

MEMORANDUM

April 25, 2022

TO: Government Operations and Fiscal Policy (GO) Committee

FROM: Gene Smith, Legislative Analyst

SUBJECT: **FY23 Operating Budget – Department of Finance (Finance) and Risk Management Non-Departmental Account (NDA)**

PURPOSE: Make recommendations for Council consideration

Expected Participants:

- Mike Coveyou, Director, Finance
- Karen Hawkins, Chief Operating Officer, Finance
- Kimberly Gay-Armour, Chief of Risk Management Division, Finance
- Jed Millard, Administrative Services Manager, Finance
- Jayanthi Hariprasadh, Specialist, Finance
- Sarah Gomez, Fiscal and Policy Analyst, Finance
- Derrick Harrigan, Fiscal and Policy Analyst, Office of Management and Budget

Summary of FY23 Recommended Budget – Department of Finance

	FY22 Approved	FY23 CE Recommended	Change from FY22 Approved
General Fund	\$15,600,785	\$16,103,577	3.2%
Personnel Costs	\$12,971,426 99.67 FTEs	\$13,414,028 99.92 FTEs	3.4% 0.25 FTEs
Operating Costs	\$2,629,359	\$2,689,549	2.3%
Self Insurance Fund (Internal)	\$85,343,626	\$87,433,939	2.4%
Personnel Costs	\$4,646,149 32.37 FTEs	\$4,807,896 32.37 FTEs	3.5% 0.00 FTEs
Operating Costs	\$80,697,477	\$82,626,043	2.4%
Total Expenditures (All Funds)	\$100,944,411 132.04 FTEs	\$103,537,516 132.29 FTEs	2.6% 0.25%

I. Budget Overview

See the Executive’s recommendation on ©1-12. Per the recommended budget narrative, Finance “prudently manage[s] financial operations, recommend[s] and implement[s] sound fiscal policies, safeguard[s] public assets, and encourage[s] a safe environment on public property. Table 1 below compares FY22 approved and FY23 recommended expenditures and FTEs by program area for Finance.

Table 1: Comparison of FY22-FY23 by Program Area for Finance

Program Area	FY22 Expenditures	FY23 Expenditures	FY22-23 Change	FY22 FTEs	FY23 FTEs	FY22-23 Change
Controller	\$6,299,888	\$6,405,468	\$105,580	51.87	51.87	0.00
Fiscal Management	\$1,969,546	\$2,109,194	\$139,648	10.75	11.00	0.25
Information Tech.	\$1,652,947	\$1,694,028	\$41,081	4.00	4.00	0.00
Op. and Admin.	\$4,164,678	\$4,135,854	(\$28,824)	14.37	14.37	0.00
Risk Management	\$84,451,002	\$86,564,962	\$2,113,960	28.00	28.00	0.00
Treasury	\$2,406,350	\$2,628,010	\$221,660	23.05	23.05	0.00
Total	\$100,944,411	\$103,537,516	\$2,593,105	132.04	132.29	0.25

A. Expenditure Overview

Finance’s recommended budget includes expenditures in the general fund and the self-insurance internal service fund (“self-insurance fund”). The Executive’s FY23 recommendation increases total expenditures by \$502,792 or 3.4% for Finance’s general fund expenditures when compared to the approved FY22 expenditures. The Executive’s recommendation increases expenditures by \$2,090,313 or 2.4% for Finance’s self-insurance internal service fund expenditures when compared to the approved FY22 budget.

B. Revenue Overview

Finance’s revenues, like expenditures, are also divided between the general fund and self-insurance fund. **It is estimated the general fund revenues in FY23 will decrease by 11.2% when compared to FY22.** General fund revenues include various charges (e.g., district administration fee for certain development districts) and intergovernmental revenue (e.g., Bay Restoration fee) that are collected or received as part of Finance’s core mission. The decrease in estimated revenues is based on updated assumptions for FY23.

The self-insurance fund is mostly supported by contributions from the County Government, through the Risk Management NDA, and other participating agencies to support the self-insurance program. The self-insurance fund also includes revenue from other modest sources, like investment income and other revenues. **It is estimated that self-insurance fund revenues in FY23 will increase by 17.9% when compared to FY22.** The fund’s contributions are increasing to support the increase in estimated expenditures for the self-insurance program. In FY22, Finance utilized excess fund balance to hold the participating agencies’ contributions at the FY21 funding level – providing some additional resources to the participating agencies during the uncertainty of

the pandemic. The FY23 recommendation resumes commensurate increases from the participating agencies to fund the self-insurance program's annual expenditures.

II. Public Hearings

The Council did not receive any comments during its public hearings related to Finance's budget.

