

Office of Finance - Fiscal Year 2023 Budget Review Summary

Proposed FY 2023 Operating Budget

| Expenditures by Fund Type | | | | | | |
|---------------------------|---------------------|---------------------|----------------------|---------------------|-------------------|-------------|
| Fund | FY 2021 Actual | FY 2022 Budget | FY 2022 Estimated | FY 2023 Proposed | \$ Change | % Change |
| General Fund | \$ 4,730,600 | \$ 4,986,400 | \$ 5,254,100 | \$ 5,381,700 | \$ 395,300 | 7.9% |
| Total | \$ 4,730,600 | \$ 4,986,400 | \$ 5,254,100 | \$ 5,381,700 | \$ 395,300 | 7.9% |

Authorized Staffing Count

| | FY 2022 Approved | FY 2023 Proposed | Change Amount | Percentage Change |
|------------------------|------------------|------------------|------------------|----------------------|
| Full-Time General Fund | 67 | 66 | -1 | -1.5% |
| Full-Time Grant | 0 | 1 | 1 | N/A |
| Limited-Term | 0 | 1 | 1 | N/A |
| Total | 67 | 68 | 1 | 1.5% |

FY 2023 Proposed Budget – Key Highlights

- **Increased Compensation:** Due to funding for a previously unfunded Payroll Supervisor position and two (2) 1,000-hour positions to supplement the workload while current employees train on the payroll process, the addition of two (2) previously unfunded Document Reviewer positions, and annualization of FY 2022 salary adjustments. (\$415,800)
- **Increased Fringe Benefits:** A result of an increased in fringe benefit rate to align with projected costs (\$326,700)
- **Reduced Operating Expenses:** Due to a reduction in the banking services contract, Office Supplies, Telephone and Printing to align with three-year historical costs. (\$60,800)
- **The authorized staffing level for the FY 2023 Proposed Budget increases by one (1) position to 68 positions.** One full-time General Funded position is being reallocated to a Grant funded full-time position. Additionally, the FY 2023 Proposed Budget includes one (1) limited term grant funded position. The grant funded positions, which are funded by American Rescue Plan Act (ARPA) funds, will aid in reporting and compliance for federal COVID-19 grants.
- **Vacancies (As of 3/15/22):** Seven (7) Vacant general FT fund positions, one (1) FT grant funded position, and one (1) Limited Term grant funded position; All Nine (9) are funded in FY 2023.
- **In October 2022, the Office plans to go-live with a new Treasury system and continue post-go-live activities through December 2022.** The Treasury system is being developed in-house through a partnership between Finance and OIT. OIT has hired two full-time developers dedicated to the project. A significant amount of development and data migration has taken place, end user testing has begun and was anticipated to ramp up in April 2022. Two weekly project meetings are held: one functions as a working session focused on design and the other on project movement. Additional work sessions are scheduled as required.
- **In FY 2023, the County plans to contribute \$37.8 million toward the OPEB trust fund.** Due to the potential volatility of claims expense, the Office cannot definitively determine if the FY 2022 and FY 2023 contributions are sufficient to meet PAYGO claims.
- **The County collected \$9,285,657 in unpaid property taxes during the FY 2021 tax sale.** However, the Office currently faces some challenges to include legal proceedings challenging the eligibility requirements of participants in Limited Sale,

complication during the annual tax billing process in July, balancing tax sale at the same time as year-end, and the management of bidders.

- The Office reports a projected Risk Management Fund balance deficit of \$200 million for FY 2022. Workers' compensation continues to represent the highest number of claims and payments in this fund. 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.

Expenditures by Category

| Category | FY 2021 Actual | FY 2022 Budget | FY 2022 Estimated | % Change - Est vs App | FY 2023 Proposed | \$ Change | % Change |
|--------------------|---------------------|---------------------|----------------------|--------------------------|---------------------|-------------------|-------------|
| Compensation | \$ 5,295,494 | \$ 5,475,200 | \$ 5,529,000 | 1.0% | \$ 5,846,200 | \$ 371,000 | 6.8% |
| Fringe Benefits | 1,801,897 | 1,797,600 | 1,921,200 | 6.9% | 2,124,300 | 326,700 | 18.2% |
| Operating Expenses | 1,166,509 | 1,246,700 | 1,337,000 | 7.2% | 1,293,200 | 46,500 | 3.7% |
| Recoveries | (3,533,300) | (3,533,100) | (3,533,100) | 0.0% | (3,882,000) | (348,900) | 9.9% |
| Total | \$ 4,730,600 | \$ 4,986,400 | \$ 5,254,100 | 5.4% | \$ 5,381,700 | \$ 395,300 | 7.9% |



