

MEMORANDUM

April 23, 2019

TO: Government Operations and Fiscal Policy Committee

FROM: Blaise DeFazio, Senior Legislative Analyst **BD**

SUBJECT: FY20 Operating Budget: Department of Finance, including Risk Management; Risk Management Non-Departmental Account

PURPOSE: Review and make recommendations on the FY20 Department of Finance and Risk Management NDA budgets

Expected attendees:

- Michael Coveyou, Acting Director, Department of Finance
- Karen Hawkins, Chief Operating Officer, Department of Finance
- Lenny Moore, Controller, Department of Finance
- Jedediah Millard, Administrative Services Manager
- Kimberly Gay-Armour, Chief, Risk Management Division, Department of Finance
- Sarah Gomez, Fiscal and Policy Analyst, Department of Finance
- Anita Aryeetey, Fiscal and Policy Analyst, Office of Management and Budget
- Deborah Lambert, Senior Fiscal and Policy Analyst, Office of Management and Budget

Budget Summary

- The Executive's Recommended FY20 operating budget for the Department of Finance (General Fund) is \$15,601,135, which is an increase of \$1,103,118 or 7.6% over the FY19 approved budget of \$14,498,017.
- The Executive's Recommended FY20 operating budget for the Department of Finance (Self Insurance Fund/Risk Management) is \$74,044,102, which is an increase of \$4,599,854 or 6.6% over the FY19 approved budget of \$69,444,248.
- The Executive's Recommended FY20 operating budget for the Risk Management NDA (General Fund) is \$19,791,523, which is an increase of \$2,374,272 or 13.6% over the FY19 approved budget of \$17,417,251.

Council Staff Recommendation

- **Approve Finance and the Risk Management NDA operating budgets as submitted.**

Finance's FY20 Recommended Operating Budget Overview

For FY20, the County Executive recommends \$89,645,237, an increase of \$5,702,972 or 6.8% over the FY19 approved budget of \$83,942,265. This includes an increase of \$1,103,118 (7.6%) for the General Fund component and an increase of \$4,599,854 (6.62%) for the Self-Insurance Internal Service Fund (Finance's Recommended Budget is on © 1-14; performance measures are on © 5).

Total full-time positions in the FY20 Recommended Budget are 135, an increase of 3 or 2.3% over the FY19 approved amount of 132. Total FTEs are 130.79, an increase of 4.02 or 3.2% over the FY19 approved amount of 126.77. Estimated FY20 revenues to the General Fund are \$1,703,470, an increase of \$407,170 or 31.4% over the FY19 approved amount of \$1,296,300. Estimated FY20 revenues for the Self-Insurance Internal Service Fund are \$75,404,480, an increase of \$5,130,547 or 7.3% over the FY19 approved amount of \$70,273,933.

The General Fund portion of the budget includes 124 full-time positions and 98.92 FTEs. Personnel costs comprise 82.5% of the General Fund budget.

The Self-Insurance Fund portion of the budget includes 11 full-time positions and a total of 31.87 FTEs. Included in the Self-Insurance Fund are 20.50 FTEs charged to the fund by the Office of the County Attorney and 0.37 FTEs charged to the Fund by the Department of Finance's Controller Division. The Self-Insurance Fund is largely comprised of operating expenses/claims administration; only 6.4% of the budget is for personnel costs.

		FY18 Actual	FY19 Approved	FY20 Rec.	Change from FY19 to FY20	% Change from FY19 to FY20
Expenditures by Fund						
General Fund	Personnel Costs	\$10,061,949	\$12,117,174	\$12,865,621	\$748,447	6.2%
	Operating Expenses	\$4,032,409	\$2,380,843	\$2,735,514	\$354,671	14.9%
	<i>Subtotal, GF</i>	<i>\$14,094,358</i>	<i>\$14,498,017</i>	<i>\$15,601,135</i>	<i>\$1,103,118</i>	<i>7.6%</i>
Self-Insurance Fund	Personnel Costs	\$4,296,028	\$4,641,075	\$4,771,326	\$130,251	2.8%
	Operating Expenses	\$57,217,309	\$64,803,173	\$69,272,776	\$4,469,603	6.9%
	<i>Subtotal, Self-Insur.</i>	<i>\$61,513,337</i>	<i>\$69,444,248</i>	<i>\$74,044,102</i>	<i>\$4,599,854</i>	<i>6.6%</i>
Total, Finance		\$75,607,695	\$83,942,265	\$89,645,237	\$5,702,972	6.8%
Positions & FTEs by Fund*						
General Fund	Full-Time	121	121	124	3	2.5%
	FTEs	93.90	94.90	98.92	4.02	4.2%
Self-Insurance Fund	Full-Time	11	11	11	0	N/A
	FTEs	31.12	31.87	31.87	0	N/A
*No part-time positions						

FY20 Budget Discussion Items

Department-wide

A. FY20 Initiatives

A major priority for Finance is executing several Information Technology (IT) initiatives, continuing some that started in FY19. Below is a description of the significant IT initiatives and their updates.

Initiative	Description	Updates
Re-engineering procedures for tax refunds	Replace the mostly paper-driven manual process by scanning a resident's mailed application to include supporting documentation into a document management system and utilizing the system's workflow engine to monitor, track, and approve the refunds.	Once testing is complete, the initiative is planned to be functional by the end of FY19.
Implementing new MUNIS (tax billing system) for web display of property tax bills	Replace the County's current web application that displays real and personal property tax and allow residents to pay for property taxes with a credit card or e-check using the MUNIS Citizens Self Service (CSS) module.	Due to the complex nature of the integration between CSS and the MUNIS system, the initiative is experiencing issues and staff are continuing to work on resolve them (they have been reported to the vendor). Finance is postponing the implementation until the issues are resolved; staff will work with the vendor on alternatives in the meantime.
Updating Kronos Workforce Timekeeper (MCTIME)	Systematic update to the existing workforce timekeeper software.	Finance will start this project in July; it was delayed due to other multiple high priority projects assigned to the MCTIME team such as implementing a new Telestaff scheduling system at DOCR, upgrading FRS's Telestaff scheduling system, and implementing electronic timeclocks at DLC.

Finance is also implementing credit card and electronic payment solutions and re-engineering existing solutions. This includes creating a centralized payment portal, automating processes, reducing department effort to process credit cards, and collaborating with the merchant service provider to reduce transaction costs. This initiative has decreased the total cost of ownership for the County and reduced transaction costs (savings of \$85,076 in FY19 to date, an additional \$35,249 projected for the remainder of FY19, and \$140,997 projected savings for FY20). The savings were achieved through the following:

- Reducing the per transaction cost charged by the County's credit card processor, Elavon;
- Implementing interchange optimization for small ticket items for the Department of Transportation; and
- Implementing Level III optimization for credit card charges made by businesses in the Department of Liquor Control.

B. Lapse

Lapse from FY19 was restored at \$342,963, which follows the future fiscal impact from the FY19 budget. One-time lapse/turnover savings was then added back in at \$281,275 for FY20, for a net restoration of \$61,688. Finance expects that some of their current vacancies (22 positions) will continue at least through part of FY20 to cover the lapse. Finance will make every effort to fill as many vacant positions, while still meeting their lapse target.

Staff recommendation: Concur with the Executive.

C. Other Department-wide Changes

General Fund

Item	Amount
FY20 Compensation Adjustment	\$426,240
Annualization of FY19 Personnel Costs	\$143,854
Retirement Adjustment	\$28,091
Annualization of FY19 Operating Expenses	\$17,481
Realign Chargebacks to Reflect Actual Service Levels	\$0 & 2.02 FTEs
Adjustment to the Chargeback for Billing, Collection, and Processing Services for Non-Tax Funds	(\$1,712)
Contractual Resources for Indirect Cost Analysis	(\$14,000)

Self-Insurance Internal Service Fund

Item	Amount
FY20 Compensation Adjustment	\$135,678
Retirement Adjustment	\$5,896
Motor Pool Adjustment	\$2,049
Rent Costs to Move to New Offices	\$603
OPEB Adjustment	(\$7,850)
Annualization of FY19 Personnel Costs	(\$11,413)

Staff recommendation: Concur with the Executive.

D. Revenues

County General Fund revenues increased by \$407,170 or 31.4% over the FY19 budget figures for a total of \$1,703,470. The following page shows each revenue category, their changes, and their change descriptions.

Revenue Category	FY19 Budget	FY20 Recommended	FY20-19 \$ Change	FY20-19 % Change	Reason for Increase
Miscellaneous Revenue	\$507,000	\$700,000	\$193,000	38.1%	In FY19 the P-Card rebate received exceeded \$700K. Finance expects purchases made with P-Card will be similar to FY19.
Other Charges/Fee	\$366,300	\$514,500	\$148,200	40.5%	The largest increase in this category contributes to large conduit debt issuances in FY19
Other Fines/Forfeitures	\$5,000	\$15,000	\$10,000	200.0%	The increase is due to higher collection of return check fees and penalties
Other Intergovernmental	\$418,000	\$473,970	\$55,970	13.4%	The largest increase of revenue in this category contributes to the increase to municipalities for billing and collection of property taxes at the actual rate

Self-Insurance Internal Service Fund revenues increased by \$5,130,547 or 7.3% over the FY19 budget figures for a total of \$75,404,480. The Self-Insurance revenues are impacted by the cost of claims, program expenses, and ensuring that funding will be enough to cover incurred liabilities.

E. Contributions & Fund Balance for the Self-Insurance Internal Service Fund (Risk Management)

Risk Management contributions to the Self-Insurance Fund are made annually based on actuarial analysis and evaluation of risk exposures and prior claim expenses. The policy for the fund is to maintain an unrestricted net asset balance, in excess of claim reserves, sufficient to achieve a confidence level of 80% to 85% that funding will cover all incurred liabilities. The recommended budget only funds at the 55% confidence level (see the Risk Management Fiscal Plan at ©15), which is a decrease from FY19, which was at 65%. Furthermore, the estimated end of year reserves as a percent of resources are -1.9% in FY19 and only 0.1% in FY20 (for comparison, the FY19 estimated figure was 6.2%).

Also, Risk Management indicated in FY19 there would be additional contributions in later years, achieving an 80% confidence level by FY22. For the FY20 recommended budget, that has been pushed back to FY23.

Risk Management stated that for FY20, based on the actuary, the confidence level can be 55% and the fund balance can be “near zero.” The additional contributions for the entire program (the County and participating agencies) needed to get to the 80% and 85% levels are \$11,523,410 and \$15,214,906, respectively.

Staff recommendation: Discuss the plans for the Risk Management fund moving forward, avoiding a negative fund balance.

Programmatic

There are thirteen programs in Finance and the following table includes a summary of expenditures and FTEs by program. The program descriptions can be found in Finance's budget narrative (© 1- 14).

Program	FY19 Approved	FY19 FTEs	FY20 Rec.	FY20 FTEs	\$ Change from FY19 to FY20	FTE Change from FY19 to FY20
Fiscal Management	\$1,947,371	11.00	\$2,194,288	12.00	\$246,917	1.00
Information Technology	\$1,399,903	3.00	\$1,652,367	3.00	\$252,464	0.00
Accounts Payable	\$824,964	7.75	\$977,652	8.88	\$152,688	1.13
Accounts Receivable	\$315,803	5.50	\$527,090	6.00	\$211,287	0.50
General Accounting	\$2,066,436	16.65	\$1,988,759	15.99	(\$77,677)	(0.66)
Grants Accounting	\$624,527	5.00	\$559,538	5.00	(\$64,989)	0.00
Payroll	\$1,274,277	10.00	\$1,303,254	10.00	\$28,977	0.00
Tax Operations	\$1,780,331	18.10	\$2,004,693	18.15	\$224,362	0.05
Treasury Operations	\$454,216	4.90	\$478,573	4.90	\$24,357	0.00
Insurance	\$64,767,608	4.00	\$68,894,902	4.00	\$4,127,294	0.00
Occupational Safety and Health	\$801,329	3.00	\$765,215	3.00	(\$36,114)	0.00
Legal Services	\$2,997,116	20.50	\$3,130,074	20.50	\$132,958	0.00
Operations and Administration	\$4,688,384	17.37	\$5,168,832	19.37	\$480,448	2.00
Total	\$83,942,265	126.77	\$89,645,237	130.79	\$5,702,972	4.02

Note: the changes include both department-wide and individual programmatic changes.

Each of the individual programmatic budget changes are described below.

Fiscal Management

A. Add a Ten-Year Fiscal Plan Consultant - Increase of \$100,000

The consultant will not replace existing work performed by Finance or OMB but instead assist in supplementing and validating models, assumptions, and narratives for the formulation of a ten-year fiscal plan that mirror the one completed in Baltimore outlining options for the following scope of deliverables:

- County and Consultant entrance meeting (inclusive of background study and preparation);
- Consultant to work with the County to establish goals, desired outcomes and deliverables;
- SWOT Analysis;
- Development of project plan and timeline;
- Establishment and evaluation of financial and economic analysis (assumes identification of key budget drivers and scenario criteria, with specific growth rate development);
- Model/Multi-year budget plan (assuming focus on a limited number of funds, but with multiple iterations over the course of the project due to budget and policy evolution through the year; includes growth rate review/development and narrative describing the approach and key findings);
- Establish County economic position;
- Outreach and engagement with external stakeholders;
- Tax competitiveness evaluation;
- Reserves and revenue volatility evaluation;
- Structural budget balance;

- Infrastructure investment; and
- Addressing long-term liabilities.

Staff recommendation: Concur with the Executive.

Operations and Administration

B. Abolish M1 (Deputy Director) position - Decrease of \$217,342 & 1.0 FTE

The Deputy Director position abolishment reflects one of the reductions¹ needed to implement Bill 3-19, Administration – Executive Branch – Non-Merit Positions, in which three new non-merit positions will be created in the Office of the County Executive.²

Staff recommendation: Concur with the Executive.

C. Annualization of Audit and Compliance Resources – Increase of \$365,522 & 3.0 FTEs

At the direction of the Chief Administrative Officer, three new positions were created mid-year in FY19 to staff the new Financial Analysis and Compliance Unit. Finance absorbed the costs of these new positions in FY19 using lapse from vacant positions and by delaying recruitments.

Staff recommendation: Concur with the Executive.

Information Technology

D. IT Financial Systems Applications, Ongoing Maintenance - Increase of \$268,710

This change is due to the numerous IT initiatives for FY19 and FY20. Below shows a table with all Finance IT applications and their respective maintenance costs.

IT Application	FY20 Maint. Cost*	Notes
MUNIS on Cloud	\$435,333	FY20 includes the one-time cost of Tyler Cashiering due to 2017 prepayment law + ongoing annual support maintenance
Fiscal Technology (AP Forensics)	\$129,203	Services paid in 3-year increments
Mun-ease – Fiscal Management Bonds	\$2,092	Annual support
Treasury Document Management (Doc Star)	\$19,285	Annual support maintenance
PFX Engagement – Audit Workpapers – Controller	\$8,242	Annual support maintenance
UiPath Inc (Robotic Automation Processing)	\$5,939	Subscription/license
Excel4Apps GL Wand	\$17,414	Annual support maintenance

*Annual maintenance costs include 5% escalation.

Staff recommendation: Concur with the Executive.