III. Expenditure Issues

A. Expenditures by Program Area

1. *Controller*

This program area is responsible for overseeing expenditures and cash flow management; preparing timely and accurate annual financial statements and other standardized reports; complying with Federal, State, and County mandates; and developing standardized County policies and procedures. **This program area accounts for 6.2% of the recommended FY23 expenditures for Finance's budget.** This program area is supported by 51.87 FTEs, with no changes in FTEs recommended for FY23. **The FY23 recommended budget increases expenditures in this program area by \$105,580 when compared to the FY22 approved budget.** The recommended increase is due to compensation adjustments and increase in a core contract.

2. *Fiscal Management*

This program area is responsible for issuing and managing the County's financial obligations to fund the Capital Improvements Program (CIP) and manage cash flow; provide accurate revenue and economic forecasting; and publish reports on economic and revenue analysis on a quarterly basis. **This program area accounts for 2.0% of the recommended FY23 expenditures for Finance's budget.** This program area is supported by 11.00 FTEs, an increase of 0.25 FTEs from FY22. The increase in FTEs is due to a shift in funding from the CIP to the Operating Budget as it relates to the County's efforts in White Flint. **The FY23 recommended budget increases expenditures in this program area by \$139,648 when compared to the FY22 approved budget.** The recommended increase is due to compensation adjustments and the previously mentioned funding shift for 0.25 FTEs from the CIP to the Operating Budget.

3. *Information Technology*

This program area provides planning, direction, and support for Finance and core business systems, technology, and business process to support Finance's core mission. **This program area accounts for 1.6% of the recommended FY23 expenditures for Finance's budget.** This program area is supported by 4.00 FTEs, with no changes in FTEs recommended for FY23. **The FY23 recommended budget increases expenditures in this program area by \$41,081 when**

compared to the FY22 approved budget. The recommended increase is due to compensation adjustments for current personnel.

4. *Operations and Administration*

This program area, as the name implies, provides operational and administrative support for the entire department. **This program area accounts for 3.9% of the recommended FY23 expenditures for Finance’s budget.** This program area is supported by 14.37 FTEs, with no changes in FTEs recommended for FY23. **The FY23 recommended budget decreases expenditures in this program area by \$28,824 when compared to the FY22 approved budget.** The recommended decrease is due to cost adjustments for chargeback services and certain licenses.

5. *Risk Management*

This program area provides comprehensive property and casualty insurance for the County and participating agencies. **This program area accounts for 83.6% of the recommended FY23 expenditures for Finance’s budget.** Most of this program area’s expenditures support the operating expenses for the County and participating agencies’ self-insurance program. This program area is supported by 28.00 FTEs, with no changes in FTEs recommended for FY23. **The FY23 recommended budget increases expenditures in this program area by \$2,113,960 when compared to the FY22 approved budget.** The recommended increase is mostly due to the adjustments in the self-insurance fund’s operating expenses related to commercial insurance premiums and claims contract.

6. *Treasury*

This program area is responsible for providing coordination and oversight of treasury operations and customer services through the cashiering function. **This program area accounts for 2.5% of the recommended FY23 expenditures for Finance’s budget.** This program area is supported by 23.05 FTEs in FY23, same as the approved FY22 FTEs. **The FY23 recommended budget increases expenditures in this program area by \$221,660 when compared to the FY22 approved budget.** The recommended increase is due to compensation adjustments for the personnel complement of this program area.

B. Expenditures Discussion

The Executive’s recommended FY23 expenditures is a same service level recommendation for this budget from FY22’s approved budget. The recommended changes address adjustments due to negotiated compensation agreements and adjustments for core contracts.

Excluding the self-insurance fund operating expenses, Finance’s budget mostly supports the personnel complement to implement the department’s core mission and services. Finance notes that the recommended FY23 budget assumes no personnel lapse. As of February 28, 2022, Finance had 16 vacancies amongst all program areas, about a 12.7% vacancy rate based on the total FY22

approved positions. The Controller program area has the most vacancies. Finance’s actual FY23 personnel expenditures will be dependent on the overall staff turnover rate throughout the year. There is nothing to suggest that this turnover rate will be abnormal in FY23.

See ©13 for the recommended FY23-28 Fiscal Plan for the Risk Management Fund (i.e., the self-insurance internal service fund). **The recommended expenditures for FY23 are at the 81% confidence level – meaning the recommended expenditures are sufficient to cover all incurred liabilities slightly more than 8 out of 10 years.** The annual target confidence level is 80% to 85%. Based on the six-year estimates, the Risk Management Fund’s expenditures are estimated to increase by \$16.2 million in FY28 compared to the FY23 expenditures, or an annual average growth rate of 3.3%. Contributions from the County Government and participating agencies are estimated to increase commensurately to address this growth in expenditures.

Council staff recommends approval of the Executive’s FY23 recommendation for Finance.

