



May 1, 2023

MEMORANDUM

TO: Edward P. Burroughs, III, Chair
Government Operations and Fiscal Policy (GOFP) Committee

THRU: Josh Hamlin 
Director of Budget and Policy Analysis Division

FROM: Roger G. Banegas 
Legislative Budget and Policy Analyst

RE: Office of Finance
Fiscal Year 2024 Budget Review

Budget Overview

- The FY 2024 Proposed Budget for the Office of Finance is \$5,882,200. This represents an increase of \$257,000, or 4.6%, over the FY 2023 Approved Budget. The proposed increase is largely driven by:
 - the annualization of FY 2023 and planned FY 2024 salary adjustments,
 - an increase in fringe benefits,
 - an increase in OIT charges based on countywide costs,
 - an increase in operating costs for printing costs to support the bulk purchase of paper inventory, and
 - the addition of two (2) new part-time positions to implement the new Elderly Property Tax Credit Program and a full-time Systems Analyst 3G for the implementation of the new Treasury System.

The increases are offset by the reduction in other operating costs and an increase in Recoveries.

- The Office is fully funded through the General Fund (funding for two Grant Funded positions is provided through the American Rescue Plan Act grant included in the Non-Departmental budget allocation).

Budget Comparison - General Fund

Category	FY 2022 Actual	FY 2023 Budget	FY 2023 Estimated	% Change - Est vs App	FY 2024 Proposed	\$ Change	% Change
Compensation	\$ 5,261,359	\$ 6,024,800	\$ 6,028,500	0.1%	\$ 6,481,500	\$ 456,700	7.6%
Fringe Benefits	1,744,364	2,189,200	2,041,500	-6.7%	2,320,400	131,200	6.0%
Operating Expenses	1,267,592	1,293,200	1,467,200	13.5%	1,470,700	177,500	13.7%
Sub-Total	\$ 8,273,315	\$ 9,507,200	\$ 9,537,200	0.3%	\$ 10,272,600	\$ 765,400	8.1%
Recoveries	(3,533,300)	(3,882,000)	(4,137,600)	6.6%	(4,390,400)	(508,400)	13.1%
Total	\$ 4,740,015	\$ 5,625,200	\$ 5,399,600	-4.0%	\$ 5,882,200	\$ 257,000	4.6%

Authorized Staffing Count -General Fund

	FY 2022 Approved	FY 2023 Approved	FY 2024 Proposed	Change Amount	% Change
Full-Time Civilian	67	66	67	1	1.5%
Full-Time Sworn	0	0	0	0	0.0%
Part-Time	0	0	2	2	100.0%
Limited Term	0	0	0	0	0.0%
Total	67	66	69	3	4.5%

Staffing and Compensation

- The FY 2024 Proposed Budget for compensation is \$6,481,500, representing an increase of \$456,700, or 7.6%, above the FY 2023 budget due to funding a new position and the annualization of prior year and planned FY 2024 salary adjustments.
- FY 2024 proposed authorized staffing level includes:
 - General Fund: 67 full-time positions and two (2) part-time positions. This represents a one (1) full-time position and a two (2) position increase in part-time positions increase compared to FY 2023 staffing level. A new full-time Systems Analyst 3G position is necessary for the implementation of the new Treasury Software System. The two (2) part-time Account Clerk 3Gs positions will support the implementation of the new Elderly Property Tax Credit program.
 - Grant Funds: grant funded positions remain unchanged at one (1) full-time position and one (1) limited term position. These grant funded positions are funded via the American Rescue Plan Act grant program (budgeted in the Non-Departmental section of the Proposed Budget).
- All authorized positions are funded in FY 2024.
- In addition to the new positions, in FY 2024, the Office will continue using two (2) 1,000-hour positions for the implementation of the new Treasury Software System and one (1) position for the Elderly Property Tax Credit program.

- As of March, the Office reported seven (7) vacant positions.
- Employee attrition:
 - The reasons for the Office’s employee attrition are retirements (account for three out of six employee separations), transfer to another agency, moving out of State, and a resignation due to a higher counteroffer from a previous employer.
 - The six separations were Accountants II/III, Account Clerks III/IV, an Information Technology Project Coordinator, and an Accounting Technician.
 - The Office reports that due to vacancies, the current employees “*had to take on additional responsibilities, leading to increased overtime usage, extra duty hours, increased document and payment processing times, and increased backlogs in other areas of operation*”.
 - Additionally, the Accounting Division has been without a Payroll Supervisor since early December 2022.
 - To address the loss of institutional knowledge due to the retirement of long-term employees, the Office strives to cross-train the current employees, ensure that all procedures are documented and fill vacant positions with qualified candidates. Despite their mitigation efforts, the Office reports that “*in many cases, finding qualified candidates has been challenging, resulting in the need to post positions multiple times. In addition, it is difficult to cross-train and cultivate employees that are already strained.*”

Fringe Benefits

- FY 2024 Fringe Benefits are proposed at \$2,320,400, an increase of \$131,200, or 6.0%, over the FY 2023 Approved Level to reflect an increase in planned salary adjustments.
- A five-year trend analysis of fringe benefit expenditures is included below.

