



THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

6611 Kenilworth Avenue • Riverdale, Maryland 20737

November 19, 2015

Agenda Item #5

MEMORANDUM

TO: Montgomery County Planning Board

FROM: John Kroll, Corporate Budget Manager

DATE: November 16, 2015

SUBJECT: FY 2017 CAS Budget Requests

Please find attached FY17 budget requests from the Department of Human Resources and Management (DHRM), the Finance Department, the Merit System Board, CAS Support Services, Office of Internal Audit, and the Legal Department, as well as the proposed budgets for the Internal Service Funds (Risk Management, Group Insurance, Executive Office Building, Capital Equipment and CIO/Commission-wide IT).

Each attached memo details the budget requests for each department.

Attachments:

DHRM	pages 1-5
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Executive Office Bldg	pages 11-13
Risk Management	pages 14-19
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THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

6611 Kenilworth Avenue • Riverdale, Maryland 20737

November 12, 2015

PCB 15-34

To: Montgomery County Planning Board
 Prince George's County Planning Board

From: Patricia C. Barney, Executive Director

Subject: FY17 Budget – Administration Fund
 - Department of Human Resources and Management
 - Central Administrative Support Services
 - Merit System Board

Requested Action

We are requesting approval of FY17 proposed budgets for the following funds areas:

- Administration Fund: Department of Human Resources and Management (DHRM), Central Administrative Services Support Services (CAS), and Merit System Board.
- Internal Service Funds: Executive Office Building/CAS Facility Operations (EOB), Risk Management, and Group Insurance.

Background Summary

This memo provides the budget proposals for each of the above referenced Departments/units. The FY17 budgets incorporate the Commission's direction on compensation and benefits and utilize projections provided by the Corporate Budget Office. In October, we presented preliminary budget numbers to the Planning Boards for the major known commitments and essential needs for the Administration Fund portion of DHRM, for CAS Support Services, and for the Merit System Board. The Planning Boards' directions on the Administration Fund and updated Corporate Budget projections are incorporated into this presentation, along with budgets for the Internal Service Funds.

We constantly strive to identify potential savings or funding reductions within each budget. Whenever possible, competitive bidding and shared resources are utilized to contain costs. With regard to the proposed budgets in the Administration Fund, costs increased in total by 2.23%. The proposed budgets for the Internal Service Funds (EOB and Risk Management) decreased in total by 5.35%.

Administration Fund

Unit	FY16 Adopted	FY17 Proposed	Variance	% Change
DHRM Operating	4,478,048	4,587,040	108,992	2.43%
CAS Support Services	1,395,652	1,401,956	6,304	0.45%
Merit System Board	141,560	160,237	18,677	13.19%
Total	\$ 6,015,260	\$ 6,149,233	\$ 133,973	2.23%

Internal Service Funds (other than Group Insurance)

Unit	FY16 Adopted	FY17 Proposed	Variance	% Change
EOB	1,194,440	1,194,440	-	0.00%
Risk Management	8,363,409	7,852,400	(511,009)	-6.11%
Total	\$ 9,557,849	\$ 9,046,840	\$ (511,009)	-5.35%

Merit Position/Workyear Summary

Fund Name	FY16		FY17		Change	
	Total Position	Total WYS	Total Position	Total WYS	Total Position	Total WYS
DHRM (Admin Fund)	37.5	34	37.5	35	0	1
Risk Management (Internal Service Fund)	6.5	6.8	6.5	6.8	0	0
Group Insurance (Internal Service Fund)	5	5.2	5	5.2	0	0
Building (Internal Service Fund)	2	2	2	2	0	0
DHRM Operations Subtotal	51	48	51	49	0	1
Merit System Board (Admin Fund)	1	0.5	1	0.5	0	0
Total All Funds	52	48.5	52	49.5	0	1

**DHRM and Risk share an administrative position that is split 50/50.*

Term Contract Position/Workyear Summary

Fund Name	FY16		FY17		Change	
	Total Position	Total WYS	Total Position	Total WYS	Total Position	Total WYS
DHRM (Admin Fund)	1	1	1	1	0	0
Group Insurance (Internal Service Fund)*	1	1	1	1	0	0
Total All Funds	2	2	2	2	0	0

Changes to each budget are summarized below with greater details identified within the relevant sections that follow the summary.