¹ The other abolishments include M1 positions in the Department of Liquor Control, the Office of Human Resources, and the Office of Procurement.

² These non-merit positions are the Chief Labor Relations Officer, the Chief Digital Officer, and the Chief Equity Officer.

E. Annual PCI and ACH Industry Compliance - Increase of \$5,890

Increase in costs related to the compliance for the Payment Card Industry and Automated Clearing House.

Staff recommendation: Concur with the Executive.

General Accounting

F. Eliminate Accountant Auditor Reclass – Decrease of \$81,304

A classification study of the Accountant/Auditor series County-wide determined that there would not be a grade increase for this series. Finance budgeted for this grade increase in FY19, but since there was no grade increase, the funds were eliminated for FY20.

Staff recommendation: Concur with the Executive.

Insurance (Self-Insurance Funds)

G. Claims Expense Estimated by Actuary – Increase of \$3,506,520

Claims Service Contract Administrative Costs – Increase of \$180,296

The Self Insurance Program coverages (Workers' Compensation, General Liability, Automobile Liability, Property and Automobile Physical Damage) have increased overall of approximately 5.85%, with General Liability and Automobile Liability increasing the most, percentage-wise. The increase is mainly due to the increase in General Liability claims and lawsuits that have been filed in Federal Court, where the damage caps available from the Local Government Tort Claims Act do not apply. There are cases which are still ongoing with unknown outcomes.

Staff recommendation: Concur with the Executive.

H. Commercial Insurance Premiums Provided by Insurance Broker – Increase of \$840,585

New Broker Service Contract – Decrease of \$52,600

The increase in the commercial insurance premiums are based on a review of the current insurance coverages by an insurance broker and Risk Management; they made projections for FY20 (based on the expected losses/claims).

The decrease in the broker service contract was because the County negotiated a lower-than anticipated contract amount.

Staff recommendation: Concur with the Executive.

FY20 Risk Management NDA

This NDA funds the General Fund contribution to the Liability and Property Coverage Self Insurance Fund from the County Government (the NDA's Recommended Budget is at ©16). The Self-Insurance Fund provides comprehensive insurance coverage to the County and other contributing agencies. Contribution levels are based on the results of an annual actuary study. Special Funds, Enterprise Funds, and outside agencies contribute to the Fund directly.

The Executive Recommended FY20 budget is \$19,791,523, an increase of \$2,374,272 or 13.6% over the FY19 approved budget of \$17,417,251. This change is due to the previously discussed overall claims increase.

Staff recommendation: Concur with the Executive.

Current Budget Overview

A. FY19 Expenditures

Finance is on track to meet its FY19 savings plan, which was \$217,470 lapse savings. Also, based on expenditures through the third quarter of FY19, assuming pay period spending remains consistent, Finance (General Fund and Self-Insurance Fund) and the Risk NDA are estimated to be under budget.

For open prior year General Fund purchase orders (those from FY18 and earlier), Finance has \$394,272 in remaining balances. Finance plans on liquidating \$35,000 (funds go back to the General Fund) this spring and expending \$155,000 before the end of FY19. Finance plans on spending the remaining \$204,000 in FY20 to complete two major projects/upgrades (MCTime and MUNIS).

B. Initiatives

Finance continues to operate several non-IT-related initiatives. Brief descriptions and highlights for the major initiatives are in the table on the following page. More in-depth descriptions and updates can be found in Finance's responses to Council staff questions (©17-27) and in the following reports: Annual Economic Fund Annual Report (©28-44); the Commercial Property Assessed Clean Energy Program Report (©45-47); and the Small Business Plus! Annual Report (©48-54).

Initiative	Description	Highlights
Small Business Plus! Program	Places deposits with community banks to generate jobs for the benefit of County residents, while providing the County with a competitive rate of return on those deposits.	The program has expanded from \$10M in initial deposits to \$50M. It has generated interest income over \$1M, and it has created over 1,700 jobs.
Economic Development Fund Initiatives	Generates economic development activity through several programs that would not have occurred without the assistance from the public sector.	Has provided millions in assistance since individual programs have been incepted, including the Economic Development Fund Grant and Loan Program (\$43.0M), the MOVE Program (\$2.4M), and the Biotechnology Investor Incentive Program (\$2.5M).
Commercial Property Assessed Clean Energy Program (with DEP)	Assists qualifying commercial property owners to make energy efficiency and renewable energy improvements to their buildings.	Completed 12 projects in 2018 and through 2019 to date. In 2018, the first solar energy system on a commercial property rooftop financed by the program was completed at Exchange Place in Rockville.

C. Personnel/Staffing

As of April 3rd, Finance has 22 vacant positions besides the director position (see ©27). Finance anticipates filling 14 positions by the end of the FY20 second quarter and the remaining 8 by the end of the FY20 fourth quarter.

The following documents are attached:

Begins on

FY20 Budget Documents

Department of Finance (including Risk Management)	©1
Risk Management Fiscal Plan	©15
Risk Management NDA	©16

Council Budget Questions

Council Budget Questions to Finance with Responses	©17
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Other Documents

Annual Economic Development Fund Report	©28
Commercial Property Assessed Clean Energy Program Report	©45
Small Business Plus! Program Report	©48



Finance

RECOMMENDED FY20 BUDGET
\$89,645,237

FULL TIME EQUIVALENTS
130.79

✻ **ALEXANDRE A. ESPINOSA, 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 FY20 Operating Budget for the Department of Finance is \$89,645,237, an increase of \$5,702,972 or 6.79 percent from the FY19 Approved Budget of \$83,942,265. Personnel Costs comprise 19.67 percent of the budget for 135 full-time position(s) and no part-time position(s), and a total of 130.79 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 80.33 percent of the FY20 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 FY20 Operating Budget for the General Fund component is \$15,601,135 an increase of \$1,103,118 or 7.6 percent over the FY19 approved budget of \$14,498,017. Personnel Costs comprise approximately 82.46 percent of the General Fund budget for 124 full-time positions. A total of 98.92 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 17.54 percent of the budget.

The total FY20 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is \$74,044,102, an increase of \$4,599,854 or 6.62 percent over the FY19 approved budget of \$69,444,248. Personnel Costs comprise approximately 6.44 percent of the Self-Insurance Fund budget for 11 full-time positions. A total of 31.87 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 93.56 percent of the budget. Included in the total FTEs are 20.50 FTEs charged to the Self-Insurance Fund by the Office of the County Attorney and 0.37 FTE 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:

- ◆ **Effective, Sustainable Government**
- ◆ **A Growing Economy**

DEPARTMENT 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 FY19 estimates reflect funding based on the FY19 Approved Budget. The FY20 and FY21 figures are performance targets based on the FY20 Recommended Budget and funding for comparable service levels in FY21.

INITIATIVES

- ★ Upgrading Kronos Workforce TimeKeeper (MCTIME) from Version 6.2 to Version 8.2.
- ★ Upgrading Kronos Telestaff scheduling system for Fire Rescue Service.
- ★ Replacing the custom in-house real and personal property tax web billing applications with Citizens Self Service from Tyler Technologies.
- ★ Implementing electronic timeclocks for the retail and warehouse division at the Department of Liquor Control.
- ★ Upgrading Accounts Payable forensics software to monitor and verify payments to vendors.
- ★ The Department of Finance will be implementing credit card and electronic payment solutions and re-engineering existing solutions that will decrease the total cost of ownership for the County. This will entail creating a centralized payment portal, automating processes, reducing the level of effort for on-boarding departments that wish to process credit cards, and collaborating with the merchant service provider to reduce transaction costs.
- ★ Risk Management is actively working with FM Global, the Montgomery County Self Insurance Program's property insurance carrier, to present training to program members' maintenance staff to decrease property losses due to human factors.
- ★ Risk Management is working with the Office of the County Attorney and the commercial excess insurance carrier to improve claim reporting and update claim handling guidelines.

ACCOMPLISHMENTS

- ☑ Retained the County's AAA bond rating from all three major credit rating agencies in the fall of 2018.
- ☑ Received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the FY17 Comprehensive Annual Financial Report (CAFR).
- ☑ Received the GFOA award for Outstanding Achievement in Popular Annual Financial Reporting for producing the County's first Popular Annual Financial Report (PAFR) in FY17.
- ☑ Successfully issued \$330 million in General Obligation bonds in FY19 with an interest rate (True Interest Cost) of 3.28 percent.
- ☑ Received a perfect score across all six divisions for the Office of Emergency Management and Homeland Security end of year Continuity of Operations Planning (COOP) status for 2017.

- ✓ The average daily investment portfolio increased from \$845 million in FY17 to \$871 million in FY18. Investment income jumped from \$6.0 million in FY17 to over \$11.7 million in FY18, with an average portfolio yield of 1.34 percent in FY18 (compared to 0.71 percent in FY17). This 1.34 percent average yield also compares favorably versus the benchmark yield of 1.29 percent (S&P Local Government Index).
- ✓ The County's Commercial Property Assessed Clean Energy Program (C-PACE), completed its first project in December of 2016, which was also the first C-PACE Project to be completed in the State. The Program currently has 12 completed projects with a total of \$8.4 million in C-PACE financing. To date, the County has completed more projects, in both volume and total financed value, than all other Maryland counties combined.
- ✓ During the inaugural 2018 election cycle of the County's Public Election Fund Program, there were 68 candidates who appeared on the 2018 County Council and County Executive election ballots, 40 of those candidates filed an intent to participate in the program with 23 candidates qualifying for the Program and receiving approximately \$5.25 million in matching public funds. Of the 10 elected offices eligible to participate in the Program, 7 of those offices were attained by a candidate who participated in the PEF Program, including the highest elected office of County Executive.
- ✓ Performed a security assessment of all County operations that accept credit card payments to ensure that each organization is operating in a Payment Card Industry Data Security Standard (PCI-DSS) compliant manner.
- ✓ Risk Management staff issued a new insurance broker contract with minimal cost increases.
- ✓ Risk Management held the 4th Montgomery County Self Insurance Program Annual Meeting and celebrated the 40th anniversary of the founding of the Montgomery County Self Insurance Program and its years of service to the County and member agencies.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ✱ MUNIS, the County's property tax billing system, was successfully upgraded from version 9.4 to 11.3 in mid-March 2018. Preparations are being made to migrate from the County's on-premise environment to the Cloud.
- ✱ A test instance of the MUNIS Citizen Self Service module (version 11.3) has been implemented and is in the process of being reviewed, tested, and validated.
- ✱ Implemented a document management system for streamlining property tax credit for military retirees and senior residents.
- ✱ Implemented a Kronos Telestaff scheduling system for the Department of Corrections and Rehabilitation.
- ✱ Continued exploration for the use of Robotic Processing Automation software to perform repetitive and manually intensive jobs on software platforms that do not allow automation. This reduces staffing costs and increases accuracy.

COLLABORATION AND PARTNERSHIPS

✱ Disaster Recovery and Continuity of Enterprise Financial Systems

Collaborated with the Department of Technology Services and the Office of Emergency Management and Homeland Security (OEMHS) to secure grant funding for OEMHS to assist in formulating a strategy to address disaster recovery and operational continuity of the County's critical enterprise financial systems in the event of a prolonged outage. \$300K of grant funding has already been secured. This grant will be used to develop a disaster recovery and continuity of operation solution for the County's ERP system.

Partners

Office of Emergency Management and Homeland Security, Department of Technology Services

*** Implement Online Credit Card & E-check Payment Options**

Assisted the following departments and programs with implementing an on-line credit card and e-check payment option: Health and Human Services (HHS) Short Term Rental and Child Care/Proclass, Department of Liquor Control (DLC) Solicitor, iStore Ads, and DLC Licensees.

Partners

Department of Health and Human Services, Department of Liquor Control

PROGRAM CONTACTS

Contact Jedediah Millard of the Department of Finance at 240.777.8855 or Anita Aryeetey of the Office of Management and Budget at 240.777.2784 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

*** 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 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. 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 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; implementing and managing new County initiatives such as the Public Election Fund and Commercial Property Assessed Clean Energy (C-PACE) programs; managing a variety of economic development initiatives that support the 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 FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
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
Interest Rate - True Interest Cost for Montgomery County General Obligation Bonds (the most common debt instrument used by the County) ¹	3.5%	1.7%	3.3%	3.3%	3.3%
Interest Rate Benchmarking - County General Obligation (GO) vs. Municipal Market Data Index (basis point spread) ²	30.0	3.0	0	0	0
Investment Return - Rate of return on Montgomery County's investments	0.71%	1.34%	1.70%	2.20%	2.20%
Investment Return Benchmarking - County Return vs. S&P Local Government Investment Pool Index (basis point spread)	12	18	12	12	12
Revenue forecasting - Percent variance between actual revenue and projected revenue	-0.67%	-3.31%	0%	0%	0%

¹ Did not have a 20 year metric for FY18 as there was not a County issuance with this time horizon, 1.726% reflects true interest cost available for 10-year debt issuance.

² FY17 value abnormally larger due to the volatile rate environment after the presidential election in when rates went up 75 bps between the election (November 6) and Christmas. This disproportionately affected the longer maturities. The County was above MMD by 5 basis points (bps) for 2017 and 2018 maturities, but greater than 25 bps above in later years. FY18 is a return to a more stable interest rate environment.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	1,947,371	11.00
Add: Ten Year Fiscal Plan Consultant	100,000	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.	146,917	1.00
FY20 Recommended	2,194,288	12.00

☀ 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, project management, 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 troubleshooting 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.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	1,399,903	3.00
Increase Cost: IT Financial Systems Applications - Ongoing Maintenance	268,710	0.00
Increase Cost: Annual PCI and ACH Industry Compliance	5,890	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.	(22,136)	0.00
FY20 Recommended	1,652,367	3.00

☀ **Accounts Payable**

This program is responsible for timely and accurate payments to vendors for goods and services provided to the County; complying with County policies and procedures; and carrying out State and Federal reporting requirements. Payments to vendors are initiated and approved by individual departments. The Accounts Payable program is responsible for review and final approval of payments of \$10,000 or more, as well as most refunds and other non-expenditure disbursements. Payments under \$10,000 are individually reviewed and approved by operating departments subject to post-payment audits by Accounts Payable.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Procurement Card rebate revenue generated	607,388	724,221	750,000	775,000	800,000

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	824,964	7.75
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	152,688	1.13
FY20 Recommended	977,652	8.88

☀ **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 standardized 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 collectability.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	315,803	5.50
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	211,287	0.50
FY20 Recommended	527,090	6.00

☀ **General Accounting**

This program is responsible for the analysis, interpretation, and presentation of the County's financial position and results of operations through timely, accurate, and professional financial reports. These reports provide public assurance as to the accountability and integrity of the use of County resources; adherence to budgetary policies established by management; and compliance with Federal, State, and County mandates. The program prepares the Comprehensive Annual Financial Report, Debt Service Booklet, as well as numerous other standardized and specialized reports. This program also provides high quality, timely service to County departments through analysis and technical assistance and through preparation, review, and approval of financial transactions.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Receive the Government Finance Officers Association (GFOA) Certificate of	Received	Expected	Expected	Expected	Expected

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
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Achievement for Excellence in Financial Reporting ¹

¹ The County has been awarded this certificate more times than any other county in the nation (FY17 = 48 times)

