GO Committee #1
April 15, 2013

MEMORANDUM

April 11, 2013

TO: Government Operations and Fiscal Policy Committee

FROM: Jacob Sesker, Senior Legislative Analyst JS

SUBJECT: FY14 Operating Budget: Department of Finance, including Risk Management, NDAs for Risk Management, Working Families Income Supplement, State Property Tax Services, and Restricted Donations

Attendees from Finance: Joseph Beach, Finance Director; Karen Hawkins, Finance Chief Operating Officer; Nancy Moseley, Finance Manager; Pamela Schroeder, Chief, Division of Risk Management.

Attendees from OMB: Erika Lopez-Finn; Chris Mullin.

Relevant pages from the FY14 Recommended Operating Budget are attached on © 1-9.

Summary of Council Staff Recommendations

- Staff recommends approval of the Recommended FY14 Operating Budget for Department of Finance, General Fund.
- Staff recommends approval of the Recommended FY14 Operating Budget for Department of Finance, Self Insurance Internal Service Fund.
- Staff recommends approval of the Recommended FY14 Operating Budget for the NDA-General Fund portion of the County's contribution to the Risk Management Fund.
- Staff recommends approval of the Recommended FY14 Operating Budget for the NDA-Working Families Income Supplement.
- Staff recommends approval of the Recommended FY14 Operating Budget for the NDA-State Property Tax Services.
- Staff recommends approval of the Recommended FY14 Operating Budget for the NDA-Restricted Donations.

Overview

This packet contains analysis of the recommended FY14 operating budget for the Department of Finance and several related budgets: non-departmental accounts (NDAs) for Risk Management, Working Families Income Supplement, State Property Tax Services, and Restricted Donations.

Department of Finance, including Risk Management

The operating budget of the Department of Finance is comprised of a General Fund component (the Director's Office, Division of Treasury, and the Division of Controller) and a Liability and Property Coverage Self Insurance Fund component (Division of Risk Management).[1]

The Executive's recommended FY14 operating budget for the Department of Finance is \$69,142,455, an increase of \$7,894,713 (+12.9%) from the FY13 Approved Budget of \$61,247,742. Of that total increase, 80.9% (\$6,386,908) is attributable to a recommended increase in the Self Insurance Internal Service Fund[2] portion of the budget, with 19.1% (\$1,507,805) of the increase attributable to a recommended increase in the General Fund portion of the budget.

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. The County successfully retained its AAA bond rating from all three major credit rating agencies last year, making Montgomery County one of the largest "triple-AAA" rated counties in the nation. *See Triple AAA Counties Over 500,000 Population, © 10, and The Financial Impact of a Downgrade, © 11-13.*

FY14 Expenditure Issues

Public hearing testimony

As of the writing of this memorandum, Staff is not aware of any public hearing testimony that is relevant to the operating budget of the Finance Department.

[1] The NDA for Risk Management, which funds the General Fund contribution to the Liability and Property Coverage Self Insurance Fund, is included in the NDA section of this memorandum.
[2] The Self Insurance Internal Service Fund is also sometimes referred to as the Liability and Property Coverage Self Insurance Fund (a more descriptive title).

Department of Finance: General Fund

The General Fund portion of the Department of Finance includes the Director's Office, the Division of the Controller, and the Division of Treasury. The Executive recommended the following changes to the General Fund portion of Finance's FY14 Operating Budget:

Change	***Expenditure***	***FTEs***
FY13 Original Appropriation	**$10,791,460**	**84.31**
Increase Cost: FY13 Mid-Year Division of the Controller Reorganization	$609,081	9.00
Increase Cost: Controller Contractual Resources to Support Finance Home Operation Mandates and Responsibilities	$518,000	0.00
Increase Cost: Compensation Adjustment	$307,576	0.00
Increase Cost: Contract Management and Special Projects	$150,671	1.00
Increase Cost: Audit of Automated Clearing House and P-Card Industry Compliance	$125,000	0.00
Increase Cost: Retirement Adjustment	$24,006	0.00
Increase Cost: Overtime, Tax Operations	$14,820	0.00
Increase Cost: Other Labor Contract Costs	$8,792	0.00
Increase Cost: Printing and Mail Adjustment	$1,433	0.00
Shift: Chargeback to PLDs, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing Collection and Processing	($14,820)	0.00
Decrease Cost: Group Insurance Adjustment	($48,797)	0.00
Decrease Cost: Elimination of FY13 $2,000 Lump Sum	($187,957)	0.00
FY14 Recommended	**$12,299,265**	**94.31**

The recommended FY14 Operating Budget for Finance (General Fund) would represent an increase of $1,507,805 compared to the FY13 Approved Operating Budget. Of that increase, 75% is attributable to the mid-year reorganization and expansion of the Controller's Division and contractual resources to support home operations mandates and responsibilities. The increase in the personnel complement of the Controller's Division facilitates the centralization of functions previously performed within other departments. The reorganization of the Controller's Division aligns staffing with current business processes and with the Oracle ERP system, and addresses internal control issues identified by internal and external auditors.

	FY10 Approved	FY11 Approved	FY12 Approved	FY13 Approved	FY14 Recommended
Full time	113	101	104	104	113
Part time	2	2	2	2	1
Workyears	79.0	73.7	78.7	—	—
FTEs	—	—	—	84.31	94.31
Appropriation	$9,751,930	$9,596,890	$9,701,210	$10,791,460	$12,299,265

Reorganization of the Controller's Division

The recommended FY14 Operating Budget includes a significant re-organization of the Controller's Division. *See Reorganization Chart, © 14.* The Committee was briefed regarding the re-organization plan on November 5, 2012. At that time, Finance presented a slideshow explaining the reorganization, including the measures of a successful reorganization. *See Slides, © 15-17.*

The reorganization affects most of the sections within the Controller's Division, and also impacts other divisions in the General Fund portion of Finance's budget. *See Finance Budget Q& A, © 18-24 (generally).* The most significant changes to any sections within the Controller's Division as a result of this reorganization are the addition of 5.00 FTEs in Accounts Receivable and adding 4.00 FTEs to General Accounting. *See Reorganization Chart, © 14.*

Staff turnover, changing demands on the department, and changes to business processes had resulted in internal control issues, a delay in CAFR production, and workload backlogs. The reorganization will facilitate better response to the growing volume and increasing complexity of financial transactions, as well as changing or recently changed reporting and internal control standards. In addition, the reorganization will be more closely aligned with Finance's new business processes and ERP systems. *See Finance Budget Q & A, © 19-23 (Questions #5-10 and Question #12a).*

Finance had a significant number of un-filled vacancies in FY12 and FY13, many of which have now been filled. Overall, vacancies have been reduced from 16 in April 2012 to 13 in April 2013. Finance has hired 23 individuals in FY13 to fill positions, with more than half of those new hires in the Controller's Division.

Another key change from FY13 Approved is the addition of 1.00 FTE and $150,671 (in the Director's Office) for contract management and special projects. This addition frees up other key personnel from managing large procurements (e.g., banking).

Staff recommends requesting a mid-year written update from Finance regarding hiring, vacancies, and lapse.

ERP Migration to Operating Budget

During the FY13 Operating Budget, Finance was expecting a reduction in the number of positions charged to the CIP. This reduction would be the result of ERP positions migrating back to the Operating Budget or the elimination of ERP positions that are not necessary as part of the sustaining operations. At that time, Finance estimated that the FY14 budget would include 11.50 FTEs charged to the CIP. The Recommended FY14 Operating Budget reduces positions charged to the CIP from 14.00 FTEs in FY13 to 10.50 FTEs in FY14. Of those positions, 3.0 were approved but never classified, and 0.5 FTEs relate to a position that is changing from full-time to part-time. *See Finance Q & A, © 18 (Question #2).*

Compliance Unit

The Committee received a briefing on the efforts of the Compliance Unit on February 25, 2013. The Compliance Unit was formed in order to ensure that ineligible accounts do not receive property tax credits that are intended only for owner-occupied residential accounts. Finance estimates that, in FY14, that unit will research and correct approximately 4,000 FY14 current year bills. Accounts with corrected bills will be back-billed for the three prior years. *See Finance Q & A, © 18 (Question #3).*

Only owner-occupied residential accounts are eligible for the County's Homestead Credit and Property Tax Credit (Income Tax Offset Credit) programs. However, many ineligible accounts have also been receiving these credits—for example, rental properties, bank-owned foreclosures, and residences that are not principal residences. Each ineligible property that receives the credit in effect increases the tax burden that must be borne by all property owners.

In FY13 this Committee recommended, and the Council approved, a budget for the Department of Finance which included a new position created for the purpose of identifying, contacting, and billing these accounts. The Committee correctly anticipated that this position would generate sufficient revenues to not only cover its costs, but provide additional revenues as well.

