MFP COMMITTEE #3
April 2, 2009

MEMORANDUM

March 24, 2009

TO: MFP Committee

CHS

FROM: Charles H. Sherer, Legislative Analyst

SUBJECT: FY10 operating budget for the Office of Management and Budget, section 36 in the Executive's budget

The following may attend:

Joe Beach, Director
Alex Espinosa, OMB Manager
Beryl Feinberg, OMB Manager
Angela Dizelos, OMB Manager

Relevant pages from the operating budget are attached starting at ©1.

Overview

For FY10, the Executive recommends total expenditures of $3,722,010, down $345,630 or 8.5% from the FY09 approved budget of $4,067,640. Workyears will decrease 1.0, from 30.0 to 29.0, and the number of positions will decrease by 1, from 34 to 33. Personnel costs account for 95% of the budget and operating expenses (mostly for printing the budgets) account for the remaining 5%. See the table at the top of the next page for detail.

Some of OMB's major responsibilities are preparing the budgets, reviewing the budgets with the Council, responding to various requests for additional information from the Council and Council staff, and preparing the fiscal plan and performance measures. OMB received the Distinguished Budget award from the Government Finance Officers Association in FY09, for the 25th consecutive year.

				Change from FY09-10	
	FY08 Actual	FY09 Approved	FY10 CE Recommended	Amount	%
Expenditures	3,787,216	4,067,640	3,722,010	(345,630)	-8.5%
Positions:					
Full time	35	34	33	(1)	-2.9%
Part time	0	0	0	0	NA
Total positions	35	34	33	(1)	-2.9%
Workyears	31.0	30.0	29.0	(1.0)	-3.3%

OMB explained their budget as follows:

"Most of OMB's budget is related to personnel and increases annually consistent with recommended wage adjustments and changes to group insurance and retirement rates. The major operating expense is related to printing budget publications (e.g., the recommended and approved budgets, Fiscal Plan). Even though most of the budget is essentially fixed, we are aware of the need to continually seek productivity improvements to contain costs and improve customer service. We have implemented such initiatives over the last few years, all within maintenance levels of funding. These initiatives have included: automating on-line submission of department operating budget requests, simplifying the budget adjustment process, creating and growing the financial reports switchboard, streamlining the position change process, and developing a web-based CIP submission system (on-going). We have also reduced professional staff to reduce costs and realigned the administrative staff to improve service. We have been able to reduce the cost of developing and administering the budget.

"More recently, we have implemented a web-based capital budgeting submission system used by departments and outside agencies, implemented new results-based budgeting initiatives, and collaborated with County Council staff and the National Research Center to conduct the first comprehensive survey in Montgomery of resident's view on the quality of life, County services, and satisfaction with local government. In addition, we created a new publication format that provides more information about key result areas and performance measurement in addition to providing department program crosswalks and new multi-department sections."

FY10 Expenditure Issues

The major changes are summarized on ©3. In addition to various compensation changes for existing positions, OMB will:

1. Redistribute/increase the workload for existing analysts and abolish a vacant budget specialist position to save $135,000;

2. Fill several analyst positions with interns to save $104,000 (assuming that some of the analyst positions become vacant during the year);

3. Hope to have additional turnover savings of $122,000, which should not be a problem — OMB had a turnover last year of seven positions; and

4. Save $27,000 by reducing the number of budget books printed since they are available on line.

Reductions

There is no target reduction for FY10 (and there were none for FY09). Council staff has never found reductions to this budget, because there have been so few, if any, enhancements, and none proposed for FY10. The Office does not appear to Council staff to be over-staffed, having lost a position in FY09 and another in FY10. After reviewing the budget, Council staff does not see any targets, obvious or otherwise, and recommends approval as requested.

Management and Budget

MISSION STATEMENT

The mission of the Office of Management and Budget (OMB) is to support and enhance the effective, efficient operation of County government, maintain the County's fiscal integrity and financial condition, and preserve the County's AAA bond rating by developing, promulgating, and applying appropriate budgetary policies and procedures; providing accurate, timely, and objective information and recommendations to the County Executive, County departments, the County Council, and the general public; preparing and administering the operating and capital budgets in compliance with the County Charter, generally accepted accounting principles, and the policy agendas of elected officials; and ensuring that available resources are efficiently allocated and productively used.

BUDGET OVERVIEW

The total recommended FY10 Operating Budget for the Office of Management and Budget is $3,722,010, a decrease of $345,630 or 8.5 percent from the FY09 Approved Budget of $4,067,640. Personnel Costs comprise 95.4 percent of the budget for 33 full-time positions for 29.0 workyears. Operating Expenses account for the remaining 4.6 percent of the FY10 budget.

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***

DEPARTMENT PERFORMANCE MEASURES

This table presents the department's headline measures or submeasures including projections from FY09 through FY11. These estimates reflect funding based on the FY09 savings plan, the FY10 budget, and funding for comparable service levels in FY11.