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	2,066,436	16.65
Decrease Cost: Eliminate Accountant Auditor Reclass	(81,304)	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.	3,627	(0.66)
FY20 Recommended	1,988,759	15.99

☀ 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 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 grant financial transactions.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	624,527	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.	(64,989)	0.00
FY20 Recommended	559,538	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.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Pension and long-term disability (LTD2) payroll payments processed	61,119	63,064	65,000	65,000	65,000

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	1,274,277	10.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	28,977	0.00
FY20 Recommended	1,303,254	10.00

☀ 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, carryout bags, electronic cigarettes). The program is also responsible for the administration of the County's Working Families Income Supplement program, the Public Advocate for Assessments and Taxation (Public Advocate) program, and numerous tax credit, deferral, and assistance programs. The property tax portion of this program provides the calculation and distribution of tax bills; accounting and distribution of tax collections to the State of Maryland, municipalities, and other entities; collection of delinquent accounts through the tax lien sale process; and communication of and access to tax and account information by attorneys and title companies for preparation of property settlements; and customer service assistance to the public for complex tax-related matters and issues. The transfer and recordation tax portion of this program ensures that all other taxes, fees, and charges associated with the property tax account are paid in full prior to recording of the deed for that property by the State of Maryland. The Public Advocate program provides an independent review of State-determined property assessment valuations for fairness and accuracy and, therefore, protects the public interest by acting on behalf of the taxpayers and the County.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Property tax accounts billed	371,866	376,553	378,000	380,000	382,000

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	1,780,331	18.10
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	224,362	0.05
FY20 Recommended	2,004,693	18.15

☀ 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.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Cashier transactions processed	107,921	116,916	110,000	110,000	110,000

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	454,216	4.90
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	24,357	0.00
FY20 Recommended	478,573	4.90

☀ 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 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; recommending and reviewing contractual insurance requirements for County vendors; avoiding risk; and purchasing commercial insurance policies.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Workers Compensation - Cost per \$100 of payroll	3.34	2.88	2.91	2.91	2.91
Workers Compensation - Number of Montgomery County Government cases resulting in lost work time	485	554	575	590	590

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	64,767,608	4.00
Increase Cost: Claims Expense Increase Estimated by Actuary	3,506,520	0.00
Increase Cost: Commercial Insurance Premiums Increase Provided by Insurance Broker	840,585	0.00
Increase Cost: Claims Service Contract Administrative Costs	180,296	0.00
Decrease Cost: New Broker Service Contract	(52,600)	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.	(347,507)	0.00
FY20 Recommended	68,894,902	4.00

☀ Occupational Safety and Health

This program operates a proactive safety program and 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 by the Safety Section of Risk Management on schedule. The program responds promptly to inspections and queries from the Maryland Occupational Safety and Health Administration. Accident prevention programs are conducted, and continuous training is provided in loss prevention and loss control to promote a safe and healthy work environment for County employees. The program also employs proactive computer-based training for personal and facility safety.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Training classes conducted by Safety and Health Specialists ¹	2,120	1,469	2,000	2,100	2,100

¹ Late in FY17, online training was initiated to complement in-person classes. The decrease in FY18 is related to the roll-out of the new online training program and the fact that DGS completed biennial OSHA training in FY17.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	801,329	3.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(36,114)	0.00
FY20 Recommended	765,215	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.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	2,997,116	20.50
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	132,958	0.00
FY20 Recommended	3,130,074	20.50

☀ 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. This program also includes the Financial Analysis, Audit, and Compliance (FAAC) section of the Controller's Division. This section is responsible for performing extensive financial analysis to improve financial reporting, advancing functions in Oracle EBS financial modules, posting audits of financial transactions, and ensuring compliance with Department and Countywide policies.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	4,688,384	17.37
Increase Cost: Annualization of Audit and Compliance Resources	365,522	3.00
Decrease Cost: Abolish M1 (Deputy Director) position	(217,342)	(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.	332,268	0.00
FY20 Recommended	5,168,832	19.37

BUDGET SUMMARY

	Actual FY18	Budget FY19	Estimate FY19	Recommended FY20	%Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	7,287,518	9,560,198	7,973,715	10,016,599	4.8 %
Employee Benefits	2,774,431	2,556,976	2,782,887	2,849,022	11.4 %
County General Fund Personnel Costs	10,061,949	12,117,174	10,756,602	12,865,621	6.2 %
Operating Expenses	4,032,409	2,380,843	3,592,601	2,735,514	14.9 %
County General Fund Expenditures	14,094,358	14,498,017	14,349,203	15,601,135	7.6 %
PERSONNEL					
Full-Time	121	121	121	124	2.5 %
Part-Time	0	0	0	0	—

BUDGET SUMMARY

	Actual FY18	Budget FY19	Estimate FY19	Recommended FY20	%Chg Bud/Rec
FTEs	93.90	94.90	94.90	98.92	4.2 %
REVENUES					
Miscellaneous Revenues	737,340	507,000	730,000	700,000	38.1 %
Other Charges/Fees	385,121	366,300	522,500	514,500	40.5 %
Other Fines/Forfeitures	17,953	5,000	10,000	15,000	200.0 %
Other Intergovernmental	369,659	418,000	417,000	473,970	13.4 %
County General Fund Revenues	1,510,073	1,296,300	1,679,500	1,703,470	31.4 %

SELF INSURANCE INTERNAL SERVICE FUND

EXPENDITURES

Salaries and Wages	3,218,759	3,575,288	2,916,647	3,694,380	3.3 %
Employee Benefits	1,077,269	1,065,787	872,937	1,076,946	1.1 %
Self Insurance Internal Service Fund Personnel Costs	4,296,028	4,641,075	3,789,584	4,771,326	2.8 %
Operating Expenses	57,217,309	64,803,173	64,941,511	69,272,776	6.9 %
Self Insurance Internal Service Fund Expenditures	61,513,337	69,444,248	68,731,095	74,044,102	6.6 %

PERSONNEL

Full-Time	11	11	11	11	—
Part-Time	0	0	0	0	—
FTEs	31.12	31.87	31.87	31.87	—

REVENUES

Investment Income	2,065,271	850,000	850,000	1,000,000	17.6 %
Miscellaneous Revenues	4,017,631	0	1,000,000	1,000,000	—
Self Insurance Revenues	67,295,886	69,423,933	68,423,933	73,404,480	5.7 %
Self Insurance Internal Service Fund Revenues	73,378,788	70,273,933	70,273,933	75,404,480	7.3 %

DEPARTMENT TOTALS

Total Expenditures	75,607,695	83,942,265	83,080,298	89,645,237	6.8 %
Total Full-Time Positions	132	132	132	135	2.3 %
Total Part-Time Positions	0	0	0	0	—
Total FTEs	125.02	126.77	126.77	130.79	3.2 %
Total Revenues	74,888,861	71,570,233	71,953,433	77,107,950	7.7 %

FY20 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
	FY19 ORIGINAL APPROPRIATION	14,498,017 94.90
Changes (with service impacts)		
Add: Ten Year Fiscal Plan Consultant [Fiscal Management]	100,000	0.00

FY20 RECOMMENDED CHANGES

	Expenditures	FTEs
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: FY20 Compensation Adjustment	426,240	0.00
Increase Cost: Annualization of Audit and Compliance Resources [Operations and Administration]	365,522	3.00
Increase Cost: Restore One-Time Lapse Increase	342,963	0.00
Increase Cost: IT Financial Systems Applications - Ongoing Maintenance [Information Technology]	268,710	0.00
Increase Cost: Annualization of FY19 Personnel Costs	143,854	0.00
Increase Cost: Retirement Adjustment	28,091	0.00
Increase Cost: Annualization of FY19 Operating Expenses	17,481	0.00
Increase Cost: Annual PCI and ACH Industry Compliance [Information Technology]	5,890	0.00
Technical Adj: Realign Montgomery County Employee Retirement Plans (MCERP) and Department of Liquor Control (DLC) Chargebacks to Reflect Actual Service Levels.	0	2.02
Decrease Cost: Chargeback for Billing, Collection, and Processing Services for Non-Tax Funds	(1,712)	0.00
Decrease Cost: Contractual Resources for Indirect Cost Analysis and Services	(14,000)	0.00
Decrease Cost: Eliminate Accountant Auditor Reclass [General Accounting]	(81,304)	0.00
Decrease Cost: Abolish M1 (Deputy Director) position [Operations and Administration]	(217,342)	(1.00)
Decrease Cost: Lapse Adjusted to Reflect Actual Rate	(281,275)	0.00
FY20 RECOMMENDED	15,601,135	98.92

SELF INSURANCE INTERNAL SERVICE FUND

FY19 ORIGINAL APPROPRIATION 69,444,248 31.87

Other Adjustments (with no service impacts)

Increase Cost: Claims Expense Increase Estimated by Actuary [Insurance]	3,506,520	0.00
Increase Cost: Commercial Insurance Premiums Increase Provided by Insurance Broker [Insurance]	840,585	0.00
Increase Cost: Claims Service Contract Administrative Costs [Insurance]	180,296	0.00
Increase Cost: FY20 Compensation Adjustment	135,678	0.00
Increase Cost: Retirement Adjustment	5,986	0.00
Increase Cost: Motor Pool Adjustment	2,049	0.00
Increase Cost: Rent Costs for Move to New Offices	603	0.00
Decrease Cost: OPEB Adjustment	(7,850)	0.00
Decrease Cost: Annualization of FY19 Personnel Costs	(11,413)	0.00
Decrease Cost: New Broker Service Contract [Insurance]	(52,600)	0.00
FY20 RECOMMENDED	74,044,102	31.87

PROGRAM SUMMARY

Program Name	FY19 APPR Expenditures	FY19 APPR FTEs	FY20 REC Expenditures	FY20 REC FTEs
Fiscal Management	1,947,371	11.00	2,194,288	12.00
Information Technology	1,399,903	3.00	1,652,367	3.00

PROGRAM SUMMARY

Program Name	FY19 APPR Expenditures	FY19 APPR FTEs	FY20 REC Expenditures	FY20 REC FTEs
Accounts Payable	824,964	7.75	977,652	8.88
Accounts Receivable	315,803	5.50	527,090	6.00
General Accounting	2,066,436	16.65	1,988,759	15.99
Grants Accounting	624,527	5.00	559,538	5.00
Payroll	1,274,277	10.00	1,303,254	10.00
Tax Operations	1,780,331	18.10	2,004,693	18.15
Treasury Operations	454,216	4.90	478,573	4.90
Insurance	64,767,608	4.00	68,894,902	4.00
Occupational Safety and Health	801,329	3.00	765,215	3.00
Legal Services	2,997,116	20.50	3,130,074	20.50
Operations and Administration	4,688,384	17.37	5,168,832	19.37
Total	83,942,265	126.77	89,645,237	130.79

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY19 Total\$	FY19 FTEs	FY20 Total\$	FY20 FTEs
COUNTY GENERAL FUND					
Human Resources	Employee Health Self Insurance	122,040	0.75	126,880	0.75
Human Resources	Retiree Health Benefits Trust Fund	35,150	0.25	37,110	0.25
General Services	Central Duplicating (Printing & Mail)	6,430	0.05	6,760	0.05
Transportation	Leaf Vacuuming	244,750	0.43	245,720	0.43
Parking District Services	Bethesda Parking	30,870	0.24	32,500	0.24
Parking District Services	Silver Spring Parking	34,940	0.27	36,800	0.27
Parking District Services	Wheaton Parking	11,750	0.09	12,370	0.09
Community Use of Public Facilities	Community Use of Public Facilities	47,460	0.37	49,950	0.37
Recreation	Recreation	41,840	0.33	44,010	0.33
Permitting Services	Permitting Services	12,550	0.10	13,200	0.10
Environmental Protection	Water Quality Protection	959,652	6.00	961,739	6.00
Solid Waste Services	Solid Waste Disposal	582,708	4.38	587,636	4.38
Solid Waste Services	Solid Waste Collection	270,550	0.64	271,466	0.64
Liquor Control	Liquor	1,026,081	8.00	815,361	6.50
CIP	Capital Fund	152,412	1.00	152,597	1.00
Non-Departmental Accounts	Employees Retirement Savings Plan (RSP)	12,246	0.10	0	0.00
Non-Departmental Accounts	Retirement Fund (ERS)	68,852	0.54	40,152	0.30
Non-Departmental Accounts	Retiree Health Benefits Trust Fund	2,406	0.02	4,708	0.05
Non-Departmental Accounts	BIT 457 Deferred Comp. Plan	6,626	0.06	0	0.00
Non-Departmental Accounts	RSP-Disability Benefits (LTD2)	22,480	0.16	1,480	0.01

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY19	FY19	FY20	FY20
		Total\$	FTES	Total\$	FTES
NDA - Conference Center	General Fund	145,549	1.00	156,599	1.00
NDA - Incubator Programs - Economic Development Partnership	General Fund	0	0.00	111,288	1.00
Economic Development Fund	Economic Development Fund	152,412	1.00	158,040	1.00
Total		3,989,754	25.78	3,866,366	24.76

FUTURE FISCAL IMPACTS

CE RECOMMENDED (\$000S)

Title	FY20	FY21	FY22	FY23	FY24	FY25
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COUNTY GENERAL FUND

EXPENDITURES

FY20 Recommended	15,601	15,601	15,601	15,601	15,601	15,601
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Items Recommended in FY20	0	(23)	(23)	(23)	(23)	(23)
Items recommended for one-time funding in FY20, including operating expenses for the Compliance Unit, will be eliminated from the base in the outyears.						
Restore One-Time Lapse Increase	0	281	281	281	281	281
Restoration of one-time lapse adjustment in the budget development year						
Labor Contracts	0	55	55	55	55	55
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	15,601	15,913	15,913	15,913	15,913	15,913

SELF INSURANCE INTERNAL SERVICE FUND

EXPENDITURES

FY20 Recommended	74,044	74,044	74,044	74,044	74,044	74,044
No inflation or compensation change is included in outyear projections.						
Retiree Health Insurance Pre-funding	0	0	(1)	(4)	(6)	(8)
Labor Contracts	0	22	22	22	22	22
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	74,044	74,066	74,065	74,062	74,060	74,058

