34,890	0.00
FY13 CE Recommended	**339,130**	**5.00**

Notes: Multi-program adjustments include actual Personnel Costs required to fill vacancies that were budgeted at entry level.

Insurance

e Montgomery County Self-Insurance Program, established under County Code 20-37, provides comprehensive property and casualty insurance for the County and participating agencies. The program is funded through contributions from the agencies, which are based upon an annual actuarial analysis of outstanding and projected future claims filed against the participants. The program provides accurate and timely insurance and risk management advice to participating agencies and reduces County and participating

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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 FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Number of Workers' Compensation claims resulting in lost work time	579	550	550	550	550
Workers' Compensation Cost per $100 of Payroll	$2.87	$2.95	$3.07	$3.07	$3.07

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**45,488,590**	**4.00**
Increase Cost: Adjustment to Claims Reserves	1,110,000	0.00
Increase Cost: Claims Expense	369,000	0.00
Increase Cost: Contract for Claims Administration	166,000	0.00
Increase Cost: Commercial Insurance	16,570	0.00
Decrease Cost: Biennial Claims Audit	-30,000	0.00
Decrease Cost: Adjustments due to Agency Allocation for Rate Setting Purposes	-481,110	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	25,771	0.00
FY13 CE Recommended	**46,664,821**	**4.00**

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 FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Workers Compensation - Cost per $100 of payroll	$2.87	$2.95	$3.07	$3.07	$3.07
Workers Compensation - Number of cases resulting in lost work time	622	480	550	550	550

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**604,630**	**4.00**
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	42,419	0.00
FY13 CE Recommended	**647,049**	**4.00**

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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**2,513,070**	**19.00**
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	1	0.00
FY13 CE Recommended	**2,513,071**	**19.00**

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. 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 provides high quality consulting services for County agencies, managers, staff, elected officials, and residents.

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Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Revenue forecasting - Percent variance between actual revenue and projected revenue	-5.4%	-2.2%	0.0%	0.0%	0.0%

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	**2,876,880**	**12.90**
Increase Cost: Chargeback from County Attorney	8,850	0.00
Decrease Cost: Printing and Mail Adjustment (Self-Insurance)	-980	0.00
Shift: Help Desk - Desk Side Support to the Desktop Computer Modernization NDA	-1,370	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding	-5,430	0.00
Decrease Cost: Printing and Mail	-13,030	0.00
Decrease Cost: OE Adjustment to Offset Change in Chargebacks	-22,550	0.00
Decrease Cost: OE Adjustment to Offset Increase in Overtime Costs	-40,000	0.00
Reduce: Contractual Resources for Indirect Cost Analysis and Services	-40,000	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	161,549	0.47
FY13 CE Recommended	**2,923,919**	**13.37**