As of the February briefing, 1,956 accounts had been identified and had been sent to SDAT for verification; 999 of these had been verified. The County had sent bills to 216 accounts and had received $134,206. At that time, Finance estimated that these accounts could represent a return to County taxpayers of $5,421,298 for credits received during 2009-2012.

Staff recommends requesting written quarterly reports regarding the efforts of the Compliance Unit, resulting revenues, and related issues.

Commercial Property Tax Assessments

The Inspector General (OIG) issued a report regarding commercial property tax assessments in January. The Committee was briefed on this report on March 18, 2013. The report recommendations included additional staff resources, an increase in the number of assessment appeals, and better monitoring of property owner appeals of commercial assessments. At that time, Finance indicated that a mid-level research position would assist Finance in implementing the OIG recommendations. Currently, the additional resource the department is using to assist the Tax Advocate is a part-time intern. *See Finance Q & A, © 18 (Question #3).*

Staff recommends requesting a written report describing the efforts undertaken by the intern, along with any actual or expected results from that effort, in late summer or early fall.

Council Staff Recommendation (Finance-General Fund)

Staff recommends approval of the Recommended FY14 Operating Budget for Finance (General Fund).

Issues to Pursue After Budget Season (Finance-General Fund)

Staff recommends requesting a mid-year written update from Finance regarding hiring, vacancies, and lapse.

Staff recommends requesting written quarterly reports regarding the efforts of the Compliance Unit, resulting revenues, and related issues.

Staff recommends requesting a written report describing the efforts undertaken by the intern, along with any actual or expected results from that effort, in late summer or early fall.

Liability and Property Coverage Self Insurance Fund

The Risk Management Division of the Department of Finance is charged with administering the self insurance program established under §20-37 of the County Code. Finance administers the program, but ultimately most cost control measures must be implemented by participating departments and agencies.

The Executive recommended the following changes to the Self Insurance Internal Service Fund portion of Finance's FY14 Operating Budget:

Change	*Expenditure*	*FTEs*
FY13 Original Appropriation	**$50,456,282**	**29.37**
Increase Cost: Claims Expense	$4,737,000	0.00
Increase Cost: Adjustment to Claims Reserves	$900,000	0.00
Increase Cost: Commercial Insurance	$316,365	0.00
Increase Cost: Contract for Claims Administration	$298,010	0.00
Increase Cost: FY14 Compensation Adjustment	$105,300	1.00
Increase Cost: Additional Chargeback from the County Attorney	$79,860	0.00
Increase Cost: Workers Compensation Payroll Tax	$40,000	0.00
Increase Cost: Biennial Claims Audit	$19,443	0.00
Increase Cost: Group Insurance Adjustment	$10,080	0.00
Increase Cost: Other Labor Contract Costs	$2,960	0.00
Increase Cost: Printing and Mail Adjustment	$489	0.00
Decrease Cost: Motor Pool Adjustment	($9,758)	0.00
Decrease Cost: Elimination of FY13 $2,000 Lump Sum	($20,848)	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding	($24,910)	0.00
Increase Cost: Annualization of FY13 Operating Expenses	($31,865)	0.00
Increase Cost: Annualization of FY13 Personnel Costs	($155,589)	0.00
FY14 Recommended	**$56,843,190**	**30.37**

As stated above, the recommended FY14 Operating Budget for Finance (Self Insurance Internal Service Fund) would represent an increase of $6,386,908 compared to the FY13 Approved. Of that increase, 74% is attributable to increases in claims expense.

The Committee received a mid-year update regarding the Risk Management Division on February 4, 2013. At that time, Finance expected claims costs this year to be $3.13 per MCG employee. In the FY14 Recommended Budget, that estimate has been revised upward to $3.46 per MCG employee, partially as a result of ever-increasing claims costs. *See Finance Budget Q & A, © 22 (Question #11a).*

As of December 31, 2012, FY12 property claims totaled more than $1.3 million, with $356,648 of that for Montgomery County Government. *See Finance Budget Q & A, © 22 (Question #11c).*

Total reimbursement for damage sustained during the Derecho is $6,141,711, which represents three-quarters of the total claims submitted ($8,181,573). *See Beach Derecho E-mail, © 25.*

Council Staff Recommendation (Finance-Self Insurance Internal Service Fund)

Staff recommends approval of the Recommended FY14 Operating Budget for Finance (Self Insurance Internal Service Fund).

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 Executive's recommended FY14 budget is $20,564,342, an increase of $3,281,412 from the FY13 Approved budget of $17,282,930.

In response to Staff's question, Finance summarized the factors that led to the increase as follows: "The increase is based on higher costs and revised reserves. The frequency of claims has remained relatively stable while costs have escalated, partially due to increased medical costs. Medical inflation alone was at 3.7% in 2012. With the transfer of claims to the new third party administrator (TPA), reserves were strengthened in anticipation of the increased costs for the future." *See Finance Q&A, © 22-24 (Questions # 11, 13).*

Staff recommends approving the Recommended FY14 Operating Budget for this NDA, which is based on the results of an annual actuarial study.

NDA-Working Families Income Supplement

This NDA provides County funds to supplement the State's Earned Income Tax Credit. The Executive requests $16,661,800 for the Working Families Income Supplement, an increase of $1,794,800 (+12.1%) from the FY13 Approved budget of $14,867,000.

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).

WORKING FAMILIES INCOME SUPPLEMENT NDA (EITC)						
Fiscal Year	County Match	Admin. Cost	Cost of EITC Refunds	Total Cost	Total Recipients	Average EITC
2000	100.0%	$11,813	$2,199,592	$2,211,405	12,322	$178.51
2001	125.0%	$9,740	$2,544,412	$2,554,152	10,917	$233.08
2002	100.0%	$10,921	$3,952,062	$3,962,983	14,122	$279.86
2003	100.0%	$10,732	$4,585,128	$4,595,860	14,814	$309.51
2004	100.0%	$12,910	$6,012,089	$6,024,999	18,074	$332.64
2005	100.0%	$14,109	$7,907,451	$7,921,560	20,805	$380.08
2006	100.0%	$25,376	$10,236,647	$10,262,023	20,789	$492.40
2007	100.0%	$16,027	$9,970,176	$9,986,203	20,210	$493.33
2008	100.0%	$17,577	$12,910,993	$12,928,570	26,584	$485.66
2009	100.0%	$15,361	$9,000,906	$9,016,267	19,559	$460.19
2010	100.0%	$19,448	$15,063,537	$15,082,985	30,189	$498.97
2011	72.5%	$32,726	$12,920,388	$12,953,114	33,840	$381.81
2012	68.9%	$33,231	$12,805,177	$12,838,409	34,290	$373.44
2013	75.5%	$34,058	$14,836,100	$14,870,200	34,874	$425.42
2014	**80.0%**	**$34,700**	**$16,627,100**	**$16,661,800**	**36,389**	**$456.93**
source:	Montgomery County Department of Finance, Division of Treasury					

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 80.0% 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 $80. In FY11, the County matched 72.5% of the Maryland credit, while in FY12 the County matched 68.9% of the credit. In FY13, the County is matching 75.5% of the credit. *See table, above.*

Finance estimates that the cost of restoring the 100% County match to the Working Families Income Supplement NDA would increase the cost to $20,614,300 (an increase of $3,952,500). Finance estimates that the cost of each 1.0% increase would be approximately $200,000—the cost increase would not be entirely linear because of administrative costs.

The County Executive has expressed his desire to return to a 100% match when resources are available. *See CE Letter to CM Riemer, © 26.* On March 19, Bill 8-13 was introduced, which would require the County to match 100% of the State EITC by FY2016. The Council has not yet set a public hearing on Bill 8-13.

Staff recommends approving the Recommended FY14 Operating Budget for this NDA (Working Families Income Supplement).

NDA-State Property Tax Services

This NDA reimburses the State for certain costs associated with the property tax billing administration conducted by the Department of Finance. The Executive has recommended $3,248,998 in FY14, which is $2,090,432 (-39.2%) less than the FY13 Approved budget of $5,339,430.

Chapter 397 of the Budget Reconciliation and Financing Act of 2011 requires the counties (and Baltimore City) to reimburse SDAT for a percentage of certain costs associated with real property valuation and business personal property valuation. In FY14, the counties are required to reimburse SDAT for 50% of these costs. Finance expects that same split in FY15. *See SDAT Budget Q & A, © 27.*

The reimbursement to SDAT is related to the following three programs: Montgomery County Homeowner's Credit Supplement, the Homestead Credit Certification Program, and the County's share of conducting property tax assessments by SDAT. Nearly all ($3,093,998) of the reimbursement is reimbursement for property tax assessments. *See SDAT FY14 Reimbursement, © 28.* With respect to the other two programs, Finance estimates total FY13 expenditures to be $116,341.