IV. Risk Management NDA

Summary of FY23 Recommended Budget – Risk Management NDA

	FY22 Approved	FY23 CE Recommended	Change from FY22 Approved
General Fund	\$23,260,695	\$25,737,987	10.7%
Operating Costs	\$23,260,695	\$25,737,987	10.7%

See the Executive’s recommendation on ©14 for the Risk Management NDA. This NDA supports the County’s general fund contribution for the self-insurance fund. The recommended increase is due to the adjustments in the annual actuarial estimates as noted previously in the discussion about Finance’s recommended budget.

Council staff recommends approval of the Executive’s FY23 recommendation for the Risk Management NDA.

<u>This packet contains:</u>	<u>Circle #</u>
Executive recommended FY23 Finance budget	1
Executive recommended FY23-28 Risk Management Fiscal Plan	13
Executive recommended FY23 Risk Management NDA	14



Finance

RECOMMENDED FY23 BUDGET

\$103,537,516

FULL TIME EQUIVALENTS

132.29

 MICHAEL COVEYOU, DIRECTOR

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 FY23 Operating Budget for the Department of Finance is \$103,537,516, an increase of \$2,593,105 or 2.56 percent from the FY22 Approved Budget of \$100,944,411. Personnel Costs comprise 17.6 percent of the budget for 126 full-time position(s) and no part-time position(s), and a total of 132.29 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 82.4 percent of the FY23 budget.

The Finance Operating Budget is comprised of a General Fund component (the Director's Office and the Divisions of Fiscal Management, Treasury, Information Technology, and Controller) and the Division of Risk Management, which is funded by the Liability and Property Coverage Self-Insurance Fund. The total FY23 Operating Budget for the General Fund component is \$16,103,577 an increase of \$502,792 or 3.22 percent over the FY22 approved budget of \$15,600,785. Personnel Costs comprise approximately 83.2 percent of the General Fund budget for 115 full-time positions. A total of 99.92 FTEs includes these positions as well as any seasonal or temporary positions and positions charged to or from other departments or funds. Operating Expenses account for the remaining 16.8 percent of the budget.

The total FY23 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is \$87,433,939, an increase of \$2,090,313 or 2.45 percent over the FY22 Approved budget of \$85,343,626. Personnel Costs comprise approximately 5.44 percent of the Self-Insurance Fund budget for 11 full-time positions. A total of 32.37 FTEs includes these positions as well as any seasonal or temporary positions and positions charged to or from other departments or funds. Operating Expenses account for the remaining 94.56 percent of the budget. Included in the total FTEs are 21 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.

COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following are emphasized:

INITIATIVES

- ★ Partnering with the County Executive's Innovation Office to develop ways to encourage more residents to pay County taxes and other bills online versus in-person or through the mail, reducing the use of paper and carbon emissions.
- ★ Switching Robotic Process Automation platforms that offer greater integration capability with the County's existing information technology investments.
- ★ Continuing partnership with the Department of Technology and Enterprise Business Solutions to enhance the department's Disaster Recovery and Business Continuity capability.
- ★ Implementing an Account Verification Service for all online Automated Clearing House payments to ensure that a payer's bank account standing is valid prior to submitting a payment to prevent returns.
- ★ Risk Management has made significant progress in developing electronic claim reporting forms to streamline reporting and eliminate significant paper waste in the Claims Section. The electronic claim reporting form initiative has been tested with the Motor Vehicle Accident Notice (MVA) Form and will be tested with the Liability Accident Notice Form. The MVA form will be piloted with Alcohol Beverage Services (ABS) and the Division of Highway Services (HWY) by April 2022; and the Liability Accident Notice Form will be piloted with the Department of General Services by the end of the fiscal year.
- ★ For the 2022 Election Cycle, the Public Election Fund has authorized and distributed \$1,804,355 in matching fund contributions to 16 candidates who have been certified and are running in contested elections as of February 28, 2022.
- ★ The Small Business Plus! Program began with an initial total deposit of \$10 million with several local community banks in 2012 and has since expanded into deposits of approximately \$50 million as of December 31, 2020, with the program generating over \$3.4 million in interest income and creating an estimated 2,972 jobs.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ★ Implemented a Business Intelligence dashboard that allows departments to quickly reconcile Accounts Receivable payments.
- ★ Implemented a Timecard Correction electronic workflow for employees that significantly reduces the total time required for the review and approval of updates.
- ★ Implemented an online application that allows businesses to pay for telephone excise tax without the use of paper and significantly reduces the cost of administration.
- ★ Automated an internal business payroll reconciliation process leveraging Robotic Process Automation that significantly reduces the time to complete tasks.
- ★ Updated the Central Vendor Registration System based on collaboration with the Department of Transportation to improve the customer experience by including the capability to translate content to multiple languages, simplifying the workflow, and updating instructions based on resident feedback.

PROGRAM CONTACTS

Contact Jedediah Millard of the Department of Finance at 240.777.8855 or Derrick Harrigan of the Office of Management and Budget at 240.777.8759 for more information regarding this department's operating budget.