	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Approved	FY 2024 Proposed
Fringe Benefit Expenditures	\$ 1,692,744	\$ 1,801,897	\$ 1,744,364	\$ 2,041,500	\$ 2,320,400
Compensation	\$ 5,209,251	\$ 5,295,494	\$ 5,261,359	\$ 6,028,500	\$ 6,481,500
Fringe As a % of Total Employee Compensation	24.5%	25.4%	24.9%	25.3%	26.4%

Operating Expenses

- The FY 2024 operating expenses are proposed at \$1,470,700, representing a \$177,500, or a 13.7%, increase above the FY 2023 operating budget.

- Overall, the FY 2024 Proposed Operating Expenses are increasing by \$177,500, or 13.7%, over the FY 2023 Approved Level. The accompanying table compares the FY 2024 Proposed Budget operating expenditures with the FY 2023 Approved Budget operating expenditures.

Operating Objects	FY 2022 Actual	FY 2023 Budget	FY 2024 Proposed	FY 2023 - FY 2024	
				\$ Change	% Change
Office Automation	\$ 732,800	\$ 790,500	\$ 849,800	\$ 59,300	7.5%
Office and Operating Equipment Non- Capital	140,008	86,800	89,200	2,400	2.8%
General & Administrative Contracts	61,975	72,700	58,100	(14,600)	-20.1%
Periodicals	6,035	2,400	2,400	-	0.0%
Advertising	450	500	500	-	0.0%
Training	14,289	10,000	55,200	45,200	452.0%
Membership Fees	1,995	2,200	2,800	600	27.3%
Miscellaneous	833	-	2,000	2,000	N/A
Mileage Reimbursement	684	500	800	300	60.0%
Disposal Fees	95	600	600	-	0.0%
Other Operating Equipment Repair/Maintenance	697	1,000	1,000	-	0.0%
Printing	81,296	40,000	136,600	96,600	241.5%
Telephone	21,013	17,700	20,000	2,300	13.0%
General Office Supplies	22,604	18,300	23,400	5,100	27.9%
Operating Contracts	182,818	250,000	228,300	(21,700)	-8.7%
TOTAL	\$ 1,267,592	\$ 1,293,200	\$ 1,470,700	\$ 177,500	13.7%

- In nine (9) of the categories, the FY 2024 Proposed Budget increases planned spending from the FY 2023 budget. In four (4) of the categories, the FY 2024 Proposed Budget level remains unchanged compared to the FY 2023 budget. FY 2024 expenditures decreased in two (2) categories.
- The most significant increases between the FY 2024 Proposed Budget and the FY 2023 Approved Budget are in the Office Automation category, a \$59,300 increase due to OIT charges based on countywide costs for technology, and in the Printing category, a \$96,000 increase to support the bulk purchase of paper inventory associated with the Elderly Property Tax Credit program and translation of materials to Spanish.
- The most significant decrease between the FY 2024 Proposed Budget and the FY 2023 Approved Budget is in Operating Contracts category (\$21,700 decrease) which is a result an increase in online payments and the discontinuation of cash payments.

Recoveries

- Proposed recoveries for FY 2024 total \$4,390,400, representing an increase of \$508,400, or 13.1%, above the FY 2023 approved level. The proposed increase is driven by the mandated salary increases. The Office receives recoveries from other funds for employee salaries related to accounting functions provided for the following:

Fund	Amount
Insurance Funds	\$ 1,161,400
Capital Projects	946,800
Solid Waste	903,300
Pension Funds	646,400
Storm Water	464,300
Computer Services	119,800
Redevelopment Authority	90,600
OPEB	57,800
Total	\$ 4,390,400

