



Staff: Blaise DeFazio, Senior Legislative Analyst
Purpose: Receive briefing and have discussion – no vote expected
Keywords: #Finance, #Risk Mgmt., #Self Insurance Fund

AGENDA ITEM #25
 April 28, 2020
Worksession

SUBJECT

FY21 Operating Budget: Department of Finance, Including Risk Management; Risk Management Non-Departmental Account

EXPECTED ATTENDEES

Michael Coveyou, Director, Department of Finance
 Kimberly Gay-Armour, Chief, Risk Management Division, Department of Finance
 Jedediah Millard, Administrative Services Manager, Department of Finance
 Chris Mullin, Manager, Office of Management and Budget
 Estella Gomes, Fiscal and Policy Analyst, Office of Management and Budget

DEPARTMENT OF FINANCE (GENERAL FUND)

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	\$15,541,685	97.67 FTEs
Increase/Decrease from FY20	\$15,733 (0.1%)	-1.25 FTEs (1.3%)

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

FY21 Council Staff Recommendation	\$15,327,182	97.67 FTEs
Decrease from FY20	-\$198,770 (-1.4%)	-1.25 FTEs (-1.3%)
Decrease from CE FY21 Rec	-\$214,503 (-1.4%)	0.0 FTE (0.0%)

EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

- FY21 Compensation Adjustment – Increase of \$214,503

CONTINUITY OF SERVICES FROM FY20

- **Reduce Chargeback to the White Flint Redevelopment Capital Project – Increase of \$116,557 and 0.75 FTEs**
 Adjusted personnel costs charged to the White Flint Redevelopment Capital Project based on current allocation of staff time towards the project.
- **Reassign Finance Staff to the Office of the County Executive’s Business Advancement Team – Shift \$296,289 and 2.0 FTEs**
 Shift a manager and an administrative specialist to the County Executive’s Business Advancement Team. This team helps the business community by coordinating the delivery of County services and projects related to business development.

- **Realignment of Programs – No Change in Funding**

The following programs have been realigned to other programs within Finance: Accounts Receivable, General Accounting, Grants Accounting, Insurance, Legal Services, Occupational Safety and Health, Payroll, and Tax Operations. These changes will have no effect on service.

Other

- Annualization of FY20 Compensation Increases and Personnel Costs – Net Increase of \$115,197
- Chargeback for Billing, Collection, and Processing Services – Net Increase of \$26,520
- Annual Payment Card Industry and Automated Clearing House Compliance - Increase of \$6,060
- MLS Pay for Performance to Base Pay for FY20 Awards – Increase of \$13,288
- Print and Mail Adjustment – Increase of \$2,961
- Annualization of FY20 Operating Expenses – Decrease of \$3,618
- Elimination of One-Time Items Approved in FY20 – Decrease of \$22,564
- Retirement Adjustment – Decrease of \$23,759
- Reduced Ongoing Maintenance for IT Financial Systems Applications – Decrease of \$133,130

POTENTIAL REDUCTIONS

- None identified.

POTENTIAL ITEMS RELATED TO COVID-19

- None identified.

RISK MANAGEMENT (SELF INSURANCE INTERNAL SERVICE FUND)

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	\$78,421,782	32.37 FTEs
Increase over FY20	\$4,402,453 (6.0%)	0.5 FTEs (1.6%)

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

FY21 Council Staff Recommendation	\$78,348,750	32.37 FTEs
Increase over FY20	\$4,329,421 (5.8%)	0.5 FTEs (1.6%)
Decrease from CE FY21 Rec	-\$73,032 (-0.1%)	0.0 FTE (0.0%)

EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

- FY21 Compensation Adjustment – Increase of \$73,032

CONTINUITY OF SERVICES FROM FY20

- **Claims Expense – Increase of \$2,650,125**
The Self Insurance Program provides coverages for Workers’ Compensation, General Liability, Automobile Liability, Property, and Automobile Physical Damage. The increase is due to the rise in claims and lawsuits.
- **Commercial Insurance Premiums – Increase of \$1,695,878**
The premiums are based on a review of the current insurance coverages by an insurance broker and Risk Management; they made projections for FY21 (based on the expected losses/claims).