Administration Fund

- Department of Human Resources and Management (DHRM): The proposed budget of \$4,587,040 incorporates the Planning Boards' support to restore an existing frozen Human Resources position to meet critical service needs. The FY17 budget reflects a 2.4% increase from FY16 levels. One critical need has been identified to restore an existing Human Resources position. This need, which was supported by both Planning Boards, results in a net change of 1 Merit System workyear. The proposed budget funding is allocated 42.1% Montgomery/57.9% Prince George's based the FY17 cost allocations adopted by the Commission in October.
- CAS Support Services: This budget accounts for non-discretionary shared operating expenses attributable to bi-county operations. This budget does not include assigned positions and includes no new initiatives for FY17. The total FY17 budget is \$1,401,956 which represents a small adjustment of .5% from FY16 levels. The FY17 budget is funded 44.2% Montgomery/55.8% Prince George's based on the updated cost allocation analysis.
- Merit System Board: The proposed FY17 budget of \$160,237 reflects an increase of 13.2% from FY16 levels. The FY17 increase is due primarily to a correction in FY16 salary and benefit projections. The FY16 levels were reevaluated and found to include too large of a reduction. Board member salaries are determined by contract and are not subject to employee wage adjustments. The Merit System Board is funded 50% Montgomery/50% Prince George's.

Internal Service Funds

- EOB: FY17 proposed budget is \$1,194,440. We are able to maintain a flat budget through cost-containment measures resulting from competitive bidding of specialized maintenance services and decreased reliance on external service contracts. Operating expenses are fully funded through building occupancy rates (revenue) to eliminate use of a fund balance subsidy.
- Risk Management: The overall FY17 proposed budget of \$7,852,400 reflects a 6% decrease from FY16 levels due to favorable claims experience. With the exception of personnel costs which are funded 50% Montgomery/50% Prince George's, this budget is primarily funded through an allocation of claims and insurance costs to the appropriate departments.

(Administration Fund)
Department of Human Resources and Management (DHRM) Budget Overview

Under the leadership of the Executive Director, DHRM includes four divisions:

- Office of the Executive Director
- Corporate Budget
- Corporate Human Resources
- Corporate Policy and Management Operations

These areas collectively provide corporate governance and administer agency-wide initiatives to ensure fair and equitable practices/programs, competitive and cost-effective employment compensation and benefits, prudent fiscal planning, and sound workplace and liability protections. Programs administered by the Department are presented on the attached organization chart, along with the proposed positions/workyears (WYs).

Discussion of DHRM Proposed Budget

The proposed Base Budget incorporates direction from the Corporate Budget Office, including compensation projections and updated county budget allocations for FY17 of 42.1% Montgomery and 57.9% Prince George's.

The FY17 total budget including the proposed restoration of one HR position to meet work program demands is \$4,587,040 and is allocated as follows:

- \$2,035,660 for Montgomery (adjusted from \$2,009,626 in FY16).
- \$2,551,380 for Prince George's (adjusted from \$2,468,422 in FY16).

FY17 Work Program Priorities

- Effectively operate and maintain the new Enterprise Resources Planning system (ERP) components for Human Resources including compensation, recruitment, benefits, and self-service modules for improved data consistency and to streamline processes.
- Comply with State regulations to accomplish timely background checks.
- Implement upgrade to ERP budgeting and planning software.
- Continue comprehensive review and update of agency standards/policies.
- Update corporate records/archives program to ensure continued compliance with changes in public records laws and revised State of Maryland protocols.
- Implement agency-wide employee training and leadership development program to address critical succession planning and lack of workforce training.
- Continue implementing management-supported recommendations from the Classification and Compensation study, including job class series reviews which are prioritized by operating departments.