In 2013, the Government Operations and Fiscal Policy Committee twice discussed issues related to SDAT. First, the Committee was briefed regarding the County's efforts to ensure that property tax credits intended only for owners of owner-occupied principal residences were not being claimed by other taxpayers. Those efforts by Finance will improve compliance and could result in collections in excess of $5 million for credits received by property owners who had not been entitled to the credits. While the compliance effort is a Finance initiative, Montgomery County reimburses SDAT for costs associated with making changes in the database that is used for the tax bills of Montgomery County taxpayers.

Second, the Committee was briefed regarding the Office of the Inspector General's report on commercial property tax assessments in Montgomery County. Finance provided the following response to Staff's question: "Per Marie Green, Supervisor of the Montgomery County SDAT Office, Montgomery County will get 40% (6 new positions) of the additional positions added in the Governor's FY14 recommended budget." *See SDAT Budget Q & A, © 27.*

Staff recommends approving the Recommended FY14 Operating Budget for this NDA (State Property Tax Services).

NDA-Restricted Donations

The Executive requests $0 for this NDA in FY14, as was the case in FY13. This NDA was established to comply with the requirements of Government Accounting Standards Board Statement No. 34.

Staff recommends approving the Recommended FY14 Operating Budget for this NDA (Restricted Donations).

Attachments:	© 1	Recommended FY14 Operating Budget: Finance
	© 10	Triple AAA Counties Over 500,000 Population
	© 11	Financial Impact of a Downgrade
	© 14	Reorganization Chart
	© 15	Slides (Reorganization)
	© 18	Finance Budget Q & A
	© 25	Derecho claims e-mail
	© 26	Letter from CE to CM Riemer re: WFIS
	© 27	SDAT Budget Q & A
	© 28	SDAT Reimbursement

F:\Sesker\Word\FY14 OB\FY14 OB FIN\041513 GOFP FY14 OB FINANCE.doc

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 FY14 Operating Budget for the Department of Finance is $69,142,455, an increase of $7,894,713 or 12.9 percent from the FY13 Approved Budget of $61,247,742. Personnel Costs comprise 20.8 percent of the budget for 123 full-time positions and one part-time position. A total of 124.68 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 79.2 percent of the FY14 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 FY14 Operating Budget for the General Fund component is $12,299,265 an increase of $1,507,805 or 14.0 percent over the FY13 approved budget of $10,791,460. Personnel Costs comprise approximately 85.0 percent of the General Fund budget for 113 full-time positions and one part-time position. A total of 94.31 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 15.0 percent of the budget.

The total FY14 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is $56,843,190, an increase of $6,386,908 or 12.7 percent over the FY13 approved budget of $50,456,282. Personnel Costs comprise approximately 6.9 percent of the Self-Insurance Fund budget for 10 full-time positions. A total of 30.37 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 93.1 percent of the budget. Included in the total FTEs are 20.00 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 FY13 estimates reflect funding based on the FY13 approved budget. The FY14 and FY15 figures are performance targets based on the FY14 recommended budget and funding for comparable service levels in FY15.

ACCOMPLISHMENTS AND INITIATIVES

- ***Successfully retained the County's AAA bond rating from the three major credit rating agencies in the summer of 2012.***
- ***In July and August 2012, successfully implemented a new investment program with County community banks to support the growth of local jobs. Continually looking for ways to raise investment yields and reduce banking costs.***
- ***In FY13 implemented the Purchasing Card Single Use Application for our suppliers (vendors) which will streamline and reduce the cost of vendor payments and thereby generate additional revenue. P-Card revenue increased by nearly 62% in FY12.***
- ***Productivity Improvements***

- ***Cost Savings: In September 2012 saved the County $2.5 million in real cash flow debt service costs by refunding $23.4 million of general obligation and MEDCO parking bonds (over 10% savings). At the same time, Finance issued $295 million in new GO bonds. One week later, in conjunction with Montgomery County Revenue Authority, refunded $8.4 million in bonds and saved over $1 million (or 13.6%). In May 2012 the Department of Finance issued $24.1 million in new and $13.8 million in refunding bonds for the Bethesda Parking Lot District. The savings on the refunding bonds was $2.2 million, or 13.7%. At the end of June 2012 Finance issued $37.8 million in Water Quality Protection Charge Bonds to help pay the capital costs related to the County's MS4 water quality permit. Overall, the Department is continually analyzing refunding opportunities to save County funds.***

- ***Cost Savings and Process Re-engineering Initiative: In FY13 Finance implemented the Homestead Tax Credit Program which will verify and monitor resident compliance to ensure that only owner occupied residential dwellings receive the County's Homestead Credit and Property Tax Credit. Through October 2012 Finance has reviewed 1,956 accounts and identified over $5.4 million potentially owed to the County.***

- ***Cost Savings and Process Re-engineering Initiative: Implemented the Take Home Vehicle Tax Reporting system to automate and streamline the take home vehicle use tax reporting. The Department implemented the Bag Tax Registration and Payment system on time which is responsible for the collection of approximately $1 million annually from nearly 1,000 vendors.***

PROGRAM CONTACTS

Contact Nancy Moseley of the Department of Finance at 240.777.8886 or Erika Lopez-Finn of the Office of Management and Budget at 240.777.2771 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 FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
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)	10.0	4.0	10.0	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)	2.26	3.23	2.30	5.0	5.0
Interest Rate Benchmarking – County GO vs. Municipal Market Data Index (basis point spread)	14.0	14.0	2	0	0
Investment Return - Rate of return on Montgomery County's investments	0.10%	0.2%	0.17%	0.19%	0.36%

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**1,008,361**	**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.	5,981	0.00
FY14 CE Recommended	**1,014,342**	**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 FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Requests for assistance with computer systems, i.e. Service Tickets (average number of days to close)[1]	4.0	4.0	4.0	4.0	4.0
Oracle: Enterprise Business Solutions (EBS): User service requests processed[2]	1,476	1,402	1,600	1,800	2,000

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

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**1,410,382**	**6.00**
Increase Cost: Audit of Automated Clearing House and Payment Card Iindustry Compliance	125,000	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.	-177,772	-2.00
FY14 CE Recommended	**1,357,610**	**4.00**

Notes: Beginning in FY12 and ending in FY14, Finance reorganized the Controller's Division which shifted staff among Information Technology, Accounts Payable, Accounts Receivable, Grants Accounting, and Tax Operations.

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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**624,951**	**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.	153,842	2.00
FY14 CE Recommended	**778,793**	**9.00**

Notes: Beginning in FY12 and ending in FY14, Finance reorganized the Controller's Division which shifted staff among Information Technology, Accounts Payable, Accounts Receivable, Grants Accounting, and Tax Operations.

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 collectibility.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**170,322**	**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.	474,422	5.00
FY14 CE Recommended	**644,744**	**6.00**

Notes: Beginning in FY12 and ending in FY14, Finance reorganized the Controller's Division which shifted staff among Information Technology, Accounts Payable, Accounts Receivable, Grants Accounting, and Tax Operations.

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 FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
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 (FY11 = 42 times).

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**1,516,800**	**14.81**
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	423,065	4.00
FY14 CE Recommended	**1,939,865**	**18.81**

Notes: Beginning in FY12 and ending in FY14, Finance reorganized the Controller's Division which shifted staff among Information Technology, Accounts Payable, Accounts Receivable, Grants Accounting, and Tax Operations.

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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**549,370**	**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.	-35,625	0.00
FY14 CE Recommended	**513,745**	**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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**926,515**	**9.00**
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-61,784	-1.00
FY14 CE Recommended	**864,731**	**8.00**

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). 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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**1,960,887**	**18.50**
Increase Cost: Overtime	14,820	0.00
Shift: Chargeback to Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing, Collection, and Processing Services	-14,820	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.	-198,423	-0.15
FY14 CE Recommended	**1,762,464**	**18.35**

Notes: Beginning in FY12 and ending in FY14, Finance reorganized the Controller's Division which shifted staff among Information Technology, Accounts Payable, Accounts Receivable, Grants Accounting, and Tax Operations.

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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**339,130**	**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.	31,671	0.15
FY14 CE Recommended	**370,801**	**5.15**

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 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 FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Workers Compensation - Cost per $100 of payroll	$3.12	$3.05	$3.46	$3.46	$3.46
Workers Compensation - Number of cases resulting in lost work time	512	490	525	525	530

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**46,664,821**	**4.00**
Increase Cost: Claims Expense	4,737,000	0.00
Increase Cost: Adjustment to Claims Reserves	900,000	0.00
Increase Cost: Commercial Insurance	316,365	0.00
Increase Cost: Contract for Claims Administration	298,010	0.00
Increase Cost: Workers Compensation Payroll Tax	79,860	0.00
Increase Cost: Biennial Claims Audit	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.	-52,393	0.00
FY14 CE Recommended	**52,983,663**	**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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**591,439**	**3.00**
Decrease Cost: Motor Pool Adjustment	-9,758	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.	-10,338	0.00
FY14 CE Recommended	**571,343**	**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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**2,513,071**	**19.00**
Increase Cost: Additional Chargeback from the County Attorney	105,300	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.	12,918	0.00
FY14 CE Recommended	**2,631,289**	**20.00**

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.