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

May 2, 2022

MEMORANDUM

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

THRU: Turkessa M. Green, County Auditor *TMG*

FROM: Malcolm Moody, Legislative and Policy Analyst *MM*

RE: Office of Finance
Fiscal Year 2023 Budget Review

Operating Budget Overview

The FY 2023 Proposed Budget for the Office of Finance is \$5,381,700. This represents an increase of \$395,300, or 7.9%, over the FY 2022 Approved Budget. The increase is largely due to an increase in Fringe Benefits, the annualization of FY 2022 salary adjustments, an increase in OIT charges based on countywide costs, an increase in operating costs for accounts payable forensics software and a legal contract for payroll services. The increases are offset by the reduction in other operating costs and an increase in Recoveries.

FY 2022 estimated expenditures are expected to exceed the FY 2022 Approved Budget. Therefore, the Office anticipates that a supplemental budget request of \$224,500 may be necessary for FY 2022 to cover two merit increases provided to eligible employees.

Budget Comparison - General Fund

Approved Fiscal Year 2022 to Proposed Fiscal Year 2023

| Category | FY 2021 Actual | FY 2022 Budget | FY 2022 Estimated | % Change - Est vs App | FY 2023 Proposed | \$ Change | % Change |
|--------------------|---------------------|---------------------|----------------------|--------------------------|---------------------|-------------------|-------------|
| Compensation | \$ 5,295,494 | \$ 5,475,200 | \$ 5,529,000 | 1.0% | \$ 5,846,200 | \$ 371,000 | 6.8% |
| Fringe Benefits | 1,801,897 | 1,797,600 | 1,921,200 | 6.9% | 2,124,300 | 326,700 | 18.2% |
| Operating Expenses | 1,166,509 | 1,246,700 | 1,337,000 | 7.2% | 1,293,200 | 46,500 | 3.7% |
| Sub-Total | \$ 8,263,900 | \$ 8,519,500 | \$ 8,787,200 | 3.1% | \$ 9,263,700 | \$ 744,200 | 8.7% |
| Recoveries | (3,533,300) | (3,533,100) | (3,533,100) | 0.0% | (3,882,000) | (348,900) | 9.9% |
| Total | \$ 4,730,600 | \$ 4,986,400 | \$ 5,254,100 | 5.4% | \$ 5,381,700 | \$ 395,300 | 7.9% |

Authorized Staffing Count – All Classifications

Authorized Staffing Count

| | FY 2022 Approved | FY 2023 Proposed | Change Amount | Percentage Change |
|------------------------|------------------|------------------|---------------|-------------------|
| Full-Time General Fund | 67 | 66 | -1 | -1.5% |
| Full-Time Grant | 0 | 1 | 1 | N/A |
| Limited-Term | 0 | 1 | 1 | N/A |
| Total | 67 | 68 | 1 | 1.5% |

Staffing Changes and Compensation

- The FY 2023 proposed budget for compensation is \$5,846,200, an increase of \$371,000, or 6.8%, above the FY 2022 budget due to funding vacant Payroll Supervisor (Accountant 3G) and Document Reviewer (Account Clerk 4G) positions, and the annualization of prior year salary adjustments. The Payroll Supervisor position will be supplemented by two (2) 1,000-hour positions while current employees train on the payroll process.
- The authorized staffing level for the FY 2023 Proposed Budget increases by one (1) position to 68 positions. One full-time General Funded position is being reallocated to a Grant funded full-time position. Additionally, the FY 2023 Proposed Budget includes one (1) limited term grant funded position. The grant funded positions, which are funded by American Rescue Plan Act (ARPA) funds, will aid in reporting and compliance for federal COVID-19 grants.
- As of March 15, 2022, the Office reported nine (9) vacant positions. All nine (9) of these positions are funded in FY 2023.
- The Office reported that its current rate of attrition is 3.4%. The Office cites the key factors contributing to the current attrition level is resignation and retirement. The Office also reported that 63% of its employees have more than 10 years of service with the County, 22% have more than 20 years of service, and 8% have more than 30 years of service. As a result, the Office is expected to face significant rates of attrition over the next several years due to retirement. The accountant series is the classification most impacted by attrition.

