



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

April 26, 2018

MEMORANDUM

TO: Derrick L. Davis, Chair
Public Safety and Fiscal Management Committee (PSFM)

THRU: David H. Van Dyke, County Auditor *DHVD*

FROM: Jude S. Moise, Staff Auditor *JSM*

RE: Office of Finance
Fiscal Year 2019 Budget Review

Operating Budget Overview

The FY 2019 Proposed Budget for the Office of Finance is \$4,003,100. This represents a reduction of \$8,000, or 0.2%, below the FY 2018 Approved Budget. The decrease is largely due to an increase in compensation for anticipated cost-of-living adjustments and merit increases, offset by an increase in anticipated recoveries in FY 2019.

The Office's expenditures are funded entirely by the General Fund, other than the Recoveries.

Budget Comparison - General Fund

Approved Fiscal Year 2018 to Proposed Fiscal Year 2019

Category	FY 2017 Actual	FY 2018 Approved	FY 2018 Estimated	% Change - Est vs App	FY 2019 Proposed	\$ Change	% Change
Compensation	\$ 4,474,203	\$ 4,793,300	\$ 4,738,600	-1.1%	\$ 5,067,900	\$ 274,600	5.7%
Fringe Benefits	1,406,848	1,543,400	1,525,800	-1.1%	1,642,000	98,600	6.4%
Operating Expenses	867,192	891,300	882,300	-1.0%	716,500	(174,800)	-19.6%
Sub-Total	\$ 6,748,243	\$ 7,228,000	\$ 7,146,700	-1.1%	\$ 7,426,400	\$ 198,400	2.7%
Recoveries	(3,133,951)	(3,216,900)	(3,216,900)	0.0%	(3,423,300)	(206,400)	6.4%
Total	\$ 3,614,292	\$ 4,011,100	\$ 3,929,800	-2.0%	\$ 4,003,100	\$ (8,000)	-0.2%

Authorized Staffing Count - General Fund

	FY 2018 Approved	FY 2019 Proposed	Change Amount	Percentage Change
Full-Time	66	66	0	0.0%
Total	66	66	0	0.0%

Staffing Changes and Compensation

- The authorized staffing level for the FY 2019 Proposed Budget remains unchanged at 66 full-time positions. As of March 26, 2018, the Office reported eight (8) vacant positions. Five (5) of these positions are funded, and the remaining three (3) are not funded in FY 2019.
- The FY 2018 attrition rate for the Office is 5.2%. Staff resignation is the key factor contributing to the current attrition level. In FY 2018, three (3) staff resigned from the Office of Finance. The Office also reported that 14 of its staff are eligible for retirement between FY 2018 and FY 2020.

Fringe Benefits

- FY 2019 Fringe Benefits are proposed at \$1,642,000, an increase of \$98,600, or 6.4%, over the FY 2018 approved level to reflect anticipated costs.
- A five-year trend analysis of fringe benefit expenditures is included below.

Fringe Benefits Historical Trend					
	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Proposed
Fringe Benefit Expenditures	\$ 1,406,660	\$ 1,402,639	\$ 1,406,848	\$ 1,525,800	\$ 1,642,000
As a % of Compensation	31.1%	31.7%	31.4%	32.2%	32.4%
Annual % Change		-0.3%	0.3%	8.5%	7.6%

Operating Expenses

- The FY 2019 operating expenses are proposed at \$716,500 and are comprised the following major items:
 - Operational Contracts \$317,000
 - Office Automation 227,800
 - General and Administrative Contracts 65,900
 - Operating and Office Supplies 30,000
 - Printing and Reproduction 28,700

- Overall, operating expenses are decreasing by \$174,800, or 19.6%, below the FY 2018 approved level. The accompanying table compares the FY 2019 Proposed Budget operating expenditures with the FY 2018 Approved Budget operating expenditures. In six (6) of the categories, the FY 2019 Proposed Budget increases planned spending from the FY 2017 budget. In six (6) of the categories, the FY 2019 Proposed Budget level remains unchanged compared to the FY 2018 budget. FY 2019 expenditures decrease in one (1) category.