Program Performance Measures	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Revenue forecasting - Percent variance between actual revenue and projected revenue	-2.3%	1.20%	0.0%	0.0%	0.0%

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	**2,971,693**	**14.37**
Increase Cost: Controller Contractual Resources to Support Finance Home Operation Mandates, and Responsibilities	518,000	0.00
Increase Cost: Contract Management and Special Projects	150,671	1.00
Increase Cost: Printing and Mail Adjustment (General Fund)	1,433	0.00
Increase Cost: Printing and Mail Adjustment (Self Insurance Fund)	489	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding	-24,910	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.	91,689	1.00
FY14 CE Recommended	**3,709,065**	**16.37**

6

BUDGET SUMMARY

	Actual FY12	Budget FY13	Estimated FY13	Recommended FY14	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	5,334,144	6,682,843	6,497,981	8,046,189	20.4%
Employee Benefits	1,985,468	2,882,077	2,206,744	2,404,593	-16.6%
County General Fund Personnel Costs	***7,319,612***	***9,564,920***	***8,704,725***	***10,450,782***	***9.3%***
Operating Expenses	2,159,501	1,226,540	2,060,197	1,848,483	50.7%
Debt Service Other	173,020	0	0	0	—
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	***9,652,133***	***10,791,460***	***10,764,922***	***12,299,265***	***14.0%***
PERSONNEL					
Full-Time	104	106	106	113	6.6%
Part-Time	2	2	2	1	-50.0%
FTEs	78.70	84.31	84.31	94.31	11.9%
REVENUES					
Miscellaneous Revenues	162,140	120,000	134,000	134,000	11.7%
Other Charges/Fees	233,930	267,230	267,230	272,540	2.0%
Other Fines/Forfeitures	196,122	50,000	50,000	50,000	—
Other Intergovernmental	151,890	140,660	140,660	154,760	10.0%
County General Fund Revenues	***744,082***	***577,890***	***591,890***	***611,300***	***5.8%***
SELF INSURANCE INTERNAL SERVICE FUND					
EXPENDITURES					
Salaries and Wages	2,671,792	2,893,933	2,893,933	2,990,140	3.3%
Employee Benefits	788,304	956,029	956,029	941,539	-1.5%
Self Insurance Internal Service Fund Personnel Costs	***3,460,096***	***3,849,962***	***3,849,962***	***3,931,679***	***2.1%***
Operating Expenses	45,541,105	46,606,320	46,606,320	52,911,511	13.5%
Capital Outlay	0	0	0	0	—
Self Insurance Internal Service Fund Expenditures	***49,001,201***	***50,456,282***	***50,456,282***	***56,843,190***	***12.7%***
PERSONNEL					
Full-Time	10	10	10	10	—
Part-Time	0	0	0	0	—
FTEs	29.40	29.37	29.37	30.37	3.4%
REVENUES					
Investment Income	754	250,000	290	350	-99.9%
Miscellaneous Revenues	541,077	0	0	0	—
Self Insurance Employee Health Income	1,081,820	0	0	4,260	—
Self Insurance Revenues	55,363,687	56,672,810	56,672,810	66,204,845	16.8%
Other Charges/Fees	0	0	0	24,090	—
Self Insurance Internal Service Fund Revenues	***56,987,338***	***56,922,810***	***56,673,100***	***66,233,545***	***16.4%***
DEPARTMENT TOTALS					
Total Expenditures	**58,653,334**	**61,247,742**	**61,221,204**	**69,142,455**	**12.9%**
Total Full-Time Positions	**114**	**116**	**116**	**123**	**6.0%**
Total Part-Time Positions	**2**	**2**	**2**	**1**	**-50.0%**
Total FTEs	**108.10**	**113.68**	**113.68**	**124.68**	**9.7%**
Total Revenues	**57,731,420**	**57,500,700**	**57,264,990**	**66,844,845**	**16.3%**

FY14 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY13 ORIGINAL APPROPRIATION	**10,791,460**	**84.31**
Other Adjustments (with no service impacts)		
Increase Cost: FY13 Mid-Year Division of the Controller Reorganization	609,081	9.00
Increase Cost: Controller Contractual Resources to Support Finance Home Operation Mandates, and Responsibilities [Operations and Administration]	518,000	0.00
Increase Cost: FY14 Compensation Adjustment	307,576	0.00
Increase Cost: Contract Management and Special Projects [Operations and Administration]	150,671	1.00
Increase Cost: Audit of Automated Clearing House and Payment Card Iindustry Compliance [Information Technology]	125,000	0.00
Increase Cost: Retirement Adjustment	24,006	0.00
Increase Cost: Overtime [Tax Operations]	14,820	0.00
Increase Cost: Other Labor Contract Costs	8,792	0.00
Increase Cost: Printing and Mail Adjustment (General Fund) [Operations and Administration]	1,433	0.00
Shift: Chargeback to Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing, Collection, and Processing Services [Tax Operations]	-14,820	0.00
Decrease Cost: Group Insurance Adjustment	-48,797	0.00
Decrease Cost: Elimination of FY13 $2,000 Lump Sum	-187,957	0.00
FY14 RECOMMENDED:	**12,299,265**	**94.31**
SELF INSURANCE INTERNAL SERVICE FUND		
FY13 ORIGINAL APPROPRIATION	**50,456,282**	**29.37**
Other Adjustments (with no service impacts)		
Increase Cost: Claims Expense [Insurance]	4,737,000	0.00
Increase Cost: Adjustment to Claims Reserves [Insurance]	900,000	0.00
Increase Cost: Commercial Insurance [Insurance]	316,365	0.00
Increase Cost: Contract for Claims Administration [Insurance]	298,010	0.00
Increase Cost: FY14 Compensation Adjustment	120,371	0.00
Increase Cost: Additional Chargeback from the County Attorney [Legal Services]	105,300	1.00
Increase Cost: Workers Compensation Payroll Tax [Insurance]	79,860	0.00
Increase Cost: Biennial Claims Audit [Insurance]	40,000	0.00
Increase Cost: Group Insurance Adjustment	19,443	0.00
Increase Cost: Retirement Adjustment	10,080	0.00
Increase Cost: Other Labor Contract Costs	2,960	0.00
Increase Cost: Printing and Mail Adjustment (Self Insurance Fund) [Operations and Administration]	489	0.00
Decrease Cost: Motor Pool Adjustment [Occupational Safety and Health]	-9,758	0.00
Decrease Cost: Elimination of FY13 $2,000 Lump Sum	-20,848	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding [Operations and Administration]	-24,910	0.00
Increase Cost: Annualization of FY13 Operating Expenses	-31,865	0.00
Increase Cost: Annualization of FY13 Personnel Costs	-155,589	0.00
FY14 RECOMMENDED:	**56,843,190**	**30.37**

PROGRAM SUMMARY

Program Name	FY13 Approved Expenditures	FTEs	FY14 Recommended Expenditures	FTEs
Debt, Cash, and Fiscal Projects	1,008,361	7.00	1,014,342	7.00
Information Technology	1,410,382	6.00	1,357,610	4.00
Accounts Payable	624,951	7.00	778,793	9.00
Accounts Receivable	170,322	1.00	644,744	6.00
General Accounting	1,516,800	14.81	1,939,865	18.81
Grants Accounting	549,370	5.00	513,745	5.00
Payroll	926,515	9.00	864,731	8.00
Tax Operations	1,960,887	18.50	1,762,464	18.35
Treasury Operations	339,130	5.00	370,801	5.15
Insurance	46,664,821	4.00	52,983,663	4.00
Occupational Safety and Health	591,439	3.00	571,343	3.00
Legal Services	2,513,071	19.00	2,631,289	20.00
Operations and Administration	2,971,693	14.37	3,709,065	16.37
Total	**61,247,742**	**113.68**	**69,142,455**	**124.68**