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BUDGET SUMMARY

	Actual FY11	Budget FY12	Estimated FY12	Recommended FY13	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	5,629,572	6,119,460	6,116,463	6,689,254	9.3%
Employee Benefits	2,213,053	2,328,350	1,938,710	2,882,071	23.8%
County General Fund Personnel Costs	***7,842,625***	***8,447,810***	***8,055,173***	***9,571,325***	***13.3%***
Operating Expenses	991,856	1,253,400	1,814,664	1,226,540	-2.1%
Debt Service Other	140,469	0	0	0	—
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	***8,974,950***	***9,701,210***	***9,869,837***	***10,797,865***	***11.3%***
PERSONNEL					
Full-Time	101	104	104	106	1.9%
Part-Time	2	2	2	2	—
FTEs	73.70	78.70	78.70	84.31	7.1%
REVENUES					
Miscellaneous Revenues	45,614	207,000	120,000	120,000	-42.0%
Other Charges/Fees	359,990	367,510	271,430	267,230	-27.3%
Other Fines/Forfeitures	208,784	50,000	50,000	50,000	—
Other Intergovernmental	156,971	146,890	146,890	140,660	-4.2%
County General Fund Revenues	***771,359***	***771,400***	***588,320***	***577,890***	***-25.1%***
SELF INSURANCE INTERNAL SERVICE FUND					
EXPENDITURES					
Salaries and Wages	2,715,636	2,867,750	2,720,988	2,895,364	1.0%
Employee Benefits	812,397	942,200	818,493	956,029	1.5%
Self Insurance Internal Service Fund Personnel Costs	***3,528,033***	***3,809,950***	***3,539,481***	***3,851,393***	***1.1%***
Operating Expenses	48,690,951	45,454,730	45,454,735	46,606,320	2.5%
Capital Outlay	0	0	0	0	—
Self Insurance Internal Service Fund Expenditures	***52,218,984***	***49,264,680***	***48,994,216***	***50,457,713***	***2.4%***
PERSONNEL					
Full-Time	11	10	10	10	—
Part-Time	0	0	0	0	—
FTEs	29.20	29.40	29.40	29.37	-0.1%
REVENUES					
Investment Income	28,748	250,000	250,000	250,000	—
Miscellaneous Revenues	475,040	0	0	0	—
Self Insurance Employee Health Income	676,400	4,240	0	0	—
Self Insurance Revenues	51,614,617	56,656,320	56,672,810	56,147,810	-0.9%
Other Charges/Fees	0	12,250	0	0	—
Self Insurance Internal Service Fund Revenues	***52,794,805***	***56,922,810***	***56,922,810***	***56,397,810***	***-0.9%***
DEPARTMENT TOTALS					
Total Expenditures	**61,193,934**	**58,965,890**	**58,864,053**	**61,255,578**	**3.9%**
Total Full-Time Positions	**112**	**114**	**114**	**116**	**1.8%**
Total Part-Time Positions	**2**	**2**	**2**	**2**	**—**
Total FTEs	***102.90***	***108.10***	***108.10***	***113.68***	***5.2%***
Total Revenues	***53,566,164***	***57,694,210***	***57,511,130***	***56,975,700***	***-1.2%***

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FY13 RECOMMENDED CHANGES

	Expenditures	FTEs
OUNTY GENERAL FUND		
FY12 ORIGINAL APPROPRIATION	**9,701,210**	**78.70**
Changes (with service impacts)		
Enhance: Homestead Property Tax Credit - Resident Compliance - Add Program Manager II [Tax Operations]	105,020	1.00
Reduce: Contractual Resources for Indirect Cost Analysis and Services [Operations and Administration]	-40,000	0.00
Other Adjustments (with no service impacts)		
Shift: ERP Positions to Operating Budget to Assume Home Operation Responsibilities	274,670	2.20
Increase Cost: Retirement Adjustment	229,069	0.00
Increase Cost: Group Insurance Adjustment	226,820	0.00
Increase Cost: Maintenance Cost for Tyler Application Support Provider (ASP) Cloud Computing - Property Tax System [Information Technology]	200,000	0.00
Increase Cost: Lump Sum Wage Adjustment	194,362	0.00
Increase Cost: Overtime [General Accounting]	40,000	0.00
Shift: CIP White Flint Development Staff Costs to Assume Home Operations Responsibilties [Debt, Cash, and Fiscal Projects]	27,000	0.20
Shift: Chargeback to Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing, Collection and Processing Services [Tax Operations]	13,700	0.00
Increase Cost: Chargeback from County Attorney [Operations and Administration]	8,850	0.00
Increase Cost: Longevity Adjustment	8,134	0.00
Technical Adj: Controller's Proprietary Fund Chargeback - FTE Adjustment [General Accounting]	0	0.11
Technical Adj: Conversion of WYs to FTEs in the New Hyperion Budgeting System; FTEs are No Longer Measured for Overtime and Lapse	0	2.10
Shift: Help Desk - Desk Side Support to the Desktop Computer Modernization NDA [Operations and Administration]	-1,370	0.00
Decrease Cost: Printing and Mail [Operations and Administration]	-13,030	0.00
Decrease Cost: OE Adjustment to Offset Change in Chargebacks [Operations and Administration]	-22,550	0.00
Decrease Cost: Contractual Resources for Licenses, Maintenance and Professional Contracts [Information Technology]	-31,240	0.00
Decrease Cost: OE Adjustment to Offset Increase in Overtime Costs [Operations and Administration]	-40,000	0.00
Decrease Cost: MCtime Master Lease Payments for Loans [Information Technology]	-82,780	0.00
FY13 RECOMMENDED:	**10,797,865**	**84.31**

