

GO COMMITTEE #3

May 2, 2016

Worksession

MEMORANDUM

April 28, 2016

TO: Government Operations and Fiscal Policy Committee
FROM: Linda Price, ^{LP}Legislative Analyst
SUBJECT: FY17 Operating Budget: Office of Management and Budget

Those expected to attend this worksession include:

- Jennifer Hughes, Director, Office of Management and Budget (OMB)
- Amy Wilson, Manager, OMB
- Scott Coble, Manager, OMB

Budget Summary:

- The Executive's FY17 Recommended Operating Budget for the Office of Management and Budget is \$4,303,141, an increase of 209,286 or 5.11% over the FY16 Approved Operating Budget.

Council Staff Recommendation:

- Approved the Executive's Recommended Operating Budget as submitted.

Relevant pages from the FY17 Recommended Operating Budget are attached on © 1- 4.

OVERVIEW

The Office of Management and Budget functions include: budget preparation and administration; performance analysis and improvement; provision and support of budget information systems; provision of fiscal information and advice; and policy development and implementation. All functions of OMB are carried out under the Budget Preparation and Administration program. The program covers the annual preparation of the Capital Budget, the six-year Public Services Program and Operating Budget, and the various activities designed to ensure compliance with the County Charter and decisions of elected officials.

BUDGET REVIEW

The following table summarizes expenditures and FTEs from the FY15-FY17 operating budgets.

	<i>FY15 Actual</i>	<i>FY16 Approved</i>	<i>FY16 Estimated</i>	<i>FY17 Recommended</i>	<i>% Change FY16 - FY17</i>
<i>Expenditures by type</i>					
Personnel Cost	\$3,719,432	\$3,988,050	\$3,912,241	\$4,206,821	5.5%
Operating Expenses	\$105,923	\$105,805	\$98,780	\$96,320	-9.0%
<i>Total Expenditures</i>	\$3,825,355	\$4,093,855	\$4,011,021	\$4,303,141	5.1%
<i>Positions</i>					
Full-Time	34	32	32	32	0.0%
Part-Time	0	0	0	0	0.0%
<i>FTEs</i>	29.00	29.5	29.5	29.5	0.0%

The FY17 Recommended Operating Budget for OMB is almost entirely Personnel Costs, which are 97.76% of the budget. The recommended budget includes \$9,485 in reductions to operating expenses from the FY16 approved level of \$105,805. The reduction is comprised of adjustments to printing and mail and the shift of telecommunications to the Telecommunications Non-Departmental Account. The Executive is recommending a number of additional same-service adjustments in FY17 budget from the approved FY16 Operating Budget. All adjustments are listed in the following table and have no service implications.

<i>Item</i>	<i>Amount</i>	<i>FTEs</i>
<i>Increase Cost: Annualization of FY16 Personnel Costs [Budget Preparation and Administration]</i>	\$167,806	0
<i>Increase Cost: FY17 Compensation Adjustment</i>	\$63,861	0
<i>Increase Cost: Group Insurance Adjustment</i>	\$18,750	0
<i>Increase Cost: MLS Pay for Performance (Increase to Base Pay)</i>	\$16,164	0
<i>Increase Cost: Printing and Mail</i>	\$515	0
<i>Shift: Telecommunications to the Telecommunications Non-Departmental Account</i>	(\$10,000)	0
<i>Decrease Cost: Retirement Adjustment</i>	(\$47,810)	0
<i>Total adjustments</i>	\$209,286	0

Council staff concurs with the Executive's recommendation.

NEW INITIATIVES

The Office continues to implement productivity improvements and enhancements to the open data initiatives. In addition to continuing use of eBudget, budgetMontgomery, and the Operating Budget Publication, OMB is developing a Capital Budget web-based Application. Executive Branch staff provided the following update on this initiative.

OMB is developing a new in-house CIP web-based application to replace the functionality that we currently have in Hyperion. This new system will leverage the application (BASIS) we developed for the operating budget last year.

BASIS provides analysts and management with instant access to budget and performance data in a clear and concise fashion. This scalable solution ensures evolving budget management needs are met in a cost-effective and nimble manner.

Features include:

- *Comprehensive budget management*
- *Performance measure and management*
- *Real-time reporting / dashboards*
- *Production of OMB's Operating and Capital Budget publications*
- *Robust rich text editing for narratives, discussion items and graphic uploads*
- *Data Archiving for historical reference*
- *Built-in help / video tutorials*
- *Single Sign On and User Account Management*
- *Open Data Export / Import*
- *Alerts and email notifications*

BASIS is mobile ready and works proficiently across all devices (tablets, smartphones, desktops) and browsers (IE, Chrome, Firefox, Safari).

Developing BASIS in-house and leveraging existing Enterprise Server Virtualization, there are virtually no software/hardware costs. Since its implementation, BASIS replaced over 10 outdated software applications and databases, reduced the dependency on expensive commercial off the shelf (COTS) systems and significantly improved the productivity, accuracy, and accountability.

A number of other changes and improvements have been made to operating and capital budget publications. Council staff received the following update on these changes.