Other

- Annualization of FY20 Compensation Increases – Increase of \$51,946
- MLS Pay for Performance to Base Pay for FY20 Awards – Increase of \$10,475
- Building Space Lease – Increase of \$3,621
- Insurance Broker Services - Increase of \$2,333
- Print and Mail Adjustment – Increase of \$87
- Motor Pool Adjustment – Decrease of \$5,022
- Chargeback from the Office of the County Attorney – Shift (Decrease) of \$8,857
- OPEB Adjustment – Decrease of \$28,400
- Retirement Adjustment – Decrease of \$42,765

POTENTIAL REDUCTIONS

- None identified.

POTENTIAL ITEMS RELATED TO COVID-19

- None identified.

RISK MANAGEMENT NON-DEPARTMENTAL ACCOUNT

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	\$22,231,024	0.00 FTE
Increase over FY20	\$2,439,501 (12.3%)	0.0 FTE (0.0%)

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

FY21 Council Staff Recommendation	\$22,231,024	0.00 FTE
Increase over FY20	\$2,349,501 (12.3%)	0.0 FTE (0.0%)
Change from CE FY21 Rec	\$0 (0.0%)	0.0 FTE (0.0%)

EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

- None identified.

CONTINUITY OF SERVICES FROM FY20

- **General Fund Contribution to the Self Insurance Internal Service Fund – Increase of \$2,349,501**
Associated with the overall claims increase discussed in the Risk Management summary on pages 2-3.

This report contains:

County Executive's Recommended Budget

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Finance

RECOMMENDED FY21 BUDGET
\$93,963,467

FULL TIME EQUIVALENTS
130.04

 **MICHAEL COVEYOU, DIRECTOR**

MISSION STATEMENT

The mission of the Department of Finance is to prudently manage financial operations, recommend and implement sound fiscal policies, safeguard public assets, and encourage a safe environment on public property.

BUDGET OVERVIEW

The total recommended FY21 Operating Budget for the Department of Finance is \$93,963,467, an increase of \$4,418,186 or 4.93 percent from the FY20 Approved Budget of \$89,545,281. Personnel Costs comprise 18.88 percent of the budget for 130 full-time position(s) and no part-time position(s), and a total of 130.04 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 81.12 percent of the FY21 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 FY21 Operating Budget for the General Fund component is \$15,541,685 an increase of \$15,733 or 0.1 percent over the FY20 approved budget of \$15,525,952. Personnel Costs comprise approximately 83.06 percent of the General Fund budget for 119 full-time positions. A total of 97.67 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 16.94 percent of the budget.

The total FY21 Operating Budget for the Self-Insurance Fund component of Finance (Risk Management) is \$78,421,782 an increase of \$4,402,453 or 5.95 percent over the FY20 approved budget of \$74,019,329. Personnel Costs comprise approximately 6.16 percent of the Self-Insurance Fund budget for 11 full-time positions. A total of 32.37 FTEs includes these positions as well as any seasonal, temporary, and positions charged to or from other departments or funds. Operating Expenses account for the remaining 93.84 percent of the budget. Included in the total FTEs are 21 FTEs charged to the Self-Insurance Fund by the Office of the County Attorney and 0.37 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

INITIATIVES

- ★ Develop a Ten-Year Financial Plan for Montgomery County
- ★ Partnering Community Banks with the Small Business Plus! Program to boost lending to local small businesses and spur job creation in Montgomery County. 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, 2018 with the program generating over \$1.8 million in interest income and creating an estimated 2,132 jobs.
- ★ Establishing Bank On Program in Montgomery County. Bank On is a national program and movement developed to assist people in establishing a low-cost/free bank account with functionality primarily for safely depositing checks, money orders services, cash withdrawals, and electronic bill payment.
- ★ The Department of Finance has been working with multiple financial advisors including Municap and PFM Financial Advisors LLC on a comprehensive portfolio of options to ensure the financial sustainability of the White Flint Special Taxing Districts over the next 12 years.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ★ Established a new Financial Analysis, Audit, and Compliance (FAAC) section in the Division of the Controller which is responsible for performing extensive financial analysis to improve financial reporting, advancing functions in Oracle eBusiness financial modules, posting audits of financial transactions, and ensures compliance with Department and Countywide policies.
- ★ The County will migrate its online tax billing system, MUNIS on-premise to the vendor's Cloud Software-as-a-Service solution.
- ★ Developed a disaster recovery and continuity of operations solution for the County's Enterprise Resource Planning (ERP) System in collaboration with the Office of Emergency Management and Homeland Security and the Department of Technology Services.
- ★ Implemented an online credit card and e-check payment option for the Department of Health and Human Services and Alcohol Beverage Services (formerly, Department of Liquor Control).