FY20-25 PUBLIC SERVICES PROGRAM: FISCAL PLAN			Risk Management				
FISCAL PROJECTIONS	FY19 ESTIMATE	FY20 REC	FY21 PROJECTION	FY22 PROJECTION	FY23 PROJECTION	FY24 PROJECTION	FY25 PROJECTION
ASSUMPTIONS							
CR (Fiscal Year)	2.2%	2.3%	2.5%	2.7%	2.7%	2.7%	2.7%
Investment Income Yield	2.3%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%
BEGINNING FUND BALANCE	(2,630,634)	(1,300,839)	30,768	3,247,906	10,425,824	23,966,141	24,120,701
REVENUES							
Charges For Services	67,705,020	72,775,743	77,605,223	85,389,562	95,779,631	86,577,073	90,960,004
Intergovernmental	718,913	628,737	653,886	666,580	721,252	757,315	795,181
Miscellaneous	1,850,000	2,800,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Subtotal Revenues	70,273,933	75,404,480	80,259,109	88,076,142	98,500,883	89,334,388	93,755,185
INTERFUND TRANSFERS (Net Non-CIP)	(4,312)	0	0	0	0	0	0
Transfers To The General Fund	(4,312)	0	0	0	0	0	0
TOTAL RESOURCES	67,438,987	74,103,621	80,269,877	91,324,842	100,926,767	113,300,529	117,875,886
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(68,731,093)	(74,044,182)	(77,031,153)	(80,867,744)	(84,931,292)	(89,163,535)	(93,604,556)
Labor Agreement	n/a	0	(22,253)	(22,253)	(22,253)	(22,253)	(22,253)
Railroad Health Benefit Trust Pre-Funding	n/a	n/a	180	530	3,730	5,980	7,610
Subtotal PSP Oper Budget Approp / Exp's	(68,731,093)	(74,044,182)	(77,053,226)	(80,889,467)	(84,951,815)	(89,179,828)	(93,619,199)
OTHER CLAIMS ON FUND BALANCE	(8,751)	(8,751)	(8,751)	(8,751)	(8,751)	0	0
TOTAL USE OF RESOURCES	(68,739,844)	(74,052,933)	(77,061,977)	(80,898,218)	(84,960,544)	(89,179,828)	(93,619,199)
YEAR END FUND BALANCE	(1,300,839)	30,768	3,247,906	10,425,824	23,966,141	24,120,701	24,256,687
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	-1.9%	0.1%	4.0%	11.4%	22.0%	21.3%	20.6%
<p>Assumptions:</p> <p>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 FY20, the funding is at the 55% confidence level, which is short of the 80 to 85% confidence level that funding will be sufficient to cover all incurred liabilities. Therefore, additional contributions were made to FY21 through FY23 to achieve the 80% confidence level by FY25.</p> <p>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.</p> <p>3. The other claims on fund balance represents the OPEB liability five year allocation (GASB 75).</p>							

Risk Management NDA

benefits and any accrued interest on unfunded liability. This amount, known as an Actuarially Determined Contribution or "ADC", normally consists of two pieces - the annual amount the County would usually pay out for health benefits for current retirees (the pay-as-you-go amount), plus the additional amount estimated to fund retirees' future health benefits (the pre-funding portion). The pay-as-you-go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

The County's policy is to pay the full amount of ADC each year. In FY11, the County Council enacted Bill 17-11 which established the Consolidated Retiree Health Benefits Trust. The Bill amended existing law and provided a funding mechanism to pay for other post employment benefits (OPEB) for employees of Montgomery County Public Schools and Montgomery County College. In FY15, the County and all other agencies implemented the Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015. This has reduced retiree drug insurance costs and the County's OPEB liability. The County achieved full pre-funding in FY15, consistent with Council resolution No. 16-555. In FY19, these contributions were budgeted at \$43.6 million (County General Fund), \$79.4 million (MCPS Consolidated Trust), and \$2.8 million (Montgomery College Consolidated Trust). Due to a significant shortfall of originally estimated tax revenues, the County initiated several cost containment measures to restore current year reserves. On a one-time basis, the County will reduce FY19 pre-funding to the Consolidated Trust by \$89.6 million.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	43,562,660	0.00
Decrease Cost: County Contribution Based on Actuarial Valuation	(8,881,830)	0.00
FY20 Recommended	34,680,830	0.00

☀ **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.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	17,417,251	0.00
Increase Cost: Risk Management Adjustment	2,374,272	0.00
FY20 Recommended	19,791,523	0.00

☀ **Rockville Parking District**

This NDA provides funding towards the redevelopment of the City of Rockville Town Center and the establishment of a parking district. The funding reflects a payment from the County to the City of Rockville for County buildings in the Town Center development and is based on the commercial square footage of County buildings.

Also included are funds for the cost of library employee parking and the County's capital cost contribution for the garage facility as agreed in the General Development Agreement.

Requested Documents

Please provide the following documents:

- The latest Non-Compliant Tax Credit Tracking memo/update – Bill 48-16 changed the law on the Income Tax Offset Credit (ITOC) so that the Compliance effort materially changed and made this annual report irrelevant. Before Bill 48-16 the law provided Finance with no clear authority to remove the ITOC and we had to work with SDAT to try to get them to remove the principal residence code for the properties that were not being used as principal residences. With Bill 48-16 we remove the ITOC without any intervention necessary by SDAT. This means the older compliance work is no longer necessary, and neither is the “report.”
- The latest report on the County’s Commercial Property Assessed Clean Energy Program – see attachment.
- The latest Small Business Plus! Program report – see attachment for latest available report.

FY19 Savings Plan

1. Is Finance still on track to meet the FY19 savings plan target of \$217,470? This was for lapse savings of vacant positions. If the savings can’t be met, how short will Finance be? Does this same lapse carryover to FY20? Finance will meet its FY19 savings plan target from generated lapse savings of vacant positions. Although this is a one-time lapse saving in FY19, some of the positions will remain vacant in FY20.

FY19 Initiatives

2. For the FY19 approved budget, Finance listed several IT initiatives. For the initiatives listed below, please provide an update on the status of implementation and if they aren’t completed, when they are expected to be completed.

- a) re-engineering procedures for tax refunds;

There are two ongoing efforts with re-engineering the procedures for property tax refunding that would replace the current mostly paper-driven and manual process. This includes scanning a resident’s mailed application to include supporting documentation into a document management system and utilizing the system’s workflow engine to monitor, track, and approve the refunds. We are also exploring if it will be possible for residents to submit their application online. However, there are cybersecurity considerations that need to be fully addressed since required supporting documentation contains Personal Identifiable Information such as a voided check that needs to be protected when submitted online. The workflow to process mailed applications is in the final stages of being developed in the document management system. Once this is done, end-to-end testing will be conducted. We plan to have this process implemented by the end of this fiscal year.

The other ongoing effort is to automate the manual process for updating the property tax billing system (MUNIS) to release a refund by utilizing Robotic Process Automation technology where software is trained to interact with the MUNIS system User Interface and go

through all the steps that an employee would do to release the refund. The development of this automation process is complete. Once testing is complete we expect to use this tool by the end of the fiscal year.

- b) implementing new MUNIS modules for web display of property tax bills (the recommended budget Finance proposed in the fall indicated that preparations are being made to migrate to the Cloud and that a test instance of the self-service module is being reviewed; not sure if there have been changes since then);

The expectation is to replace the County's current web application that displays real and personal property tax and allow residents to pay for property taxes with a credit card or e-check using the MUNIS Citizens Self Service (CSS) module. Due to the complex nature of the integration between CSS and the MUNIS system, for MUNIS to be migrated to the Cloud, the County's current web billing application must also be replaced by CSS. As of now, it is not possible to have MUNIS run in the Cloud and also integrate with the County current web billing application.

A CSS test environment has been set up and during our review it was discovered that there are issues with the software performance where the user's online experience is being impacted in the form of slow response times when conducting searches. And there are issues with the presentation of data to users when a search completes. In addition, it appears that scheduled payments for credit cards or e-checks may not be possible which is functionality that is present in the existing system that many users take advantage of today. All of these issues have been reported to vendor for review and remediation. The department will postpone implementing CSS until the performance issues are resolved. In addition, the County will work with the vendor to determine if it will be possible run MUNIS in the Cloud while still being integrated with the County's current web application.

- c) implementing a new property tax payment platform (not sure if this is the document management system identified in the recommended budget);

Replacing the County's current web application with CSS, that displays real and personal property tax and allows residents to pay for property taxes with a credit card or e-check, will also include implementing a new payment platform which is different from what the County is using today. See comments on 2 (b).

- d) updating Kronos Workforce Timekeeper (MCTIME), which is a FY20 initiative as well; and

The current priority for the MCTIME team is to implement required changes from the recently negotiated MCGEO Collective Bargaining Agreement which are effective July 1. Efforts are underway to begin planning the Kronos Workforce Timekeeper upgrade in parallel with implementation of the required CBA changes. We expect to formally initiate this project in July; initiation was delayed due to other multiple high priority projects assigned to the MCTIME team such as implementing a new Telestaff scheduling system at DOCR, upgrading FRS's Telestaff scheduling system, and implementing electronic timeclocks at DLC.

- e) replacing the in-house real and personal property tax web billing applications (also a FY20 initiative).

See comments on 2(b).

3. Please provide updates on the growth and economic development initiatives, including the MOVE program, the Montgomery County Small Business Assistance Program and Impact Fund, and grants/tax credits to assist businesses to establish headquarters and expand in the County. The 2019 Annual Economic Development Fund Report provides updates on the programs requested above in addition to others. (see attachment).

FY20 Budget Changes & Initiatives

4. What services will the Ten-Year Fiscal Plan Consultant be providing (\$100K) and how will this consultant be working with Finance and OMB on the fiscal plan? Will this consultant replace existing work performed by Finance and OMB? The Ten-Year Fiscal plan will include but not be limited to the following consultant deliverables working in conjunction with both, FIN and OMB for the respective scenario modeling, analysis for alternatives to address identified issues, and stakeholder outreach. The consultant will not replace existing work performed by FIN or OMB but instead help in supplementing and validating models, assumptions, and narratives for the formulation of a ten-year fiscal plan that mimics the one completed in Baltimore outlining scenarios options for the following scope of deliverables:
 - County and Consultant entrance meeting (inclusive of background study and preparation)
 - Consultant to work with the County to establish goals, desired outcomes and deliverables
 - SWOT Analysis
 - Development of project plan and timeline
 - Establishment and evaluation of financial and economic analysis (assumes identification of key budget drivers and scenario criteria, with specific growth rate development)
 - Model/Multi-year budget plan (assuming focus on a limited number of funds, but with multiple iterations over the course of the project due to budget and policy evolution through the year; includes growth rate review/development and narrative describing the approach and key findings)
 - Establish County economic position
 - Outreach and engagement with external stakeholders
 - Tax competitiveness evaluation
 - Reserves and revenue volatility evaluation
 - Structural budget balance
 - Infrastructure investment
 - Addressing long-term liabilities
5. Lapse from FY19 was restored at \$343K, which follows the future fiscal impact from the FY19 budget. One-time lapse/turnover savings was then added back in at \$281K for FY20, for a net restoration of \$62K. Please show/explain the changes in lapse/turnover for FY20. FY19 lapse of \$343K was restored as it was a one-time savings measure which included the FY19 savings plan amount of \$217,470. Based on the volume of current vacancies that we expect will continue at least through part of FY20, \$281K is a reasonable estimate for lapse and turnover savings in the coming year.

6. Please explain the \$81K cost decrease for the Account Auditor reclassification. What was the original position and why was the decision to reclassify the position reversed? OHR completed a classification study of the Accountant/Auditor series Countywide. The final report declined to increase the grade for any Accountant/Auditors. Finance had advocated for a grade increase or addition of an extra level to the series just for Finance, therefore we had budgeted for it. Since there will be no change in grade for this job class, we can eliminate this budget item.

7. Please breakdown the \$366K annualization cost for the audit and compliance resources. Why were costs added in FY19 and what were the personnel costs, operating expenses, and positions/FTEs in FY19?¹ What will the full total costs (PC, OE, and positions/FTEs) be in FY20 with the annualization? At the direction of the CAO and with approval from OMB and OHR, the three new positions were created mid-year in FY19 to staff the new Financial Analysis and Compliance Unit. Other positions in the department were repurposed to round out the unit. \$365,522 total cost (PC \$342,965; OE \$22,557; 3.0 FTE. No additional budget was added to Finance in FY19. Finance absorbed the cost using lapse from other vacant positions and delays in recruitments. The full annualized cost in FY20 (includes GWA + Group Ins new rate) for the 3 Senior Financial Specialist positions is \$442,325. (PC \$419,765 (SW + EBs), OE \$22,560 (one-time); 3FT; 3 FTE).

8. In FY19, the increase in IT financial systems applications' ongoing maintenance was \$34,550. The increase for FY20 is \$268,710. I'm assuming the large change was due to the numerous IT initiatives Finance took on in FY19 and in FY20; is that correct? Please provide a table showing each application and their FY20 maintenance costs. Yes, the large increase is due to the IT initiatives Finance took on in FY19 and FY20. See table below showing each application and their FY20 maintenance costs.

FIN IT Application	FY20 Maintenance Cost	Notes: annual maintenance costs include a 5% escalation
MUNIS on Cloud	\$435,333	FY20 includes the one-time cost of Tyler Cashiering due to 2017 prepayment law + ongoing annual support maintenance
Fiscal Technology (AP Forensics)	\$129,203	Services paid in 3-year increments.
Mun-ease – Fiscal Management Bonds	\$2,092	Annual support
Treasury Document Management (Doc Star)	\$19,285	Annual support maintenance
PFX Engagement – Audit Workpapers – Controller	\$8,242	Annual support maintenance
UiPath Inc (Robotic Automation Processing)	\$5,939	Subscription/license with 5% escalation
Excel4Apps GL Wand	\$17,414	Annual support maintenance

¹ I didn't see this cost in the FY19 approved budget and I'm not sure if they were added via supplemental.

9. Regarding the initiative for the implementation of the credit card and electronic payment solutions and re-engineering existing solutions – it is stated that it will decrease the total cost of ownership for the County and transaction costs will be reduced. What are the estimated savings and when will they be expected to be realized? Three cost saving programs were implemented to reduce credit card transaction costs. These include:

- Reducing the per transaction cost charged by the County’s credit card processor, Elavon.
- Implementing interchange optimization for small ticket items for the Department of Transportation.
- Implementing Level III optimization for credit card charges made by businesses in the Department of Liquor Control.

Realized and projected savings are shown in the table below.

Initiative	Effective Date	# of Months Live	Actual Savings (Through March 2019)	Projected Savings- FY19 (3 months)	Projected Savings- FY20
Reduced Transaction Cost	4/1/2018	12	75,963.69	22,888.37	91,553.49
Small Ticket	2/1/2019	2	7,760.13	10,333.10	41,332.40
Level III	2/1/2019	2	1,352.40	2,027.88	8,111.54
			85,076.23	35,249.36	140,997.43

- **Transaction Cost Reduced** from .07 cents to .047 cents. Executed at the end of March 2018.
 - Since Execution, the County has processed 4,060,797 credit card transactions and realized \$75,963.69 in cost savings over 12 months.
 - The County estimates earning savings of \$22,888.37 for the remainder of FY19 (April-June) and \$91,553.49 in FY20.
- **Small Ticket Interchange Optimization.** Executed at the end of January 2019.
 - Since Execution, the County has processed 133,658 “Small Ticket” transactions and realized \$7,760.13 in cost savings over 2 months.
 - The County estimates earning savings of \$10,333.10 for the remainder of FY19 (April-June) and \$41,332.40 in FY20.
- **Level III Executed at the end of January 2019.**
 - Since Execution, the County has processed 3,262 "Level III" transactions and realized \$1,352.40 in cost savings over 2 months.
 - The County estimates earning savings of \$2,027.88 for the remainder of FY19 (April-June) and \$8,111.54 in FY20.