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY13 Total$	FY13 FTEs	FY14 Total$	FY14 FTEs
COUNTY GENERAL FUND					
CIP	CIP	1,809,321	14.00	1,376,198	10.50
Community Use of Public Facilities	Community Use of Public Facilities	5,090	0.04	4,730	0.04
Environmental Protection	Water Quality Protection Fund	347,180	3.20	372,970	3.20
Finance	Self Insurance Internal Service Fund	50,620	0.37	44,120	0.37
General Services	Printing and Mail Internal Service Fund	6,430	0.05	6,640	0.05
Human Resources	Employee Health Benefit Self Insurance	104,800	0.75	94,850	0.75
NDA - Montgomery County Employee Retirement Plan	BIT 457 Deferred Comp. Plan	23,230	0.15	24,670	0.15
NDA - Montgomery County Employee Retirement Plan	Employee Retirement System	49,560	0.32	52,630	0.32
NDA - Montgomery County Employee Retirement Plan	Retiree Health Benefits	38,720	0.25	41,110	0.25
NDA - Montgomery County Employee Retirement Plan	Retirement Savings Plan	24,780	0.16	26,320	0.16
Parking District Services	Bethesda Parking District	57,940	0.68	59,828	0.70
Parking District Services	Montgomery Hills Parking District	5,780	0.05	5,707	0.05
Parking District Services	Silver Spring Parking District	54,300	0.54	52,258	0.52
Parking District Services	Wheaton Parking District	13,380	0.13	13,257	0.13
Permitting Services	Permitting Services	13,070	0.10	13,660	0.10
Solid Waste Services	Solid Waste Collection	90,280	0.34	90,670	0.34
Solid Waste Services	Solid Waste Disposal	217,320	2.38	219,270	2.38
Transportation	Vacuum Leaf Collection	80,830	0.23	81,320	0.23
Total		**2,992,631**	**23.74**	**2,580,208**	**20.24**

FUTURE FISCAL IMPACTS

Title	CE REC. FY14	FY15	FY16	($000's) FY17	FY18	FY19
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY14 Recommended	**12,299**	**12,299**	**12,299**	**12,299**	**12,299**	**12,299**
No inflation or compensation change is included in outyear projections.						
Labor Contracts	**0**	**404**	**501**	**501**	**501**	**501**
These figures represent the estimated cost of general wage adjustments, new service increments, and associated benefits.						
Labor Contracts - Other	**0**	**0**	**-12**	**-12**	**-12**	**-12**
These figures represent other negotiated items included in the labor agreements.						
Subtotal Expenditures	***12,299***	***12,703***	***12,788***	***12,788***	***12,788***	***12,788***
SELF INSURANCE INTERNAL SERVICE FUND						
Expenditures						
FY14 Recommended	**56,843**	**56,843**	**56,843**	**56,843**	**56,843**	**56,843**
No inflation or compensation change is included in outyear projections.						
Labor Contracts	**0**	**169**	**218**	**218**	**218**	**218**
These figures represent the estimated cost of general wage adjustments, new service increments, and associated benefits.						
Retiree Health Insurance Pre-Funding	**0**	**-2**	**-4**	**-6**	**-9**	**-13**
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	***56,843***	***57,010***	***57,057***	***57,054***	***57,052***	***57,048***

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

The Financial Impact of a Downgrade

March 2013

Prepared by the Montgomery County Department of Finance

The purpose of bond ratings is to indicate to the investor community the relative likelihood that a bond issuer will make timely and required debt service payments on outstanding bonds. The question as to the relative costs associated with being downgraded from a AAA rated county is not answered with a simple mathematical calculation. Below, we attempt to both define and quantify the impacts of a downgrade in the County's general obligation bond rating on various components of the County's financial operations, and especially on its borrowing and transaction costs.

Nearly every single financial transaction that the County enters into with a financial institution has some element of risk for that institution and that risk has a price associated with it. So from a more subjective standpoint, a lower rated county pays more for banking services and credit card merchant fees, receives less interest on investments, pays higher lockbox fees, has a less lucrative P-card rebate program, pays higher fees for financial advisors and bond counsel, pays higher underwriting and remarketing fees, etc.

It would be difficult, if not impossible, to quantify all of the additional costs associated with being a lower rated county. Too many subjective and objective attributes are calculated and considered in pricing certain financial services. However, as a triple AAA rated issuer of debt, and one of the top 250 counties in the nation issuing debt, it is highly probable that Montgomery County is paying some of the lowest fees for its financial services and, more importantly, has one of the lowest costs of funds.

It is not difficult to quantify in dollars some of the more obvious differences in higher and lower rated general obligation debt. For example, if the County priced its $295 million of general obligation bonds on October 10, 2012 as an AA rated issuer, over the 20-year life of that bond issue, the County would pay approximately $6.04 million more in interest expenses. The average spread between AAA and AA interest rates over the 20-year bond life on the day of sale was about 19.5 basis points. In a more typical market environment, where municipal interest rates are higher over all, that spread would be wider and the additional amount of interest paid would also be higher. To place this additional cost in the context of the County's 6-year CIP program, if one assumes equal future annual borrowings, debt service would increase by about $36 million.

The County maintains standby lines of credit to back its $600 million variable rate note programs. These programs include the County's $500 million commercial paper program (BANs) and its $100 million variable rate demand obligation program. Based on information provided by the County's financial advisor, as an AA rated issuer of short-term notes, the County would pay an additional 20 basis points for its lines of credit. In real terms, the additional annual fee would be $1.2 million. Again, that is an annual fee for programs, which at different amounts, have been in place since 1988.

The Financial Impact of a Downgrade

March 2013

Prepared by the Montgomery County Department of Finance

Typically, debt issued by the County that is "appropriation backed" or not backed by the "full faith and credit of the County" is priced slightly below the County's AAA bonds. Appropriation backed debt issues, which would include lease revenue bonds and certificates of participation, are generally rated one to two steps or notches below the County's GO rating. Therefore, appropriation backed debt now would potentially become A+-rated debt instead of AA-rated.

In this case, the spread in interest rates is even greater. A debt issuer is competing with a far larger number of issuers in the A category than the AA group. The average basis point spread over the last year between an AA bond and an A bond with a maturity of 10 years is about 50 basis points. The County issued certificates of participation for about $23 million in April 2010. The certificates were rated AA+; had they been rated A, the additional debt service cost over the seven-year life of the certificates would have been about $479,000.

Another example of the benefit of the AAA rating is the access to the credit markets. During the historic credit market disruptions of 2008 the County was able to maintain its access to a liquidity facility for its commercial paper program because of its strong credit rating. During this same time period other lower rated municipalities were not able to access the credit markets.

The last few examples of costs associated with being a lower rated county are probably some of the most obvious and expensive examples. In the last two years the County has been able to save over $42 million in long term debt service savings through bond refundings. This level of savings would not have been possible without the County's strong credit rating. The County has a $25 million master lease program, through which over the last 10 years it has leased various assets such as computer equipment, fire trucks, ambulances, and buses. Without question, the cost of those leases would have been higher if the County had lower ratings. Over the last few decades, the County frequently issued debt that did not fall into the categories described above. The County issued development district bonds, various varieties of revenue bonds, term notes, short term debt for bus, apparatus, and equipment financings, and acted as a conduit issuer for not-for-profit borrowers. Suffice it to say, all those terms would have been more costly had the County been lower rated.

Finally, one should remember that a downgrade in a credit rating not only affects the issuer's new debt, but it also influences all existing debt of that issuer. That is, in the case of a downgrade, all the outstanding debt of the issuer becomes cheaper or the market value shrinks. A municipal investor who is holding onto an AAA rated County bond is now holding a lower rated security that is not worth as much as it was before the downgrade. That makes investors very unhappy and much less likely to want to purchase future County bonds and drives up the County's cost of funds.

The Financial Impact of a Downgrade

March 2013

Prepared by the Montgomery County Department of Finance

For decades, the County has enjoyed and benefited from having the highest ratings from all three rating agencies. In the municipal bond market, the name Montgomery County, Maryland is synonymous with the highest quality bonds. County bonds often trade at levels equal in price and yield to similarly rated state bonds. Only 38 other counties in the United States enjoy AAA ratings from all three rating agencies. While it is difficult to achieve and maintain that status, from a financial perspective the rewards are voluminous.

32100 Administration – Controller
32110 Accounts Payable
32120 Accounts Receivable
32130 General Accounting
32140 Grants Accounting
32160 Payroll