PROGRAM CONTACTS

Contact Jedediah Millard of the Department of Finance at 240.777.8855 or Estela Boronat de Gomes of the Office of Management and Budget at 240.777.2785 for more information regarding this department's operating budget.

PROGRAM PERFORMANCE MEASURES

Performance measures for this department are included below (where applicable), with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY20 estimates reflect funding based on the FY20 Approved Budget. The FY21 and FY22 figures are performance targets based on the FY21 Recommended Budget and funding for comparable service levels in FY22.

PROGRAM DESCRIPTIONS

Controller

This program provides effective management and support to the operations of accounts payable and receivable; general and grants accounting; financial analysis, audit and compliance; and payroll. This program through its operations is responsible for overseeing expenditures and cash flow management, preparing timely and accurate annual financial statements and other standardized reports; complying with Federal, State, and County mandates; and developing standardized County policies and procedures.

The Accounts Payable operations is responsible for timely and accurate payments to vendors for goods and services provided to the County; complying with County policies and procedures; and carrying out State and Federal reporting requirements.

The Accounts Receivable operations is responsible for the timely receipt and accounting for monies due to the County from residents, businesses, and government agencies. In conjunction with the implementation of the Enterprise Resource Planning (ERP) system and associated best practices, it also provides services including invoicing/billing, collection, accounting, reconciliation, and reporting reconciliation of monies due.

General and Grant Accounting operations 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 Federal, State, County, and other outside resources; adherence to budgetary policies established by management; and compliance with Federal, State, and County mandates. The program prepares the Comprehensive Annual Financial Report, Debt Service Booklet, the Single Audit Report on expenditures of Federal awards, and the State Uniform Financial Report, as well as numerous other standardized and specialized reports. This program also provides high quality, timely service to County departments through analysis and technical assistance and through preparation, review, and approval of financial transactions including grants.

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

Payroll operations is responsible for managing and maintaining the County's payroll system and functions as prescribed by Federal, State, and County laws, and local regulations. It provides timely and accurate payroll disbursements to County employees, accounts for payroll deductions, issues W-2 statements to account for pre-tax and post-tax benefits, maintains official payroll and leave records, and responds to internal and external inquiries. Payroll proactively operates in conjunction with other County departments to maintain and develop efficient and effective improvements to the personnel/payroll.

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Procurement Card rebate revenue generated	\$724,221	\$770,260	\$775,000	\$800,000	\$825,000
Procurement Card transactions processed	41,902	43,321	43,500	43,500	43,750
Vendor payments issued ¹	128,866	118,086	120,000	120,000	120,000
Journal entries prepared by Finance	1,548	1,550	2,000	2,000	2,000
Journal entries reviewed and posted	3,046	3,600	3,650	3,650	3,650
Grant reports produced	575	552	552	552	552

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Paychecks and payroll advices issued for employees ²	297,715	298,471	300,000	300,000	300,000
Pension and long-term disability (LTD2) payroll payments processed	63,064	75,254	80,000	80,000	80,000
Percent of non-compliant payments â€ Direct purchase orders created the same day as invoice date and duplicate dollars per total invoices	0.292%	0.293%	0.289%	0.269%	0.267%
Percent of payroll errors per sum of dollars under and overpaid	0.301%	0.299%	0.297%	0.233%	0.230%

¹ Vendor payments (checks, ACH's, wires, SUA) represent checks disbursed; each check may represent multiple invoice vouchers.

² Number of employees varies by month due to seasonal and temporary staff. Count reflects number of employees, not number of transactions (a person can have multiple transactions with one check).

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	973,619	8.88
Realignment of Programs	4,358,326	36.99
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	890,853	4.00
FY21 Recommended	6,222,798	49.87

Fiscal Management

This program provides effective management of County capital and operating funds and the fiscal analysis and issue management associated with master plan development, economic development, and legislative issues. It is also responsible for 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 investors relations; preparing accurate and timely financing documents, including the County's Annual Information Statement; ensuring strict compliance with disclosure requirements; coordinating bond counsel review; providing high-quality consulting services for County agencies, managers, staff, elected officials, and residents on issues related to debt and cash management; 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 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 FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Make Office Vacancies Extinct (MOVE) Program: Square feet of office space leased	126,408	122,316	130,000	140,000	150,000