PROGRAM PERFORMANCE MEASURES

Performance measures for this department are included below (where applicable), with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY22 estimates reflect funding based on the FY22 Approved Budget. The FY23 and FY24 figures are performance targets based on the FY23 Recommended Budget and funding for comparable service levels in FY24.

PROGRAM DESCRIPTIONS

Controller

This program provides effective management and support to the operations of Accounts Payable and Receivable; General and Grant Accounting; Financial Analysis, Audit and Compliance; and Timekeeping and Payroll. This program, through its operations, is responsible for overseeing expenditures and cash flow management; preparing timely and accurate annual financial statements and other standardized reports; complying with Federal, State, and County mandates; and developing standardized County policies and procedures.

The Accounts Payable (AP) section 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.

The Accounts Receivable (AR) section 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, it also provides services including invoicing/billing, collection, accounting, reconciliation, and reporting reconciliation of monies due.

The General and Grant Accounting sections are 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 Federal, State, County, and other outside resources; adherence to budgetary policies established by management; and compliance with Federal, State, and County mandates. The program prepares the Annual Comprehensive Financial Report, Debt Service Booklet, the Single Audit Report on Expenditures of Federal Awards, and the 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 financial transactions including grants.

The Financial Analysis, Audit, and Compliance (FAAC) section is responsible for performing extensive financial analysis to improve financial reporting, coordinating controls and requirements over enhancements to functions in Oracle EBS financial modules; performing audits of financial transactions, and ensuring compliance with Department and Countywide policies.

The Timekeeping and Payroll section is responsible for managing and maintaining the County's payroll system and functions as prescribed by Federal, State, County laws, and local regulations. It 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. Timekeeping and Payroll proactively operates in conjunction with other County departments to maintain and develop efficient and effective improvements to personnel/payroll by

providing timekeeping and creating reporting tools available within the Oracle Business Intelligence Tool (BI).

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting ¹	Received	Expected	Expected	Expected	Expected
Procurement Card transactions processed	37,881	22,542	25,000	25,000	25,000
Vendor payments issued ²	107,773	202,889	150,000	150,000	150,000
Journal entries prepared	1,800	2,000	2,000	2,000	2,000
Journal entries reviewed and posted	3,600	4,000	4,000	4,000	4,000
Grant reports produced	488	738	725	725	725
Paychecks and payroll advices issued for employees ³	289,751	275,991	300,000	300,000	300,000
Pension and long-term disability (LTD2) payroll payments processed	76,059	76,625	80,000	80,000	80,000
Procurement Card rebate revenue generated	\$768,078	553,034	550,000	550,000	550,000
Percent of non-compliant payments - Direct purchase orders created the same day as invoice date and duplicate dollars per total invoices	0.04%	.0465%	.04%	.04%	.04%
Percent of payroll errors per sum of dollars under and overpaid	0.28%	0.258%	0.35%	0.255%	0.25%

¹ The County has been awarded this certificate more times than any other county in the nation (FY20 = 51 times).

² Vendor payments (checks, ACH's, wires, SUA) represent checks disbursed; each check may represent multiple invoice vouchers.

³ Number of employees varies by month due to seasonal and temporary staff. Count reflects number of employees, not number of transactions (a person can have multiple transactions with one check).

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	6,299,888	51.87
Increase Cost: Kronos Annual Maintenance and License Contractual Obligation	52,224	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.	53,356	0.00
FY23 Recommended	6,405,468	51.87

Fiscal Management

This program provides effective management of County capital and operating funds; and the fiscal analysis and issue management associated with master plan development, economic development, and legislative issues. It is also responsible for issuing and managing the County's financial obligations to fund the capital improvement program and manage cash flow; provide accurate revenue and economic forecasting and publishing reports on economic and revenue analysis on a quarterly basis for dissemination to the County Council, County Executive, and the public. One of the program's primary goals 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 investors 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; investing the County's working capital 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 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; implementing and managing new County initiatives such as the Public Election Fund and Commercial Property Assessed Clean Energy (C-PACE) programs; managing the administration of economic development initiatives that support growth and/or expansion of economic opportunities in the County; and high quality financial consulting services for County agencies, managers, staff, elected officials, and residents.