Last summer OMB launched its CIP Open Data publication. Similar to the Operating Open Data Publication, it uses data sets placed on data Montgomery to fuel the charts, tables and graphs found throughout the Capital Project Pages. In addition, we now offer new features such as google search engine, translation into 90+ languages, archiving, and advanced filtering (projects by title, planning area, and category). The new CIP Open Data Publication is user friendly, mobile ready and ADA compliant.

OMB redesigned the format of the Operating Budget publication using the new BASIS application (mentioned above). The FY17 Recommended Budget is the first publication to receive this update and we have received praise from both County Council Staff and department users on its structure, how much easier it is to read, and the addition of color in the online version.



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 FY17 Operating Budget for the Office of Management and Budget is \$4,303,141, an increase of \$209,286 or 5.11 percent from the FY16 Approved Budget of \$4,093,855. Personnel Costs comprise 97.76 percent of the budget for 32 full-time position(s) and no part-time position(s), and a total of 29.50 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 2.24 percent of the FY17 budget.

Linkage to County Result Areas

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

◆ A Responsive, Accountable County Government

Department Performance Measures

Performance measures for this department are included below (where applicable). The FY16 estimates reflect funding based on the FY16 approved budget. The FY17 and FY18 figures are performance targets based on the FY17 recommended budget and funding for comparable service levels in FY18.

Measure	Actual FY14	Actual FY15	Estimated FY16	Target FY17	Target FY18
Program Measures					
Overall Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award ratings - percent rated outstanding or proficient ¹	93.6	98.7	98.0	98.0	98.0
Percentage of respondents rating OMB services as good or very good on the OMB Customer Survey for the budget process ²	87.8	79.1	82.0	85.0	85.0
Percentage of respondents rating the ability of OMB staff to provide effective support in solving problems as good or very good on the OMB Customer Survey for the budget process	90.2	77.6	80.0	82.0	85.0
Percentage of respondents rating the quality of OMB training and instructional materials as good or very good on the OMB Customer Survey for the budget process	92.0	86.4	92.0	92.0	92.0
Number of budget preparation and system trainings conducted by OMB ³	10	16	10	20	10

¹ The fiscal year shown for GFOA rating corresponds to the fiscal year during which the budget was prepared (e.g. FY15 GFOA results apply to FY16 budget document, which was prepared during FY15).

² The fiscal year shown in connection with all OMB Customer Survey results corresponds to the fiscal year during which the budget was prepared (e.g. FY15 results apply to the process of preparing the FY16 budget, which occurred during FY15).

³ Increase in FY15 and FY17 are due to additional CIP training conducted during the full CIP years and anticipated roll out of a new CIP system in FY17.

Initiatives

- ★ Developing new in-house Capital Budget web-based application leveraging the existing platform developed for the Operating Budget. This intuitive, scalable and mobile-friendly application will provide OMB and County departments with streamlined workflows, enhanced real-time reports and dashboards, prior year / version data archiving, and user management.

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- ✪ Working on CIP Funding Report application, aligning OMB and Finance with a standard for all funding sources and Capital projects. The result will reduce time and effort required to reconcile discrepancies with funding sources in Capital projects. The application is housed within the new Capital Budget Framework, requiring no additional software, server or license costs.

Accomplishments

- ✓ Provided solutions for closing a budget gap of \$3.278 billion between FY08 and FY17 to produce balanced budgets while preserving critical services and advancing key County priorities.
- ✓ Implemented a \$54 million savings plan and continued the procurement and hiring freeze process to close the gap caused by projected FY16 revenue shortfalls.
- ✓ Participated in collective bargaining negotiations for the County Government's three major unions.
- ✓ Formulated a comprehensive simulation model to forecast multiple scenarios for transportation and school impact taxes and developed regression analysis and statistical models for Permitting Services, Liquor Control, and Finance to quantitatively refine revenue and cost forecasts, fee setting, and staffing level analysis.
- ✓ Presented at the Maryland and Washington Metro Area Government and Finance Officers Association (GFOA) conferences and invited to present at the annual National GFOA Conference in Spring of 2016.
- ✓ Continued outreach efforts to promote open data, government transparency, budgeting processes, and to solicit community input into the development of the Operating and CIP budgets. Information and training sessions were held to inform community members and not-for-profit organizations of the community grant application system; CIP and Operating budget forums were held in conjunction with the County Executive's Office and the five Regional Services Centers; budget overview sessions were presented to participants of Leadership Montgomery's Youth Leadership and Emerging Leaders programs; and budget presentations were conducted for visiting dignitaries from the People's Republic of China and the Philippines.
- ✓ Received two NACo awards in FY15 - one for the development and implementation of the On-line Community Grant Application and Reporting System and the other for OMB's Financial Transparency Suite; and received the Government Finance Officers Association (GFOA) Award of Excellence in Government Finance for Open Budget and spendingMontgomery initiatives.
- ✓ Worked with the Department of General Services to identify lease savings that could be used to fund the renovation of the historic Grey Courthouse, maximizing use of existing County assets. Also developed a plan to efficiently fund the co-location of additional departments at the new Maryland-National Capital Park and Planning Commission (M-NCPPC) headquarters building being constructed as part of the Wheaton Redevelopment project.
- ✓ Provided IT guidance and support to various departments:
 - Helped the Department of Transportation design the new MCDOT/Ride On website that displays Ride On bus, Capital Bikeshares, MTA and Metro times;
 - Implemented a new performance measure intake and tracking application for CountyStat, including real-time charts, graphs and tables, exportable data, customized reports, and user access control;
 - Aided Recreation, Consumer Protection, Health and Human Services and Technology Services with strategic use of IT resources and applications; and
 - Assisted the Office of the County Executive to streamline the collection of its departmental performance data and accompanying narratives.
- ✓ Conducted an analysis of snow removal costs and operations and identified opportunities for cost efficiency.