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Interest Rate - True Interest Cost for Montgomery County General Obligation Bonds (the most common debt instrument used by the County) ¹	1.7%	3.3%	3.3%	3.8%	3.8%
Interest Rate Benchmarking - County General Obligation (GO) vs. Municipal Market Data Index (basis point spread) ²	3.0	7.0	0.0	0.0	0.0
Investment Return Benchmarking - County Return vs. S&P Local Government Investment Pool Index (basis point spread)	18	22	12	12	12
Revenue forecasting - Percent variance between actual revenue and projected revenue	-3.31%	-1.80%	0.00%	0.00%	0.00%
Receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting ³	Received	Expected	Expected	Expected	Expected
Investment Return - Rate of return on Montgomery County's investments	1.34%	2.33%	1.65%	1.15%	1.15%
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

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. FY19 actual resorts back to 30 years estimate for final TIC.

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 was a return to a more stable interest rate environment with FY19 experiencing greater volatility.

³ The County has been awarded this certificate more times than any other county in the nation (FY18 = 49 times)

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	2,182,499	12.00
Increase Cost: Reduce Chargeback to Capital Project-White Flint	116,557	0.75
Shift: Finance Staff Reassigned to the Office of Business Advancement Team in the Office of County Executive	(296,289)	(2.00)
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	39,799	0.00
FY21 Recommended	2,042,566	10.75

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 policies and standards and with appropriate financial control standards. Major programs that are supported include Property Tax Billing and Collection, Time and Attendance, Electronic Payment implementation and Compliance, joint ownership of the County's Enterprise Resource Planning system, software development of customized applications, robotic process automation, business process re-engineering, Disaster Recovery and Continuity of Operations planning and special projects.

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Electronic payments (credit card and ACH) transactions processed by the County's credit card processor and bank	N/A	4,331,646	4,500,000	4,700,000	4,900,000
Average number of days to close payroll service requests	4.9	3.1	2.8	2.5	2.3
Workflows, tasks, and processes streamlined utilizing existing or new technologies	N/A	23	25	27	30

Finance

General Government **29-5**

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	1,647,183	3.00
Increase Cost: Annual Payment Card Industry (PCI) and Automated Clearing House (ACH) Compliance	6,060	0.00
Shift: Chargeback for Billing, Collection and Processing Services	5,028	0.00
Decrease Cost: IT Financial Systems Applications - Ongoing Maintenance	(133,130)	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.	73,923	1.00
FY21 Recommended	1,599,064	4.00

Operations and Administration

This program includes operational support for the Department as well as the administrative portions of the Director's Office, the Division of the Controller, the Treasury Division, and the Division of Risk Management. The program provides support for efficient, effective, and timely accomplishment of the Department's mission, including budget development and oversight, personnel administration, strategic planning, and contract administration. The program provides high quality consulting services for County agencies, managers, staff, elected officials, and residents.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	5,144,071	19.37
Shift: Chargeback for Billing, Collection and Processing Services	32,237	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(1,112,917)	(5.00)
FY21 Recommended	4,063,391	14.37

Risk Management

The Montgomery County Self-Insurance Program, established under County Code 20-37, provides comprehensive property and casualty insurance for the County and participating agencies. The program pays all claims for Self Insured Workers' Compensation, General and Auto Liability, Auto Physical Damage and Property matters. The program is funded through contributions from the agencies, which are based upon an annual actuarial analysis of their exposures and outstanding and projected future claims. The program provides accurate and timely insurance and risk management advice to County Departments and participating agencies and reduces County and participating agency exposure to risk by: comparing the cost of commercially available coverage to evaluate the best method of funding exposure to loss; transferring contractual risk under indemnification/hold harmless agreements; recommending and reviewing contractual insurance requirements for County agreements. The Program also purchases commercial insurance policies. The Program maintains a contract agreement with a Third Party Claims administrator to handle all claims submitted to the County and agencies - including Workers' Compensation, General Liability, Automobile Liability, Auto Physical Damage and Property damage.