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Make Office Vacancies Extinct (MOVE) Program: Square feet of office space leased	81,763	55,446	66,535	73,189	76,848
Interest Rate Benchmarking - County General Obligation (GO) vs. Municipal Market Data Index (basis point spread)	3.00	3.00	0.00	0.00	0.00
Investment Return Benchmarking - County Return vs. S&P Local Government Investment Pool Index (basis point spread)	34	11	2	2	1
Revenue Forecasting - Percent variance between actual revenue and projected revenue	-0.43%	2.41%	0.00%	0.00%	0.00%
Interest Rate - True Interest Cost for Montgomery County General Obligation Bonds (the most common debt instrument used by the County)	2.21%	1.42%	1.48%	4.00%	4.00%
Investment Return - Rate of return on Montgomery County's investments	1.76%	.18%	.05%	.10%	.25%
Bond Rating - Rating given to Montgomery County by Fitch, Moody's, and Standard and Poor's (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	AAA	AAA	AAA

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	1,969,546	10.75
Shift: CIP FTE to the General Fund	40,369	0.25
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	99,279	0.00
FY23 Recommended	2,109,194	11.00

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 and Enterprise Business Solutions, other County departments, vendors, and Department staff to ensure consistency of Department systems and financial controls with Countywide policies and standards; and with appropriate financial control standards. Major programs that are supported include Property Tax Billing and Collection, Time and Attendance, Electronic Payment Implementation and Compliance, joint ownership of the County's Enterprise Resource Planning system; software development of customized applications, robotic process automation; business process re-engineering, Disaster Recovery, Continuity of Operations planning, and special projects.

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Electronic payments (credit card and ACH) transactions processed by the County's credit card processor and bank	4,625,166	4,282,243	4,200,000	4,200,000	4,200,000
Workflows, tasks, and processes streamlined utilizing existing or new technologies	37	24	25	25	25
FY23 Recommended Changes	Expenditures			FTEs	
FY22 Approved	1,652,947			4.00	

FY23 Recommended Changes	Expenditures	FTEs
Technical Adj: IT Financial Systems - Ongoing Software License and Maintenance	27,970	0.00
Increase Cost: Chargeback for Billing, Collection and Processing Services for Non-Tax Supported Funds	8,353	0.00
Increase Cost: Annual PCI and ACH Industry Compliance	6,430	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.	(1,672)	0.00
FY23 Recommended	1,694,028	4.00

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

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	4,164,678	14.37
Decrease Cost: Chargeback for Billing, Collection, and Processing Services for Non-Tax Supported Funds	(14,150)	0.00
Technical Adj: IT Financial Systems - Ongoing Software License and Maintenance	(27,970)	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.	13,296	0.00
FY23 Recommended	4,135,854	14.37

Risk Management

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 pays all claims for Self Insured Workers' Compensation, General and Auto Liability, Auto Physical Damage, and Property matters. The program is funded through contributions from the agencies, which are based upon an annual actuarial analysis of their exposures and outstanding and projected future claims. The program provides accurate and timely insurance and risk management advice to County Departments and 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; and recommending and reviewing contractual insurance requirements for County agreements. The Program also purchases commercial insurance policies. The Program maintains a contract agreement with a Third Party Claims administrator to handle all claims submitted to the County and agencies - including Workers' Compensation, General Liability, Automobile Liability, Auto Physical Damage, and Property damage.

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Computer based/onsite training classes provided by the Safety Section	2,300	3,085	1,500	1,350	1,500
Workers Compensation - Cost per \$100 of payroll	\$2.99	\$3.37	\$2.96	\$2.99	\$2.99
Workers Compensation - Number of Montgomery County Government cases resulting in lost work time	341	340	374	411	411

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	84,451,002	28.00
Increase Cost: Increase in Commercial Insurance Premiums	1,919,282	0.00
Decrease Cost: Claims Service Contract Administrative Costs	811,545	0.00
Increase Cost: Worker's Comp. Tax	40,000	0.00
Increase Cost: Insurance Broker Services	13,703	0.00
Increase Cost: Rent increase	3,841	0.00
Decrease Cost: Other Insurance Costs	(15,321)	0.00
Decrease Cost: Claims Expense	(833,099)	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.	174,009	0.00
FY23 Recommended	86,564,962	28.00

Treasury

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

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Tax related number of service request tickets transferred from MC311 Call Center to Treasury	3,241	5,245	4,250	3,750	3,750
Property tax accounts billed	348,037	376,557	380,000	382,500	385,000
Transfer tax transactions processed ¹	18,972	21,620	23,000	23,000	23,000
Cashier transactions processed	73,710	64,734	70,000	75,000	80,000

¹ Transfer Tax transactions includes taxable and non-taxable transactions.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	2,406,350	23.05
Decrease Cost: Chargeback for Billing, Collection and Processing Services for Non-Tax	(29,093)	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.	250,753	0.00
FY23 Recommended	2,628,010	23.05

BUDGET SUMMARY

	Actual FY21	Budget FY22	Estimate FY22	Recommended FY23	%Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	8,328,246	10,246,975	9,737,608	10,615,199	3.6 %
Employee Benefits	2,751,684	2,724,451	2,794,794	2,798,829	2.7 %