Operating Objects	FY 2018 Budget	FY 2019 Proposed	FY 2018 - FY 2019	
			\$ Change	% Change
Operating Contracts	\$ 276,000	\$ 317,000	\$ 41,000	14.9%
General & Administrative Contracts	60,900	65,900	5,000	8.2%
Telephone	21,800	25,500	3,700	17.0%
General Office Supplies	26,800	30,000	3,200	11.9%
Printing	27,700	28,700	1,000	3.6%
Periodicals	2,200	2,400	200	9.1%
Other Operating Equipment Repair/Maintenance	3,800	3,800	-	0.0%
Office and Operating Equipment Non-Capital	3,100	3,100	-	0.0%
Disposal Fees	800	800	-	0.0%
Training	9,400	9,400	-	0.0%
Membership Fees	1,600	1,600	-	0.0%
Mileage Reimbursement	500	500	-	0.0%
Office Automation	456,700	227,800	(228,900)	-50.1%
TOTAL	\$ 891,300	\$ 716,500	\$ (174,800)	-19.6%

- The most significant increase between the FY 2019 Proposed Budget and the FY 2018 Approved Budget are in Operating Contracts (\$41,000 increase), due to an anticipated increase in Commercial Assessment Appeals services.
- The decrease between the FY 2019 Proposed Budget and the FY 2018 Approved Budget is primarily due to a new methodology in calculating office automation.

Recoveries

- Proposed recoveries for FY 2019 total \$3,423,300, an increase of \$206,400, or 6.4%, over the FY 2018 budgeted level, due to salary adjustments and recuperations from County agencies for the anticipated establishment of the OSHA web-based safety training software. The Office receives recoveries from other funds for employee salaries related to Accounting functions provided for the following:

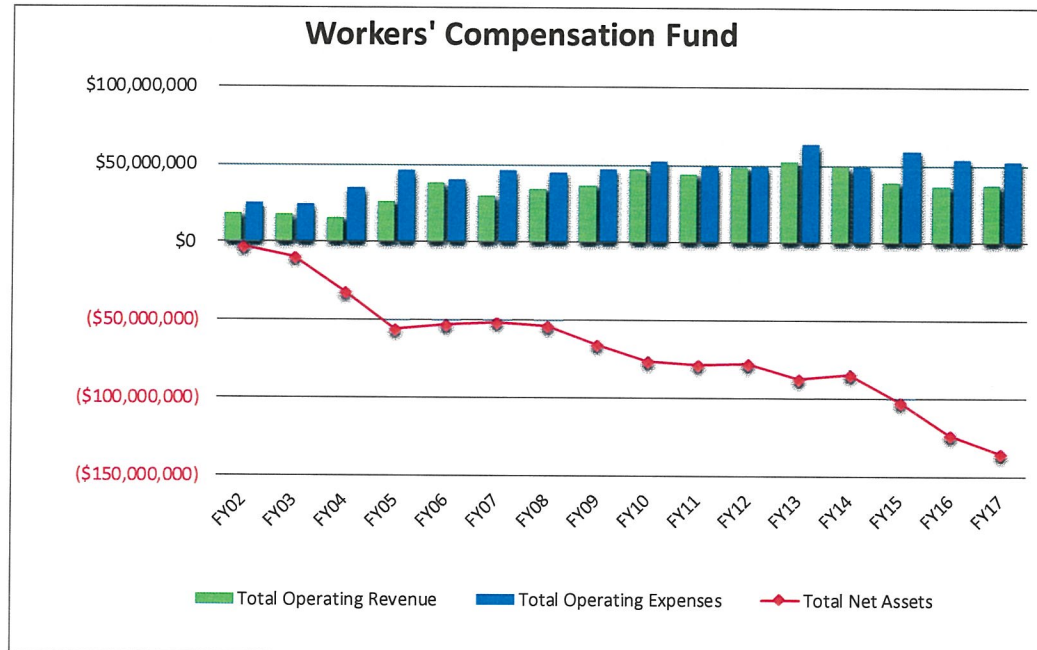
• Insurance Funds	\$907,800
• Capital Projects	822,900
• Solid Waste	672,000
• Pension Funds	454,300
• Stormwater Management	363,800

• Information Technology	102,700
• Redevelopment Authority	61,000
• OPEB Trust Fund	38,800