	Expenditures	FTEs
SELF INSURANCE INTERNAL SERVICE FUND		
FY12 ORIGINAL APPROPRIATION	**49,264,680**	**29.40**
Other Adjustments (with no service impacts)		
Increase Cost: Adjustment to Claims Reserves [Insurance]	1,110,000	0.00
Increase Cost: Claims Expense [Insurance]	369,000	0.00
Increase Cost: Contract for Claims Administration [Insurance]	166,000	0.00
Increase Cost: Retirement Adjustment	41,417	0.00
Increase Cost: Lump Sum Wage Adjustment	22,279	0.00
Increase Cost: Commercial Insurance [Insurance]	16,570	0.00
Increase Cost: Motor Pool Rate Adjustment	7,540	0.00
Increase Cost: Longevity Adjustment	6,768	0.00
Technical Adj: FTE rounding	0	-0.03
Decrease Cost: Printing and Mail Adjustment (Self-Insurance) [Operations and Administration]	-980	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding [Operations and Administration]	-5,430	0.00
Decrease Cost: Group Insurance Adjustment	-29,021	0.00
Decrease Cost: Biennial Claims Audit [Insurance]	-30,000	0.00
Decrease Cost: Adjustments due to Agency Allocation for Rate Setting Purposes [Insurance]	-481,110	0.00
FY13 RECOMMENDED:	**50,457,713**	**29.37**

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PROGRAM SUMMARY

Program Name	FY12 Approved Expenditures	FY12 Approved FTEs	FY13 Recommended Expenditures	FY13 Recommended FTEs
Debt, Cash, and Fiscal Projects	907,870	6.80	1,008,361	7.00
Information Technology	1,301,010	6.00	1,410,382	6.00
Accounts Payable	581,710	7.00	624,951	7.00
Accounts Receivable	157,970	1.00	170,322	1.00
General Accounting	1,379,090	13.60	1,516,800	14.81
Grants Accounting	518,350	5.00	549,370	5.00
Payroll	657,470	7.00	926,515	9.00
Tax Operations	1,675,010	16.80	1,960,887	18.50
Treasury Operations	304,240	5.00	339,130	5.00
Insurance	45,488,590	4.00	46,664,821	4.00
Occupational Safety and Health	604,630	4.00	647,049	4.00
Legal Services	2,513,070	19.00	2,513,071	19.00
Operations and Administration	2,876,880	12.90	2,923,919	13.37
Total	**58,965,890**	**108.10**	**61,255,578**	**113.68**

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY12 Total$	FY12 FTEs	FY13 Total$	FY13 FTEs
COUNTY GENERAL FUND					
Board of Investment Trustees	BIT 457 Deferred Comp. Plan	23,230	0.10	23,230	0.15
Board of Investment Trustees	Employee Retirement System	173,800	1.32	49,560	0.32
Board of Investment Trustees	Retiree Health Benefits	38,720	0.30	38,720	0.25
Board of Investment Trustees	Retirement Savings Plan	24,780	0.16	24,780	0.16
CIP	CIP	1,820,620	14.40	1,809,321	14.00
Community Use of Public Facilities	Community Use of Public Facilities	5,090	0.10	5,090	0.04
Environmental Protection	Water Quality Protection Fund	512,490	2.70	347,180	3.20
Finance	CIP	294,670	2.40	0	0.00
Finance	Self Insurance Internal Service Fund	50,620	0.37	50,620	0.37
General Services	Printing and Mail Internal Service Fund	6,430	0.05	6,430	0.05
Human Resources	Employee Health Benefit Self Insurance Fund	104,800	0.75	104,800	0.75
Parking District Services	Bethesda Parking District	57,997	0.64	57,940	0.68
Parking District Services	Montgomery Hills Parking District	5,777	0.10	5,780	0.05
Parking District Services	Silver Spring Parking District	54,338	0.52	54,300	0.54
Parking District Services	Wheaton Parking District	13,399	0.10	13,380	0.13
Permitting Services	Permitting Services	13,070	0.10	13,070	0.10
Solid Waste Services	Solid Waste Collection	89,860	0.36	90,280	0.34
Solid Waste Services	Solid Waste Disposal	216,380	2.33	217,320	2.38
Transportation	Vacuum Leaf Collection	80,530	0.25	80,830	0.23
Total		**3,586,601**	**27.05**	**2,992,631**	**23.74**

