



April 29, 2024

MEMORANDUM

TO: Ingrid S. Watson, Chair
Government Operations and Fiscal Policy (GOFP) Committee

THRU: Joseph R. Hamlin 
Director of Budget and Policy Analysis Division

FROM: Andrew Stover 
Legislative Budget and Policy Analyst

RE: Office of Finance
Fiscal Year 2025 Budget Review

Budget Overview

- The FY 2025 Proposed Budget for the Office of Finance is \$6,594,400, an increase of \$712,200, or 12.1%, over the FY 2024 Approved Budget. \$5,794,400 is set to go towards the General Fund, while \$800,000 will be appropriated to the Fair Election Special Revenue Fund.
- The proposed spending level for the General Fund is \$5,794,000, a decrease of \$87,800, or - 1.5% from FY 2024. This decrease can be attributed to increases in budgeted attrition and increases in recoveries. Other key elements of the General Fund budget include:
 - The budget includes funding for one (1) additional position.
 - Attrition and vacancies continue to have an impact on the Office and its ability to comply with Council mandates in a timely manner.
 - The implementation of an important new treasury system has been delayed again, and risks for further delays are possible.
- The Fair Election Fund is proposed to be funded at \$800,000, but this level remains below what the Commission believes will be necessary for the 2026 elections.
- The debt held in the risk management fund balance continues to grow, as the fund balance is projected to decrease by \$6.3 million in FY 2024. However, accident and injury claims are estimated to see slight decreases for FY 2024.

Expenditures by Fund Type				
Fund Type	FY 2023 Actual	FY 2024 Budget	FY 2025 Proposed	FY 2025 % of Total
General Fund	\$ 4,911,077.00	\$ 5,882,200.00	\$ 5,794,400.00	87.9%
Special Revenue Fund	\$ -	\$ -	\$ 800,000.00	12.1%
TOTAL	\$ 4,911,077.00	\$ 5,882,200.00	\$ 6,594,400.00	100.0%

Expenditures by Category - General Fund

Fiscal Year 2023 Actual to Fiscal Year 2025 Proposed.

Category	FY 2023 Actual	FY 2024 Budget	FY 2024 Estimated	% Change - Est vs App	FY 2025 Proposed	\$ Change	% Change
Compensation	\$ 5,850,875	\$ 6,481,500	\$ 6,488,900	0.1%	\$ 6,574,600	\$ 93,100	1.4%
Fringe Benefits	1,948,167	2,320,400	2,174,400	-6.3%	2,383,200	62,800	2.7%
Operating Expenses	1,278,310	1,470,700	1,500,200	2.0%	1,515,500	44,800	3.0%
Sub-Total	\$ 9,077,352	\$ 10,272,600	\$ 10,163,500	-1.1%	\$ 10,473,300	\$ 200,700	2.0%
Recoveries	(4,166,275)	(4,390,400)	(4,390,400)	0.0%	(4,678,900)	(288,500)	6.6%
Total	\$ 4,911,077	\$ 5,882,200	\$ 5,773,100	-1.9%	\$ 5,794,400	\$ (87,800)	-1.5%

Staffing and Compensation

Authorized Staffing Count- General Fund

	FY 2024 Approved	FY 2025 Proposed	Change Amount	Percentage Change
Full-Time	67	68	1	1.5%
Part-Time	2	2	0	0.0%
Total	69	70	1	1.4%

Authorized Staffing Count- Grants

	FY 2024 Approved	FY 2025 Proposed	Change Amount	Percentage Change
Full-Time	1	1	0	0.0%
Limited Term	1	1	0	-
Total	2	2	0	0.0%

- The FY 2025 Budget includes funding for one additional position, bringing the proposed staff level for the general fund to 68 full-time employees and two (2) part-time employees. The additional role is an Administrative Assistant 3G position to manage the Fair Election Fund as

well as help implement County mandated incentives and tax credits. The FY 2025 Budget also mentions that funding for five (5) temporary/seasonal positions is included in the compensation funding request. The FY 2025 Budget includes full funding for all but one position, the Accounting Services Manager, which is expected to be difficult to fill and is being proposed for 80% funding.