Highlights

- The Office of Finance is responsible for collecting the County's real and personal property taxes. The Office reports that it will process an estimated 490,000 payments in real and property taxes in FY 2018. The Office reported that it is expected to collect 99.8% of real property taxes in FY 2018.
- The County collected \$9,070,735 (this includes accrued interest and penalties) in unpaid property taxes during the FY 2017 tax sale. The Office hopes to increase the percentage of real property taxes collected by promoting and expanding electronic payment options to taxpayers and implementing periodic meetings with the State Department of Assessments and Taxation to develop a more efficient process. The County is expecting to collect \$69.0 million in electronic payments in FY 2018, compared to \$28.6 million in FY 2013.
- The County plans to issue approximately \$416.8 million of General Obligations Bonds for various CIP projects in May of 2018.
- In FY 2019, the Office plans to issue approximately \$295.3 million in General Obligations Bonds for various central governmental projects including the County's public school system, the library system, public works and transportation, health, and public safety.
- The Office reported that the County's FY 2019 Proposed Budget includes approximately \$28.0 million of funding for Other Post-Employment Benefits (OPEB), an increase of \$3.0 million over the FY 2018 approved level. The Office stated there are no major concerns regarding OPEB costs and their effect on the County's bond rating.
- One of the Office's top priorities for FY 2019 is to continue the transition from mainframe legacy systems to the new Enterprise Resource Planning-ERP (SAP) solution. The Office anticipates completion of a custom developed Debt Management solution to go live in July 2018 and will work with the Office of Information Technology to determine the best system to implement to address Tax and Revenue Management. This project is funded in OIT's Capital Improvement Program.
- The Office also identified an upgrade of the existing Electronic Time and Attendance System (ETS), KRONOS, which is scheduled to be completed in December of 2019, as one of its IT initiatives for FY 2019. The new system is estimated to cost \$843,700, which includes software, services, and hardware and/or hosting requirements. Funding in the amount of \$450,200 is included in OIT's FY 2019 proposed operating budget to support this initiative.

- The accumulated deficit in the workers' compensation portion of the Risk Management Fund has grown significantly from \$2.8 million in FY 2002 to \$135.5 million in FY 2017, as illustrated in the graph below.



- The Office, in collaboration with the Office of Management and Budget, previously acknowledged that the initial 15-year payment plan to eliminate the deficit will require revision since additional contributions were not made in previous fiscal years, as planned. The Office reported that additional funding to reduce the accumulated deficit is not included in the Proposed FY 2019 Budget.
- The Risk Management Section conducted several safety training sessions in FY 2018. The Office states that the objective of the overall safety training sessions are to change behavioral attitudes of the employees toward good safety practices in the workplace. The Office reported that staff from the Board of Education, Library and the Community College have also participated in the training sessions. The FY 2019 proposed budget includes funding to obtain Occupational Safety and Health Administration (OSHA) safety training software, to expand safety awareness and training provided to County agencies.
- The following is a summary of the accident/injury claims for FY 2016 and FY 2017.

Accounts	FY 2016				FY 2017			
	Number of Claims	% of Claims	Payments*	% of Payments	Number of Claims	% of Claims	Payments*	% of Payments
Workers' Compensation	1,073	42.5%	\$21,220,881	84.6%	1,102	47.4%	\$23,419,037	70.2%
Auto Liability	749	29.7%	\$1,576,675	6.3%	723	31.1%	\$1,812,722	5.4%
General Liability	681	27.0%	\$2,192,951	8.7%	493	21.2%	\$7,973,262	23.9%
Property Damage	20	0.8%	\$94,373	0.4%	7	0.3%	\$150,791	0.5%
Total	2,523	100.0%	\$25,084,880	100.0%	2,325	100.0%	\$33,355,812	100.0%

* Payments include all claims paid in the fiscal year not just for those received.

- Workers' compensation represents the highest number of claims and payments. In FY 2017, the number of claims increased by 29, while the amount of workers' compensation payments made increased by \$2.2 million, compared to FY 2016. See **Attachment 1** for a break-down of the workers' compensation claims by agency for FY 2016 and FY 2017.

Attachment 1

Agency	FY 2016		FY 2017	
	Number of Claims	Amount Paid	Number of Claims	Amount Paid
County Executive	0	88	0	2,127
County Council	0	38,345	0	0
Circuit Court	6	135,887	10	32,881
State's Attorney	13	95,321	7	24,691
Office of Finance	2	7,994	0	16,639
Office of Law	0	2,240	3	53,535
OHRM	3	7,369	0	0
OIT	0	63,102	0	141,357
Board of Elections	4	27,965	5	33,552
Central Services	15	481,205	12	303,013
Family Services	2	4,742	3	16,807
Police	376	9,896,709	405	10,175,743
Fire/EMS	295	4,962,637	310	5,870,781
DoE	39	385,265	22	635,637
Sheriff	49	1,512,981	69	2,149,903
Corrections	160	2,438,489	166	2,845,372
Homeland Security	10	160,514	13	186,611
DPIE	17	66,595	26	79,279
DPW&T	51	631,876	33	619,224
Health Department	20	175,786	12	99,130
Housing and Community Development	3	122,210	2	98,528
Social Services	6	3,562	4	18,619
Non-Departmental	1	0	0	0
Office of Community Relations	1	0	0	15,608
TOTAL	1073	\$ 21,220,881	1102	\$ 23,419,037