FUTURE FISCAL IMPACTS

Title	CE REC. FY13	FY14	FY15	($000's) FY16	FY17	FY18
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY13 Recommended	**10,798**	**10,798**	**10,798**	**10,798**	**10,798**	**10,798**
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Lump Sum Wage Adjustment	**0**	**-194**	**-194**	**-194**	**-194**	**-194**
This represents the elimination of the one-time lump sum wage increases paid in FY13.						
Subtotal Expenditures	***10,798***	***10,604***	***10,604***	***10,604***	***10,604***	***10,604***
SELF INSURANCE INTERNAL SERVICE FUND						
Expenditures						
FY13 Recommended	**50,458**	**50,458**	**50,458**	**50,458**	**50,458**	**50,458**
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Lump Sum Wage Adjustment	**0**	**-22**	**-22**	**-22**	**-22**	**-22**
This represents the elimination of the one-time lump sum wage increases paid in FY13.						

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Title	CE REC. FY13	FY14	FY15	($000's) FY16	FY17	FY18
Retiree Health Insurance Pre-Funding	**0**	**-11**	**-28**	**-29**	**-29**	**-29**
These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.						
Subtotal Expenditures	***50,458***	***50,425***	***50,407***	***50,406***	***50,406***	***50,406***

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DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

April 16, 2012

TO: Nancy Navarro, Chair
Government Operations Committee

FROM: Joseph F. Beach, Director
Department of Finance

SUBJECT: Update: Status of Financial Reporting Issues in the Enterprise Resource Planning Project

The purpose of this memo is to provide the Government Operations Committee with an update on the status of Financial Reporting issues in the Enterprise Resources Planning (ERP) project.

1) CAFR Completion: The County's Comprehensive Annual Financial Report (CAFR) was published on March 29, 2012. While this was later than the normal publication date (before December 31st) the County was able to obtain the appropriate deadline extensions from the Government Finance Officers Association (GFOA) and the State of Maryland. This was the first year that the ERP system was used to produce the CAFR. Because of challenges encountered in implementation of the ERP system, detailed in the attached November 16, 2011 memo, publication of the CAFR was delayed past its regular publication date. Based on the experience gained in developing the FY11 CAFR, improvements made to the ERP system since "go-live" on 7/1/2010, and other steps being taken discussed below, we do not anticipate requiring an extension for completion of the FY2012 CAFR.

2) Going Forward - Issues and Process: The Department of Finance, in consultation with the Technology Modernization Project Office completed an inventory of system and process issues, including short-term workaround solutions, required to complete the FY11 CAFR. This inventory is currently being reevaluated for completeness, especially as it relates to short-term workarounds that require longer term solutions to address reporting and financial process issues in FY12 and beyond. We are using this inventory to systematically address remaining project issues in a priority order. We believe that this orderly and comprehensive approach to resolving remaining issues will provide not only for timely preparation of the

FY12 CAFR, but also allow County employees to use the very powerful tools available within the ERP project to improve financial management, budget control, reporting, and provide relevant data for management decisions. Addressing such issues in a prioritized and organized manner – including prioritizing those remaining issues that had more significant impacts on the year-end closing, auditing, and CAFR preparation processes, is especially important since ultimate resolution of all issues will extend beyond FY12.

3) Staffing: Backfill and vacancies: The Department of Finance currently has 16 vacancies including 8 vacancies within the Controller's Division. Finance is working proactively with the Office of Human Resources to fill all of these positions during the balance of FY12 and FY13. In many cases we are using contractual resources to backfill these vacant positions, however, our ultimate goal is to fill the vacant positions and perform this work with in-house resources. I want to note though that the labor market for skilled and experienced accountants is very competitive with private industry usually paying significantly higher salaries than the County is able to offer under the current classification and salary structure.

4) Assessment of Appropriate Staffing for the Controller's Division: Currently my Office is conducting a comprehensive review of the structure, staffing levels, and position classifications in the Controller's Division to ensure that the Division is adequately staffed relative to its mission, especially using the new ERP system. In addition we are looking at the opportunity to repurpose some of the existing vacant positions so that they more appropriately address the staffing and resource needs of the division in serving the County Government.