FY17 Base Budget and Major Known Operating Commitments

The proposed Base Budget reflects a .6% increase (\$26,557) from FY16 adopted levels. The increase is allocated \$4,154 to Montgomery and \$22,404 to Prince George's. The total combined Base Budget includes the following:

- Salaries: \$82,870 (or 3%) increase in total based on current wage assumptions, which include annualized impact of FY16 staffing changes.
- Benefits: \$47,597 (or 4%) decrease in health and pension costs.
- Other Operating Charges and Supplies: \$8,456 (or 1%) increase.
- Chargebacks are adjusted for wage and benefit allocation.

FY17 Proposed Critical Need for DHRM

Restore One Frozen HR Position to Address Critical Workload for Employment Background Checks/Recruitment Activities: Human Resources Specialist Grade G (\$82,400) allocated 25% to Montgomery/75% to Prince George’s. Critical State compliance requirements and recruitment activities necessitate this position.

Compliance with State Mandates for Background Checks

As a result of a 2015 audit by the State of Maryland, the M-NCPPC is required to implement a number of corrective actions for the handling of background reviews. Some corrective actions include greater monitoring and compliance with training certification requirements which include, but are not limited to, ensuring all certified staff are re-trained on using the live scan equipment; requiring all staff (including IT employees) who handle, or have access to, background results to attend Security Awareness Training every two years; and establishing an internal policy and process to purge files every 90 days for applicants who are not hired. The required corrective actions require considerably greater involvement in, and active tracking of background reviews. Equally significant is the impact of regulatory changes which affect the frequency and volume of background checks which must be conducted. Background reviews are required for all new Merit employees, Contract employees, and volunteers. Annual updates are required for Seasonal/Intermittent contract employees with significant breaks in service.

For each individual, Human Resources staff must analyze background reports issued separately by FBI and the State of Maryland’s Criminal Justice Information System. Findings must be assessed with recommendations to operating departments on the suitability of the potential hire based on a review of the candidate’s specific position duties. Effective April 2015, M-NCPPC must also comply with new State regulations for any individual who is hired to work with youth programs. As a result, Human Resources staff must coordinate additional reviews with County Child Protective Services. All of these reviews must be conducted in a timely manner to ensure hiring is not delayed. The current program does not have a dedicated staff person. Reviews are handled by an understaffed recruitment office. Consequently, staff cannot adequately meet the workload and this is having an adverse effect on timeliness of hires.

In FY14, 5,248 background reviews were performed for Merit and Seasonal/Intermittent Contract employees. These figures do not account for volunteers who required background reviews.

PGC	4,765	(92%)	MC	483	(8%)
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We estimate 24 hours per week for the background check program.

Support Critical Recruitment Activities

The remaining 16 hours a week is needed to assist the Recruitment Office with critical recruitment activities. Over the last four calendar years, there has been a steady and notable increase in hiring activities and required support to operating departments to ensure more consistent adherence and understanding of employment laws. In 2014, the Recruitment Office assessed 55,447 applicants as compared with 35,640 applicants in 2011. Although we have provided some additional assistance to this team by reallocating work, the more than 50% increase is impacting timely hiring of staff. The requested position also will assist with tracking of required employment statistics, compliance reporting, and audit reviews.

**DEPARTMENT OF HUMAN RESOURCES AND MANAGEMENT
PROPOSED FY17 OPERATING BUDGET REQUEST**

	MC Admin Fund	PGC Admin Fund	Department Total	% Change
FY16 Adopted Budget	\$ 2,009,626	\$ 2,468,422	\$ 4,478,048	
FY17 BASE BUDGET INCREASES (with Major Known Commitments)				
Salaries	24,252	58,618	82,870	
Benefits	(16,610)	(30,987)	(47,597)	
Other Operating Charges and Supplies*	(1,492)	9,948	8,456	
Chargebacks	(1,996)	(15,176)	(17,172)	
Subtotal Increase - Base Budget Request	\$ 4,154	\$ 22,404	\$ 26,557	0.6%
Critical Need - Restoration of Frozen HR Position	21,880	60,555	82,435	
Total Increase to Base Budget	\$ 26,034	\$ 82,959	\$ 108,992	
FY17 Total Proposed Budget	\$ 2,035,660	\$ 2,551,380	\$ 4,587,040	2.4%

FY17 proposed budget is based on revised funding allocation of 42.1% MC and 57.9% PGC. Critical need is proposed at 25% MC and 75% PGC.