10. The Self Insurance Program’s claims expenses increased by \$3,506,520, which is significantly greater than the increase from FY19 (\$2,337,748). Are even more cases being brought before

federal court where Maryland limits on local government tort claims do not apply? Are increasing payroll/healthcare costs also a factor? Or are there other factors as well? The Self Insurance Program coverages (Workers' Compensation, General Liability, Automobile Liability, Property and Automobile Physical Damage) have increases overall of approximately 5.85%, with the General Liability and Automobile Liability lines increasing the most (percentage-wise). This is due to the increase in General Liability claims and lawsuits that have been filed in Federal Court, where the damage caps available from the Local Government Tort Claims Act do not apply. There are cases which are still ongoing with unknown outcomes. Also, Automobile Liability claims are increasing. We are required to adequately post reserves for the possible outlook related to these claims. Increasing payroll is always a factor in Workers' Compensation claims as it ties to indemnity payments to employees (for Lost Time claims), but healthcare costs are leveling off presently and are not as big a factor as they were in previous years.

11. Please explain the two new broker-related changes for the Self-Insurance Program – Commercial Insurance Premiums Increase (\$840,585) and New Broker Service Contract (\$52,600). It was noted in the accomplishments that the increases were minimal. Was there an amount the County saved by going with this new broker as opposed to others?
For Commercial Insurance Premiums - To determine the budget request amount for commercial insurance premiums, the coverages presently in force are reviewed and we ask the insurance broker to look ahead to the next fiscal year and assist to forecast the increases that are anticipated. For the liability lines of coverage, this analysis was performed by Aon (the County's insurance broker), and reviewed by Risk Management for reasonableness. For the property line of coverage, we work with recent premiums to develop an anticipated premium increase for the upcoming fiscal year, considering losses (claims) and property that is in the pipeline to be added to the Total Insured Value (TIV). We also met with the property underwriter from FM Global, who indicated that they are anticipating a 10-20% premium increase for the MCSIP account, based on the factors mentioned above.

Some of the commercial insurance policies presently in effect (fiduciary liability, art floater) are tied to exposures – the higher the values of the retirement and benefit accounts, for instance, and the number and values of the art exhibits, so as those increase, so does the premium. Other coverages, such as cyber liability, are in a fluctuating market – that is, the losses in the market are changing, and so does the coverage, and so does the premium. The excess liability policy (the umbrella policy that sits on top of the Self-Insured coverages) is based on potential losses and exposures reported by all agencies.

For the Broker Service contract, this is a contract price decrease from the prior year – the contract went out on an RFP in FY18 – and the pricing came in lower than we originally anticipated to see.

12. The General Fund contribution (Risk NDA) to the Risk Management/Self Insurance Fund for FY20 is \$19,791,523, which is an increase of \$2,374,272. This is much larger than the increase for FY19 (\$0.6M) and FY18 (\$1.5M). What caused it to increase at this level? What are the factors driving this increase?

The basic reasons for the increase track with the factors related to the overall claims increase. The NDA is a function of the County Government's contribution and as that increases, so does the NDA.

What confidence level % will the unrestricted net asset balance be projected for the end of FY20? How much more funding would be needed to reach the policy level of 80% to 85%? With the recommended contribution to get to a "near zero" fund balance for FY20 the approx. confidence level is 55% (CONFIRMED WITH ACTUARY). The additional contribution for the whole Program (not just the County) to get (in FY20) to the 80% level is \$11,523,410 and 85% level is \$15,214,906, respectively.

13. County General Fund revenues increased by \$407,170 or 31.4% over the FY18 budget figures for a total of \$1,703,470. Please show each revenue category with their FY19 budgeted amount, the FY20 budgeted amount, the increase (both \$ and %), and the explanation for their expected increase. See table below.

Revenue Category	FY19 Budget	FY20 Recommended	FY20-19 \$ Change	FY20-19 % Change	Reason for Increase
Miscellaneous Revenue	\$ 507,000	\$ 700,000	\$ 193,000	38.1%	In FY19 the P-Card rebate received exceeded \$700K. We expect purchases made with P-Card will be similar to FY19.
Other Charges/Fee	\$ 366,300	\$ 514,500	\$ 148,200	40.5%	The largest increase in this category contributes to large conduit debt issuances in FY19
Other Fines/Forfeitures	\$ 5,000	\$ 15,000	\$ 10,000	200.0%	The increase is due to higher collection of return check fees and penalties
Other Intergovernmental	\$ 418,000	\$ 473,970	\$ 55,970	13.4%	The largest increase of revenue in this category contributes to the increase to municipalities for billing and collection of property taxes at the actual rate

14. Please explain the FY20 Self Insurance Fund revenue increase of \$3,980,547 or 5.7% to \$73,404,480.

Self-Insurance Fund revenues are derived from contributions from the members of the program including County Government and outside agencies. The minimum amount of revenue generated from the members must equal projected expenditures determined by the actuary. This recommended revenue increase achieves a positive fund balance.

15. According to the FY20 Leases report, Risk Management recently moved from the EOB to 451 Hungerford (will cost \$123,685 in FY20). Is Finance planning on any more physical programmatic moves for FY21 and beyond? The Treasury Division will move to the Grey Courthouse, likely in May 2020. Finance does not anticipate any further physical moves.

16. For the Charges to Others, please explain the FY20 significant changes or reductions to zero highlighted below (Liquor, RSP, BIT 457, and Incubator Programs): Finance resources that had been charging to DLC (liquor) and MCERP (RSP, BIT457) for providing support of these functions will no longer be needed in FY20 as DLC and MCERP will be performing these functions using their own resources. Since Finance will not be providing support for these functions, the Dollars and FTE need to shift with them as FIN continues to add additional work to its operations (Accounts Payable, Accounts Receivable, and General Accounting).

Charged Department	Charged Fund	FY19 Total\$	FY19 FTES	FY20 Total\$	FY20 FTES
COUNTY GENERAL FUND					
Liquor Control	Liquor	\$1,026,081	8	\$815,361	6.5
IP	Capital Fund	\$152,412	1	\$152,597	1
Non-Departmental Accounts	Employees Retirement Savings Plan (RSP)	\$12,246	0.1	\$0	0
Non-Departmental Accounts	Retirement Fund (ERS)	\$68,852	0.54	\$40,152	0.3
Non-Departmental Accounts	Retiree Health Benefits Trust Fund	\$2,406	0.02	\$4,708	0.05
Non-Departmental Accounts	BIT 457 Deferred Comp. Plan	\$6,626	0.06	\$0	0
Non-Departmental Accounts	RSP-Disability Benefits (LTD2)	\$22,480	0.16	\$1,480	0.01
ADA - Conference Center	General Fund	\$145,549	1	\$156,599	1
ADA - Incubator Programs - Economic Development Partnership	General Fund	\$0	0	\$111,288	1

Personnel and Department Structure

17. Does the department plan on any programmatic restructuring in FY19 or FY20? Is so, how? Finance does not anticipate any major programmatic restructuring in the remaining few months of FY19 or during FY20. However, Finance anticipates having a new director in the coming months. The new director may have different ideas for Finance’s structure moving forward in their tenure.

18. As of 4/3, Finance and Risk Management have several vacant positions (see Attachment A). When do you anticipate that these positions will be filled (outside of the planned M1 abolishment for FY20)? We anticipate filling 14 positions by the end of FY20 Q2 and another 8 positions by the end of Q4 providing that OMB approves the position exemptions. Are there any more vacancies expected for the remaining of FY19? It is announced that one position (Finance Director) will become vacant in FY19.

Contracts

19. How many knowledge transfer contracts does Finance have in FY19, what positions are they for, and for what amount? How many do you plan on having in FY20, what positions are they for,

and at what amount? Currently Finance does not have knowledge transfer contracts in FY19 nor anticipating any in FY20.

20. As of 4/3, Finance has remaining funds of \$394,272K on General Fund/Current Revenue purchase orders (POs) from FY18 and earlier. When will these POs be liquidated? We are liquidating \$35K during the April liquidation process. We anticipate \$155K will be expended by year end, and the remaining balance of \$204K will be expended in FY20 when two major projects/upgrades (MCtime and MUNIS) are completed.
21. Does Finance have FY19 purchase orders that it will plan to carry over to FY20? If so, please list them, their estimated remaining carryover amount, and when they plan on being liquidated in FY20. Currently we anticipate that all remaining funds from FY19 purchase orders in Finance General Fund will be expended by June 30.

Performance Measures

Program Measure:
Journal entries prepared by Finance

Actual FY16	Actual FY17	Actual FY18	Projected FY19	Projected FY20	Projected FY21
2,400	1,540	1,548	2,055	2,055	2,055

22. The journal entries were 2,400 in FY16 and then dropped by 860 (-35.8%) in FY17 and 852 (-35.5%) in FY18. Was there a change in process for those two years, causing the decrease? What changed in FY19 to cause the projection to increase to 2,055?

General Accounting changed the way in which we reported the journal entries in FY18. In the past, we only reported on journal entries created by General Accounting. However, we realized that this really is not a true indication of our workload – as we review and approve budget entries and encumbrance entries as well. Further, we do not create all the journal and budget entries – many are created by the departments, but we are still required to review and approve accordingly. Finally, with the implementation of the DLC ledger, we were not including these entries in our analysis as well.

Also, please note that when we report the data for budget purposes, we are reporting based on fiscal year. We are still closing the fiscal year at that time and additional journal entries for the FY that we are closing are still being created, reviewed and approved as part of the year-end close process. Therefore, the actual FY18 amounts are not the final amounts for that fiscal year. We will provide an updated number in this year’s submission. The number of journal entries per year varies based on number of budget transfers, supplementals, etc. As well as the required GASB Standards being implemented and the entries needed to restate beginning balances, create government-wide entries, etc. Finally, it can also vary based on the interfaces that are run from other modules such as AR, AP, PNG, and Fixed Assets.

Headline Performance Measure:

Workers Compensation - Number of Montgomery County Government cases resulting in lost work time

Actual FY16	Actual FY17	Actual FY18	Projected FY19	Projected FY20	Projected FY21
524	485	554	575	590	590

23. The cases resulting in lost work time dipped to 485 in FY17, increased in FY18, and projected to increase moving forward. Are there particular areas/departments in Montgomery County that are driving up these figures? Why did the cases drop under 500 in FY18?

These figures are dynamic – they change every day as new claims are reported, and existing claims change status. The totals that were reported in August 2018 are a snapshot in time. Since then, some claims were converted to lost time claims (with indemnity payments) after investigation and Workers' Compensation Commission activity. The departments with the most Workers Compensation cases resulting in lost time are: Police, Fire and Rescue Services and Transportation (Transit).

Program Measure:

Training classes conducted by Safety and Health Specialists

Actual FY16	Actual FY17	Actual FY18	Projected FY19	Projected FY20	Projected FY21
1,350	2,120	1,469	2,000	2,100	2,100

24. Why was there a dip in the proactive training classes in FY16 and FY18? What is the rationale for the increase above 2,000 for FY19 and beyond?

Training Classes Conducted. These historically have been represented as classes conducted by the Safety Section. A few years ago, the focus was moved to Computer Based Training and the goal was that approach would significantly ramp up the training that was taken by employees across the County and be more efficient. The struggle has been that no safety classes are mandated by the County and it is difficult to incentivize participation. Finance and Risk Management are working with the new administration to establish a mandate for training classes. In addition, there are OSHA mandated classes every other year for some DGS employees. These classes are not required in even-numbered years.

Attachment A – Finance & Risk Vacant Positions as of 4/3

Position	HR Organization	Grade
000411.Information Technology Specialist III.000552.FT.P.2	FIN 32 Payroll	26
000498.Fiscal Assistant.000215.FT.P.	FIN 32 Accounts Payable	16
000506.Program Manager I.000834.FT.P.2	FIN 32 Payroll	23
000526.Accountant/Auditor III.000211.FT.P.	FIN 32 General Accounting	23
000527.Accountant/Auditor III.000211.FT.P.	FIN 32 General Accounting	23
000530.Manager III.000112.FT.P.1	FIN 32 Grants Accounting	M3
000557.Manager III.000112.FT.P.	FIN 32 Tax Operations	M3
000570.Office Services Coordinator.009273.FT.P.	FIN 32 Tax Operations	16
000571.Office Services Coordinator.009273.FT.P.	FIN 32 Tax Operations	16
000581.Program Specialist I.000837.FT.P.	FIN 32 Insurance	18
000589.Occupational Safety and Health Specialist.000282.FT.P.1	FIN 32 Safety	25
000593.Manager III.000112.FT.P.	FIN 32 Insurance	M3
007006.Senior Financial Specialist.000209.FT.P.1	FIN 32 Accounts Receivable	25
010502.Accountant/Auditor III.000211.FT.P.4	FIN 32 Accounts Receivable	23
013347.Program Specialist I.000837.FT.P.1	FIN 32 Operations and Administration - Risk Management	18
013619.Administrative Specialist II.000151.FT.P.2	FIN 32 Tax Operations	21
014258.Technology Expert.000550.FT.P.3	FIN 32 Information Technology	32
014921.Accountant/Auditor III.000211.FT.P.	FIN 32 General Accounting	23
015171.Accountant/Auditor III.000211.FT.P.1	FIN 32 Grants Accounting	23
015721.Manager III.000112.FT.P.	FIN 32 Accounts Payable	M3
016506.Manager I.000110.FT.P.5	FIN 32 Director's Office	M1
016795.Contingent Worker.007646.FT.N.	FIN 32 General Accounting	
016797.Fiscal and Policy Analyst III.000411.FT.P.2	FIN 32 Division of Fiscal Management	28
016826.Contingent Worker.007646.FT.N.	FIN 32 General Accounting	
016830.Contingent Worker.007646.FT.N.	FIN 32 General Accounting	
016833.Contingent Worker.007646.FT.N.	FIN 32 General Accounting	
016836.Contingent Worker.007646.FT.N.	FIN 32 General Accounting	
017048.Senior Financial Specialist.000209.FT.P.	FIN 32 Accounts Receivable	25
018597.Program Manager II.000832.FT.R.	FIN 32 Division of Fiscal Management	25



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

Andrew W. Kleine
Chief Administrative Officer

MEMORANDUM

March 14, 2019

TO: Nancy Navarro, President, County Council
FROM: Marc Elrich, County Executive *ME*
SUBJECT: 2019 Economic Development Fund Annual Report

Attached is the 2019 Annual Report on the status and use of the Economic Development Fund (“EDF”) for your review. The legislation creating the Fund requires that an annual report be submitted to the County Council every year.

The EDF, through its array of programs, continues to play a vital role in the County’s business attraction and retention efforts. In 2018, six new EDF Grant or Loan projects were awarded, representing the retention of over 1,100 jobs and the creation of more than 700 new jobs in the County. Twenty-two MOVE Grants were awarded to new companies in the County, representing nearly 100,000 square feet of leased office space and 82 new jobs. The new SBIR/STTR Matching Grant Program provided assistance to 13 life science/biohealth firms located in Montgomery County.

The attached annual report provides details on the status of all active programs under the EDF. Summary and performance data is dependent on each program’s purpose and is collected either through performance documents required by the County’s agreements or supplemented through other sources. The report contains separate sections for each program administered under the Fund, consolidating program activity and performance data.

Please direct any questions about the report to Laurie Boyer, Economic Development Manager in the Department of Finance at 7-8902.