DEPARTMENT OF FINANCE
Division of the Controller
FY13 Mid-Year
April 1, 2013

- **32100 Lenny Moore, Controller**
  - Willine Kamara (Contractor), Admin Spec I
  - (1) Vacant, Sr IT Spec — Shift from DIR IT
  - (2) Vacant, IT Spec III, Systems Accountant — New
  - Vacant, MCtime Manager, Manager III
  - **32110 Laleh Shabani, Accounts Payable, Manager III**
    - Vacant, A/P Supervisor, Admin Spec II
      - Yvette Brogden, Fiscal Assistant
      - Paul Kolb, Fiscal Assistant
      - Serenne Jackson, Fiscal Assistant
      - Lyuda Snitkovskiy, Fiscal Assistant
      - (4) Mary Jo Heneghan, Fiscal Assistant — New
    - Sanjay Jhangiani, P-Card Admin, Accountant III
      - (3) Farrah Malik, Accountant II, P-Card SUA — New
  - **32120 Heidi Metzger, Accounts Receivable, Manager III**
    - (5) Usha Vasanth, Program Spec II — Shift DIR IT
    - (6) Parinaz Barr, Sr Financial Spec, Accts Rec Supervisor — New
      - (7) Perla Campbell, OSC — Shift Gen. Acctng
      - (8) Debby Xu, TERM, Fiscal Assistant — New
      - (9) Vacant, TERM, Fiscal Assistant — New
  - **32130 David Crow, General Accounting, Manager III**
    - (10) Vacant, Sr Financial Spec, Component Units, Bank Recs — New
      - Kyna Carr, Accountant I
      - Kiri Wright, Fiscal Asst
      - Kirk Murrey, Fiscal Asst
    - Jay Narang, Sr Financial Spec, Fiduciary/Enterprise, Internal Srvc Funds
      - Helen Sangiliani, Accountant III
      - Jerry Chandler, Accountant I
      - Daranne Tiev, Accountant III
      - (12) Donald Klapka, Accountant I — Convert PT to FT
    - Susan Kaplan, Sr Financial Spec, Financial Reporting, GFOA/YE Activity
      - (11) Gerri Davis, Admin Spec III — Shift Dir-Operations
      - (14) Lisa Seany, Accountant II — New
    - Jason Hsu, Sr Financial Spec, CIP, Fixed Assets, Debt
      - Gloria Diaz, Accountant III
      - Joyce Wallace, Accountant III
      - (13) Rachel Hsu, Accountant II — Convert PT to FT
    - Almon Turner, Sr Financial Spec, General Acct, Government Funds
      - Nur Barre, Accountant II
      - John Ji, Accountant III
      - Chandar Chanda, Accountant II
      - (15) Xuerong Liu, Accountant II — New
  - **32140 Mauricio Delgado, Grants, Manager III**
    - Vacant, Sr Financial Spec
      - Tim Hughes, Accountant III
      - Cindy Lee, Accountant III
      - Joelle Banota, Accountant I
  - **32160 Michael Toney, Payroll-Contractor, Manager III**
    - Nancy McCathran, Payroll Supervisor, Admin Spec III
      - Jennifer Andrews, OSC
      - Carolyn Lewis, OSC
      - Joann St. Lewis, OSC
      - Patty Richardson (Kathy Walsh), OSC
    - Lori Plazinski, Program Mgr II, MCtime
      - (16) Vacant, Admin Spec III, MCtime — FY14 Abolish

I

FY13 Approved Mid-Year Positions & FTEs

General Fund: 55 Positions ; 51.81 FTEs

Controller's Division Staffing Plan

CHALLENGES

- Growth in: volume and complexity of financial transactions and debt portfolio; size of County budget;
  - without corresponding change in staff complement
- Changing GASB standards: Pensions; Fund Balance reporting; Next?
  - GASB doubled issuance of new standards in last ten years
- Increasing Audit industry internal control standards and scrutiny in post Enron era (Sarbanes-Oxley based audit standards)
- Implementation of ERP was an even greater change management and knowledge transfer challenge than anticipated
- Organizational/staffing impact unknown at implementation; needed experience to make knowledgeable decisions
- New and revised systems and business processes: Cash Management; Bank Reconciliations; Accounts Receivable; Supplier File Maintenance; budget systems; continuing phase-in of new functionality (e.g. iVendor)
- Developing Reporting Database
- Ongoing system modifications and stabilization,
- Level of tight integration, enhances controls and data accuracy, but requires centrally coordinated management and monitoring
- Communication between project office and "home office"
- Staff turnover

5

Controller's Division Staffing Plan

CONSEQUENCES

- Internal Control issues noted in CAFR in Cash Management and Bank Reconciliations; MHI Loans; Journal Entries
- Delay in CAFR Production
- Timely Disclosures to support new and existing debt issuance: Annual Information Statement, quarterly financial reports, rating agency presentations
- Workload backlogs: Bank reconciliation, CIP reimbursements, etc…
- Longer process for knowledge transfer than anticipated
- Not fully using the reporting, analytical, and process efficiencies in new system: automation of journal entries; automated bank reconciliations; open government; etc

Controller's Division Staffing Plan

WHAT SUCCESS MEANS

- Clean Audits
- Stronger, reliable internal controls for purchasing, payments, cash management, other financial transactions
- Exploiting system capabilities to implement enterprise wide improved business processes
- Robust and timely enterprise wide financial reporting capabilities
- Greater financial transparency – compliance and proactive contributions to Open Government Initiative
- Reduced overtime
- Staff retention and enhanced skill development
- Center of Excellence: Consulting, problem solving, and collaboration with other departments to improve financial analysis, use of ERP capabilities, timely and accurate compliance with financial processes, and greater understanding of Departmental, Fund, and overall County financial position

17

FIN/RISK FY14 Operating Budget Questions

1. Please identify all vacant positions and list by division. **12 Gen Fund Vacancies, 1 CIP; See Spreadsheet. FY13 - 23 positions hired**

2. FTEs in the CIP would decrease from 14.00 to 10.50. Please identify which positions have moved from CIP to OB (and from the OB to the CIP, if applicable). Also, please identify the division in which the position will reside and identify any of the shifted positions that are vacant. **The three positions being abolished were approved but never classified; the function is either being backfilled by contractors or no longer needed. One position was reduced from Full-time to Part-time. None of these positions will move from CIP to the OB. The three CIP positions abolished and the one position changed from full-time to part-time are:**
   - **ERP11, M3 Payroll Manager**
   - **ERP12, G21 Administrative Specialist II**
   - **ERP15, G27 Financial Programs Manager**
   - **016205, M3 ERP-MCtime, Full-time (1.0 FTE) to Part-time (0.5 FTE)**

3. Please describe Finance's FY14 efforts to improve collections and tax equity and relationship between those efforts and the base budget.
   a. Compliance unit efforts in FY14. **The Compliance Unit estimates that they will research and correct approximately 4,000 FY14 current year bills; for any bills corrected, those Accounts will be back-bill the three prior years.**
   b. Implementation of recommendations by Inspector General re commercial property tax assessments, appeals and interventions.
   Finance has implemented the following recommendations from the IG.
      - **Additional staff resources**
      - **File more appeals**
      - **Review Property Tax Assessment Appeals Board (PTAAB) docket to check appeals filed on commercial property**

   There is a part-time Intern assigned to assist the Tax Advocate. With this additional resource, we will be able to devote more time to perform research of SDAT and DTS sales reports and analysis, which will increase the number of appeals we can file, as well as help review PTAAB dockets to check appeals filed on commercial property. In February 2013, Finance appealed 70 property tax assessments.

4. Program measures for Debt, Cash and Fiscal Projects have changed.
   a. Describe factors/trends that have led to change from est. FY13 true interest cost to target FY14 true interest cost of GO debt from 2.3% to 5.0%.
   Although we expect the TIC for FY14 to be well under the estimated average coupon rate of 5.5% (the average interest rate we actually pay each year for each series of bonds), historically we budget the TIC at the estimated average coupon rate in order to be conservative. The TIC at each sale is set by that day's market—this rate is impossible to estimate even a few months out.

18

5. OB FTEs in Information Technology would decrease from 6.00 to 4.00.
    a. Which positions would be shifted? **See Org Chart**
       (#1) Sr IT Specialist: Shift to Controller Admin from Director IT. Interviews complete, contingent offer made
       (#5) Program Specialist II: Shift to Controller Accounts Receivable from Director IT. Filled
    b. Of the positions shifted, are the positions currently vacant or filled? **See above**
    c. How many FTE in this division are charged to the CIP, other departments, and other funds in FY13? **3 FTEs**
    d. How many FTE in this division would be charged to other departments or funds in recommended FY14? **3 FTEs**
    e. How does this shift (-2.00 FTE) affect the functionality of this division or improve the functionality of other divisions?
       (#1) Sr IT Specialist: no impact, the position was/is dedicated to the Controller's Division Financial Reporting Unit
       (5) Program Specialist II: the position was assisting the Systems Control Manager for Oracle Security responsibilities. FY13 Mid-year the position was reassigned to Controller's Division, Accounts Receivable Section to address the Department's highest priority considerations.

6. OB FTEs in Accounts Payable would increase from 7.00 to 9.00.
    a. Which positions would be shifted to this division, from where? **See Org Chart**
       (#3) Accountant III: P-Card Single Use Application (SUA): New Mid-Year Reorg. Filled
       (#4) Fiscal Assistant: Vendor/Supplier File Maintenance: New Mid-Year Reorg. Filled
    b. Of the positions shifted, are the positions currently vacant or filled? **See above**
    c. How many FTE in this division are charged to the CIP, other departments, and other funds in FY13? **One**
    d. How many FTE in this division would be charged to other departments or funds in recommended FY14? **One**
    e. How does this shift (+2.00 FTE) improve the functionality of this division or affect the functionality of other divisions?
       The new Fiscal Assistant position was necessary to address and align the staffing and assignments in the Controller's Division to the new requirements of the County's ERP system. Prior to the Oracle AP module implementation the Vendor File Maintenance responsibility was previously managed by the Office of Procurement. These responsibilities could not be given to an existing position within AP because of workload, but also to have appropriate segregation of duties for internal control purposes. An employee with access to create and remove vendors should not also have authority to make payments. The P-Card Single Use Account is a new function within the existing P-Card program that allows the County to pay large vendor invoices through the P-Card program and generate additional rebate revenues. The added complexity and scope of the program requires new staff for outreach and communication with vendors as

well as to perform more complex reconciliations between the P-Card records and invoice payments.