BUDGET SUMMARY

	Actual FY21	Budget FY22	Estimate FY22	Recommended FY23	%Chg Bud/Rec
County General Fund Personnel Costs	11,079,930	12,971,426	12,532,402	13,414,028	3.4 %
Operating Expenses	2,545,947	2,629,359	2,694,878	2,689,549	2.3 %
County General Fund Expenditures	13,625,877	15,600,785	15,227,280	16,103,577	3.2 %
PERSONNEL					
Full-Time	119	115	115	115	—
Part-Time	0	0	0	0	—
FTEs	97.67	99.67	99.67	99.92	0.3 %
REVENUES					
Miscellaneous Revenues	645,970	700,000	500,000	500,000	-28.6 %
Other Charges/Fees	595,444	535,500	535,500	535,500	—
Other Fines/Forfeitures	1,278,234	0	0	0	—
Other Intergovernmental	514,716	510,700	510,700	515,820	1.0 %
County General Fund Revenues	3,034,364	1,746,200	1,546,200	1,551,320	-11.2 %

SELF INSURANCE INTERNAL SERVICE FUND

EXPENDITURES					
Salaries and Wages	3,224,395	3,678,136	3,505,899	3,842,799	4.5 %
Employee Benefits	856,173	968,013	922,505	965,097	-0.3 %
Self Insurance Internal Service Fund Personnel Costs	4,080,568	4,646,149	4,428,404	4,807,896	3.5 %
Operating Expenses	59,999,253	80,697,477	80,697,477	82,626,043	2.4 %
Self Insurance Internal Service Fund Expenditures	64,079,821	85,343,626	85,125,881	87,433,939	2.4 %
PERSONNEL					
Full-Time	11	11	11	11	—
Part-Time	0	0	0	0	—
FTEs	32.37	32.37	32.37	32.37	—
REVENUES					
Investment Income	334,239	172,690	296,060	1,767,200	923.3 %
Miscellaneous Revenues	398,893	1,000,000	1,000,000	1,000,000	—
Self Insurance Revenues	78,133,853	77,514,144	77,514,144	89,979,623	16.1 %
Self Insurance Internal Service Fund Revenues	78,866,985	78,686,834	78,810,204	92,746,823	17.9 %

GRANT FUND - MCG

EXPENDITURES					
Salaries and Wages	120,789	0	0	0	—
Employee Benefits	1,878	0	0	0	—
Grant Fund - MCG Personnel Costs	122,667	0	0	0	—
Operating Expenses	16,600,743	0	0	0	—
Grant Fund - MCG Expenditures	16,723,410	0	0	0	—
PERSONNEL					

BUDGET SUMMARY

	Actual FY21	Budget FY22	Estimate FY22	Recommended FY23	%Chg Bud/Rec
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
REVENUES					
Federal Grants	16,723,410	0	0	0	—
Grant Fund - MCG Revenues	16,723,410	0	0	0	—
DEPARTMENT TOTALS					
Total Expenditures	94,429,108	100,944,411	100,353,161	103,537,516	2.6 %
Total Full-Time Positions	130	126	126	126	—
Total Part-Time Positions	0	0	0	0	—
Total FTEs	130.04	132.04	132.04	132.29	0.2 %
Total Revenues	98,624,759	80,433,034	80,356,404	94,298,143	17.2 %

FY23 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
	FY22 ORIGINAL APPROPRIATION	15,600,785 99.67
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Annualization of FY22 Compensation Increases	250,286	0.00
Increase Cost: FY23 Compensation Adjustment	169,383	0.00
Increase Cost: Annualization of FY22 Personnel Costs	64,667	0.00
Increase Cost: Kronos Annual Maintenance and License Contractual Obligation [Controller]	52,224	0.00
Shift: CIP FTE to the General Fund [Fiscal Management]	40,369	0.25
Technical Adj: IT Financial Systems - Ongoing Software License and Maintenance [Information Technology]	27,970	0.00
Increase Cost: Chargeback for Billing, Collection and Processing Services for Non-Tax Supported Funds [Information Technology]	8,353	0.00
Increase Cost: Annual PCI and ACH Industry Compliance [Information Technology]	6,430	0.00
Decrease Cost: Printing and Mail Adjustment	(554)	0.00
Decrease Cost: Chargeback for Billing, Collection, and Processing Services for Non-Tax Supported Funds [Operations and Administration]	(14,150)	0.00
Technical Adj: IT Financial Systems - Ongoing Software License and Maintenance [Operations and Administration]	(27,970)	0.00
Decrease Cost: Chargeback for Billing, Collection and Processing Services for Non-Tax [Treasury]	(29,093)	0.00
Decrease Cost: Retirement Adjustment	(45,123)	0.00
	FY23 RECOMMENDED	16,103,577 99.92