Fringe Benefits

- FY 2023 Fringe Benefits are proposed at \$2,124,300, an increase of \$326,700, or 18.2%, over the FY 2022 Approved Level to reflect anticipated costs.
- A five-year trend analysis of fringe benefit expenditures is included below.

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Actual | FY 2022 Approved | FY 2023 Proposed |
|-----------------------------|----------------|----------------|----------------|------------------|------------------|
| Fringe Benefit Expenditures | \$ 1,530,289 | \$ 1,692,744 | \$ 1,801,897 | \$ 1,797,600 | \$ 2,124,300 |
| Compensation | \$ 4,763,621 | \$ 5,209,251 | \$ 5,295,494 | \$ 5,475,200 | \$ 5,846,200 |
| As a % of Compensation | 32.1% | 32.5% | 34.0% | 32.8% | 36.3% |

Operating Expenses

- The FY 2023 operating expenses are proposed at \$1,293,200 and are comprised the following major items:
 - Office Automation \$790,500
 - Operating Contracts 250,000
 - Office and Operating Equipment Non-Capital 86,800
 - General & Administrative Contracts 72,700
 - Printing 40,000

- Overall, the FY 2023 Proposed Operating Expenses are increasing by \$46,500, or 3.7%, over the FY 2022 Approved Level. The accompanying table compares the FY 2023 Proposed Budget operating expenditures with the FY 2022 Approved Budget operating expenditures. In five (5) of the categories, the FY 2023 Proposed Budget increases planned spending from the FY 2022 budget. In four (4) of the categories, the FY 2023 Proposed Budget level remains unchanged compared to the FY 2022 budget. FY 2023 expenditures decreased in six (6) categories.

| Operating Objects | FY 2021 Actual | FY 2022 Budget | FY 2023 Proposed | FY 2022 - FY 2023 | |
|--|---------------------|---------------------|---------------------|-------------------|-------------|
| | | | | \$ Change | % Change |
| Office Automation | \$ 721,481 | \$ 732,800 | \$ 790,500 | \$ 57,700 | 7.9% |
| Office and Operating Equipment Non- Capital | 445 | 45,100 | 86,800 | 41,700 | 92.5% |
| General & Administrative Contracts | 184,411 | 66,600 | 72,700 | 6,100 | 9.2% |
| Periodicals | 1,968 | 2,400 | 3,700 | 1,300 | 54.2% |
| Advertising | - | - | 500 | 500 | N/A |
| Training | 4,288 | 10,000 | 10,000 | - | 0.0% |
| Membership Fees | 2,366 | 2,200 | 2,200 | - | 0.0% |
| Miscellaneous | 33 | - | - | - | N/A |
| Mileage Reimbursement | - | 500 | 500 | - | 0.0% |
| Disposal Fees | 95 | 800 | 600 | (200) | -25.0% |
| Other Operating Equipment Repair/Maintenance | - | 3,800 | 1,000 | (2,800) | -73.7% |
| Printing | 37,744 | 48,000 | 40,000 | (8,000) | -16.7% |
| Telephone | 21,810 | 25,500 | 16,400 | (9,100) | -35.7% |
| General Office Supplies | 19,652 | 30,000 | 18,300 | (11,700) | -39.0% |
| Operating Contracts | 172,216 | 279,000 | 250,000 | (29,000) | -10.4% |
| TOTAL | \$ 1,166,509 | \$ 1,246,700 | \$ 1,293,200 | \$ 46,500 | 3.7% |

- The most significant increase between the FY 2023 Proposed Budget and the FY 2022 Approved Budget is in the Office Automation category (\$57,700 increase) which is a result of an increase in the technology cost allocation and funding for Debtbook software.

- The most significant decrease between the FY 2023 Proposed Budget and the FY 2022 Approved Budget is in Operating Contracts category (\$29,000 decrease) which is a result of the reduction of the Wells Fargo banking services contract.