Productivity Improvements

- ✪ Implemented a new operating budget development and reporting system, replacing the outdated system and legacy Access databases with a new, mobile-friendly, application that directly integrates with the County's Enterprise systems and the CountyStat Performance Measure system.

- ☀️ Converted the static capital budget publication to the County's new on-line open data format. This application has all the benefits of the operating budget publication along with interactive maps that link project information with the project locations throughout the County.
- ☀️ Implemented the following new system applications and process functionalities to support departments, OMB, and County residents:
 - Expanded access to OMB's knowledge management system - eBudget, increasing departments' capabilities to view data and document status;
 - Implemented a new encumbrance liquidation application allowing all departments to easily select purchase orders to liquidate and process them automatically; and
 - Streamlined processes for submitting grants, procurement and hiring freeze exemption requests, CIP and operating budget submissions and quarterly analysis reports allowing departments to submit directly online through eBudget.
- ☀️ Reinforced the County's Open Data initiative by adding the capital budget publication and capital projects master list; creating over 300 new CIP project open budget pages; adding over 500 new reports for the operating budget; and linked Department budget pages directly to the corresponding CountyStat open performance measures.

Program Contacts

Contact Amy Wilson of the Office of Management and Budget at 240.777.2775 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 ensure 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 ensure 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 reviewed and processed 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 a number of committees including the Contract Review Committee, the Interagency Group on Energy and Utilities Management, the Board of Investment Trustees, the Diversity Council, the Telecommunications Transmission Facility Coordinating Group, the Labor Relations Policy Committee, the ERP Steering Committee, the Information Technology Policy Advisory Committee, the Public Safety System Modernization project, the Housing Loan Review Committee, the Collaboration Council of Montgomery County, and the Rapid Transit Steering Committee.

Budget Summary

	Actual FY15	Budget FY16	Estimate FY16	REC FY17	%Chg Bud/Rec
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COUNTY GENERAL FUND

EXPENDITURES

	Actual FY15	Budget FY16	Estimate FY16	REC FY17	% Chg Bud/Rec
Salaries and Wages	2,806,320	3,108,515	2,998,209	3,320,602	6.8 %
Employee Benefits	913,112	879,535	914,032	886,219	0.8 %
County General Fund Personnel Costs	3,719,432	3,988,050	3,912,241	4,206,821	5.5 %
Operating Expenses	105,923	105,805	98,780	96,320	-9.0 %
County General Fund Expenditures	3,825,355	4,093,855	4,011,021	4,303,141	5.1 %
PERSONNEL					
Full-Time	34	32	32	32	—
Part-Time	0	0	0	0	—
FTEs	29.00	29.50	29.50	29.50	—

FY17 Recommended Changes

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY16 ORIGINAL APPROPRIATION	4,093,855	29.50
Other Adjustments (with no service impacts)		
Increase Cost: Annualization of FY16 Personnel Costs [Budget Preparation and Administration]	167,806	0.00
Increase Cost: FY17 Compensation Adjustment	63,861	0.00
Increase Cost: Group Insurance Adjustment	18,750	0.00
Increase Cost: MLS Pay for Performance (Increase to Base Pay)	16,164	0.00
Increase Cost: Printing and Mail	515	0.00
Shift: Telecommunications to the Telecommunications Non-Departmental Account	(10,000)	0.00
Decrease Cost: Retirement Adjustment	(47,810)	0.00
FY17 RECOMMENDED	4,303,141	29.50

Charges to Other Departments

Charged Department	Charged Fund	FY16		FY17	
		Total\$	FTEs	Total\$	FTEs
COUNTY GENERAL FUND					
Human Resources	Employee Health Self Insurance	79,522	0.50	88,240	0.50
Technology Services	General Fund	124,230	1.00	128,994	1.00
CIP	Capital Fund	175,936	1.00	174,205	1.00
Total		379,688	2.50	391,439	2.50

Future Fiscal Impacts

Title	CE RECOMMENDED (\$000s)					
	FY17	FY18	FY19	FY20	FY21	FY22
COUNTY GENERAL FUND						
EXPENDITURES						
FY17 Recommended	4,303	4,303	4,303	4,303	4,303	4,303
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	44	44	44	44	44
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	4,303	4,347	4,347	4,347	4,347	4,347