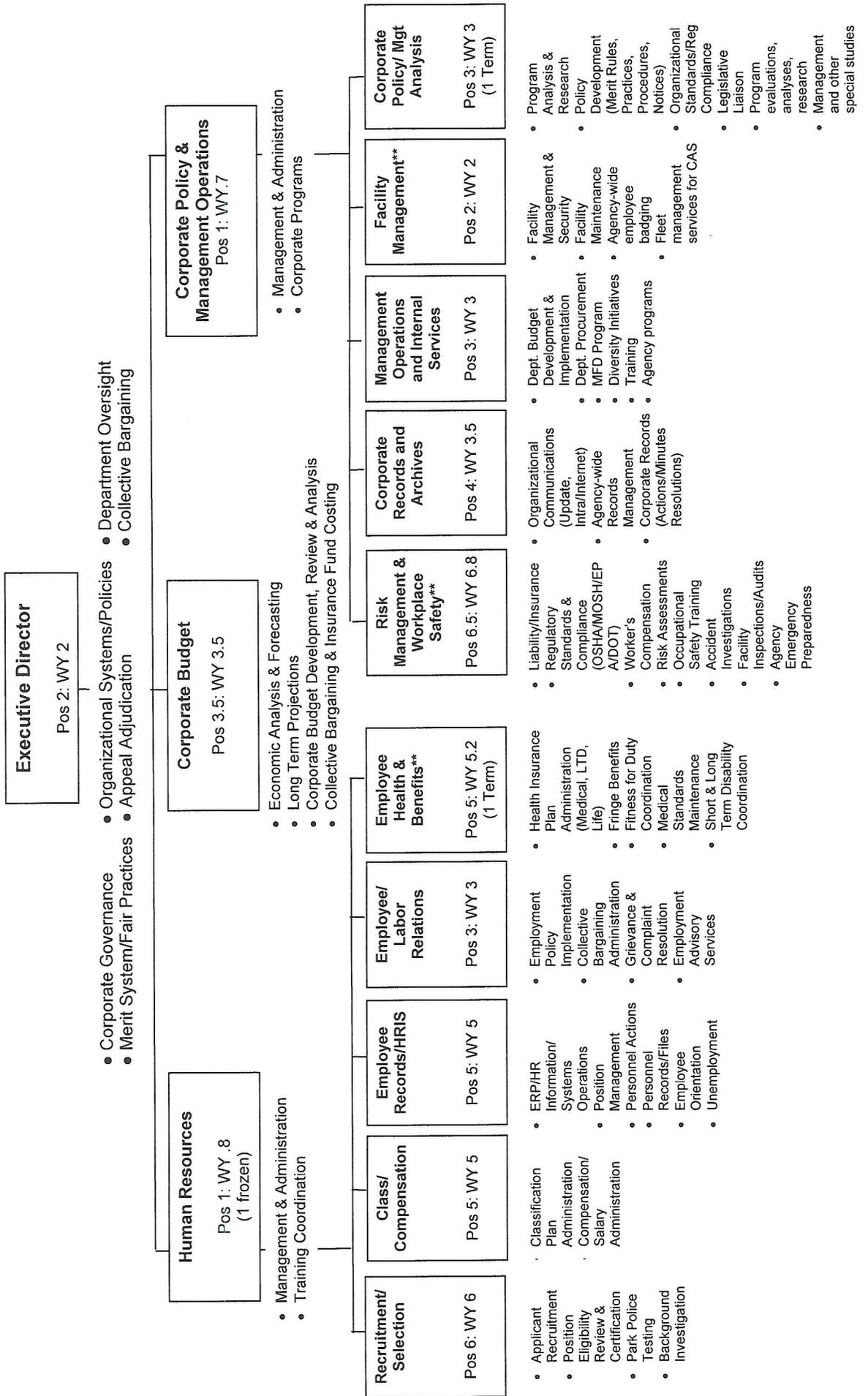
Authorized Positions and Funded Workyears for DHRM

