



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

May 2, 2019

MEMORANDUM

TO: Derrick L. Davis, Chair
Government Operations and Fiscal Policy Committee (GOFP)

THRU: David H. Van Dyke, County Auditor *DHV*
Turkessa M. Green, Deputy County Auditor *TMG*

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

RE: Office of Finance
Fiscal Year 2020 Budget Review

Operating Budget Overview

The FY 2020 Proposed Budget for the Office of Finance is \$4,330,700. This represents an increase of \$327,600, or 8.2%, over the FY 2019 Approved Budget. The increase is largely due to an increase in compensation for anticipated cost-of-living adjustments and merit increases, and increased fringe benefit costs, offset by an increase in anticipated recoveries in FY 2020.

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

Budget Comparison - General Fund

Approved Fiscal Year 2019 to Proposed Fiscal Year 2020

Category	FY 2018 Actual	FY 2019 Approved	FY 2019 Estimated	% Change - Est vs App	FY 2020 Proposed	\$ Change	% Change
Compensation	\$ 4,744,630	\$ 5,067,900	\$ 4,700,600	-7.2%	\$ 5,336,400	\$ 268,500	5.3%
Fringe Benefits	1,546,476	1,642,000	1,469,300	-10.5%	1,750,400	108,400	6.6%
Operating Expenses	867,795	716,500	697,500	-2.7%	720,500	4,000	0.6%
Sub-Total	\$ 7,158,901	\$ 7,426,400	\$ 6,867,400	-7.5%	\$ 7,807,300	\$ 380,900	5.1%
Recoveries	(3,229,129)	(3,423,300)	(3,155,000)	-7.8%	(3,476,600)	(53,300)	1.6%
Total	\$ 3,929,772	\$ 4,003,100	\$ 3,712,400	-7.3%	\$ 4,330,700	\$ 327,600	8.2%

Authorized Staffing Count - General Fund

	FY 2019 Approved	FY 2020 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 2020 Proposed Budget remains unchanged at 66 full-time positions. As of March 21, 2019, the Office reported 12 vacant positions. Nine (9) of these positions are funded, and the remaining three (3) are not funded in FY 2020.
- The Office reported that its current rate of attrition is 13%. The Office cites the key factors contributing to the current attrition level are staff retirements and resignations.
- The following table provides the Office's rate of attrition for the last five fiscal years.

Attrition Rate - Historical Trend					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 (YTD)
# of Separations	1	2	2	3	7
# of Filled Positions	59	56	58	58	54
Rate of Attrition	1.7%	3.6%	3.4%	5.2%	13.0%

Source: Responses to 1st Round Questions provided to A&I during budget reviews.

Fringe Benefits

- FY 2020 Fringe Benefits are proposed at \$1,750,400, an increase of \$108,400, or 6.6%, over the FY 2019 approved level to reflect current costs.
- A five-year trend analysis of fringe benefit expenditures is included below.

Fringe Benefits Historical Trend					
	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Proposed
Fringe Benefit Expenditures	\$ 1,402,639	\$ 1,406,848	\$ 1,546,476	\$ 1,469,300	\$ 1,750,400
As a % of Compensation	31.7%	31.4%	32.6%	31.3%	32.8%
Annual % Change		0.3%	9.9%	-5.0%	19.1%

Operating Expenses

- The FY 2020 operating expenses are proposed at \$720,500 and are comprised the following major items:

• Operating Contracts	\$317,000
• Office Automation	236,000
• General and Administrative Contracts	51,800
• Printing	38,000
• General Office Supplies	30,000

- Overall, operating expenses are increasing by \$4,000, or 0.6%, over the FY 2019 approved level. The accompanying table compares the FY 2020 Proposed Budget operating expenditures with the FY 2019 Approved Budget operating expenditures. In three (3) of the categories, the FY 2020 Proposed Budget increases planned spending from the FY 2019 budget. In nine (9) of the categories, the FY 2020 Proposed Budget level remains unchanged compared to the FY 2019 budget. FY 2020 expenditures decrease in one (1) category.