I look forward to discussing these issues with the GO Committee at the meeting scheduled for April 19.

copies:
Valerie Ervin, Council President
Hans Riemer, Government Operations Committee
Timothy L. Firestine, CAO
Jacob Sesker, Council Staff
Costis Toregas, Council Staff
Jennifer Hughes, Director, Office of Management and Budget
Karen Plucinski, Acting Project Director, Technology Modernization Project

DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

November 16, 2011

TO: Nancy Navarro, Chair
Government Operations Committee

FROM: Joseph F. Beach, Director
Department of Finance

SUBJECT: Status of Enterprise Resource Planning Project

Project Implementation

This memo is intended to provide the Government Operations (GO) Committee with an update on the status of the Enterprise Resource Planning (ERP) project based on the Finance Department's recent request for Council approval of a contract amendment with Clifton Gunderson. As mentioned at the recent Audit Committee meeting on the contract amendment, I believe the ERP project has been very successful. As detailed below, we have implemented the ERP project on time and within budget including replacement of all core financial systems, payroll, human resource management, as well as implementation of electronic timekeeping in all departments. We are continuing to implement new modules to enhance the functionality of the system and develop reports to allow departments to track and manage their budgets.

However, this has been an extremely challenging project and we have experienced certain post implementation issues that are not uncommon for this type of complex project. Among these challenges have been implementing and managing significantly different business processes under the new ERP system. The transition from the County's fragmented, mainframe based legacy systems and the tightly integrated ERP system has been a challenge for training (end users and managing departments), knowledge transfer (between Consultants and County staff), and administering financial programs. Since the go-live date for the financial systems on July 6, 2010 and the go-live for the human resource system on January 1, 2011 we are implementing several "first-time" processes under the new system including year end closing and production of the Comprehensive Annual Financial Report (CAFR), production of W2 tax reporting forms, group insurance open enrollment and other major enterprise processes. This presents challenges in terms of communication, training, and problem resolution.

Lessons Learned

Reports: One of the challenges we have experienced this year has been the need to reproduce reports that had been routinely used under the legacy system for several years. In order to expedite completion of other tasks and conserve resources on the project a decision was made to produce reports after the go-live date. On hindsight, availability of certain reports would have permitted the ERP team and departments to identify process implementation issues earlier and would have provided end users access to information about the status of their budgets.

Change Management/Knowledge Transfer: As mentioned previously, the County's transition to ERP was a major change from the legacy systems. Additional investments in change management and knowledge transfer would have better prepared County staff for the magnitude of change, the complexities of the new system, and facilitated adoption of the new system and business processes. In addition, a more concentrated effort with the "core business" departments (Finance, OMB, OHR, DGS-Procurement) should have been engaged along with the departmental end-users. The reason for this is that core business departments are the business process leaders within the government and are essential to system adoption as well as to identifying and resolving process and system issues.

Sustaining Organization: The County was very successful in preparing for and implementing the new system on time and under budget. However, a substantial investment in resources are needed post implementation to resolve problems, facilitate communication across business processes because of the system integration, produce reports, and re-engineer business processes. The Government Finance Officers Association (GFOA) and Gartner (a premier IT consulting organization) recommend that organizations implementing an ERP also establish an enterprise business support structure (often called a sustaining organization or Enterprise Service Center) after project implementation to maintain, enhance, and focus on: business strategy, functional / technical expertise, software integration, technology, project management and continuous process improvement. Investing in a sustaining organization is key to fully exploiting the capabilities of the new ERP system.

Testing Across Modules: Before go-live on all systems and modules, extensive testing was done to ensure the system specifications were satisfied. However, with the tightly integrated nature of the ERP system, it would have been beneficial to have performed additional testing across certain modules (for examples General Ledger and Projects and Grants) to identify process and system issues that were identified after system implementation.

