Office of Finance - Fiscal Year 2022 Budget Review Summary

Proposed FY 2022 Operating Budget

Fund	FY 2020 Actual	FY 2021 Budget	FY 2021 Estimated	FY 2022 Proposed	$ Change	% Change
General Fund	$ 4,230,204	$ 4,577,900	$ 4,874,300	$ 4,785,200	$ 207,300	4.9%
Total	**$ 4,230,204**	**$ 4,577,900**	**$ 4,874,300**	**$ 4,785,200**	**$ 207,300**	**4.9%**

Fund	FY 2020 Budget	FY 2021 Budget	FY 2022 Proposed	Change	% Change
General Fund	66	66	66	0	0%
Total	**66**	**66**	**66**	**0**	**0.0%**

FY 2021 Proposed Budget – Key Highlights

- Increased Compensation: Due to the one-time addition of six (6) 1,000-hour positions to assist with the implementation of the new tax system and fulfillment of mandated salary requirements. ($201,300)

- Increased Fringe Benefits: As a result of the above adjustment to compensation ($46,400)

- Reduced Operating Expenses: Due to a decrease in the technology allocation charge, training, and the removal of a one-time allocation in FY 2021 for equipment purchase. ($40,600)

- Staffing level for FY 2021 remains unchanged at 66 full-time positions

- Vacancies (As of 2/19/21): Seven (7) Vacant general fund positions; Three (3) are funded; Four (4) will remain unfunded in FY 2022.

- As of March 2021, the Office reports that Tyler Technology (vendor) will discontinue the development of the new tax billing system due to the systems inability to meet the County’s unique needs. The project has since been taken on internally by the Office of Information Technology (OIT) applications group. Funding for this initiative is included in the CIP for OIT.

- In FY 2022, the County plans to contribute $34.4 million toward the OPEB trust fund. Due to the potential volatility of claims expense, the Office cannot definitively determine if the FY 2021 and FY 2022 contributions are sufficient to meet PAYGO claims.

- The County collected $8,026,660 in unpaid property taxes during the FY 2020 tax sale. However, the Office currently faces some challenges to include technological issues and errors; online payment system errors; balancing the workload of tax sale at the same time as year-end; and managing bidders.

- The Office reports a projected Risk Management Fund balance deficit of $158 million for FY 2021. Workers’ compensation continues to represent the highest number of claims and payments in this fund. In collaboration with the Office of Management and Budget (OMB), the Office is considering adding additional funding to the Worker’s Compensation and Liability lines to support the reduction of the fund deficit.

Expenditures by Category

Category	FY 2020 Actual	FY 2021 Budget	FY 2021 Estimated	% Change - Est vs App	FY 2022 Proposed	$ Change	% Change
Compensation	$ 5,209,251	$ 5,123,000	$ 5,263,200	2.7%	$ 5,324,300	$ 201,300	3.9%
Fringe Benefits	1,692,744	1,700,900	1,712,200	0.7%	1,747,300	46,400	2.7%
Operating Expenses	660,954	1,287,300	1,270,900	-1.3%	1,246,700	(40,600)	-3.2%
Recoveries	(3,332,745)	(3,533,300)	(3,372,000)	-4.6%	(3,533,100)	200	0.0%
Total	**$ 4,230,204**	**$ 4,577,900**	**$ 4,874,300**	**6.5%**	**$ 4,785,200**	**$ 207,300**	**4.5%**

THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

May 3, 2021

M E M O R A N D U M

TO: Calvin S. Hawkins II, Chair
Committee of the Whole (COW)

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

FROM: Deneen D. Mackall, Senior Auditor DDM

RE: Office of Finance
Fiscal Year 2022 Budget Review

Operating Budget Overview

The FY 2022 Proposed Budget for the Office of Finance is $4,785,200. This represents an increase of $207,300, or 4.5%, over the FY 2021 Approved Budget. The increase is largely due to compensation for six (6) 1,000-hour positions for the implementation of the new tax system, software costs for the Comprehensive Annual Financial Reports (CAFR), and fringe benefits. The increases are offset by the removal of a one-time equipment purchase in FY 2021 and technology cost allocations.

The Office anticipates that a supplemental budget request of $296,400 may be necessary for FY 2021. The supplemental appropriation is the result of a lower than anticipated vacancy rate and an unanticipated leave payout in FY 2021.