The following table presents the FY17 authorized Merit position count. The position counts remains at 37 with 1 additional funded work year for the restored human resources position (critical need). The Corporate Budget Office recommends the restored position be allocated .25WY to Montgomery and .75WY to Prince George's based on the associated work program. There are no changes to Term positions.

	Authorized Positions	Funded WYs	MC WYs	PGC WYs
Existing FY16 Term Contract Positions (No Change for FY17)	1	1	.5	.5
Existing FY16 Merit Position/WY Total	37.5	34	15	19
Requested FY17 Program Support: Restore one Human Resources position to address background clearance and other critical program needs	Already in FY16 count	1	.25	.75
FY17 Proposed Merit Position Count	37.5	35	15.25	19.75

DHRM and Risk Management share one administrative position (50/50) which accounts for the .5 count (above) in authorized Merit positions.

FY2017 Proposed
Department of Human Resources and Management
Organizational Chart (Merit & Term Positions)



** Internal Service Funds.

II. FY17 CAS Support Services Budget

The Central Administrative Service (CAS) consists of the following departments and units that provide corporate administrative governance and support to the Commission as a whole:

- Department of Human Resources and Management
- Finance Department
- Legal Department
- Internal Audit Division
- Office of the Chief Information Officer
- Merit System Board

CAS Support Services accounts for non-discretionary shared operating expenses attributable to these bi-county operations. Operating costs for housing CAS operations (office space and building operations) represent the largest portion of the CAS Support Services budget (69% or \$961,526).

Expenses covered by the CAS Support Services budget include:

- Personnel Services costs for reimbursement of unemployment insurance for the State of Maryland. There are no staff positions/workyears assigned to this budget.
- Supplies and Materials category covers small office fixtures, communication equipment and other office supplies shared by departments/units in the building.
- Other Services and Charges (OS&C) category includes expenses for technology, utilities, postage, document production, lease of copiers, and equipment repair/maintenance. OS&C provides funds for the CAS share of risk management and partial funds for the contract of equipment and services for the Document Production Services Center.

Discussion of Proposed CAS Budget

The total CAS Support Service budget for FY17 is \$1,401,956 which represents a small adjustment of less than .5% (or \$6,304) from FY16 levels. No new initiatives are requested. All line items were reviewed for appropriate allocation and wherever possible, reductions were made to further contain costs.

The CAS Support Services budget is presented using the FY17 allocation of 44.2% Montgomery and 55.8% for Prince George's. The FY17 total budget of \$1,401,956 is allocated as follows:

- \$619,665 for Montgomery (adjusted from \$623,857 in FY16).
- \$782,291 for Prince George's (adjusted from \$771,795 in FY16).

The FY17 Proposed Budget adjustments are based on the following known commitments:

- Operating Costs for housing CAS operations were unchanged.
- Personnel Services costs for unemployment insurance were reduced 24.6% or (\$2,580).
- Supplies & Other Services and Charges:
 - Supplies and Materials were reduced 11.9% (or \$2,999) due to continued cost containment.
 - Other Services and Charges increased .9% (or \$11,883) due to small adjustments in telephone/communication costs.

Additional Essential Needs/Requests

There are no requests for additional funding in FY17.