Attachment

Montgomery County Economic Development Fund Annual Report

For Calendar Year 2018



**Prepared by
Department of Finance**

March 2019

Introduction

The Economic Development Fund (EDF) is a suite of programs that provide financial assistance to businesses located in or relocating to Montgomery County (the County). The purpose of the EDF is to generate economic development activity that would not have occurred without assistance from the public sector. Most of the assistance is awarded to projects that will generate economic benefit to the County through job creation and substantial capital investment in real or personal property. However, the EDF is flexible and houses programs that incentivize economic growth in other sectors that may not be significant job creators immediately. For example, there are programs that incentivize investment in early-stage biotechnology or cybersecurity companies or assist companies experiencing a loss in revenues during construction of a County project.

This report summarizes the activity and performance of each EDF program for the past calendar year, from January 1, 2018 through December 31, 2018. Summary and performance data is dependent on each program's purpose, and is collected through performance documents required by the County's agreements and may be supplemented through other sources. Each program's activity and performance data is presented in a separate section to allow readers to more easily digest the information for each program. The total FY19 budget for the EDF programs is \$4,966,779. Any transactions funded since last year's report are detailed in the appendices.

There are eight active programs currently administered through the EDF. The table below summarizes the total assistance provided through all EDF programs since inception.

Active Programs	Year Established	Cumulative Assistance Provided
Economic Development Fund Grant and Loan Program	FY 1996	\$42,965,150
MOVE Program	FY 2014	\$2,427,296
Biotechnology Investor Incentive Program	FY 2012	\$2,474,431
Cybersecurity Supplement Program	FY 2014	\$127,395
Small Business Assistance Program	FY 2013	\$546,680
Impact Assistance Fund	FY 2017	\$175,000
Microloan Fund	FY 2018	\$200,000
SBIR/STTR Matching Grant Program	FY 2019	\$525,000

Inactive or Discontinued Programs	Year Established	Cumulative Assistance Provided
Technology Growth Program	FY 1999	\$4,055,000
Emergency Agricultural	FY 1998	\$1,500,000
Demolition Loan Program	FY 2000	\$100,000
Export Montgomery	FY 2001	\$12,000
Equity Investment Program	FY 2013	\$255,000
Micro-Enterprise	FY 2008	Merged into SBRLP
Small Business Revolving Loan Program	FY 2000	\$2,535,959
Bethesda Green Be Green Incubator Hub (Replaces Green Investor Incentive Program)	FY2017	\$250,000

Highlights of Recent EDF Activities

- **Attraction of London-based Autolus Limited**—staff worked with MCEDC and the State of Maryland to offer an EDF grant of \$200,000 to this European biopharmaceutical cell therapy company working on cancer treatments. They will build an 85,000 square foot office, lab and manufacturing facility in Rockville, bringing 200 jobs to the County.
- **First Microbrewery MOVE grant awarded** – True Respite Brewing Company, LLC leased 9,554 square feet of Class B office space in Rockville, of which 7,224 square feet is dedicated production facility space. Under the new MOVE regulations allowing Craft Alcohol Production facilities to qualify for assistance under this program, True Respite received a MOVE grant for \$57,792 to help this start up brewery with their upfront production costs.
- **Small Business Revolving Loan repaid** – the County’s first loan to a microbrewery, Denizen’s Brewing Company (\$75,000 loan in 2015), was repaid in full in 2018. The loan helped the company create 32 jobs in the Montgomery County.

New in Calendar Year 2018

- **Small Business Assistance Program (SBAP)** – Disbursements of financial assistance to recipients affected by the Wheaton Redevelopment Project began.
- **SBIR/STTR (Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program)** – This new program provides a local match for Montgomery County companies who received an NIH SBIR/STTR grant award, up to \$25,000 for Phase I grant recipients and up to \$75,000 for Phase II grant recipients.

- **Impact Assistance Fund** – The designated area in Silver Spring was expanded to include Bonifant Street and the surrounding area as qualifying for financial assistance to offset the impact of the Studio Plaza Project. Elm Street in Bethesda was added as a designated area for financial assistance to offset the impact of the Bethesda Metro Project.

Economic Development Fund Grant and Loan Program (EDFGLP)

Program Goals: Strategic attraction and retention projects in targeted industry sectors that generate significant economic development benefits in the County.

Program Mechanics: Projects are awarded after a business executes an EDF agreement that stipulates the conditions for grant disbursement and performance. All agreements contain clawback provisions to recapture incentive dollars if a business fails to achieve the expected economic output. The program typically uses total jobs, both retained and created, and capital expenditures as milestones but has flexibility to accommodate projects that generate other types of significant economic development activities.

Six-Year Program Summary

Approved Projects *	FY 2014	FY 2015	FY2016	FY 2017	FY 2018	CY2018	Total ²
Projects awarded	13	10	2	8	9	6	42
Amount awarded	\$5,495,000	\$13,005,000 ¹	\$180,000	\$4,250,000	\$3,250,000	\$1,850,000	\$26,180,000
Projects State partnered with County	7	3	2	7	9	6	28
State leverage per County dollar	\$2.38	\$1.83	\$1.73	\$1.93	\$1.92	\$2.18	\$1.96
Jobs retained	1,973	332	45	1,805	1,343	1,185	5,498
Jobs attracted or created	881	342	188	1,530	827	706	3,768
Private capital investment (millions)	\$35.8	\$10.0	\$12.4	\$220.1	\$341.0	\$173.4	\$619.3
Award dollars per total jobs	\$1,925	\$1,491	\$773	\$ 1,274	\$1,498	\$978	\$1,530
Funded Projects							
Number of projects	14	5	5	7	2	8	33

Amount funded	\$6,546,150	\$375,000	\$730,000	\$1,201,691	\$350,000	\$2,431,568	\$9,202,841
Total jobs at funding	2,441	198	195	803	35	1,504	3,672
Average salary at funding	\$97,750	\$87,200	\$92,260	\$75,567	\$90,500	\$112,198	\$88,655

* These are projects that have been approved for a financial incentive, but funds have not yet been disbursed. The logistics and scope of attraction or retention/expansion projects often result in a lapse in time between award approval and funds disbursement. Consequently, projects approved for funding in one fiscal year may actually be funded in a subsequent fiscal year.

¹ The \$12,000,000 EDF award to ByteGrid had no job creation requirements so that amount is removed from the Award dollars per job calculation number.

² The Total column excludes CY18 information to avoid double counting of some transactions included in both FY18 and CY18 tabulations.

EDFGLP Program Outcomes: Cases are monitored annually after funding and closed once a business achieves the contracted milestones, repays the required penalty, or the Department of Finance forwards the case to the Office of the County Attorney for collection.

Ten-year Summary of Outcomes (FY 2009 – 2018)

Outcome	Number of Cases	Funded Amount	Recalled Amount ²	Repaid Amount ³	Contracted Jobs	Final Jobs ⁴	Award Dollars per Final Job
Closed Cases							
Met contracted milestones	6	\$930,000	-	-	1304	1,645	\$565
Partially met contracted milestones, made repayment	1	\$80,000	\$80,000	\$60,000	88	55	\$1,455
Did not meet contracted milestones, made repayment	5	\$ 790,000	\$90,000	\$816,920	522	359	\$2,201
Total Satisfied Cases	12	\$1,800,000	\$170,000	\$876,920	1,914	2,059	\$874
Did not meet contracted milestones, no repayment	6	\$1,325,000	\$38,000	-	160	0	N/A
Active Cases							
Monitoring	49	\$19,319,601 ¹		-	7,390	TBD ⁵	TBD ⁵
Total All Cases	77	\$22,444,601	\$392,750	\$426,412	13,491	7,237	\$3,129

1- Active cases being monitored include 2 companies classified as Open Collections

2 - Only includes those EDFA projects for which the County issued a formal recall notice to the business.

3 - Includes principal and interest.

4 - Final Jobs reflects the number of jobs at the time the EDFA was satisfied.

5 - For Active Cases, job count reflects the most recent performance reports submitted to date.

Make Office Vacancies Extinct (MOVE Program)

Program Goals: Attract new businesses to the County and reduce vacant Class A and B office space

Program Mechanics: New businesses to the County can apply for the program after signing a direct lease for at least three years. Upon verification, businesses receive a grant of \$8.00 per square foot leased, for a maximum grant amount of \$80,000.

Program Summary

	Report Year 2015	Report Year 2016	Report Year 2017	Report Year 2018	Calendar Year 2018	Total
Number of awards	18	12	16	26	22	93
Amount awarded	\$499,972	\$308,944	\$428,706	\$945,904	\$664,416	\$2,839,942
Square footage leased	77,265	39,450	53,592	123,718	96,024	389,049
Average lease term (months)	64	69	87	82	72	75
Initial jobs	162	53	72	116	82	485
Award dollars per initial jobs	\$3,086	\$5,829	\$5,954	\$8,154	\$7,910	\$5,856
Projected three-year job total ¹	405	213	225	442	323	1,608
Award dollars per total jobs	\$1,234	\$1,450	\$1,905	\$2,140	\$2,026	\$1,766

1. Job total as reported by applicant on their application. Actual jobs will be verified in future years using Maryland Quarterly Census of Employment and Wage data.

NOTE: Prior year reports covered the period from March 1 – February 28 of the following year. This report includes data from the full Calendar Year 2018. Any duplicative numbers were not included in the Total column.

Notes:

- 1) In Calendar Year 2018, the Healthcare/Medical Services industry sector received the most MOVE grants - (4 awards, 18% of total).
- 2) In CY18, the most MOVE grants were awarded to businesses signing leases in Rockville (41%, 9 awards) followed by Silver Spring (18%, 4 awards) and Bethesda (18%, 4 awards). Additional localities included Germantown (14%, 3 awards), Gaithersburg (1 award) and Burtonsville (1 award).
- 3) Beginning in FY18, businesses may lease up to a maximum of 20,000 square feet, although the maximum dollar amount for a MOVE grant remains capped at \$8 per square foot for up to 10,000 square feet, or \$80,000.
- 4) During FY18, Class A or B office space that includes production space leased by craft alcohol production companies (breweries, cideries, distillers and wineries) became eligible for MOVE grants.

Small Business Revolving Loan Program (SBRLP)

Program Goals: Provide financing for Montgomery County small businesses that lack access to traditional funding sources (e.g. banks).

Program Mechanics: Each business must execute a loan agreement that details the term and repayment conditions. In addition, recipients must execute a personal guarantee in the event of default.

Six-Year Program Summary

	Report Year 2013 ¹	Report Year 2014	Report Year 2015	Report Year 2016 ¹	Report Year 2017 ¹	Calendar Year 2018 ¹	Total
Loans closed	-	3	4	-	-	-	7
Amount	-	\$125,000	\$293,459	-	-	-	\$418,459
Initial jobs	-	11	58	-	-	-	69
Private Capital Investment	-	\$800,000	-	-	-	-	\$800,000

¹ - No loans were awarded

NOTE: Prior year reports covered the period from March 1 – February 28 of the following year. This report includes data from the full Calendar Year 2018. Any duplicative numbers were not included in the Total column.

Ten-year Summary of Outcomes (Report Years 2009 - 2018)

Outcome	Number of Cases	Loaned Amount	Outstanding Balance	Repaid Amount ¹	Written-off Amount	Current Jobs ²
Closed Cases						
Fully paid-off	13	\$624,000	-	\$698,880	-	121
Partial Repayment – Written off	8	\$348,000	-	\$64,090	\$317,376	24
Full write-off	14 ³	\$747,008	-	\$19,600	\$727,408	6
Active Cases						
Still open	2	\$125,000	\$47,293	\$38,262	-	10
Total All Cases	37	1,844,008	47,293	\$820,832	\$1,044,784	161
Program Totals (All Fiscal Years)	45	\$2,562,500	\$634,160	\$1,615,828	\$939,623	377

¹ - Includes interest and loan fees

² - Data was collected from Maryland Quarterly Census of Employment and Wages reports, when available.

³ - Nine loans have been inactive for over one year and will be reviewed with OCA for further action to resolve delinquencies.

Biotechnology Investor Incentive Program (BIIP)

Program Goals: Provide grants to qualified investors for their investment in early-stage biotechnology companies in the County.

Program Mechanics: The grants are awarded to qualified investors who receive a final tax credit certificate from the State of Maryland's Biotechnology Investor Incentive Tax Credit Program. Grants are prorated based on the amount appropriated for the program and portion of an investor's state tax credits compared to the total state tax credits received by all investors of County biotechnology businesses.* Data is reported on a calendar year basis,

* Example: County appropriates \$500,000. Total State tax credits for all investors of County biotechnology companies are \$3,000,000. Investor A received \$180,000 in State tax credits. Investor A will receive a \$30,000 supplement from the County under the BIIP (\$180,000 divided by \$3,000,000 equals 6%. 6% of \$500,000 equals \$30,000).

instead of the County's fiscal year, because the BIIP is awarded for investments made in the previous calendar year.

As of the date of this publication, we are still awaiting State data on Calendar Year 2018 investment awards.

Program Summary

	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	Total
Appropriation	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$3,000,000
Number of businesses	10	14	12	15	8	Not available*	70
Number of investments ¹	51	59	95	81	60	Not available*	407
Total private investment dollars	\$7,053,700	\$7,002,711	\$13,579,920	\$11,984,484	\$10,656,092	Not available*	\$56,530,894
County supplement percent ROI	7.1%	7.1%	3.8%	4.2%	N/A		-
Total ROI, including MD tax credit ²	57.1%	57.1%	53.8%	54.2%	N/A		-
Total jobs ³	45	77	110	130	74		477

1 - Does not represent total number of investors. State tax credits are awarded on a qualified investment basis.

2 - Represents the return on investment for qualified investments into County biotechnology companies based on Maryland tax credit and County supplement. Maryland tax credit is cash refundable when there is no MD tax liability. Information on the total amount of credits statewide was unavailable at the time of this report.

3 - Job data is not reported under this program. Data was collected from Maryland Quarterly Census of Employment and Wages reports, when available.

*State data on qualifying biotech investments in Montgomery County for 2018 had not yet been received by the date of this report.

Cybersecurity Supplement Program (CSP)

Program Goals: Provide grants to qualified County cybersecurity businesses for successfully securing financing.

Program Mechanics: The grants are awarded to qualified businesses which receive a final tax credit certificate from the State of Maryland's Cybersecurity Investment Incentive Tax Credit Program. Grants are prorated based on the amount appropriated for the program and portion of the businesses' state tax credits compared to the total state tax credits received by all qualified businesses in the County. Data is reported on a calendar year basis, instead of fiscal year, because the CSP is awarded for investments made in the previous calendar year.

	CY 2015	CY 2016	CY 2017	CY 2018	Total
County funding available	\$500,000	\$500,000	\$500,000	\$127,395	\$1,627,395
Number of businesses	1	2	3	Not available*	6
Number of investments	1	5	7	Not available*	13
Total private investment dollars	100,000	\$1,233,000	\$1,405,000	Not available*	\$2,738,000

* State data on qualifying cybersecurity investments in Montgomery County for 2018 had not yet been received by the date of this report.

Be Green Hub Incubator Program (Formerly the Green Investor Incentive Program GIIP)

Program Goals: Provide grants to qualified companies in the Bethesda Green Incubator.

Program Summary: Initially established in 2013 as the Be Green Investor Incentive Program, the program was repurposed, as no investor had taken advantage of the program since its inception. The County re-allocated \$250,000 from the GIIP to provide seed funding for the newly formed Bethesda Green Incubator Fund. The Incubator provides additional seed capital.