SELF INSURANCE INTERNAL SERVICE FUND

FY23 RECOMMENDED CHANGES

	Expenditures	FTEs
FY22 ORIGINAL APPROPRIATION	85,343,626	32.37
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Increase in Commercial Insurance Premiums [Risk Management]	1,919,282	0.00
Decrease Cost: Claims Service Contract Administrative Costs [Risk Management]	811,545	0.00
Increase Cost: Annualization of FY22 Compensation Increases	91,683	0.00
Increase Cost: FY23 Compensation Adjustment	69,072	0.00
Increase Cost: Worker's Comp. Tax [Risk Management]	40,000	0.00
Increase Cost: Annualization of FY22 Personnel Costs	35,384	0.00
Increase Cost: Insurance Broker Services [Risk Management]	13,703	0.00
Increase Cost: Rent increase [Risk Management]	3,841	0.00
Increase Cost: Motor Pool Adjustment	1,891	0.00
Increase Cost: Printing and Mail Adjustment	194	0.00
Decrease Cost: OPEB Adjustment	(13,470)	0.00
Decrease Cost: Other Insurance Costs [Risk Management]	(15,321)	0.00
Decrease Cost: Retirement Adjustment	(34,392)	0.00
Decrease Cost: Claims Expense [Risk Management]	(833,099)	0.00
FY23 RECOMMENDED	87,433,939	32.37

PROGRAM SUMMARY

Program Name	FY22 APPR Expenditures	FY22 APPR FTEs	FY23 REC Expenditures	FY23 REC FTEs
Controller	6,299,888	51.87	6,405,468	51.87
Fiscal Management	1,969,546	10.75	2,109,194	11.00
Information Technology	1,652,947	4.00	1,694,028	4.00
Operations and Administration	4,164,678	14.37	4,135,854	14.37
Risk Management	84,451,002	28.00	86,564,962	28.00
Treasury	2,406,350	23.05	2,628,010	23.05
Total	100,944,411	132.04	103,537,516	132.29

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY22 Total\$	FY22 FTEs	FY23 Total\$	FY23 FTEs
COUNTY GENERAL FUND					
Human Resources	Employee Health Self Insurance	99,570	0.75	103,860	0.75
Human Resources	Retiree Health Benefits Trust Fund	41,582	0.30	43,334	0.30
General Services	Central Duplicating (Printing & Mail)	6,770	0.05	6,960	0.05
Transportation	Leaf Vacuuming	254,550	0.43	257,810	0.43

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY22 Total\$	FY22 FTEs	FY23 Total\$	FY23 FTEs
Parking District Services	Bethesda Parking	32,540	0.24	33,450	0.24
Parking District Services	Silver Spring Parking	36,810	0.27	37,870	0.27
Parking District Services	Wheaton Parking	12,370	0.09	12,750	0.09
Community Use of Public Facilities	Community Use of Public Facilities	50,010	0.37	51,360	0.37
Recreation	Recreation	44,110	0.33	45,210	0.33
Permitting Services	Permitting Services	13,240	0.10	13,560	0.10
Environmental Protection	Water Quality Protection	969,796	6.00	961,505	6.00
Recycling and Resource Management	Solid Waste Disposal	609,540	4.38	618,950	4.38
Recycling and Resource Management	Solid Waste Collection	280,770	0.64	284,800	0.64
Alcohol Beverage Services	Liquor	193,516	0.50	76,820	0.50
CIP	Capital Fund	39,895	0.25	0	0.00
Non-Departmental Accounts	Retirement Fund (ERS)	39,448	0.30	42,716	0.30
Non-Departmental Accounts	RSP-Disability Benefits (LTD2)	1,480	0.01	1,530	0.01
Economic Development Fund	Economic Development Fund	161,959	1.00	167,596	1.00
Total		2,887,956	16.01	2,760,081	15.76

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY23	FY24	FY25	FY26	FY27	FY28
COUNTY GENERAL FUND						
EXPENDITURES						
FY23 Recommended	16,104	16,104	16,104	16,104	16,104	16,104
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	564	564	564	564	564
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	16,104	16,668	16,668	16,668	16,668	16,668
SELF INSURANCE INTERNAL SERVICE FUND						
EXPENDITURES						
FY23 Recommended	87,434	87,434	87,434	87,434	87,434	87,434
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	184	184	184	184	184
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	87,434	87,618	87,618	87,618	87,618	87,618