Recoveries

- Proposed recoveries for FY 2023 total \$3,882,000, an increase of \$348,900 above the FY 2022 estimated level, due to mandated salary increases and funding unfunded positions which included additional recoveries. The Office receives recoveries from other funds for employee salaries related to accounting functions provided for the following:

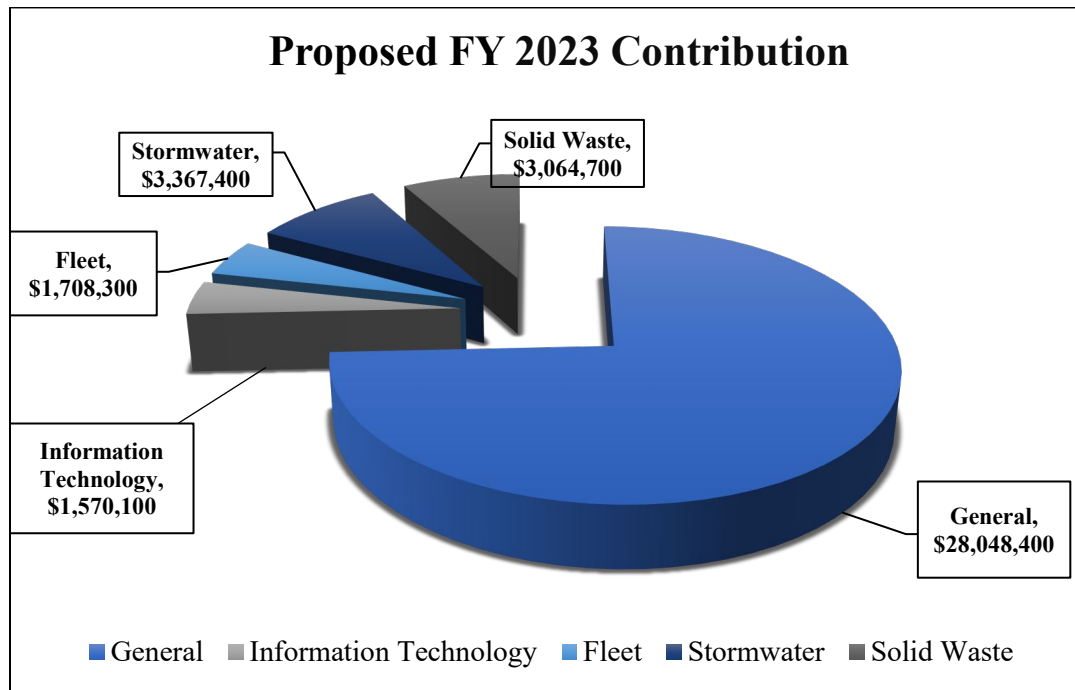
| | | |
|-------------------------|-----------|------------------|
| Insurance Funds | \$ | 1,026,800 |
| Capital Projects | | 837,700 |
| Solid Waste | | 799,200 |
| Pension Funds | | 570,500 |
| Storm Water | | 410,800 |
| Computer Services | | 105,900 |
| Redevelopment Authority | | 80,100 |
| OPEB | | 51,000 |
| Total | \$ | 3,882,000 |

- The Office anticipates an increase in recovered funds in all eight (8) categories during FY 2023 compared to the FY 2022 Estimated Recoveries.

Highlights

- In October 2022, the Office plans to go-live with a new Treasury system and continue post-go-live activities through December 2022. The Treasury system is being developed in-house through a partnership between Finance and OIT. OIT has hired two full-time developers dedicated to the project. A significant amount of development and data migration has taken place, end user testing has begun and was anticipated to ramp up in April 2022. Two weekly project meetings are held: one functions as a working session focused on design and the other on project movement. Additional work sessions are scheduled as required.
- The Office reported that the 2021 cyberattack on the Kronos timekeeping system increased the Office's staff workload as follows:
 - Systems staff had to develop, review, validate, process and upload exception reports
 - Payroll staff spent time processing timesheet adjustments.
 - Managers and Payroll Coordinators were responsible for capturing time and attendance data, translating the time to the appropriate pay codes, and updating exception reports.
 - Management spent additional time discussing the issue, proposed resolutions, and follow up.
 - In addition, the fiscal impact to the Office were increases in overtime pay and increased banking fees related to off-cycle payroll runs and payment voids/reversals.