Note: OPEB is Other Postemployment Benefits

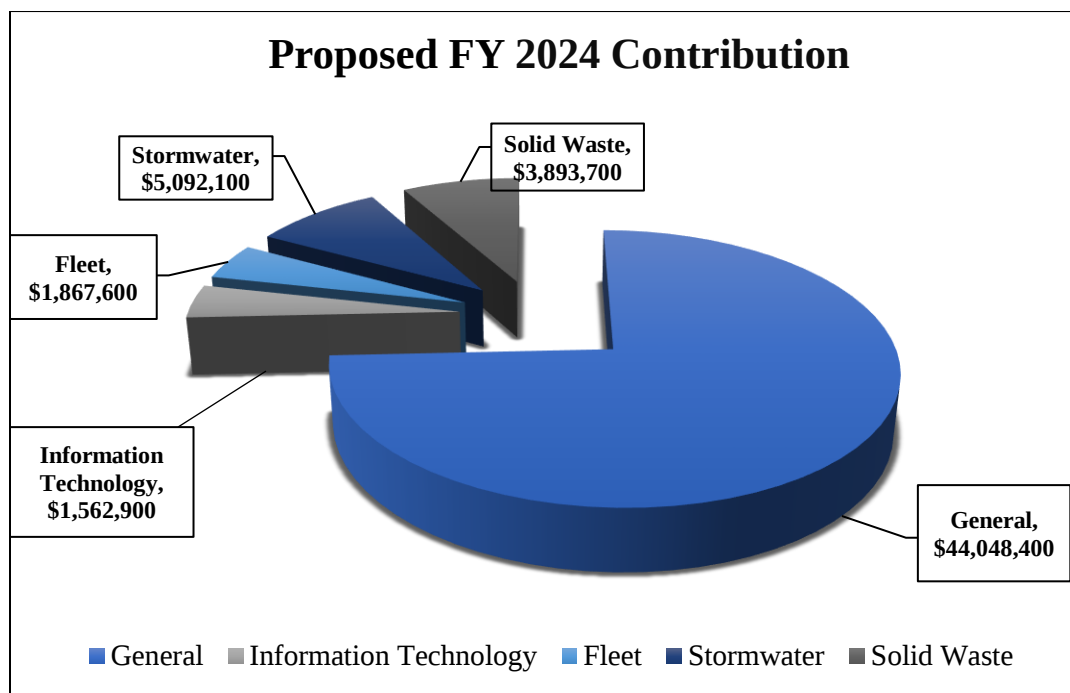
For a detailed list of the Office's recoveries please see the response to the *FY 2024 Budget Review First Round Question No. 17*.

- The Office anticipates an increase in recovered funds in all eight (8) categories in FY 2024 compared to the FY 2023 estimated recoveries.

Program Management

- The new Treasury System should replace the existing legacy Tax Billing and Collection System. The Office reported that the new Treasury System is being developed in-house through a partnership between Finance and OIT. The Office stated that *"the implementation has experienced delays as OIT lost key resources on the project and other resources were redeployed to perform required modifications to the current legacy system. The target go-live date has been moved to Spring 2024."* According to the Office, this initiative is at approximately 50% completion mark.
- In addition to developing the new Treasury System, the Proposed Budget Book identifies the following FY 2023 accomplishments for the Office:
 - The Office issued approximately \$354 million in secured tax-exempt bonds, including the refinancing of \$43 million in National Harbor debt, resulting in \$4.7 million net present value savings for the County.
 - The Office reports that it updated a six-year debt capacity analysis for budgetary planning.
 - The Office established agency indirect cost rates countywide to be used for federal grant reimbursements.
 - The Office issued the FY 2022 Annual Comprehensive Financial Report and received the Certificate of Achievement for Excellence in Financial Reporting for FY 2021.
- Bond Issuance: FY 2024 bond sale is planned for May 2024. The final list of projects has not been finalized, pending approval of the FY 2024 budget.

- **Property Tax Revenue:** The County collected \$8,857,783 in unpaid property taxes during the FY 2022 tax sale. The Office experienced a shift between the Limited Sale and the Public Sale due to legislation restricting the Limited Sale to vacant lots or improved lots which are abandoned/uninhabitable and bidders that are Prince George’s County residents. The Office reports that FY 2022 was the last year for the Limited Sale as it has since been ruled unconstitutional.
- **Other Postemployment Benefits:**
 - The Office reports that the County continues to use PAYGO funding strategy and in FY 2023 the County’s contribution toward the Other Postemployment Benefit Plan (OPEB) trust fund is \$37.8 million.
 - In FY 2024, the County plans to contribute \$56.5 million toward the OPEB fund. See the chart showing the breakdown of the proposed FY 2024 OPEB fund contributions below.
 - The Office notes that *“due to the potential volatility of claims expense, the Office cannot definitively determine if the FY 2023 and FY 2024 contributions are sufficient to meet PAYGO claims”*.