During 2017, Bethesda Green hired a full-time Managing Director for the Be Green Hub incubator program. Seven new companies in food and environment were selected to join Be Green Hub and signed the Operating and Financial Award Agreement with Bethesda Green. As required by the EDF Agreement, Bethesda Green received additional Incubator funding from the Diana Davis Foundation in the amount of \$150,000. The \$250,000 from the EDF was disbursed to Bethesda Green in 2018, who have established a clear process that will yield individual awards of up to \$10,000 from the Economic Development Fund grant to qualifying companies.

Small Business Assistance Program (SBAP)

Program Goals: Provide technical and financial assistance to small businesses adversely impacted by redevelopment projects that are either funded by the County or are located on County-owned land in an Urban Renewal Area or an Enterprise Zone. Only one project, the Wheaton Redevelopment Project on County Parking Lot #13 in Wheaton, is currently eligible for assistance under the SBAP. When completed, the project will house the Montgomery County Office of Planning, several County departments, street-level retail space and an outdoor plaza.

Program Mechanics: The County, through contracted non-profit organizations¹, provides technical assistance to small businesses that may be adversely impacted by a qualified redevelopment project prior to and during project construction. Small businesses that can demonstrate that they were financially healthy prior to the commencement of a County-related redevelopment project and were adversely impacted by the redevelopment project can be awarded up to \$75,000 in financial assistance. Disbursements may occur on a quarterly basis, subject to financial information that demonstrates adverse impact related to construction. Under the SBAP, participation in technical assistance is required prior to receiving financial assistance.

Program Summary for CY 2018:

Businesses Receiving Technical Assistance¹		67					
Financial Assistance Applications	Submitted	Rejected	Incomplete	Approved	Disbursed	Refused Offer	Expired Offer
	29	2	6	17	34	2	0
Disbursement Status	Number of Disbursements	Number of Recipients	Total Disbursed	Offers Pending	Highest Offer	Lowest Offer	Average Offer
	34	17	\$514,960	\$22,282	\$68,270	\$1,680	\$16,191

¹ For this program, the County utilizes the services of the Latino Economic Development Corporation (LEDC) to provide one-to-one business counseling and seminars (e.g. QuickBooks, Marketing through Social Media, CVRS, etc.). Additional organizations such as the Maryland Small Business Development Center (SBDC), the Greater Washington Hispanic Chamber of Commerce, and the Hispanic Chamber of Commerce of Montgomery County, have also been utilized for specific tasks.

Impact Assistance Fund (IAF)

Program Goals: Provide financial assistance to businesses that are adversely impacted by a redevelopment project initiated by the County, a redevelopment project located on County-owned property, or a redevelopment project constructed by a private entity for use in whole or in part by the County as a public facility which will enable ongoing operations, so that the businesses remain viable enterprises during the redevelopment project and after its completion.

Program Mechanics: Financial assistance, technical assistance, or both may be provided to businesses which meet certain eligibility criteria, including being located within a geographic area designated by the County Executive as impacted by County-related redevelopment projects. Currently, there are two designated areas: one in Silver Spring in the immediate proximity to the Studio Plaza redevelopment project, and one on Elm Street in Bethesda in proximity to the Bethesda Metro redevelopment project. Financial assistance, in the form of a conditional grant, is determined based on the degree of adverse impact resulting from the redevelopment project and the financial health of the business prior to construction. The maximum amount of assistance a business can receive under the program is \$25,000 and only one disbursement is allowed. Only businesses that are currently experiencing adverse impact due to redevelopment projects, as described above, and that are currently in progress, will be eligible under the program. Technical assistance is not a requirement for financial assistance under the IAF.

Program Summary for CY 2018:

Businesses Receiving Technical Assistance²		15					
Financial Assistance Applications	Submitted	Rejected	Incomplete	Approved	Disbursed	Refused Offers	Expired Offers
	19	2	8	9	7	0	1
Disbursement Status	Number of Disbursements	Number of Recipients	Total Disbursed	Offers Pending	Highest Offer	Lowest Offer	Average Offer
	7	7	\$175,000	\$25,000	\$25,000	\$25,000	\$25,000

² For this program, the County utilizes the services of the Latino Economic Development Corporation (LEDC) to provide one-to-one business counseling and seminars (e.g. QuickBooks, Marketing through Social Media, etc.). Businesses are not required to take advantage of the available technical assistance in order to receive funding.

SBIR/STTR Local Matching Grant Program

In 2018, the Montgomery County Council established the Small Business Innovation Research (SBIR) Matching Grant Program, which provides matching funds for businesses that receive federal SBIR and Small Business Technology Transfer (STTR) grants.

Bill 41-17, Economic Development Fund – Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program, allows Montgomery County companies who have been awarded a SBIR or STTR Phase I or Phase II grant from the National Institutes of Health (NIH) and conduct at least 51 percent of its research & development operations in Montgomery County to apply for a local Montgomery County match. Companies may receive a match of 25%, up to a maximum of \$25,000 for a Phase I grant, or a match of 25%, up to a maximum of \$75,000 for a Phase II grant. Companies are eligible to receive a local match once per calendar year, up to a total of five grant awards.

	CY 2018		Totals
Phase I Grant Recipients	9		Total Phase I & II grants: 13
Phase I Grant Awards amount	\$225,000		
Federal Grant Dollars Leveraged	\$2,361,064		Total Local grants: \$525,000
Phase II Grant Recipients	4		
Phase II Grant Awards amount	\$300,000		Total Federal grants leveraged: \$8,392,449
Federal Grant Dollars Leveraged	\$6,031,385		

MicroLoan Program

On April 18, 2017, the Montgomery County Council approved Bill 49-16, creating a County microloan program that would provide loans ranging from \$500 to \$15,000 for County residents needing additional help to start small businesses. The Department of Finance was charged with administering the program through the Economic Development Fund. The program has been initially seeded with \$300,000 from the Small Business Revolving Loan Fund balance. The Department has contracted with two experienced microloan providers – Life Asset and Latino Economic Development Corporation (LEDC) – to underwrite and monitor the portfolio of microloans generated through the Microloan Program. Funds are disbursed to the providers in \$50,000 increments. To date, the microloan providers have received \$200,000 to fund the program. The majority of the microloans were made to small business owners in Silver Spring and Gaithersburg, and other localities included Clarksburg, Germantown, Montgomery Village, Rockville, Takoma Park, Kensington, Olney, Boyds and Burtonsville.

	CY 2018		Totals:
Life Asset:			
Total Microloans Provided	128*	Microloans:	139
Total Dollar Amount Awarded	\$290,848*	Total Dollar Amount:	\$380,135
LEDC:			
Total Microloans Provided	11		
Total Dollar Amount Awarded	\$89,287		

*Life Asset leveraged the funding received from Montgomery County and borrowed \$333,333 from the Federal Small Business Administration (SBA) in order to support more small businesses in the County.

Equity Investment Program

Program Goals: Provide equity investments to select businesses. This program is used in lieu of a traditional EDFGLP agreement when projects cannot yield traditional performance milestones.

Program Mechanics: The County executes closing documents for an investment round issued by the business. The business must remain in the County for an agreed upon term, and in the event of a successful exit, the County receives its investment and a prorated portion of the valuation increase.

Program Summary: The County invested in three businesses in FY 2014 for a total of \$255,000. ReelGenie, LLC received an investment of \$55K. The company was liquidated in 12/2014. The County received \$3,525.27 on its investment. MobileSystems LLC received an investment of \$100K. The County did not continue to invest in follow-on funding and thus remained in a junior position to other investors. In April 2016 the assets of the company were sold. The County received \$0 on its investment. CytImmune received an investment of \$100K. The company currently remains in operation in Montgomery County.

Technology Growth Program (TGP)

Program Goals: Provide grants to early stage, technology businesses.

Program Mechanics: Each business must execute a TGP Agreement that would require repayment, if and only if, the business achieved certain investment or revenue thresholds. If those thresholds were not met, the grant would be forgiven.

The TGP is inactive and no longer funding companies; the final year for awards was FY 2012. All open TGP cases were closed in Fiscal Year 2016, so the data provided below is a summary for the program.

Program Summary (FY 2001 – 2016)

Outcome	Recipients	Award Amount	Private Funding	Repaid Amount
Grant forgiven	45	\$2,345,000	\$10,630,250	\$0
Grant Repaid	21	\$1,285,000	\$26,674,510	\$1,187,693
Forwarded to Collection	6	\$425,000	\$6,187,170	\$0
Totals	72	\$4,055,000	\$43,491,930	\$1,187,693

Appendix A: EDFGLP Ongoing and Committed Transactions

Recipient Name	Maximum Funding Amount	Annual Funding Amount	FY's of Funding	Remaining Commitment	Notes
Choice Hotels	\$2,820,150	\$150,000 annually for 6 years	FY14 - 20	\$150,000	Excludes initial disbursement to Choice Hotels of \$1,920,150 in FY14. Disbursements for FY2016 and FY2017 withheld, subject to EDF disbursement requirements. The company provided required documentation and funding for both years, \$300,000, as well as \$150,000 for FY18, were all disbursed in CY2018.
Fishers Lane (HHS)	\$19,500,000	Up to \$1,300,000 for 15 years	FY18 - 32	\$16,900,000	Annual amount is based on real property value at Project Site.
Foulger Pratt (NOAA)*	\$12,000,000	\$114,773 for 13 years	FY18 - 30	\$1,377,276	Annual amount is based on increase in real property values at Project Sites. One payment of \$114,773 made to date.
Meso Scale Diagnostics*	\$1,670,000	Up to \$167,000 for 10 years	FY14 - 23	\$1,169,000	First three years, \$167,000, remaining based on increase in real property values at Project Site
ByteGrid Holdings*	\$12,000,000	\$65,000 for 12 years	FY16 - 27	\$11,804,741	Annual amounts of lessor's energy tax, or 50% of each qualified tenant's annual personal property tax have been significantly less than anticipated. Annual disbursements to date have averaged \$65,000, however \$73,568 was disbursed in CY18.
Marriott International, Inc.	\$22,000,000	\$5,500,000 annually for 4 years	FY19-22	\$16,500,000	Source of funding For FY19 & 20 is CIP Funding. Source of funding for FY21&22 will be EDF fund
HMS Host, Inc	\$500,000	\$100,000 annually for 3 years and final payment of \$200,000 in year 10	FY19-28	\$400,000	Final payment delayed until 10 th year of agreement
Totals	\$ 69,990,150	\$8,331,773		\$58,808,968	

* Maximum funding amounts for these incentives were based upon anticipated increases in assessed valuation of real and/or personal property or energy taxes.

Appendix B: EDFGLP Awards since 2018 EDF Annual Report

Recipient Name	Award	Status	Purpose	Industry	Location
Bethesda Green	\$250,000	Funded	Expand	Green Technology	Bethesda
InfoZen	\$100,000	Funded	Retain/Expand	Tech. and Info. Tech.	Rockville
Marriott	\$22,000,000	Funded	See Appendix B	Hospitality and Retail	Bethesda
Urban One (aka Radio One)	\$100,000	Funded	Retain/Expand	Communications	Silver Spring
Sanaria	\$200,000	Funded	Retain/Expand	Biotechnology	Gaithersburg
Fox Television Stations, LLC	\$500,000	Pending	Attraction	Communications	Bethesda
ViaSat	\$250,000	Pending	Retain/Expand	Communications	Clarksburg
Supernus Pharmaceuticals	\$500,000	Pending	Retain/Expand	Biotechnology	Gaithersburg
Booz Allen Hamilton	\$250,000	Pending	Retention	Consulting Services	Bethesda
Host Hotels & Resorts, Inc.	\$300,000	Pending	Retention	Hospitality	Bethesda
Ridgewell's Holding, LLC	\$100,000	Pending	Retention	Hospitality	Bethesda
Autolus, Limited	\$250,000	Pending	Attraction	Biotechnology	Rockville
Supernus Pharmaceuticals	\$500,000	Pending	Retain/Expand	Biotechnology	Rockville
REGENEXBIO	\$100,000	Pending	Retain/Expand	Biotechnology	Rockville
Datawatch, Inc	\$80,000	Funded	Retain/Expand	Technology/Security	Bethesda
DM Rockville, LLC	\$350,000	Funded	Retention	Hospitality	Rockville
Totals	\$25,805,000				

Appendix C: MOVE Grants Awarded in Calendar Year 2018

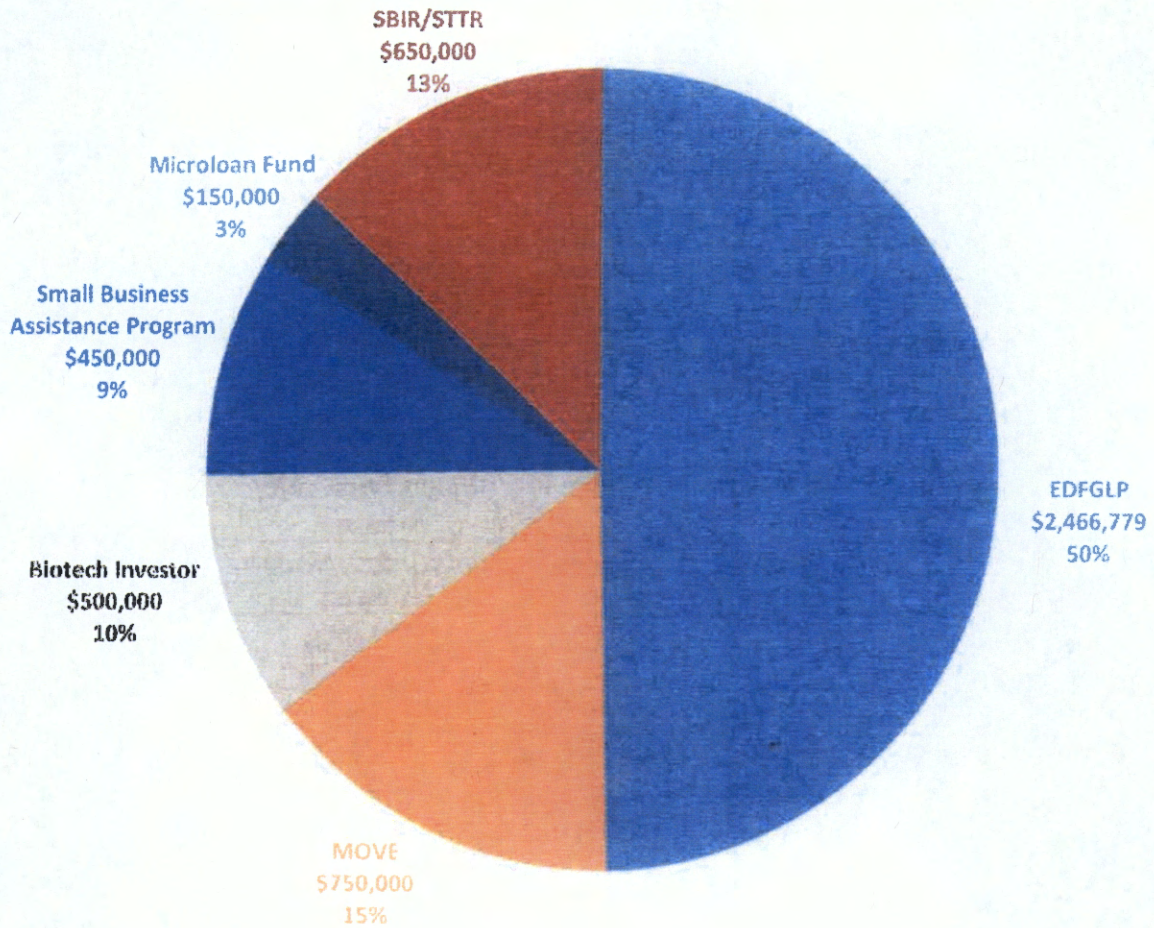
Recipient Name	Award Value	Square Feet	Industry	Location	Initial Jobs
PROIT LLC	\$8,000	1,000	IT Consulting	Germantown	2
Pollin/Miller (PM) Hospitality	\$80,000	13,000	Service	Bethesda	0
Behnaz Shakoori t/a/ Smile Arts	\$20,264	2,533	Healthcare	Rockville	0
Lewlew, Inc.	\$53,360	6,670	Energy Consulting	Silver Spring	2
Stroke Comeback	\$27,000	3,375	Healthcare	Rockville	0
Malachite Institute	\$18,200	2,275	Healthcare	Bethesda	1
Takemori Law Firm	\$19,072	2,384	Law	Germantown	8
Women's Builders Group	\$3,776	472	Commercial Cleaning	Silver Spring	4
A-Tech	\$45,328	5,666	IT Consulting	Rockville	15
Tamid Israeli Investment Group	\$19,064	2,382	Investment	Silver Spring	5
True Respite Brewing Company	\$57,792	7,224	Production/Craft Brewery	Rockville	0
Lurn, Inc.	\$80,000	19,132	Service/Entrepreneurial Training	Rockville	10
Mahlet Consulting, Inc.	\$22,176	2,772	Consulting	Burtonsville	8
Gibson Builders	\$5,760	720	Constuction	Bethesda	3
KeyNow, LLC	\$11,088	1,386	Financial Advisory	Rockville	2
Rackner, Inc.	\$8,608	1,076	IT Consulting	Silver Spring	5
Stem Express	\$41,120	5,140	Biotech	Rockville	4
Capital Harvest Wealth Partners	\$8,760	1,095	Financial/Wealth Management	Bethesda	2
Qrypt, Inc.	\$41,616	5,202	Cybersecurity	Germantown	5
Propel Labs	\$80,000	10,841	Shared Office Space	Gaithersburg	0
Alfa JF	\$8,000	1,000	Wholesale Distribution	Rockville	5
Lice Police	\$5,432	679	Healthcare/Specialty Medical	Rockville	3
Totals	\$664,416	96,024			84