Operating Objects	FY 2019 Budget	FY 2020 Proposed	FY 2019 - FY 2020	
			\$ Change	% Change
Printing	\$ 28,700	\$ 38,000	\$ 9,300	32.4%
Office Automation	227,800	236,000	8,200	3.6%
Membership Fees	1,600	2,200	600	37.5%
Operating Contracts	317,000	317,000	-	0.0%
General Office Supplies	30,000	30,000	-	0.0%
Telephone	25,500	25,500	-	0.0%
Training	9,400	9,400	-	0.0%
Other Operating Equipment	3,800	3,800	-	0.0%
Office and Operating Equipment Non-Capital	3,100	3,100	-	0.0%
Periodicals	2,400	2,400	-	0.0%
Disposal Fees	800	800	-	0.0%
Mileage Reimbursement	500	500	-	0.0%
General & Administrative Contracts	65,900	51,800	(14,100)	-21.4%
TOTAL	\$ 716,500	\$ 720,500	\$ 4,000	0.6%

- The most significant increases between the FY 2020 Proposed Budget and the FY 2019 Approved Budget are in Printing (\$9,300 increase) to align to actual spending, and Office Automation (\$8,200) due to the increase in charges by the Office of Information Technology.
- The decrease between the FY 2020 Proposed Budget and the FY 2019 Approved Budget is in General and Administrative Contracts to reflect the removal of a financial services management contract.

Recoveries

- Proposed recoveries for FY 2020 total \$3,476,600, an increase of \$53,300, or 1.6%, over the FY 2019 budgeted level, due to salary adjustments. The Office receives recoveries from other funds for employee salaries related to Accounting functions provided for the following:

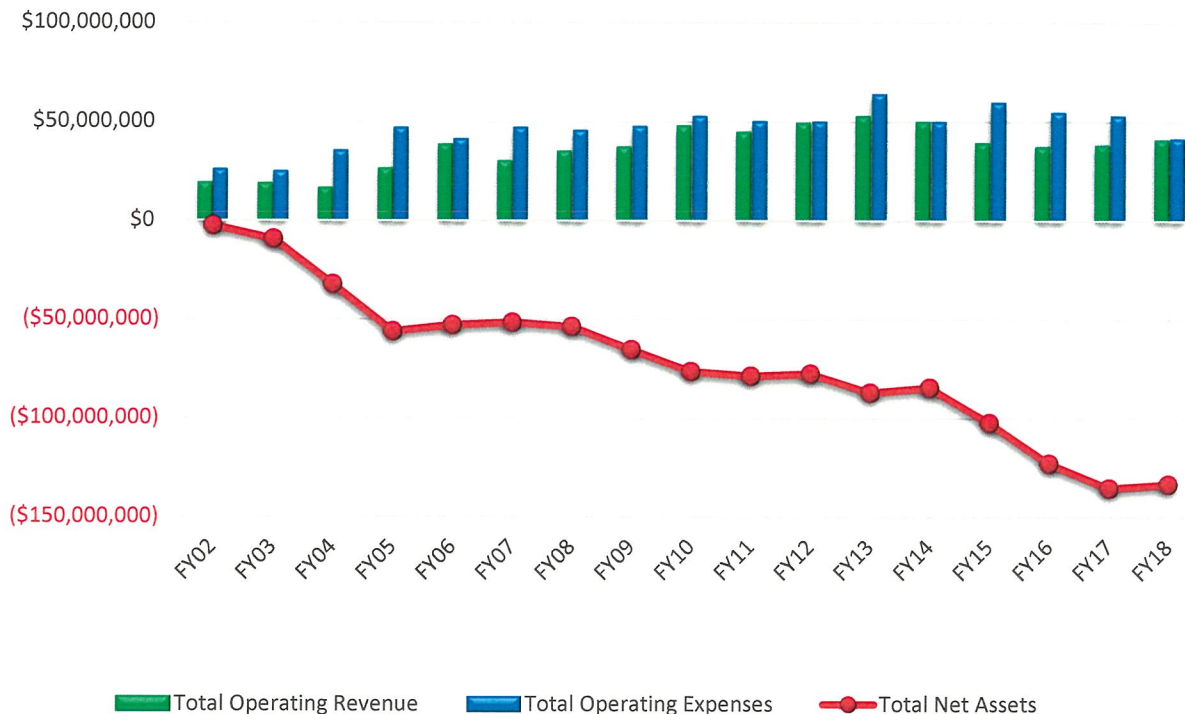
• Insurance Funds	\$928,400
• Capital Projects	795,500
• Solid Waste	691,000
• Pension Funds	488,600
• Stormwater Management	363,200
• Information Technology	106,200
• Redevelopment Authority	62,500
• OPEB Trust Fund	41,200