Budget Comparison - General Fund

Approved Fiscal Year 2021 to Proposed Fiscal Year 2022

Category	FY 2020 Actual	FY 2021 Budget	FY 2021 Estimated	% Change - Est vs App	FY 2022 Proposed	$ Change	% Change
Compensation	$ 5,209,251	$ 5,123,000	$ 5,263,200	2.7%	$ 5,324,300	$ 201,300	3.9%
Fringe Benefits	1,692,744	1,700,900	1,712,200	0.7%	1,747,300	46,400	2.7%
Operating Expenses	660,954	1,287,300	1,270,900	-1.3%	1,246,700	(40,600)	-3.2%
Sub-Total	$ 7,562,949	$ 8,111,200	$ 8,246,300	1.7%	$ 8,318,300	$ 207,100	2.6%
Recoveries	(3,332,745)	(3,533,300)	(3,372,000)	-4.6%	(3,533,100)	200	0.0%
Total	**$ 4,230,204**	**$ 4,577,900**	**$ 4,874,300**	**6.5%**	**$ 4,785,200**	**$ 207,300**	**4.5%**

Authorized Staffing Count - General Fund

	FY 2021 Approved	FY 2022 Proposed	Change Amount	Percentage Change
Full-Time	66	66	0	0.0%
Total	**66**	**66**	**0**	**0.0%**

Staffing Changes and Compensation

- The FY 2022 proposed budget for compensation is $5,324,300, an increase of $201,300, or 3.9%, above the FY 2021 budget due to the one-time addition of six (6) 1,000-hour positions to support the implementation of the new tax system, and mandatory salary requirements.
- The authorized staffing level for the FY 2022 Proposed Budget remains unchanged at 66 full-time positions. As of February 19, 2021, the Office reported seven (7) vacant positions. Three (3) of these positions are funded, and the remaining four (4) are not funded in FY 2022.
- The Office reported that its current rate of attrition is 4.8%. The Office cites the key factors contributing to the current attrition level is retirement, expanding scope of work, insufficient competitive compensation, and job satisfaction. The accountant positions are the most impacted by attrition.
- The Office expects to exceed the authorized FY 2021 expenditure levels due to filling two (2) positions, a lower than anticipated vacancy rate and an unanticipated leave payout in FY 2021.

Fringe Benefits

- FY 2022 Fringe Benefits are proposed at $1,747,300, an increase of $46,400, or 2.7%, over the FY 2021 approved level to reflect anticipated costs.
- A five-year trend analysis of fringe benefit expenditures is included below.

Fringe Benefits Historical Trend					
	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Approved	FY 2022 Proposed
Fringe Benefit Expenditures	$ 1,546,476	$ 1,530,289	$ 1,692,744	$ 1,700,900	$ 1,747,300
As a % of Compensation	32.6%	32.1%	32.5%	33.2%	32.8%

Operating Expenses

- The FY 2022 operating expenses are proposed at $1,246,700 and are comprised the following major items:

  - Office Automation $732,800
  - Operating Contracts 279,000
  - General & Administrative 66,900
  - Printing 48,000
  - Office and Operating Equipment Non-Capital 45,100

- Overall, operating expenses are decreasing by $40,600, or 3.2%, under the FY 2021 approved level. The accompanying table compares the FY 2022 Proposed Budget operating expenditures with the FY 2021 Approved Budget operating expenditures. In one (1) of the categories, the FY 2022 Proposed Budget increases planned spending from the FY 2021 budget. In ten (10) of the categories, the FY 2022 Proposed Budget level remains unchanged compared to the FY 2021 budget. FY 2022 expenditures decreased in two (2) categories.

Operating Objects	FY 2020 Actual	FY 2021 Budget	FY 2022 Proposed	FY 2021 - FY 2022	
				$ Change	% Change
Office Automation	$ 247,194	$ 775,700	$ 732,800	(42,900)	-5.5%
Training	6,097	19,400	9,700	(9,700)	-50.0%
Operating Contracts	224,377	279,000	279,000	-	0.0%
General & Administrative	49,072	66,900	66,900	-	0.0%
Printing	43,189	48,000	48,000	-	0.0%
General Office Supplies	22,930	30,000	30,000	-	0.0%
Telephone	10,342	25,500	25,500	-	0.0%
Other Operating Equipment Repair/Maintenance	5,857	3,800	3,800	-	0.0%
Periodicals	5,972	2,400	2,400	-	0.0%
Membership Fees	2,112	2,200	2,200	-	0.0%
Disposal Fees	2,999	800	800	-	0.0%
Mileage Reimbursement	1,123	500	500	-	0.0%
Office and Operating Equipment Non- Capital	39,690	33,100	45,100	12,000	0.0%
TOTAL	**$ 660,954**	**$ 1,287,300**	**$ 1,246,700**	**$ (40,600)**	**-3.2%**

- The only increase between the FY 2022 Proposed Budget and the FY 2021 Approved Budget is in Office and Operating Equipment Non-Capital ($12,000 increase), as a result of a reduction in funding from FY 2021 for a one-time equipment purchase, offset by an increase for the Workiva contract for CAFR software.