- The County collected \$9,285,657 in unpaid property taxes during the FY 2021 tax sale. However, the Office currently faces challenges due to legal proceedings that challenged the eligibility of requirements of participants in the Limited Sale, complications for the annual tax billing process in July due to delays related to legal proceedings, balancing tax sale at the same time as year-end, and managing large numbers of first time, last minute, and disqualified bidders.
- In FY 2023, the County plans to contribute \$37.8 million toward the Other Postemployment Benefit Plan (OPEB) trust fund. Due to the potential volatility of claims expense, the Office cannot definitively determine if the FY 2022 and FY 2023 contributions are sufficient to meet PAYGO claims. See the break-down of the Proposed FY 2023 Contribution below.



- The Office reports a projected Risk Management Fund balance deficit of \$200 million for FY 2022. The estimated accident/injury claims payments for FY 2022 are \$33 million.
- The following is a summary of the accident/injury claims from FY 2020 and FY 2021.

| Accounts | FY 2020 | | | | FY 2021 | | | |
|-------------------|------------------|---------------|---------------------|---------------|------------------|---------------|---------------------|---------------|
| | Number of Claims | % of Claims | Payments* | % of Payments | Number of Claims | % of Claims | Payments* | % of Payments |
| Workers' Comp. | 1,087 | 48.8% | \$ 26,295,279 | 77.9% | 1,012 | 49.9% | \$ 27,624,562 | 53.0% |
| Auto Liability | 608 | 27.3% | 2,048,059 | 6.1% | 434 | 21.4% | 1,878,289 | 3.6% |
| General Liability | 525 | 23.6% | 5,405,468 | 16.0% | 574 | 28.3% | 22,358,419 | 42.9% |
| Property Damage | 6 | 0.3% | 4,186 | 0.0% | 9 | 0.4% | 295,106 | 0.6% |
| Total | 2,226 | 100.0% | \$33,752,992 | 100.0% | 2,029 | 100.0% | \$52,156,376 | 100.0% |

* Payments reflect all workers' compensation payments made in FY 2021 regardless of when claim received.

- Workers' compensation represents the highest number of claims and payments. In FY 2021, the number of claims decreased by seventy-five (75) and the amount of workers' compensation payments made increased by \$1,329,283, compared to FY 2020. See **Attachment 1** for a breakdown of the workers' compensation claims by agency for FY 2020 and FY 2021.
- 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.
- 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.

Attachment 1

| Agency | FY 2020 | | FY 2021 | |
|-----------------------------------|------------------|----------------------|------------------|----------------------|
| | Number of Claims | Amount Paid | Number of Claims | Amount Paid |
| County Executive | 0 | \$ 87,299 | 0 | \$ 1,585 |
| County Council | 0 | - | 0 | 3,715 |
| Circuit Court | 4 | 25,817 | 2 | 30,235 |
| State's Attorney | 2 | 89,309 | 0 | 68,282 |
| Office of Finance | 1 | 2,670 | 1 | 203 |
| OMB | 0 | - | 1 | 269 |
| Office of Community Relations | 0 | 15,927 | 0 | 634 |
| Office of Law | 0 | 48,442 | 2 | 30,591 |
| OHRM | 2 | 24,619 | 1 | 46,464 |
| OIT | 1 | 45,872 | 0 | 72,337 |
| Board of Elections | 5 | 5,091 | 2 | 5,972 |
| Central Services | 10 | 292,512 | 16 | 358,664 |
| Family Services | 2 | 7,142 | 0 | 4,380 |
| Police | 364 | 12,463,899 | 322 | 12,020,773 |
| Fire/EMS | 331 | 6,675,411 | 301 | 7,870,283 |
| DoE | 29 | 357,451 | 42 | 312,101 |
| Sheriff | 54 | 1,759,531 | 62 | 1,953,569 |
| Corrections | 194 | 3,189,034 | 179 | 3,412,605 |
| Homeland Security | 10 | 172,394 | 10 | 125,436 |
| DPW&T | 38 | 483,601 | 47 | 716,925 |
| DPIE | 23 | 249,303 | 12 | 221,993 |
| Health Department | 8 | 222,927 | 12 | 257,559 |
| Housing and Community Development | 3 | 68,919 | 0 | 109,986 |
| Social Services | 5 | 8,110 | 0 | - |
| Non-Departmental | 1 | - | 0 | - |
| TOTAL | 1,087 | \$ 26,295,280 | 1,012 | \$ 27,624,562 |