Appendix D: SBRLP Recipients since 2018 EDF Annual Report

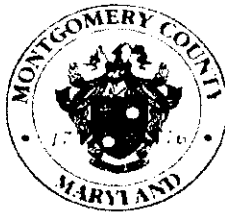
Recipient Name	Loan Value	Initial Jobs	Industry	Location
NA	\$0	NA	NA	NA

Budget Summary by Program – Fiscal Year 2019

ECONOMIC DEVELOPMENT FUND PROGRAMS



Note: Funding for the Impact Assistance fund was appropriated as part of the FY18 budget. The Cybersecurity Supplement Program is funded as part of an ongoing appropriation originally allocated in FY18.



MEMORANDUM

March 15, 2019

TO: Nancy Navarro, President
Montgomery County Council

FROM: Alexandre A. Espinosa, Director
Department of Finance

Adam Ortiz, Director
Department of Environmental Protection

SUBJECT: 2019 Annual Report on the County's Commercial Property Assessed Clean Energy Program

We are hereby submitting to the Montgomery County Council the annual report on the County's Commercial Property Assessed Clean Energy (C-PACE) program, which was created to assist qualifying commercial property owners to make energy efficiency and renewable energy improvements to their buildings. This annual reporting requirement is described in the Montgomery County Code Chapter 18A, Article 5, Section 18A, § (b) which stipulates that:

"The Executive must submit an annual report to the County Council by March 15 of each year describing program participation, number and dollar value of surcharge billed and collected, and other relevant information pertaining to the prior calendar year."

Since the 2018 annual report, nine additional C-PACE projects have been completed in the County; an already robust pipeline of potential C-PACE projects has grown; engagement has continued with the building owner, lender, and contractor communities; assistance has been provided to other jurisdictions in the region to develop the framework and best practices for their own C-PACE programs; and joint work sessions have been held with the program manager, County designated lender, and the Montgomery County Green Bank to find ways to improve the C-PACE program.

In 2018, the first solar energy system on a commercial property rooftop financed by C-PACE was completed at Exchange Place in Rockville. Using C-PACE, the owners of the building at 451 Hungerford Drive were able to construct a 75-kilowatt solar energy system, along with other energy efficiency improvements. In total, the energy improvements are projected to reduce the building's electricity and water consumption by almost half, saving more than \$160,000 in energy and maintenance costs annually. The project will also reduce energy use by approximately 2,300 million British Thermal



Units (MMBTU), generate nearly 100,000 kWh of solar energy, and save more than 750,000 gallons of water annually.

Table 1: Completed C-PACE Projects in Montgomery County, Maryland

Building Name	Property Type	City	C-PACE Financed Amount	Annual Energy Savings (MMBtu/year)	Loan Term	Project Completion Date	First Surcharge Due Date
Shady Grove Professional Building / Comfort Inn Shady Grove	Hotel/ Office	Gaithersburg	\$1,436,019	1,624	20 years	3/10/2017	9/30/2018
The Glens on Battery Lane	Multi-family	Bethesda	\$500,685	577	20 years	11/28/2017	9/30/2018
The Middlebrooke Apartments	Multi-family	Bethesda	\$635,422	874	20 years	11/28/2017	9/30/2018
The Glens on Battery Lane	Multi-family	Bethesda	\$551,581	567	20 years	2/15/2018	9/30/2018
Wellington Apartments	Multi-family	Chevy Chase	\$290,181	152	20 years	2/15/2018	9/30/2018
Glen Brook Apartments	Multi-family	Bethesda	\$402,546	219	20 years	2/15/2018	9/30/2018
Glenmont Apartments	Multi-family	Bethesda	\$421,095	249	20 years	2/15/2018	9/30/2018
The Drake	Multi-family	Chevy Chase	\$537,337	896	20 years	2/15/2018	9/30/2018
Wildwood Medical Center	Office	Bethesda	\$638,849	961	20 years	2/21/2018	9/30/2018
Bradley/ Strathmore Apartments	Multi-family	Chevy Chase	\$481,710	740	20 years	4/9/2018	9/30/2019
Exchange Place	Office	Rockville	\$1,974,843	2,719	20 years	7/31/2018	9/30/2019
The Dorset	Multi-family	Bethesda	\$556,364	1,719	20 years	9/17/2018	9/30/2019

In September 2018, the County processed and remitted payment the first cycle of C-PACE assessment collections due on the property tax bills. The total collection amount for all C-PACE assessment payments equaled \$ 482,064 which was remitted to the C-PACE program manager for disbursement to private lenders.

Throughout 2018, the County's C-PACE program has continued to engage with the building owner, contractor, and lending community through various outreach and education events:

- In April 2018, the County along with the Montgomery County Green Bank and Pepco contractor ICF gave a presentation to Pepco's Service Provider contractors to educate them on available energy project financing opportunities for their building owner clients.
- In May 2018, the County's program manager organized a regional C-PACE educational event at the Bethesda-Chevy Chase Regional Services Center to educate

solar installers and developers about using C-PACE for solar projects in the Washington, DC-metro area.

- In August 2018, the County led a roundtable discussion about C-PACE and other financing tools with local government representatives from across the country at the Department of Energy's Better Buildings Summit and Energy Exchange in Cleveland, Ohio.
- In summer and fall 2018, the County organized information-sharing conference calls with Prince George's County, Maryland; Arlington, Virginia; and Cook County, Illinois about the structure and success of Montgomery County's C-PACE program.
- In November 2018, the County participated in a half-day workshop about the benefits of a Green Bank for your community, where local jurisdictions discussed the benefits, challenges, and opportunities for C-PACE in the Washington, DC-metro region.

In addition to the outreach and engagement events with building owners, contractors, and lenders, the County pursued C-PACE focused research with the University of Maryland's Environmental Finance Center. This research will compare Montgomery County's C-PACE program to other C-PACE program structure to see where there may be opportunities for improvement. The County expects to complete this research in late spring 2019 and will share the research findings with Council and the public when available.

The C-PACE program continues to build on the strong foundation put in place since the program's inception in FY 2016. The healthy pipeline of projects indicates a continued interest in C-PACE financing among the building owners in Montgomery County, and the County is seeing additional interest in the program from energy contractors and private financial institutions. Additionally, the County anticipates increased project activity following a recent legislative amendment to modify the timing of the placement of the C-PACE assessment on the tax bill, as well as the possibility of allowing new construction projects to access C-PACE financing. The Department of Finance and the Department of Environmental Protection are proud of the successes made to date, and we look forward to having a wider array of projects to share with the Council in our next annual report.

If you have any questions on the C-PACE program or information provided in this annual report, please contact David Crow, Fiscal Projects Manager, Division of Fiscal Management, Department of Finance at extension 7-8859 or Lindsey Shaw, Manager of Energy and Sustainability Programs, Department of Environmental Protection at extension 7-7754.

c: Marc Elrich, County Executive
Andrew Kleine, Chief Administrative Officer
Sidney Katz, Vice President, Montgomery County Council
Adriana Hochberg, Assistant Chief Administrative Officer



DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Alexandre A. Espinosa
Director

MEMORANDUM

May 3, 2018

TO: Isiah Leggett, County Executive
FROM: Alexandre A. Espinosa, Director
Department of Finance
SUBJECT: Transmittal: 2017 Small Business Plus! Annual Report

Attached please find the 2017 Small Business Plus! Annual Report. Since you initiated this program in 2012, the County in partnership with local community banks, has spurred the creation of over 1,700 new jobs. In addition, the County has earned a competitive rate of return on its deposits placed with participating local community banks.

Highlights for 2017 include the addition of a fourth bank, Colombo Bank, to the program and the negotiation of higher deposit rates with the four participating banks enabling the County to bring in additional interest income.

I would like to express my appreciation and support for the engagement and support of the local community banks that are a part of this program including Eagle Bank, Congressional Bank, Capital Bank, and Colombo Bank.

cc: Montgomery County Council
Timothy L. Firestine, Chief Administrative Officer
Jennifer Hughes, Director, Office of Management and Budget
Patrick Lacefield, Director, Office of Public Information
Lily Qi, Assistant Chief Administrative Officer, County Executive's Office
David Petr, President, Montgomery County Economic Development Corporation

Office of the Director

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montgomerycountymd.gov

2017 ANNUAL REPORT

SMALL BUSINESS PLUS! PROGRAM

APRIL 2018

MONTGOMERY COUNTY GOVERNMENT

DEPARTMENT OF FINANCE



www.montgomerycountymd.gov/finance/

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7. Table V: Total Estimated Jobs Created Since Inception

Program Background

The Small Business Plus! Program was launched by County Executive Isiah Leggett in the summer of 2012 as a partnership with local community banks to boost lending to local small businesses and spur job creation in Montgomery County. Through this program, Montgomery County places deposits with community banks to generate jobs for the benefit of County residents, while providing the County with a competitive rate of return on those deposits. Deposits are secured by FDIC insurance, and placed with community banks which are deemed safe and sound.

Program Results

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, 2017 and has generated interest income of over \$983,000 and created an estimated 1,777 jobs.

Tables

Table I:	Total County Deposits		
	Average for 2017	Deposits as of 12/31/17	Interest Income
Capital Bank	\$2,746,511	\$3,508,796	\$19,146
Colombo Bank	\$1,000,000	\$1,000,000	\$1,811
Congressional Bank	\$4,241,038	\$4,502,791	\$33,551
Eagle Bank	\$41,579,595	\$40,973,166	\$320,794
TOTAL	\$49,567,144	\$49,984,753	\$375,302

Small Business Plus! Program 2017 Annual Report
 Montgomery County Government Department of Finance

Table II:		Small Business Plus Loans from County Deposits 2017		
	Available for SBP Loans	Total Loans Made from Deposits	Loan Balance as of 12/31/17	Total Average Loan Balance
Capital Bank	\$7,017,592	\$11,364,500	\$6,330,815	\$9,444,725
Colombo Bank	\$2,000,000	\$2,622,500	\$1,767,615	\$1,969,571
Congressional Bank	\$9,005,582	\$9,164,847	\$6,237,967	\$6,250,627
Eagle Bank	\$81,946,332	\$78,726,014	\$51,145,859	\$22,160,348
TOTAL	\$99,969,506	\$101,877,861	\$65,482,256	\$39,825,272

Note: Data in "Available for SBP Loans" column indicates the sum of County Deposits and 100% matching Bank amount.

Table III:		Total Estimated 2017 Jobs Created
Capital Bank		24.6
Colombo Bank		8.2
Congressional Bank		39.9
Eagle Bank		350.1
TOTAL		422.7

Note: Job creation estimates were derived using the Department of Commerce's Regional Input-Output Modeling System (RIMS II).

Small Business Plus! Program 2017 Annual Report
 Montgomery County Government Department of Finance

Table IV:	Total Interest Income Since Inception						
	2012	2013	2014	2015	2016	2017	TOTAL
Capital Bank	\$1,017	\$4,887	\$6,501	\$9,689	\$11,061	\$19,146	\$52,301
Colombo Bank	\$0	\$0	\$0	\$0	\$0	\$1,811	\$1,811
Congressional Bank	\$1,161	\$6,980	\$11,742	\$15,405	\$19,152	\$33,551	\$87,991
Eagle Bank	\$6,952	\$51,664	\$89,588	\$134,979	\$219,052	\$320,793	\$823,028
Monument Bank	\$0	\$598	\$0	\$0	\$0	\$0	\$598
OBA Bank	\$1,941	\$6,919	\$9,193	\$0	\$0	\$0	\$18,052
TOTAL	\$11,070	\$71,048	\$117,023	\$160,072	\$249,265	\$375,301	\$983,782

Small Business Plus! Program 2017 Annual Report
 Montgomery County Government Department of Finance

Table V:	Total Estimated Jobs Created Since Inception						
	2012	2013	2014	2015	2016	2017	TOTAL
Capital Bank	4.4	10.9	13.9	15.2	18.2	24.6	87.2
Colombo Bank	N/A	N/A	N/A	N/A	N/A	8.1	8.1
Congressional Bank	9.5	31.5	38.0	28.0	20.9	39.9	167.8
Eagle Bank	55.5	200.5	328.3	309.0	246.8	350.0	1,490.2
OBA Bank	13.2	10.9	N/A	N/A	N/A	N/A	24.1
TOTAL	82.6	253.8	380.2	352.2	285.9	422.7	1,777.4

Note(1): Monument Bank elected not to continue participation in the Small Business Plus! Program in 2013

Note(2): Effective September 20, 2014, OBA Bank was acquired by First National Bank Corporation of Pennsylvania and no longer headquartered in Montgomery County, therefore not eligible to participate in the Small Business Plus! Program.

Note(3): Colombo Bank was added to the Small Business Plus! Program in 2017