- The decreases between the FY 2022 Proposed Budget and the FY 2021 Approved Budget are in Automation ($42,900) for the OIT allocation, and Training ($9,700) to realign the budget with historical spending.

Recoveries

- Proposed recoveries for FY 2022 total $3,533,100, a decrease of $200 below the FY 2021 estimated level, due to reclassing the allocation to different divisions within the Office. The Office receives recoveries from other funds for employee salaries related to Accounting functions provided for the following:

Insurance Funds	$	940,100
Capital Projects		780,900
Solid Waste		720,400
Pension Funds		503,800
Storm Water		369,500
Computer Services		96,300
Redevelopment Authority		74,600
OPEB		47,500
Total	$	3,533,100

- The Office anticipates an increase in recovered funds in eight (8) categories during FY 2022 compared to the FY 2021 estimated recoveries.

Workload & Program Impact

The following legislation, which passed the Maryland General Assembly 2021 session, will have a direct impact on the Office's programs and operations.

- HB-0252 - Tax Sales- Owner Occupied

  Authorizing the governing body of a County or Municipal corporation to withhold owner-occupied residential property from tax sale during the period from June 1, 2021, through June 30, 2023; and providing for the termination of the Act on June 30, 2023.

  - The Office reports that selective changes in Tax Sales procedures of this magnitude will significantly increase the administrative burden of conducting the annual tax sale. Significant policies and procedures would have to be implemented to determine each applicant's eligibility, and there is concern those avoiding tax sale will have their delinquency grow to the extent they can't recover and may increase the likelihood of losing their home.

- SB-0414 - Climate Solutions Now Act of 2021

  Requiring the State to reduce statewide greenhouse gas emissions by 60% from 2006 levels by 2030; requiring the State to achieve net-zero statewide greenhouse gas emissions by 2045; requiring the Maryland Department of Labor to adopt regulations establishing certain energy conservation requirements for certain buildings by July 1, 2022; establishing a goal of planting and helping to maintain in the State 5,000,000 sustainable trees of species native to the State by the end of 2030; terminating certain provisions of the Act.

- The Office reports that this bill has the potential of significant financial impact if equipment currently included in Personal Property Tax is excluded going forward. Community Solar Projects are expected to grow under State renewable requirements. The Office is unable to determine the extent to which these projects will meet the requirement of serving at least 51% low income residents, per the Maryland PSC.

- <u>HB -0852 Property Tax - Tax Sales - Homeowner Protection Program</u>

  Establishing the Homeowner Protection Program in the Department of Assessments and Taxation; providing that the purpose of the Program is to divert vulnerable homeowners from the private tax lien sale process into an alternative program with certain purposes; altering the transfer tax rate applicable to certain instruments of writing; prohibiting the collector from delivering a certificate of sale to the purchaser of a property at a tax sale until the purchaser has paid a certain fee to the collector; etc.

  - The Office reports that this will increase the administrative burden for coordination with the State to identify and flag properties to withhold and billing to the State. It is not clear how the State intends to communicate the identification of these accounts with the County or if this will create an additional billing process. Additionally, the increase of the administrative burden related to notification of the added $25 fee upon delivery of a certificate.

  - Of note, any properties the State forecloses will become State owned property and will not be income generating while owned by the State.

    The Office reported that the County will need IT programming for:

    - Creation of a custom field for identification of accounts in the program.
    - To change in transfer tax for properties over $1M.
    - To add the $25 fee required upon delivery of a certificate.

- <u>HB - 0981 Prince George’s County-Tax Sales- Limited Auction PG 413-21</u>

  Altering the types of properties for which the tax collector in Prince George's County shall conduct a limited auction for property subject to tax liens to property that is a vacant lot or cited as vacant and unfit for habitation; and providing that any payments received for a certain tax sale certificate that is void under certain circumstances shall be applied to any taxes on the property that are in arrears.