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Training classes conducted by Safety and Health Specialists ¹	1,469	462	2,000	2,000	2,000
Workers Compensation - Cost per \$100 of payroll	\$2.88	\$2.84	\$2.84	\$2.84	\$2.84
Workers Compensation - Number of Montgomery County Government cases resulting in lost work time	554	528	517	508	498

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.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	0	0.00
Realignment of Programs	72,769,403	27.50
Increase Cost: Claims Expense	2,650,125	0.00
Increase Cost: Commercial Insurance Premiums	1,695,878	0.00
Increase Cost: Building Space Lease	3,621	0.00
Increase Cost: Insurance Broker Services	2,333	0.00
Shift: Chargeback from County Attorney to Self-Insurance Fund (SIF)	(8,857)	0.50
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	438,751	0.00
FY21 Recommended	77,551,254	28.00

Treasury

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

Program Performance Measures	Actual FY18	Actual FY19	Estimated FY20	Target FY21	Target FY22
Tax related number of service request tickets transferred from MC311 Call Center to Treasury	4,267	3,220	3,500	3,750	3,750
Property tax accounts billed	376,553	376,259	376,300	377,000	379,000
Transfer tax transactions processed ¹	20,857	21,048	23,000	23,000	23,000
Cashier transactions processed	116,916	91,977	93,000	93,000	93,000

¹ Transfer Tax transactions includes taxable and non-taxable transactions

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	476,765	4.90
Realignment of Programs	1,993,415	18.15
Shift: Chargeback for Billing, Collection and Processing Services	(10,745)	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.	24,959	0.00
FY21 Recommended	2,484,394	23.05

REALIGNED PROGRAMS

Funding in the following programs has been realigned to other programs within this department.

Accounts Receivable

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	524,463	6.00
Finance	<i>General Government</i>	29-7

FY21 Recommended Changes	Expenditures	FTEs
Realignment of Programs	(524,463)	(6.00)
FY21 Recommended	0	0.00

General Accounting

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	1,979,885	15.99
Realignment of Programs	(1,979,885)	(15.99)
FY21 Recommended	0	0.00

Grants Accounting

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	557,992	5.00
Realignment of Programs	(557,992)	(5.00)
FY21 Recommended	0	0.00

Insurance

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	68,893,645	4.00
Realignment of Programs	(68,893,645)	(4.00)
FY21 Recommended	0	0.00

Legal Services

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	3,111,744	20.50
Realignment of Programs	(3,111,744)	(20.50)
FY21 Recommended	0	0.00

Occupational Safety and Health

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	764,014	3.00
Realignment of Programs	(764,014)	(3.00)
FY21 Recommended	0	0.00

Payroll

FY21 Recommended Changes	Expenditures	FTEs
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FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	1,295,986	10.00
Realignment of Programs	(1,295,986)	(10.00)
FY21 Recommended	0	0.00

Tax Operations

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	1,993,415	18.15
Realignment of Programs	(1,993,415)	(18.15)
FY21 Recommended	0	0.00

BUDGET SUMMARY

	Actual FY19	Budget FY20	Estimate FY20	Recommended FY21	%Chg Bud/Rec
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COUNTY GENERAL FUND

EXPENDITURES

Salaries and Wages	7,739,974	9,948,205	8,425,747	10,240,860	2.9 %
Employee Benefits	2,793,109	2,842,233	3,053,376	2,668,155	-6.1 %
County General Fund Personnel Costs	10,533,083	12,790,438	11,479,123	12,909,015	0.9 %
Operating Expenses	3,541,509	2,735,514	4,014,557	2,632,670	-3.8 %
County General Fund Expenditures	14,074,592	15,525,952	15,493,680	15,541,685	0.1 %

PERSONNEL

Full-Time	121	124	124	119	-4.0 %
Part-Time	0	0	0	0	—
FTEs	94.90	98.92	98.92	97.67	-1.3 %

REVENUES

Miscellaneous Revenues	559,993	700,000	700,000	700,000	—
Other Charges/Fees	513,978	514,500	498,500	505,200	-1.8 %
Other Fines/Forfeitures	17,243	15,000	15,000	15,000	—
Other Intergovernmental	433,953	473,970	510,920	514,230	8.5 %
County General Fund Revenues	1,525,167	1,703,470	1,724,420	1,734,430	1.8 %

SELF INSURANCE INTERNAL SERVICE FUND

EXPENDITURES

Salaries and Wages	2,597,186	3,671,599	3,244,950	3,826,719	4.2 %
Employee Benefits	822,177	1,074,954	979,647	1,003,665	-6.6 %
Self Insurance Internal Service Fund Personnel Costs	3,419,363	4,746,553	4,224,597	4,830,384	1.8 %
Operating Expenses	63,938,020	69,272,776	69,783,921	73,591,398	6.2 %
Self Insurance Internal Service Fund Expenditures	67,357,383	74,019,329	74,008,518	78,421,782	5.9 %