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FY23-28 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Risk Management					
FISCAL PROJECTIONS	FY22 ESTIMATE	FY23 REC	FY24 PROJECTION	FY25 PROJECTION	FY26 PROJECTION	FY27 PROJECTION	FY28 PROJECTION
ASSUMPTIONS							
CPI (Fiscal Year)	5.4%	3.0%	2.3%	2.4%	2.4%	2.3%	2.2%
Investment Income Yield	0.2%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%
BEGINNING FUND BALANCE	13,690,577	7,377,699	12,681,831	15,318,134	16,001,733	16,730,628	17,500,467
REVENUES							
Charges For Services	77,514,144	89,979,622	92,013,162	94,193,874	96,426,268	98,624,787	100,755,082
Miscellaneous	1,296,060	2,767,200	3,313,100	3,401,230	3,492,710	3,587,680	3,686,270
Subtotal Revenues	78,810,204	92,746,822	95,326,262	97,595,104	99,918,978	102,212,467	104,441,352
TOTAL RESOURCES	92,500,781	100,124,521	108,008,093	112,913,238	115,920,711	118,943,095	121,941,819
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(85,125,881)	(87,433,939)	(92,506,105)	(96,727,651)	(99,006,229)	(101,258,774)	(103,451,849)
Labor Agreement	n/a	0	(183,854)	(183,854)	(183,854)	(183,854)	(183,854)
Subtotal PSP Oper Budget Approp / Exp's	(85,125,881)	(87,433,939)	(92,689,959)	(96,911,505)	(99,190,083)	(101,442,628)	(103,635,703)
OTHER CLAIMS ON FUND BALANCE	2,799	(8,751)	0	0	0	0	0
TOTAL USE OF RESOURCES	(85,123,082)	(87,442,690)	(92,689,959)	(96,911,505)	(99,190,083)	(101,442,628)	(103,635,703)
YEAR END FUND BALANCE	7,377,699	12,681,831	15,318,134	16,001,733	16,730,628	17,500,467	18,306,116
END-OF-YEAR RESERVES AS A							
PERCENT OF RESOURCES	8.0%	12.7%	14.2%	14.2%	14.4%	14.7%	15.0%

Assumptions:

1. Risk Management contributions are adjusted as necessary to reflect the County's fiscal policy of maintaining an unrestricted net asset balance, in excess of claims reserves, sufficient to achieve a confidence level in the range of 80 to 85 percent that funding will be sufficient to cover all incurred liabilities. For FY23, the funding is at the 81 percent confidence level, which is within the 80 to 85 percent confidence level that funding will be sufficient to cover all incurred liabilities.
2. Risk Management contributions to the Self-Insurance Fund are made annually based on an actuarial analysis and evaluation of exposures and prior claims expenses.
3. The other claims on fund balance represents the OPEB liability five year allocation (GASB 75) and Prepaids for Retiree Health Insurance.

FY23-28 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Print and Mail					
FISCAL PROJECTIONS	FY22 ESTIMATE	FY23 REC	FY24 PROJECTION	FY25 PROJECTION	FY26 PROJECTION	FY27 PROJECTION	FY28 PROJECTION
ASSUMPTIONS							
CPI (Fiscal Year)	5.4%	3.0%	2.3%	2.4%	2.4%	2.3%	2.2%
Investment Income Yield	0.2%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%
Rate Adjustment	0	0	5.0%	3.0%	3.0%	3.0%	3.0%
BEGINNING FUND BALANCE	115,272	12,471	27,335	195,878	302,277	305,762	295,528
REVENUES							
Charges For Services	8,159,467	8,397,754	8,817,642	8,889,978	8,964,484	9,041,225	9,120,268
Miscellaneous	1,620	9,670	12,660	13,140	13,640	14,160	14,700
Subtotal Revenues	8,161,087	8,407,424	8,830,302	8,903,118	8,978,124	9,055,385	9,134,968
TOTAL RESOURCES	8,276,359	8,419,895	8,857,637	9,098,996	9,280,401	9,361,147	9,430,496
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(8,276,894)	(8,369,856)	(8,486,376)	(8,621,336)	(8,799,256)	(8,890,236)	(8,969,306)
Labor Agreement	n/a	0	(175,383)	(175,383)	(175,383)	(175,383)	(175,383)
Subtotal PSP Oper Budget Approp / Exp's	(8,276,894)	(8,369,856)	(8,661,759)	(8,796,719)	(8,974,639)	(9,065,619)	(9,144,689)
OTHER CLAIMS ON FUND BALANCE	13,006	(22,704)	0	0	0	0	0
TOTAL USE OF RESOURCES	(8,263,888)	(8,392,560)	(8,661,759)	(8,796,719)	(8,974,639)	(9,065,619)	(9,144,689)
YEAR END FUND BALANCE	12,471	27,335	195,878	302,277	305,762	295,528	285,807
END-OF-YEAR RESERVES AS A							
PERCENT OF RESOURCES	0.2%	0.3%	2.2%	3.3%	3.3%	3.2%	3.0%

Notes:

1. The FY22 estimate is based on second quarter revenue and expenditure projections.
2. Printing, Mail, and Records Management/Imaging rates are adjusted to receive cost recovery and maintain the year-end fund balance at the policy level.
3. The fund balance for this internal service should be between three and five percent.
4. The other claims of fund balance represents the OPEB liability allocation (GASB 75) and Prepaids for Retiree Health Insurance.

 **Risk Management (General Fund)**

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

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	23,260,695	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.	2,477,292	0.00
FY23 Recommended	25,737,987	0.00