Measure	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Headline Measures					
Percentage of customers rating OMB services as good or very good on the OMB Customer Survey for the budget process	84.2	80.9	85.0	85.0	85.0
Average absolute percent variance between budgeted and actual expenditures - average of variance (percent)	4.1	5.4	4.0	3.5	3.0
Average number of days to process requests: County Executive Correspondence	6.3	9.2	9.0	8.0	7.0
Awarded Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award	Yes	Yes	Yes	Expected	Expected
Overall GFOA Distinguished Budget Presentation Award ratings - percent rated outstanding or proficient	96.3	95.1	100	100	100
Average absolute dollar variance between budgeted and actual expenditures [1]	$724,130	$691,180	$600,000	$500,000	$500,000
Average number of days to process requests: Reports on future fiscal impact of projects	18.3	16.8	15.0	14.0	13.0
Average number of days to process requests: Budget Adjustment	4.0	3.5	3.3	3.3	3.3
Average number of days to process requests: Position Profile Form	10.0	9.5	9.3	9.2	9.2
Annual bond ratings from three major rating agencies	AAA	AAA	Expected	Expected	Expected
Results Based Budgeting - composite measure across all departments of improvement in key performance measures[2]	NA	NA	NA	TBD	TBD
Program Measures					
Percent of customers rating the quality of OMB training and instructional materials as good or very good on the OMB Customer Survey for the budget process	73.3	82.2	85.0	85.0	85.0
Percent of customers rating the ability of OMB staff to provide effective support in solving problems as somewhat or very effective on the OMB Customer Survey for the budget process	NA	90.8	92.0	93.0	95.0

[1] Data reflects Tax-Supported departments and Enterprise Funds; data including non-tax supported to be provided.
[2] Under construction.

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ACCOMPLISHMENTS AND INITIATIVES

- ***Support the ERP project by dedicating two experienced staff (manager and analyst) to the project.***
- ***Enhanced focus on development and use of program performance measures in the FY10 budget development process to provide a more meaningful relationship between performance measures and budget requests.***
- ***Productivity Improvements***
  - ***Automated departmental quarterly expenditure analysis process to reduce errors and increase efficiency.***
  - ***Implemented operating budget submission data integrity reports for departments. Allows greater assurance that existing disparate budget system information is consistent and accurate for expenditures by character and workforce. This ensures greater accuracy in department budget submissions and requires less OMB Analyst secondary review.***

PROGRAM CONTACTS

Contact Angela Dizelos of the Office of Management and Budget at 240.777.2758 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Budget Preparation and Administration

The Budget Preparation and Administration program covers the annual preparation of the Capital Budget, the six-year Public Services Program and Operating Budget, and the various activities designed to assure compliance with the County Charter and decisions of elected officials. The six-year Capital Improvements Program is prepared during even-numbered calendar years. Fiscal policy and procedures are developed to assure conformity with generally accepted accounting principles and County policies.

Six-year fiscal projections are prepared, including the identification of various Executive fiscal policy proposals and planning allocations. Fiscal planning assumptions and debt capacity analyses are updated, guidance is provided to departments and agencies, and budget recommendations are given to the Executive and Council. In addition, special analyses to monitor expenditures and revenues are conducted periodically during the year. County Executive transfers, Council transfers, and supplemental appropriations are handled as are transactions involving the creation, deletion, and movement of positions in the official position complement.

Related work includes participation in collective bargaining and compensation policy development; fiscal management and policy development; management analyses; measurement initiatives; program evaluations; fiscal impact analyses of legislation and regulations; development and amendment of administrative procedures; development and monitoring of user fees and other revenues; grants coordination; and contract review. The office's leadership, administration, automation, and process management are also included in this program. Staff provide OMB representation on the Contract Review Committee, the Interagency Group on Energy and Utilities Management, the Board of Investment Trustees of the pension system, the Diversity Council, the Telecommunications Transmission Facility Coordinating Group, and the Labor Relations Policy Committee.

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BUDGET SUMMARY

	Actual FY08	Budget FY09	Estimated FY09	Recommended FY10	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	2,826,987	3,066,310	2,882,420	2,731,830	-10.9%
Employee Benefits	768,450	810,520	769,090	817,170	0.8%
County General Fund Personnel Costs	***3,595,437***	***3,876,830***	***3,651,510***	***3,549,000***	***-8.5%***
Operating Expenses	191,779	190,810	197,410	173,010	-9.3%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	***3,787,216***	***4,067,640***	***3,848,920***	***3,722,010***	***-8.5%***
PERSONNEL					
Full-Time	35	34	34	33	-2.9%
Part-Time	0	0	0	0	—
Workyears	31.0	30.0	30.0	29.0	-3.3%

FY10 RECOMMENDED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY09 ORIGINAL APPROPRIATION	**4,067,640**	**30.0**
Changes (with service impacts)		
Reduce: Decrease Number of Budget Books Printed; Publications are Available On-Line	-26,850	0.0
Other Adjustments (with no service impacts)		
Increase Cost: Service Increment	31,090	0.0
Increase Cost: Annualization of FY09 Personnel Costs	13,930	0.0
Increase Cost: Printing and Mail Adjustments	9,510	0.0
Increase Cost: Retirement Adjustment	9,140	0.0
Increase Cost: Group Insurance Adjustment	5,250	0.0
Decrease Cost: Central Duplicating Deficit Recovery Charge	-460	0.0
Decrease Cost: Retirement Incentive Program (RIP) Savings	-26,130	0.0
Decrease Cost: Underfill Senior Analyst Positions with Public Administration Intern	-104,170	0.0
Decrease Cost: Turnover Savings	-121,950	0.0
Decrease Cost: Abolish Senior Management and Budget Specialist	-134,990	-1.0
FY10 RECOMMENDED:	**3,722,010**	**29.0**

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY09 TotalS	FY09 WYs	FY10 TotalS	FY10 WYs
COUNTY GENERAL FUND					
CIP	CIP	276,900	2.0	279,960	2.0

FUTURE FISCAL IMPACTS

Title	CE REC. FY10	FY11	FY12	(S000's) FY13	FY14	FY15
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY10 Recommended	**3,722**	**3,722**	**3,722**	**3,722**	**3,722**	**3,722**
No inflation or compensation change is included in outyear projections.						
Labor Contracts	**0**	**15**	**15**	**15**	**15**	**15**
These figures represent the estimated cost of service increments and associated benefits.						
Subtotal Expenditures	***3,722***	***3,737***	***3,737***	***3,737***	***3,737***	***3,737***

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