- A full-time position and a limited-term position are funded via the America Rescue Plan Act grant program.
- The FY 2025 Proposed Budget for compensation is \$6,574,600, an increase of \$93,100, or 1.4% over the FY 2024 Approved Budget. This increase is primarily attributable to an increase in 1,000-hour positions, funding for the new full-time position, and the annualization of salary adjustments.
- As of March 2024, the Office has had five (5) employee separations in FY 2024, an attrition rate of 7%. Reasons for separation included retirement, transfer to other agencies, and other job opportunities.
- There are currently five (5) vacancies in the Office- a mix of accounting and administrative positions. As of March 2024, a final offer had been made to fill one position and the Office was conducting interviews for another, while the hiring process for the other three had not been started.
- Attrition and extended vacancies have been a significant concern for the Office of Finance. Even when fully staffed, the Office operates with limited personnel resources compared to its workload. Vacancies often lead to slower processing times for payments, increased overtime requirements, and an inability to address all Council and constituent concerns adequately. Furthermore, attrition results in a loss of institutional knowledge, necessitating more training for new employees which can result in greater delays. Certain positions have proven challenging to fill, prolonging the hiring process and further exacerbating the staff's workload.
- A full 57% of current staff has 10 or more years of service, making attrition more challenging. Succession planning will be crucial to the long-term success of the Office.

Fringe Benefits
(see next page)

	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Approved	FY 2025 Proposed
Fringe Benefit Expenditures	\$ 1,801,897	\$ 1,744,364	\$ 1,948,167	\$ 2,320,400	\$ 2,383,200
Compensation	\$ 5,295,494	\$ 5,261,359	\$ 5,850,875	\$ 6,481,500	\$ 6,574,600
Fringe As a % of Total Employee Compensation	25.4%	24.9%	25.0%	26.4%	26.6%

- FY 2025 Fringe Benefits are proposed at \$2,383,200, an increase of \$62,800, or 2.7%, over the FY 2024 Approved Level. This increase aligns fringe benefits with projected costs.

Operating Expenses

- The FY 2025 operating expenses are proposed at \$1,515,500, representing a \$44,800, or a 3%, increase above the FY 2024 operating budget. Some of the major line items in the operating budget include:
 - Office Automation- \$893,500
 - Operating Contracts- \$227,000
 - Office and Operating Equipment Non-Capital- \$99,000
 - Printing and Reproduction- \$92,300
 - General & Administrative Contracts- \$89,800

Operating Objects	FY 2023 Actual	FY 2024 Budget	FY 2025 Proposed	FY 2024 - FY 2025	
				\$ Change	% Change
Office Automation	\$ 790,500	\$ 849,800	\$ 893,500	\$ 43,700	5.1%
Office and Operating Equipment Non- Capital	94,186	89,200	99,000	9,800	11.0%
General & Administrative Contracts	52,058	58,100	89,800	31,700	54.6%
Periodicals	1,137	2,400	6,200	3,800	158.3%
Advertising	279	500	1,000	500	100.0%
Training	36,172	55,200	47,700	(7,500)	-13.6%
Membership Fees	2,811	2,800	3,600	800	28.6%
Miscellaneous	3,917	2,000	3,600	1,600	80.0%
Mileage Reimbursement	2,106	800	2,500	1,700	212.5%
Disposal Fees	-	600	100	(500)	-83.3%
Other Operating Equipment Repair/Maintenance	2,390	1,000	2,200	1,200	120.0%
Printing & Reproduction	79,597	136,600	92,300	(44,300)	-32.4%
Telephone	19,994	20,000	20,700	700	3.5%
General Office Supplies	24,557	23,400	26,300	2,900	12.4%
Operating Contracts	168,606	228,300	227,000	(1,300)	-0.6%
TOTAL	\$ 1,278,310	\$ 1,470,700	\$ 1,515,500	\$ 44,800	3.0%

- All but three (3) line items in the operating budget show increases over the previous year. The biggest increase was a \$43,700 increase in Office Automation to align with projected costs

provided from the Office of Information Technology (OIT). General & Administrative Contracts also saw a substantial increase of \$31,700. This is due to costs for Maximus, an accounting service the County procured in FY 2023. The biggest decrease is \$44,300 for printing & reproduction costs, which the Office expects to be less due to supply chain improvement and a reduced need to order paper supplies well in advance of planned mailings.