PERSONNEL

Full-Time	11	11	11	11	—
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BUDGET SUMMARY

	Actual FY19	Budget FY20	Estimate FY20	Recommended FY21	%Chg Bud/Rec
Part-Time	0	0	0	0	—
FTEs	31.87	31.87	31.87	32.37	1.6 %
REVENUES					
Investment Income	4,556,909	1,000,000	1,000,000	1,628,727	62.9 %
Miscellaneous Revenues	578,956	1,000,000	1,000,000	1,000,000	—
Self Insurance Revenues	68,944,588	73,404,480	73,404,480	77,514,144	5.6 %
Self Insurance Internal Service Fund Revenues	74,080,453	75,404,480	75,404,480	80,142,871	6.3 %
DEPARTMENT TOTALS					
Total Expenditures	81,431,975	89,545,281	89,502,198	93,963,467	4.9 %
Total Full-Time Positions	132	135	135	130	-3.7 %
Total Part-Time Positions	0	0	0	0	—
Total FTEs	126.77	130.79	130.79	130.04	-0.6 %
Total Revenues	75,605,620	77,107,950	77,128,900	81,877,301	6.2 %

FY21 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY20 ORIGINAL APPROPRIATION	15,525,952	98.92
Other Adjustments (with no service impacts)		
Increase Cost: FY21 Compensation Adjustment	214,503	0.00
Increase Cost: Annualization of FY20 Compensation Increases	137,761	0.00
Increase Cost: Reduce Chargeback to Capital Project-White Flint [Fiscal Management]	116,557	0.75
Shift: Chargeback for Billing, Collection and Processing Services [Operations and Administration]	32,237	0.00
Increase Cost: MLS Pay for Performance (Increase to Base Pay)	13,288	0.00
Increase Cost: Annual Payment Card Industry (PCI) and Automated Clearing House (ACH) Compliance [Information Technology]	6,060	0.00
Shift: Chargeback for Billing, Collection and Processing Services [Information Technology]	5,028	0.00
Increase Cost: Print and Mail Adjustment	2,961	0.00
Decrease Cost: Annualization of FY20 Operating Expenses	(3,618)	0.00
Shift: Chargeback for Billing, Collection and Processing Services [Treasury]	(10,745)	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY20	(22,557)	0.00
Decrease Cost: Annualization of FY20 Personnel Costs	(22,564)	0.00
Decrease Cost: Retirement Adjustment	(23,759)	0.00
Decrease Cost: IT Financial Systems Applications - Ongoing Maintenance [Information Technology]	(133,130)	0.00
Shift: Finance Staff Reassigned to the Office of Business Advancement Team in the Office of County Executive [Fiscal Management]	(296,289)	(2.00)
FY21 RECOMMENDED	15,541,685	97.67

FY21 RECOMMENDED CHANGES

	Expenditures	FTEs
SELF INSURANCE INTERNAL SERVICE FUND		
	FY20 ORIGINAL APPROPRIATION	74,019,329 31.87
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Claims Expense [Risk Management]	2,650,125	0.00
Increase Cost: Commercial Insurance Premiums [Risk Management]	1,695,878	0.00
Increase Cost: FY21 Compensation Adjustment	73,032	0.00
Increase Cost: Annualization of FY20 Compensation Increases	51,946	0.00
Increase Cost: MLS Pay for Performance (Increase to Base Pay)	10,475	0.00
Increase Cost: Building Space Lease [Risk Management]	3,621	0.00
Increase Cost: Insurance Broker Services [Risk Management]	2,333	0.00
Increase Cost: Print and Mail Adjustment	87	0.00
Decrease Cost: Motor Pool Adjustment	(5,022)	0.00
Shift: Chargeback from County Attorney to Self-Insurance Fund (SIF) [Risk Management]	(8,857)	0.50
Decrease Cost: OPEB Adjustment	(28,400)	0.00
Decrease Cost: Retirement Adjustment	(42,765)	0.00
	FY21 RECOMMENDED	78,421,782 32.37