  - The Office reports that currently, there is no official list of vacant and abandoned properties in Prince George's County. Operationally, the County will need to determine a way to identify the properties as specified for the Limited Sale. This will require coordination with other Agencies and would require additional programming. This will impact how the County conducts the Limited and Public auctions as the current Limited Sale is only restricted by bidder eligibility and includes all properties, with any unsold made available in the Public Auction. Includes language if bidder is found ineligible will forfeit bid.

- HB -1010 Prince George's County Payment in Lieu of Taxes Agreements – Low - Income Housing PG 415-21

  Authorizing the governing body of Prince George's County to enter into an agreement with an owner of real property who is engaged in constructing or operating housing structures or projects for the payment of a negotiated amount in lieu of county property taxes on the property; requiring property that is subject to a payment in lieu of taxes agreement to be used for a housing structure or project that is constructed or rehabilitated under certain programs or acquired under a Right of First Refusal program; etc.

  - The Office reports that PILOTs affect tax revenue by lowering the amount due in exchange for the development (in this case) of low-income/affordable housing. For the Office of Finance, PILOTs require tax administration, and therefore, increase the workload of Finance staff.

- SB-0269 Property Tax Exemption - Disabled Active Duty Service Members, Disabled Veterans, and Surviving Spouses - Refund

  Requiring the State, a county, or a municipal corporation to pay a certain refund to a disabled active duty service member, disabled veteran, or surviving spouse under certain circumstances; requiring the State, a county, or a municipal corporation to pay interest on the refund under certain circumstances; and applying the Act to taxable years beginning after June 30, 2018.

  - The Office reports that this bill includes language mandating the exemption to County's and Municipalities, rather than allowing determination to enact made at the local level. While Prince George's County has enacted a retroactive veterans property tax credit, the loss of control is a concern. It also expands eligibility to include active duty service members.

  - In addition, any expansion to this program strains already limited administrative resources and may require additional staff.

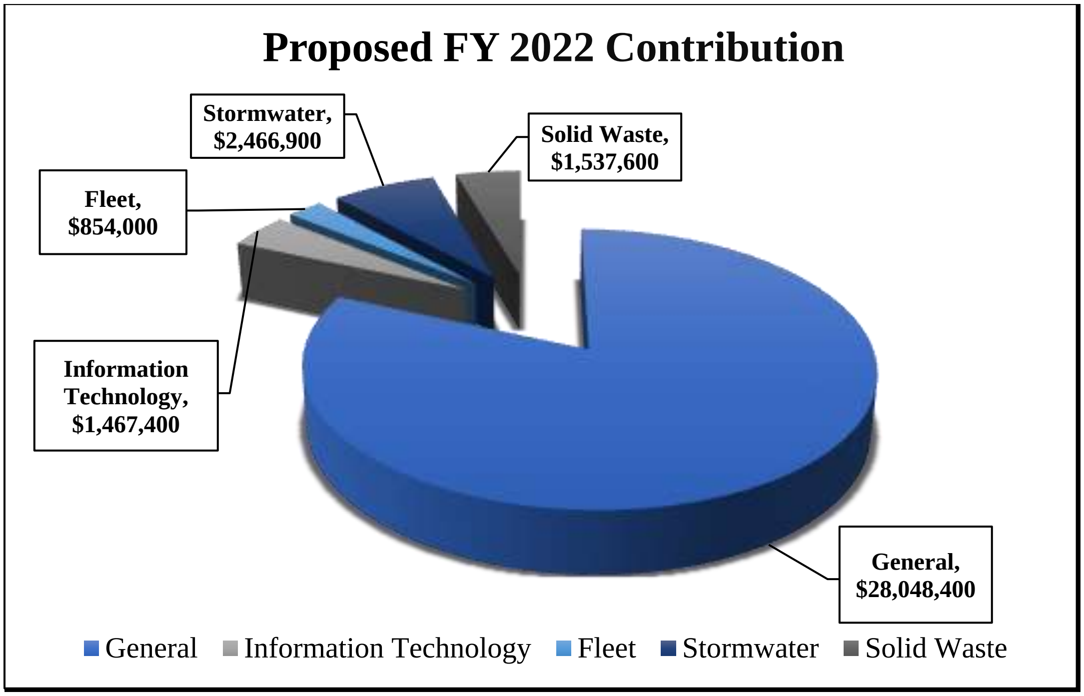
  For a full list of anticipated and/or proposed legislation considered by the Maryland General Assembly that could impact the Office of Finance can be found in the *Office of Finance 1st Round Responses, Pages 10-18.*

Highlights

- In FY 2022, the Office will continue to transition from a legacy system to a new tax billing and collection system for revenue collections and improved customer access. As of March 2021, the Office has determined that the solution with vendor Tyler Technologies would not fit the County's needs. Currently, the project has been taken on internally by the OIT applications group.