7. OB FTEs in Accounts Receivable would increase from 1.00 to 6.00.
   a. Which positions would be shifted to this division, from where? **See Org Chart**
      (#6) Sr Financial Specialist: New Mid-Year Reorg. Filled
      (#5) Program Specialist II: Shift from Director IT. Filled
      (#7) OSC: Shift from Controller General Accounting. Filled
      (#8) Fiscal Assistant TERM: New Mid-Year Reorg. Filled
      (#9) Fiscal Assistant TERM: New Mid-Year Reorg. Interviews complete, offer imminent
   b. Of the positions shifted, are the positions currently vacant or filled? **See above**
   c. How many FTE in this division are charged to the CIP, other departments, and other funds in FY13? **One**
   d. How many FTE in this division would be charged to other departments or funds in recommended FY14? **One**
   e. How does this shift (+5.00 FTE) improve the functionality of this division or affect the functionality of other divisions?
      The new position creations were necessary to address and align staffing and assignments in the Controller's Division to: adopt and implement the home operations activities and requirements resulting from the Oracle ERP system, respond to the Internal Control Issues identified by internal/external auditors, and comply with GASB standards and requirements. The existing positions that were reassigned to Controller's Division, Accounts Receivable Section were due to address the Department's highest priority considerations.

8. OB FTEs in General Accounting would increase from 14.81 to 18.81.
   a. Which positions would be shifted to this division, from where? **See Org Chart**
      (#7) OSC: Shift FROM General Accounting TO Accounts Receivable (-1.0 FTE). Filled
      (#10) Sr Financial Specialist: New Mid-Year Reorg. Position advertised
      (#11) Administrative Specialist III - Shift from Director: Management and Operations. Filled
      (#12) Accountant III: Mid-Year Reorg - Convert PT to FT (0.5 FTE). Filled
      (#13) Accountant III: Mid-Year Reorg - Convert PT to FT (0.5 FTE). Filled
      (#14) Accountant III: New Mid-Year Reorg. Filled
      (#15) Accountant III: New Mid-Year Reorg. Filled
   b. Of the positions shifted, are the positions currently vacant or filled? **See above**
   c. How many FTE in this division are charged to the CIP, other departments, and other funds in FY13? **CIP ERP 2.0 FTEs; Enterprise / ISF = 3.24 FTEs**
   d. How many FTE in this division would be charged to other departments or funds in recommended FY14? **CIP ERP = 1.0 FTE; Enterprise / ISF = 3.24 FTEs**
   e. How does this shift (+4.00 FTE) improve the functionality of this division or affect the functionality of other divisions? **The new position creations were necessary to address and align staffing and assignments in the Controller's Division to: adopt**

and implement the home operations activities and requirements resulting from the Oracle ERP system, respond to the Internal Control Issues identified by internal/external auditors, and comply with GASB standards and requirements.

The Administrative Specialist III position was shifted from the Director's Office, Management and Operations to the Controller's General Accounting Section and is responsible for the administrative functions required to manage, coordinate, prepare and produce the CAFR, various other mandated / critical documents and reports, and other administrative responsibilities as required. The administrative duties the position performed for the Director's office will be distributed and reassigned among the other members of the Section. The shift of the OSC position from General Accounting to the Accounts Receivable Section is a technical adjustment. The individual in the OSC position was previously detailed to that Section once the iReceivables Oracle module was implemented due to the overwhelming workload demands and critical need for staff resources for the home operations activities in the Section.

9. OB FTEs in Payroll would decrease from 9.00 to 8.00.
    a. Which positions would be shifted to (from) this division, from where? **See Org Chart (#16) Administrative Specialist III – Abolish at the end of FY13. Vacant**
    b. Of the positions shifted, are the positions currently vacant or filled? **See above**
    c. How many FTE in this division are charged to the CIP, other departments, and other funds in FY13? **Three (3.0 FTE)**
    d. How many FTE in this division would be charged to other departments or funds in recommended FY14? **One Part-Time (0.5 FTE)**
    e. How does this shift (-1.00 FTE) affect the functionality of this division or improve the functionality of other divisions? **The Administrative Specialist III position was dedicated to the MCtime Project and was the SME that performed both IT and Administrative responsibilities. This functionality will be distributed and absorbed within the remaining positions assigned to the MCtime Project.**

10. OB FTEs in Treasury Operations would increase from 5.00 to 5.15, while OB FTEs in Tax Operations would decrease from 18.50 to 18.35.
    a. **Which partial position would be shifted? This is just a technical adjustment. The FTEs associated with the $1.00 chargeback to our Enterprise Funds for Treasury's Property Tax Billing and Collection Services are not assigned to any one position, but rather a percentage of the allocated FTE(s) is applied to the entire workforce in Tax Operations and Treasury Operations that performs the activities related to the billing, collection and other services rendered for a particular Fund. This technical adjustment aligns FTEs charged to the Leaf Vacuuming Enterprise Fund for the benefit charge collection and services.**
    b. Currently vacant or filled? **Filled**
    c. How many FTE in these divisions are charged to the CIP, other departments, and other funds in FY13? **None**
    d. How many FTE in these divisions would be charged to other departments or funds in recommended FY14? **None**

e. How does this shift (-+0.15 FTE/-0.15 FTE) affect the functionality of these divisions? **Not at all; this is just a technical adjustment. The same $1.00 per account based on the last actual FY will be charged to the Leaf Vacuuming Fund and the same customer service will be provided by the Division of Treasury, Tax Operations and Treasury Operations.**

11. Insurance

a. During our mid-year update Finance estimated FY13 workers comp costs per MCG employee at $3.13, but the estimate in the budget is $3.46. Please identify factors leading to this increase (e.g. volume of claims, magnitude of claims, claims in specific departments or related to specific programs, etc.).
The increase is based on higher costs and revised reserves. The frequency of claims has remained relatively stable while costs have escalated, partially due to increased medical costs. Medical inflation alone was at 3.7% in 2012. With the transfer of claims to the new third party administrator (TPA), reserves were strengthened in anticipation of the increased costs for the future.

b. Several recommendations or potential new initiatives were identified in the risk management mid-year update. Which of those initiatives/recommendations will Finance begin implementing within the FY14 base operating budget? Briefly summarize.
All initiatives are already being implemented and have no negative impact on the FY14 budget.

c. Please provide a summary update on self-insured property claims (to the extent available), status of Derecho claims filed with FEMA, collective bargaining agreements and the potential impact on claims (to the extent available), etc.
   - **MCSIP has paid $1.3 M for property claims in the program for FY12 as of December 31, 2012. Of that amount $356,648 was for Montgomery County Government.**
   - **Office of Emergency Management and Homeland Security tracks the FEMA claims. We have asked them to prepare a summary of the status of claims.**
   - **The County sustained very little property damage that will impact the self-insured fund as a result of the Derecho and costs should fall within our self-insured retention amount.**
   - **There are no new provisions in the collective bargaining agreements relative to Workers Compensation except in FY16 the contract with IAFF will be reopened on the Workers Compensation provisions. During negotiations with IAFF we made several proposals relative to the duration of disability leave and required use of the County's nurse manager program, pharmacy benefit manager program and the County's physician network. We will continue discussions with OHR and IAFF leading up to the reopener to make sure those negotiations are productive and make positive changes in employee safety and the cost of claims.**

12. Operations division expenditures would increase by more than $700,000.

   a. **Explain increase cost of $518,000 to support home operation mandates.**
   The County's ERP system has significantly changed the County's core financial processes. During the past two years, the Department has been relying on professional contractual services to get us through the implementation and stabilization of the ERP system modules, reconciliation of our financial statements and reporting requirements, and bank reconciliation activities. In FY12, the contractual expenditure obligations exceeded $2.3 M, of which $1.1 was unfunded and covered by prudently holding positions vacant to incur lapse savings to cover the unfunded contractual obligations. Ongoing contractual resources are required in FY14 and beyond to assure the Department's continuity of mission critical operations including timely completion of the CAFR and other required periodic financial reports; timely bank reconciliations; responding to internal/external audit findings and recommendations; and complying with all GASB and GFOA requirements.. In the approved reorganization of the Controller's Division it was noted that the Department would continue to need on-going contractual resources over the next several years until the system and applications are stabilized. The contractual services required are expected to diminish over the next few years.

   b. Explain increase cost of $150,671 and +1.00 FTE for contract management and special projects.
   Over the past two years the volume, financial obligation, and complexity of the contracts administered by the Department has increased to such an level that the Department now requires the expertise of a contracts subject matter expert (SME) for the management and execution of the vast number and complex contracts (and their related amendments, task orders, change orders / other modifications) issued for the Debt Service Fund, Cash Management Section (Banking Contracts), and the Department of Finance. In September 2012 the Department, with the approval of OMB and OHR, did a FY13 mid-year lateral transfer of a Contracts Manager subject matter expert (SME) from HHS to Finance to fulfill this function. Our previous decentralized structure was proven to be inefficient, costly and inconsistent in the management, implementation and monitoring of our contractual activities. In addition, this position is responsible for the ongoing executive level Special Projects that have been assigned to the Department by the CE, CAO and ACAOs (e.g.: COOP, HIPAA, Records Retention) that are County mission critical and requires management level oversight, and where the workload demands can no longer be managed or absorb by existing staff. In addition this position is managing / overseeing some of the responsibilities previously handled by the Administrative Specialist III position that was shifted to the Division of the Controller, General Accounting Section.