Turnover and Position Abolishments: While the implementation of the ERP system will allow the County to operate in a more efficient, streamlined manner, the transition to the new system has been affected significantly by turnover in key positions within the Department of Finance and across the government as well as the abolishment of hundreds of administrative, fiscal, information technology (IT), and clerical positions within the government over the past four years due to severe economic and fiscal constraints. The Controller's Division in the Department of Finance has experienced a significant turnover in its staff over the past year primarily due to retirements. This loss of expertise and experience has created significant challenges during the very difficult transition from the County's legacy systems to the ERP system. In addition, because of the very competitive market for individuals with the functional and IT experience in ERP systems it has been difficult to recruit and retain contractual resources to remain on the ERP project.

ERP Accomplishments

Below I have listed in detail the many accomplishments and successes of the ERP project as well as the remaining tasks for this year:

Objectives Accomplished:

- Implementation on time and within budget (ERP Financials, Human Capital Management)
- Core Business Enterprise Legacy systems replaced
- Standardized and automated processes using a single, integrated computer system
- System Workflow and Approvals implemented to reduce manual, paper business processes and enhance internal controls
- Integrated business process sharing a centralized database and servers
- Internal controls with electronic timesheets and budgetary controls
- Self Service functionality for employees to access applications

Oracle e-Business Financial and Human Capital Management modules implemented since July 2010.

- General Ledger
- Accounts Payable
- Purchasing
- Accounts Receivable
- Cash Management
- Fixed Assets
- iAssets
- Projects and Grants

- Time and Attendance (MCtime)
- Active Employee Payroll
- Employee Self Service
- Manager Self Service
- Advanced Benefits
- Pension Administration
- Labor Distribution
- iRecruitment

Oracle e-Business modules being implemented in FY 12

- Retiree Payroll
- Performance Management
- Compensation Workbench
- Learning Management
- Hyperion
- Inventory
- eAsset Management
- iExpense
- iSupplier
- Advanced Collection
- iReceivables

Financials Accomplishments

- Implemented employee self service web portal
- Provided employees on-line pay slips, W2's, federal tax forms, etc..
- Eliminated mailing of payroll advices for employees with computer access. Employees can access through self service web portal.
- Streamlined business processes in Payroll:
  Retroactive pay process
  Automation of Garnishment payments
  W2 availability on-line (January 2012)
- Successfully implemented Budget Controls
- Streamline process for Journal and Budget entries, including elimination of manual paper processes
- Eliminate Finance from imaging approved Budget Change paper documents
- Prior to the new ERP budget change process, OMB was imaging the approved budget change packets (totaling over 800 annually), using the ZyImage document imaging process. The new ERP provides information on budget change approvals in the system and reports can be generated for auditors and reporting to end users

Retirement of Legacy Systems

Prior to implementation of the ERP, the County identified 300 stand alone systems that departments were using for their core business processes. Many of these systems have been or will be retired with the implementation of the ERP system. Below is a list of retired systems, licenses and software and the related savings that have already been realized in previous budgets approved by the County Council.

Eliminate paper timesheet process for department end users (MCtime)	$416,580
Eliminate Merkel Timesheet Keypunching contract – pre ERP implementation	$325,000
Elimination of ADPICS (procurement) software and maintenance	$70,000
Elimination of annual license fee and support for ePerform	$260,000
Eliminate contract costs related to ePAF (position action form), Unified Data Modeler (identity management), and pension and benefit applications	$300,000
Eliminate Human Resource Management System (HRMS) annual license/maintenance agreement with Integral	$175,000
Eliminate PeopleClick applicant tracking contract	$200,000
Eliminate annual license fees for SAS (statistical analysis software used in HR and financial applications)	$115,000
Eliminate Mainframe After-hours Operations	$802,810
Eliminate Mainframe Disaster Recovery and reduce Mainframe licensing/maintenance	$190,000

I look forward to discussing this project with the GO Committee at the meeting scheduled for November 21.

copies:
Valerie Ervin, Council President
Hans Riemer, Government Operations Committee
Timothy L. Firestine, CAO
Costis Toregas, Council Staff
Steve Emanuel, Chief Information Officer
David Dise, Director, Department of General Services
Joseph Adler, Director, Office of Human Resources
Jennifer Hughes, Director, Office of Management and Budget
Karen Plucinski, Acting Project Director, Technology Modernization Project