PROGRAM SUMMARY

Program Name	FY20 APPR Expenditures	FY20 APPR FTEs	FY21 REC Expenditures	FY21 REC FTEs
Accounts Receivable	524,463	6.00	0	0.00
Controller	973,619	8.88	6,222,798	49.87
Fiscal Management	2,182,499	12.00	2,042,566	10.75
General Accounting	1,979,885	15.99	0	0.00
Grants Accounting	557,992	5.00	0	0.00
Information Technology	1,647,183	3.00	1,599,064	4.00
Insurance	68,893,645	4.00	0	0.00
Legal Services	3,111,744	20.50	0	0.00
Occupational Safety and Health	764,014	3.00	0	0.00
Operations and Administration	5,144,071	19.37	4,063,391	14.37
Payroll	1,295,986	10.00	0	0.00
Risk Management	0	0.00	77,551,254	28.00
Tax Operations	1,993,415	18.15	0	0.00
Treasury	476,765	4.90	2,484,394	23.05
Total	89,545,281	130.79	93,963,467	130.04

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY20 Total\$	FY20 FTEs	FY21 Total\$	FY21 FTEs
COUNTY GENERAL FUND					
Human Resources	Employee Health Self Insurance	126,880	0.75	104,170	0.75
Human Resources	Retiree Health Benefits Trust Fund	37,110	0.25	38,650	0.25
General Services	Central Duplicating (Printing & Mail)	6,760	0.05	6,980	0.05
Transportation	Leaf Vacuuming	245,720	0.43	241,830	0.43
Parking District Services	Bethesda Parking	32,500	0.24	33,560	0.24
Parking District Services	Silver Spring Parking	36,800	0.27	38,000	0.27
Parking District Services	Wheaton Parking	12,370	0.09	12,790	0.09
Community Use of Public Facilities	Community Use of Public Facilities	49,950	0.37	51,480	0.37
Recreation	Recreation	44,010	0.33	45,300	0.33
Permitting Services	Permitting Services	13,200	0.10	13,590	0.10
Environmental Protection	Water Quality Protection	961,595	6.00	939,867	6.00
Recycling and Resource Management	Solid Waste Disposal	587,636	4.38	581,270	4.38
Recycling and Resource Management	Solid Waste Collection	271,466	0.64	266,990	0.64
Alcohol Beverage Services	Liquor	815,361	6.50	821,265	6.50
CIP	Capital Fund	151,872	1.00	39,397	0.25
Non-Departmental Accounts	Retirement Fund (ERS)	40,152	0.30	41,366	0.30
Non-Departmental Accounts	Retiree Health Benefits Trust Fund	4,708	0.05	4,884	0.05
Non-Departmental Accounts	RSP-Disability Benefits (LTD2)	1,480	0.01	1,550	0.01
NDA - Conference Center	General Fund	156,599	1.00	0	0.00
NDA - Incubator Programs - Economic Development Partnership	General Fund	111,288	1.00	0	0.00
Economic Development Fund	Economic Development Fund	157,046	1.00	163,335	1.00
		Total 3,864,503 24.76 3,446,274 22.01			

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY21	FY22	FY23	FY24	FY25	FY26
COUNTY GENERAL FUND						
EXPENDITURES						
FY21 Recommended	15,542	15,542	15,542	15,542	15,542	15,542
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	58	58	58	58	58
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	15,542	15,600	15,600	15,600	15,600	15,600

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY21	FY22	FY23	FY24	FY25	FY26
SELF INSURANCE INTERNAL SERVICE FUND						
EXPENDITURES						
FY21 Recommended	78,422	78,422	78,422	78,422	78,422	78,422
No inflation or compensation change is included in outyear projections.						
Retiree Health Insurance Pre-funding	0	(2)	(4)	(4)	(4)	(1)
Labor Contracts	0	31	31	31	31	31
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	78,422	78,451	78,449	78,449	78,449	78,452

in expected retiree health costs, the County had determined the cost of funding these benefits, which were being paid out as the bills came due, would become unaffordable. Setting aside money now and investing it in a Trust Fund, which is invested in a similar manner as the pension fund, not only is a prudent and responsible approach but will result in significant savings over the long term.

The County's approach to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health 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 FY20, these contributions were budgeted at \$34.7 million (County General Fund), \$78.5 million (MCPS Consolidated Trust), and \$5.4 million (Montgomery College Consolidated Trust).

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	34,680,830	0.00
Decrease Cost: County Contribution Based on Actuarial Valuation	(22,425,170)	0.00
FY21 Recommended	12,255,660	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.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	19,791,523	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	2,439,501	0.00
FY21 Recommended	22,231,024	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

Non-Departmental Accounts

Other County Government Functions **70-29**