13. NDA-Risk Management (General Fund Portion) would increase substantially (from $17,282,930 to $20,564,342). **(NOTE: This is the same answer as #11 (a).**

The increase is based on higher costs and revised reserves. The frequency of claims has remained relatively stable while costs have escalated, partially due to increased medical costs. Medical inflation alone was at 3.7% in 2012. With the transfer of claims to the new third party administrator (TPA), reserves were strengthened in anticipation of the increased costs for the future.

a. Please summarize the findings of the annual actuarial study which led to this substantial increase.
   Adverse claims development is indicated and recognized in a pattern of increased costs per claim over three years (FY10-FY12) as described in #11(a) and #13. Additionally the confidence level was increased from 55% to 80-85% as is industry standard and recommended by our actuaries. That change will require increased contributions in FY14-16 to strengthen the financial stability of the Montgomery County Self-Insurance Program fund.

Sesker, Jacob

From: Beach, Joseph
Sent: Thursday, April 04, 2013 1:56 PM
To: Sesker, Jacob; Espinosa, Alex
Cc: Moseley, Nancy
Subject: FEMA Derecho Claims

Jacob, Per OEMHS, the County has submitted claims to FEMA for the Derecho response of $8,181,573.45 and have received a total reimbursement of $6,141,711.08. We do not expect any further reimbursements on this claim.

Joseph F. Beach, Director
Department of Finance
Montgomery County Government
101 Monroe Street
Rockville, Maryland 20850
(240)777-8870 (Office)

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

March 15, 2013

TO: Hans Riemer, Councilmember

FROM: Isiah Leggett, County Executive

SUBJECT: FY14 Budget – Working Families Income Supplement

Thank you for the important work you have done to highlight the need to enhance the County's funding for the Working Families Income Supplement (WFIC). I very much appreciate your strong voice on behalf of the County's hard working families. As you know, the FY13 funding level for the WFIC was 75.5% of the State's Earned Income Tax Credit (EITC). In my FY14 recommended budget, I have increased the funding level to 80% by adding $1.8 million to the program, with a total funding level of over $16.7 million.

I share your desire to reach a County funding level for the WFIC in future years which is 100% of the EITC and hope that we can work in partnership towards that goal. However, I think it is important to retain the legal framework for this program that currently exists in the County Code. That framework reflects the goal of achieving a 100% funding level but also acknowledges that the final decision will be made each year as a part of the annual budget process.

Thank you again for your heartfelt leadership on this issue. I look forward to working with you on this issue as Council considers my recommended FY14 budget.

c: All County Councilmembers
Uma Ahluwalia, Director, Department of Health and Human Services
Joseph Beach, Director, Finance Department
Kathleen Boucher, Assistant Chief Administrative Officer
Jennifer Hughes, Director, Office of Management and Budget
Chuck Short, Special Assistant to the County Executive

SDAT NDA FY14 Operating Budget Questions

1. Chapter 397 of 2011, the Budget Reconciliation and Financing Act of 2011, requires the counties (and Baltimore City) to reimburse SDAT for (1) 90% of the costs of real property valuation; (2) 90% of the costs of business personal property valuation; and (3) 90% of costs incurred by SDAT with regards to information technology in fiscal 2012 and 2013. Beginning in fiscal 2014, the counties (and Baltimore City) are required to reimburse SDAT for 50% of these costs. Does Finance/OMB expect this 50% split to continue in FY15 and beyond? Yes, we expect the 50% split to continue in FY15 and beyond

2. Does the County reimburse SDAT for costs associated with administration of homestead or homeowner property tax credits? If so, how much? Yes, the County reimburses SDAT for administrative costs for tax credits. In FY13, we reimbursed SDAT $116,341.

3. If we are providing reimbursement for the homestead certification program, how are the services for which SDAT is reimbursed distinct from our own efforts related to homestead compliance? We do research and provide our findings to SDAT for homestead compliance. SDAT makes the actual changes in the database that is used for our tax bills.

4. The Governor's FY14 recommended budget includes a request for additional positions at SDAT in order to improve the timeliness and accuracy of assessments (15 in the Real Property Valuation Unit). How many of those added positions will be in Montgomery County? Per Marie Green, Supervisor of the Montgomery County SDAT Office, Montgomery County will get 40% (6 new positions) of the additional positions added in the Governor's FY14 recommended budget.

5. Please provide documentation of the State's request for this amount. $249,600 = 6 x $41,600. The entry level for the position is $41,600 ($32,000 SW + 9,600 employee benefits @ 30%).

State Department of Assessments and Taxation
Local County Cost Reimbursement by County
FY 2014 Projections based on Budget Allowance

	Real Property Program 02	Office of IT Program 04	Business Property Program 05	Total
FY14 Allowance	$33,448,420	$4,805,228	$3,501,158	$41,754,806
	50%	50%	50%	50%
	$16,724,210	$2,402,614	$1,750,579	$20,877,403

Local Jurisdiction	Real Property Accounts 7/1/12 - tot	% FY14	Real Property Program 02 Charge FY14 '($000)	Office of IT Program 04 Charge FY14 '($000)	Business Personal Property Assessable Base '($000) 7/1/13 - estimated	% FY14	Business Property Program 05 Charge FY14 '($000)	Total Per Jurisdiction FY14 '($000)
Allegany	38,671	1.8%	296,450	42,588	188,500	1.47%	25,753	364,792
Anne Arundel	202,319	9.3%	1,550,970	222,814	1,703,900	13.30%	232,786	2,006,570
Baltimore City	218,600	10.0%	1,675,779	240,744	1,009,000	7.87%	137,849	2,054,373
Baltimore	280,208	12.8%	2,148,064	308,593	1,803,300	14.07%	246,366	2,703,023
Calvert	41,493	1.9%	318,084	45,696	118,500	0.92%	16,189	379,969
Caroline	16,009	0.7%	122,724	17,631	49,720	0.39%	6,793	147,148
Carroll	64,395	3.0%	493,650	70,918	329,000	2.57%	44,948	609,516
Cecil	45,762	2.1%	350,810	50,398	237,500	1.85%	32,447	433,655
Charles	61,607	2.8%	472,277	67,848	624,200	4.87%	85,278	625,403
Dorchester	22,153	1.0%	169,824	24,397	19,200	0.15%	2,623	196,844
Frederick	90,578	4.2%	694,368	99,753	0	0.00%	-	794,121
Garrett	28,293	1.3%	216,893	31,159	89,000	0.69%	12,159	260,211
Harford	95,774	4.4%	734,200	105,476	537,500	4.19%	73,433	913,109
Howard	98,879	4.5%	758,003	108,895	951,500	7.43%	129,994	996,892
Kent	12,923	0.6%	99,067	14,232	0	0.00%	-	113,299
Montgomery	315,972	14.5%	2,422,230	347,980	2,370,000	18.50%	323,789	3,093,998
Prince George's	273,728	12.5%	2,098,389	301,456	1,667,000	13.01%	227,745	2,627,590
Queen Anne's	25,010	1.1%	191,726	27,543	0	0.00%	-	219,269
St. Mary's	46,646	2.1%	357,586	51,371	150,400	1.17%	20,548	429,505
Somerset	16,105	0.7%	123,460	17,736	35,900	0.28%	4,905	146,101
Talbot	20,544	0.9%	157,490	22,625	0	0.00%	-	180,115
Washington	56,138	2.6%	430,352	61,825	364,900	2.85%	49,853	542,029
Wicomico	44,807	2.1%	343,489	49,346	360,000	2.81%	49,183	442,018
Worcester	65,005	3.0%	498,326	71,590	204,500	1.60%	27,939	597,855
Total	**2,181,619**	**100%**	**$ 16,724,210**	**$ 2,402,614**	**$ 12,813,520**	**100%**	**$ 1,750,579**	**$ 20,877,403**

Notes:

FY 2014 Projected billings maybe reduce due to any remaining funds carryover from the prior fiscal year.

Actual amount billed maybe different due to rounding.