- The County collected $8,026,660 in unpaid property taxes during the FY 2020 tax sale. However, the Office currently faces challenges due to technological issues and errors; online payment system errors; balancing the workload of tax sale at the same time as year-end; and managing bidders. The Office reports that the annual tax sale was delayed in FY 2020 from May 11, 2020 to June 22, 2020, and will be delayed for FY 2021 from May 10, 2021 to June 14, 2021, due to the pandemic.

- In FY 2022, the County plans to contribute $34.4 million toward the Other Postemployment Pensions Plan Benefit trust funds (OPEB). Due to the potential volatility of claims expense, the Office cannot definitively determine if the FY 2021 and FY 2022 contributions are sufficient to meet PAYGO claims. See the break-down of the Proposed FY 2022 Contribution below.



- The Office reports a projected Risk Management Fund balance deficit of $158 million for FY 2021. The estimated accident/injury claims payments for FY 2021 is $48.7 million.

- The following is a summary of the accident/injury claims for FY 2019 and FY 2020.

	FY 2019				FY 2020			
Accounts	**Number of Claims**	**% of Claims**	**Payments***	**% of Payments**	**Number of Claims**	**% of Claims**	**Payments^**	**% of Payments**
Workers' Comp.	1,129	**45.4%**	$ 25,115,856	**83.8%**	1,087	**48.8%**	$ 26,295,279	**77.9%**
Auto Liability	664	**26.7%**	2,548,873	**8.5%**	608	**27.3%**	2,048,059	**6.1%**
General Liability	682	**27.4%**	2,223,052	**7.4%**	525	**23.6%**	5,405,468	**16.0%**
Property Damage	12	**0.5%**	93,448	**0.3%**	6	**0.3%**	4,186	**0.0%**
Total	**2,487**	**100.0%**	**$29,981,229**	**100.0%**	**2,226**	**100.0%**	**$33,752,992**	**100.0%**

* Payments reflect all workers' compensation payments made in FY 2020 regardless of when claim received.

- Workers' compensation represents the highest number of claims and payments. In FY 2020, the number of claims decreased by forty-two (42) and the amount of workers' compensation payments made increased by $1,179,423, compared to FY 2019. See **Attachment 1** for a break-down of the workers' compensation claims by agency for FY 2019 and FY 2020.

- In collaboration with the Office of Management and Budget (OMB), the Office is considering adding additional funding to the Workers' Compensation and Liability lines to support the reduction of the fund deficit.

- Risk Management is collaborating with the County departments to provide web-based safety and loss prevention training classes during the COVID-19 pandemic to include special training for forklift, fire extinguishers, and defensive driving in effort to continue to reduce accident/injury claims.

Attachment 1

Agency	FY 2019		FY 2020	
	Number of Claims	Amount Paid	Number of Claims	Amount Paid
County Executive	2	$ 12,663	0	$ 87,299
County Council	1	116	0	-
Circuit Court	2	18,888	4	25,817
State's Attorney	9	61,111	2	89,309
Office of Finance	0	5,824	1	2,670
OMB	0	0	0	-
Office of Community Relations	0	12,424	0	15,927
Office of Law	1	51,936	0	48,442
OHRM	4	1,250	2	24,619
OIT	2	46,452	1	45,872
Board of Elections	7	10,108	5	5,091
Central Services	15	209,728	10	292,512
Family Services	6	12,288	2	7,142
Police	435	11,657,564	364	12,463,899
Fire/EMS	316	6,426,675	331	6,675,411
DoE	16	306,130	29	357,451
Sheriff	62	1,715,639	54	1,759,531
Corrections	154	3,417,640	194	3,189,034
Homeland Security	13	266,254	10	172,394
DPW&T	40	486,335	38	483,601
DPIE	20	216,406	23	249,303
Health Department	18	167,720	8	222,927
Housing and Community Development	1	12,293	3	68,919
Social Services	4	412	5	8,110
Non-Departmental	1	0	1	-
TOTAL	**1,129**	**$ 25,115,856**	**1,087**	**$ 26,295,280**