- **Risk Management**
 - The Office reports a projected Risk Management Fund balance deficit of \$200 million for FY 2023. The estimated accident/injury claims payments for FY 2023 are \$40 million. See the tables below for a breakdown.

Risk Management				
	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate*	FY 2023 Estimate
Fund Balance	\$ (163,981,288)	\$ (183,083,144)	\$ (187,769,621)	\$ (200,000,000)

* “This number will most likely change because of a claim reserved at \$400K was omitted from the actuarial data and is being recalculated.”

Accident and Injury Claims				
	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate
Payments	\$ 33,752,992	\$ 52,156,376	\$ 33,501,861	\$ 40,000,000

- The following is a summary of the accident/injury claims from FY 2021 and FY 2022.

Accounts	FY 2021				FY 2022			
	Number of Claims	% of Claims	Payments	% of Payments	Number of Claims	% of Claims	Payments	% of Payments
Workers' Comp.	1,012	49.9%	\$ 27,624,562	53.0%	1,034	50.2%	\$ 27,751,029	82.8%
Auto Liability	434	21.4%	1,878,289	3.6%	562	27.3%	2,629,652	7.8%
General Liability	574	28.3%	22,358,419	42.9%	461	22.4%	3,084,338	9.2%
Property Damage	9	0.4%	295,106	0.6%	3	0.1%	36,842	0.1%
Total	2,029	100.0%	\$52,156,376	100.0%	2,060	100.0%	\$33,501,861	100.0%

- Workers’ compensation represents the highest number of claims and payments. In FY 2022, the number of claims decreased by twenty-two (22) and the amount of workers’ compensation payments made increased by \$126,467, compared to FY 2021. See **Attachment 1** for a break-down of the workers’ compensation claims by agency for FY 2021 and FY 2022.
- To support the reduction of the fund deficit, the Office, in collaboration with the Office of Management and Budget (OMB), plans to offset a \$20 million settlement paid in FY 2021, by contributing an additional \$5 million per year to the Risk Management Fund for four years, which started in FY 2021. A \$4 million payment was made in FY 2022. The Office states that “a decision was made to use the Undiscounted Expected Reserve figured this year in calculating Fund Member contributions as opposed to the Discounted Low End Reserve figures, which were used in the past. This will result in higher contributions to help reduce the deficit.” The Office also reports that it is not aware of any additional funding to offset Workers’ Compensation claim expenses in FY 2023.
- The Office and Risk Management will focus on loss prevention efforts by meeting the Annual OSHA Required Program Training and County-specific training across all agencies. The Office currently has thirty (30) sponsored training courses on the

County's NEOGOV platform (Learning Management System) that employees take at their convenience. The Office reports that *"Risk Management hosts quarterly virtual Departmental Risk Coordinator meetings to enhance safety awareness among committee members and create a stronger safety culture within the County."*

- Additional information was requested regarding the management of pension plans, Computer Services Fund, Vehicle Maintenance Fund, the Worker's Compensation Self-Insurance Fund and overall debt management efforts. The requested information will be distributed to the Council once it is made available.

Attachment 1

Agency	FY 2021		FY 2022	
	Number of Claims	Amount Paid	Number of Claims	Amount Paid
County Executive	0	\$1,585	0	\$0
County Council	0	\$3,715	0	\$0
Circuit Court	2	\$30,235	3	\$39,829
State's Attorney	0	\$68,282	0	\$128,947
Office of Finance	1	\$203	1	\$97
OMB	1	\$269	0	\$0
Office of Community Relations	0	\$634	0	\$17,460
Office of Law	2	\$30,591	1	\$16,060
OHRM	1	\$46,464	1	\$12,144
OIT	0	\$72,337	0	\$19,132
Board of Elections	2	\$5,972	4	\$480
Central Services	16	\$358,664	15	\$310,904
Family Services	0	\$4,380	1	\$0
Police	322	\$12,020,773	336	\$12,009,704
Fire/EMS	301	\$7,870,283	369	\$8,245,820
DoE	42	\$312,101	42	\$459,642
Sheriff	62	\$1,953,569	30	\$1,931,694
Corrections	179	\$3,412,605	180	\$3,316,711
Homeland Security	10	\$125,436	7	\$218,839
DPW&T	47	\$716,925	19	\$603,064
DPIE	12	\$221,993	15	\$121,309
Health Department	12	\$257,559	7	\$285,023
Housing and Community Development	0	\$109,986	1	\$13,853
Social Services	0	\$0	1	\$0
Non-Departmental	0	\$0	1	\$317
TOTAL	1,012	\$27,624,562	1,034	\$27,751,029