- A full list of current and proposed contracts can be found in the *responses to Question 12 in the Office of Finance first-round responses*.

Recoveries

- Proposed recoveries for FY 2025 total \$4,678,900, representing an increase of \$288,500, or 6.6%, above the FY 2024 approved level. This increase is due to mandated salary increases. The Office receives recoveries from other funds for employee salaries related to accounting functions provided for the following:

Fund	Amount
Capital Projects	1,008,500
Solid Waste	962,200
Storm Water	494,700
Computer Services	127,700
Redevelopment Authority	96,600
Unemployment	12,600
OPEB	61,700
Life & Health	49,900
General Liability	269,600
Auto Liability	180,800
Property Liability	286,100
Worker's Compensation	438,600
Corrections Supplemental	53,100
General Schedule	53,400
AFSCME	53,400
Fire Civilian	53,400
Police Civilian	53,400
Corrections Officers	53,400
Deputy Sheriff	53,400
Deputy Sheriff Supplemental	53,100
Fire Service	125,700
Police	137,600
Total	\$ 4,678,900

Note: OPEB is Other Postemployment Benefits

Information Technology

- The Office has two (2) IT initiatives they are in the process of implementing- a project to migrate to a new version of Kronos and a new treasury system. The Kronos Migration has a total cost of \$361,800. The new treasury system will cost the County \$400,000. Both items have been budgeted in OIT’s Capital Improvement Program (CIP).
- The implementation of the new treasury system is seen as extremely important to the functioning of the Office and its responsibilities. Currently, the County is operating on an outdated system which poses risks for the County and its collection of the biggest sources of revenue like property taxes. Implementation of the system will diminish these risks as well as be able to help with the processing of tax credits. However, the implementation of the new treasury system has seen multiple delays, and the “go-live” date is once again being pushed back to Spring 2025. The Office cites the primary reason for this to be the implementation of the Elderly Property Tax Credit and the staff resources that had to be pivoted to focus on the credit, among other legislative initiatives. There is a need for the Office to have a “quiet system” and adequate staff resources in the run up to the implementation of the new treasury system, meaning there are limited windows of time in which the Office can move forward with implementation. Despite the urgent need for this new system, the Office maintains that further requirements put upon the Office may delay the implementation of the treasury system even further. Additional risks for the project include the fact that Finance has two (2) retired employees working on the system on a part-time basis, and further delays could ensue if either of those employees has to step away from the work.

Expenditures by Category- Fair Election Special Revenue Fund

- The Office of Finance also oversees the Fair Election Special Revenue Fund, which supports the County’s public campaign financing program which works using a donor-matching model. The Fund is set to begin distributing funding to participating County candidates in 2026. The projected expenditures can be found in the table below:

Category	FY 2023 Actual	FY 2024 Budget	FY 2024 Estimated	% Change - Est vs App	FY 2025 Proposed	\$ Change	% Change
Operating	\$ -	\$ -	\$ -	0.0%	\$ 800,000	\$ 800,000	100.0%
Total	\$ -	\$ -	\$ -	0.0%	\$ 800,000	\$ 800,000	100.0%

- During FY 2024, \$400,000 was transferred to the fund from Non-Departmental. Funding for an additional \$400,000 is proposed for FY 2025 to bring the fund balance to \$800,000.
- Funding is not expected to be provided at the level that the Fair Elections Fund Commission believes it will need. The Commission requested that the fund be funded at \$3.6 million in preparation for the 2026 elections, but OMB currently believes the Fund will not get close to that number by the time the 2026 election starts.