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 470,000 payments in real and personal property taxes in FY 2019. The Office reported that it is expected to collect 100% of real property taxes in FY 2019.
- The County collected \$7,100,394 (this includes accrued interest and penalties) in unpaid property taxes during the FY 2018 tax sale. The annual sale of tax lien certificates is a tax collection technique used to recover payment of delinquent taxes by auctioning liens against a property.
- The County plans to issue approximately \$362 million of General Obligations Bonds for various CIP projects in May of 2019.
- In FY 2020, the Office plans to issue approximately \$348.1 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.
- One of the Office's top priorities for FY 2020 is transitioning from the County's current Tax Billing and Collection system to a new Treasury Management system. The Office reported that the current system is outdated, does not interface with the SAP system, and is costly to maintain. The Office is working with the Office of Information Technology to identify a software provider that can deliver the best system to implement for tax and revenue management.
- The Office also identified an upgrade of the existing electronic time and attendance system to KRONOS WFC, 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 \$849,700. Additional funding in the amount \$447,300 is included in OIT's proposed FY 2020 budget for ongoing maintenance of the system.

- The Office reported that the County's FY 2020 Proposed Budget includes approximately \$34.7 million of funding for Other Post-Employment Benefits (OPEB). This amount includes \$28 million from the General Fund and \$6.7 million from the various internal service and enterprise funds. The Office stated there are no major concerns regarding OPEB costs and their effect on the County's bond rating.
- The accumulated deficit in the workers' compensation portion of the Risk Management Fund has grown significantly from \$2.8 million in FY 2002 to \$133.4 million in FY 2018. The accumulated deficit at the end of FY 2018 decreased by \$2.1 million, or 1.56%, below the FY 2017 accumulated deficit, as illustrated in the graph below.

Workers' Compensation Fund



- In prior years, the Office of Finance and the Office of Management and Budget considered a payment plan to eliminate the deficit. However, due to budgetary constraints, additional funding to reduce the deficit was unavailable. The Office reported that while additional funding is being considered to offset workers' compensation claim expenses, no funds have been included in the Proposed FY 2020 budget.

- The Office reported that measures taken to further reduce accident/injury claims by employees include expanded safety/loss prevention training activities. The Risk Management Section conducted a total of 55 safety training sessions in FY 2019. The Office states that the objective of the overall safety training sessions is 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.
- In FY 2019, the Office reported that it introduced additional safety training courses including the Occupational Safety and Health Administration (OSHA) safety training software. This training module will offer staff/supervisors with a self-paced safety/loss prevention OSHA approved e-learning system, including the ability to offer safety news bulletins.
- The following is a summary of the accident/injury claims for FY 2017 and FY 2018.

Accounts	FY 2017				FY 2018			
	Number of Claims	% of Claims	Payments*	% of Payments	Number of Claims	% of Claims	Payments*	% of Payments
Workers' Comp.	1,102	47.4%	\$23,419,037	70.2%	1,127	43.6%	\$24,464,586	78.0%
Auto Liability	723	31.1%	\$1,812,722	5.4%	807	31.2%	\$2,811,149	9.0%
General Liability	493	21.2%	\$7,973,262	23.9%	636	24.6%	\$3,830,111	12.2%
Property Damage	7	0.3%	\$150,791	0.5%	16	0.6%	\$256,725	0.8%
Total	2,325	100.0%	\$33,355,812	100.0%	2,586	100.0%	\$31,362,571	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 2018, the number of claims increased by 25 and the amount of workers' compensation payments made increased by \$1.04 million, compared to FY 2017. See **Attachment 1** for a break-down of the workers' compensation claims by agency for FY 2017 and FY 2018.

Attachment 1

Agency	FY 2017		FY 2018	
	Number of Claims	Amount Paid	Number of Claims	Amount Paid
County Executive	0	2,127	1	7,665
County Council	0	0	2	0
Circuit Court	10	32,881	6	21,113
State's Attorney	7	24,691	6	86,054
Office of Finance	0	16,639	0	8,597
Office of Law	3	53,535	0	25,507
OMB	0	0	1	0
OIT	0	141,357	0	69,972
Board of Elections	5	33,552	3	22,163
Central Services	12	303,013	14	388,399
Family Services	3	16,807	0	24,472
Police	405	10,175,743	437	11,021,011
Fire/EMS	310	5,870,781	312	6,128,024
DoE	22	635,637	24	411,159
Sheriff	69	2,149,903	65	1,924,459
Corrections	166	2,845,372	160	2,759,626
Homeland Security	13	186,611	9	187,877
DPIE	26	79,279	15	161,275
DPW&T	33	619,224	48	868,068
Health Department	12	99,130	17	83,491
Housing and Community Development	2	98,528	4	245,197
Social Services	4	18,619	3	19,172
Office of Community Relations	0	15,608	0	1,285
TOTAL	1,102	\$ 23,419,037	1,127	\$ 24,464,586