Triple AAA Counties Over 500,000 Population

	County	State	2010 Population
1	Baltimore	MD	805,000
2	Bernalillo	NM	663,000
3	Cobb	GA	688,000
4	Denver	CO	600,000
5	Dupage	IL	917,000
6	Fairfax	VA	1,082,000
7	Gwinnett	GA	805,000
8	Harris	TX	4,092,000
9	Hennepin	MN	1,152,000
10	Hillsborough	FL	1,229,000
11	Johnson	KS	544,000
12	King	WA	1,931,000
13	Maricopa	AZ	3,817,000
14	Mecklenburg	NC	920,000
15	Monmouth	NJ	630,000
16	**Montgomery**	**MD**	**972,000**
17	New Castle	DE	538,000
18	Palm Beach	FL	1,320,000
19	Prince George's	MD	863,000
20	Salt Lake	UT	1,030,000
21	St. Louis	MO	999,000
22	Wake	NC	901,000
23	Westchester	NY	949,000

Ride On bus fires in Montgomery prompt federal safety probe

By Dana Hedgpeth, Published: April 11

Federal safety officials are investigating some of Montgomery County's Ride On buses following fires that have destroyed five of them since 2009.

The buses, part of a fleet of 50 Navistar diesel vehicles purchased by Montgomery, had problems with electrical panels and parking brakes that caused the fires, officials said.

In an e-mailed statement Wednesday, the National Highway Traffic Safety Administration said it is looking into the buses to "determine if a safety defect exists in these vehicles." Officials there said they do not know when their investigation will be finished.

The most recent fire happened in March and is still under investigation, Montgomery officials said. No passengers were aboard the buses when the fires occurred. One driver bumped his head as he tried to escape a fire and was treated for minor injuries, according to Montgomery officials.

Montgomery officials said they continue to operate the 45 remaining Navistar buses as "infrequently as possible" for the Ride On service, which provides 26 million passenger trips a year. The county's bus fleet totals about 300.

The small size of the Navistar buses — about 30 feet long — enables them to navigate neighborhoods and other areas with tight streets. Montgomery officials said they carefully inspect the buses every 5,000 to 6,000 miles for preventive maintenance.

"We will not put a bus on the street that we believe is unsafe," said David Dise, director of Montgomery's Department of General Services.

Representatives from Local 1994, a union that represents bus operators, have expressed concern about the safety of their drivers on the buses and have filed a grievance claiming that the county has failed "to enforce safety and health obligations" of the employees and the public and demanding that the problem buses be taken out of service. Montgomery is looking to replace the buses over the next six months, but union officials are still worried.

"That's not soon enough," bus operator and union leader Nelvin Ransome said in a statement. "The possibilities are still too great we'll see more incidents in the next six months."

Navistar spokeswoman Karen Denning wrote in an e-mail that the bus fires "appear to be isolated to Montgomery County."

"Navistar has participated in the investigation of the incidents in Montgomery County where our bus chassis were involved and most have resulted in inconclusive findings," she wrote. "On March 22, 2012, NHTSA opened an investigation on the buses in Montgomery County. No documentation has yet been provided about the questions they intend to ask. Navistar will, of course, cooperate fully with NHTSA."

Montgomery spent $8.75 million in 2007 to buy the 50 diesel buses.

When the first bus fire occurred in September 2009, Montgomery officials said, they idled the fleet of Navistar buses, made repairs and put the buses back into service in July 2010.

But further incidents occurred, including cases in which the parking brake would activate when the bus was being driven, Dise said.

"There clearly have been a lot of issues with these buses," Dise said. "It has to do with the wear and tear. These are buses that are not keeping up with the conditions we need them to put up with. They haven't held up as long as they should have.

"We're running them as infrequently as we can, but we have a lot of people who rely on bus service."

Montgomery officials said that the county has spent about $13,700 in repairs to the buses and that the rest of the repair costs have come from Rohrer, the dealer that sold them the buses.

The county is looking to several sources for alternatives. It has spent about $190,000 total buying 15 used buses from the city of Pittsburgh. Officials said the county may also buy used buses from Metro and the city of Philadelphia.

Montgomery eventually plans to buy new, more heavy-duty buses at a cost of $426,180 each, Dise said.

What happens to the 45 Navistar buses once the new buses arrive? One word, Dise said: Scrap.