Workload and Program Key Points

- **Bond Issuance-** Current estimated CIP funding is \$197.6 million from a combination of GOB proceeds and \$74.1 million of reallocated unspent bond proceeds. The FY 2025 sale is planned for May 2024.
- **Multi-Year and Personal Services Contracts-** The Office has two (2) contracts that fall under the category of multi-year and personal services. The first is a contract with Sedgwick Claims Management Services for a total of \$52,339,567. This contract is for third party administration services for workers compensation, auto liability, third party liability, and property claims. The contract will be proposed to the Council for approval in CR-026-2024. The second contract is with Aon Risk Services Inc. of Maryland for \$890,831 and is for insurance broker services. This contract was approved in CR-023-2023.
- **Unpaid Property Tax Revenue-** During the FY 2023 tax sale, 2,286 out of 2,471 accounts were purchased, resulting in the collection of \$12,508,104.28 in unpaid taxes. The County has faced challenges in collecting unpaid taxes, such as instances where bidders in the sale withdraw offers after the sale, but the Office has managed to sell most of the outstanding accounts. The FY 2024 tax sale will be in May 2024.
- **Other Postemployment Benefits (OPEB):**
 - The Office reports that the County continues to use PAYGO funding strategy and in FY 2024 the County's contribution toward the OPEB trust fund was \$56.5 million. The proposed contribution for FY 2025 is \$54.5 million. A breakdown of OPEB contributions by fund for FY 2024 and FY 2025 can be found below:

Fund	FY 2024 Contribution	Proposed FY 2025 Contribution
General	\$ 44,000,000.00	\$ 44,048,400.00
Information Technology	\$ 1,600,000.00	\$ 1,857,700.00
Fleet	\$ 1,900,000.00	\$ 1,800,000.00
Stormwater	\$ 5,200,000.00	\$ 3,678,500.00
Solid Waste	\$ 3,900,000.00	\$ 3,076,700.00
TOTAL	\$ 56,600,000.00	\$ 54,461,300.00

- **Risk Management**
 - The Office reports a projected Risk Management Fund balance debt of \$225 million for FY 2024. This represents a decrease in fund balance of \$6,294,754, or -2.9%.

Risk Management Fund Balance				
	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Fund Balance	\$ (183,083,144)	\$ (188,201,048)	\$ (218,705,246)	\$ (225,000,000)

- The Office continues to be in discussion with OMB about providing additional funding to reduce the deficit in the fund balance. A transfer of \$3 million to go towards the deficit has been proposed in the FY 2024 supplemental appropriation bill.
- The total accident/injury claims payments for FY 2024 are projected to be \$37 million. This is a decrease of \$6,436,796, or -14.8%.

Accident and Injury Claims				
	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Estimate
Payments	\$ 52,156,377	\$ 33,501,861	\$ 43,436,796	\$ 37,000,000

- Below is a breakdown of the accident/injury claims from FY 2023 and YTD for FY 2024 as of 2/1/2024:

Accounts	FY 2023				FY 2024			
	Number of Claims	% of Claims	Payments	% of Payments	Number of Claims	% of Claims	Payments	% of Payments
Workers' Comp.	889	49.7%	\$ 29,656,476	68.3%	536	44.0%	\$ 18,185,644	88.4%
Auto Liability	515	28.8%	2,781,509	6.4%	458	37.6%	1,276,540	6.2%
General Liability	380	21.2%	10,971,042	25.3%	223	18.3%	1,113,445	5.4%
Property Damage	6	0.3%	27,768	0.1%	1	0.1%	-	0.0%
Total	1,790	100.0%	\$43,436,796	100.0%	1,218	100.0%	\$20,575,629	100.0%

- Workers' compensation represents the highest number of claims and payments. A detailed breakdown of workers' compensation claims by agency for FY 2023 can be found in *response to Question 30 of the Office of Finance first-round responses*.