CAS SUPPORT SERVICES
FY17 OPERATING BUDGET REQUEST

	MC Admin Fund	PGC Admin Fund	Total	% Change
FY16 Adopted Budget	\$ 623,857	\$ 771,795	\$ 1,395,652	
FY17 BASE BUDGET INCREASES/DECREASES				
Personnel Costs	(1,193)	(1,387)	(2,580)	
Benefits	0	0	0	
Supplies & Other Services and Charges	(2,999)	11,883	8,884	
Chargebacks	0	0	0	
Subtotal Increase - Base Budget Request	<u>\$ (4,192)</u>	<u>\$ 10,496</u>	<u>\$ 6,304</u>	0.45%
 New Initiatives	 0	 0	 0	
Total Increase for FY17 (Changes in Base plus new initiatives)	<u>\$ (4,192)</u>	<u>\$ 10,496</u>	<u>\$ 6,304</u>	
			<u>\$ -</u>	
Total FY17 Proposed Budget Request	<u>\$ 619,665</u>	<u>\$ 782,291</u>	<u>\$ 1,401,956</u>	0.45%

III. FY17 Merit System Board Administration

The Merit System Board (MSB) is authorized by the Commission's enabling legislation (Division II of the Land Use Article of the Code of Maryland, Title 16, Subtitle 1, "Merit System", Sections 16-101—108). It is an impartial Board composed of three external members. The Board is responsible for making recommendations and decisions regarding the Commission's Merit System. Board members are experienced in personnel and employment issues and are committed to fair and impartial investigations and decisions on the application of Commission policy to non-represented Merit System employees.

The duties of the Merit System Board are to:

- Review, hear, and make decisions on appeals of adverse actions (e.g., termination, demotion, loss of pay, etc.).
- Review, hear, and make decisions on appeals of concerns that have not been resolved through the M-NCPPC administrative grievance process.
- Consider input from employees and management on issues pertaining to the Merit System.
- With support of the agency's Corporate Policy Office and with input from employees and management, recommend changes to the Merit System Rules and Regulations Manual (which addresses employment rights and responsibilities, compensation and benefit policies). Recommendations are submitted to the Commission for adoption.
- With support of the Classification/Compensation Office, review proposed changes to compensation and classification plans and submit recommendations to the Commission.
- Report periodically, or as requested, to the Commission on matters relating to the Merit System.

Discussion of Proposed Merit System Board Budget

Both counties fund the Merit System Board's budget equally. The Board is comprised of three members whose salaries are set by contract. The Commission has discretionary powers to set the rate of pay for each of the Merit System Board members. At the present time, no salary increase has been approved for Board members. The FY17 proposed budget includes a correction in salary/benefits projections.

The Board is supported by one part-time Merit System position. For FY17, the part-time hours of the Merit System position are not expected to change.

FY17 Budget Priorities and Strategies

Continue to provide:

- Timely review of cases.
- Objective review of matters and policy recommendations before the Board.
- Quality services to the agency and employees.

Base Budget and Known Operating Commitments

The proposed FY17 budget is \$160,236. This represents a 13% increase (or \$18,676) from FY16 levels. However, it should be noted that the FY17 increase is due primarily to a correction in FY16 salary and benefit projections. The FY16 adopted level was reevaluated and found to include too large of a reduction. Thus, when looking at a two-year period, the FY17 budget reflects:

- 5% reduction in personnel costs from FY15 levels.
- An overall budget reduction of 3% from FY15 levels of \$165,620.

Additional Essential Needs/Requests

The Board has not proposed any new essential needs/initiatives for FY17.

MERIT SYSTEM BOARD
FY17 OPERATING BUDGET REQUEST

	MC	PGC	Department Total	% Change
FY16 Adopted Budget	\$ 70,780	\$ 70,780	\$ 141,560	
FY17 BASE BUDGET INCREASES				
Salaries	9,994	9,994	19,988	
Benefits	(656)	(656)	(1,312)	
Chargebacks	-	-	-	
Other Operating Charges	-	-	-	
Subtotal Base Budget FY17	<u>\$ 80,118</u>	<u>\$ 80,118</u>	<u>\$ 160,236</u>	13%
FY17 PROPOSED CHANGES/ESSENTIAL NEEDS				
Specific Request	\$ -	\$ -	\$ -	
Subtotal Proposed Changes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
 Total FY17 Proposed Budget Request	 <u>\$ 80,118</u>	 <u>\$ 80,118</u>	 <u>\$ 160,236</u>	 13%

Notes: Merit Board allocation is 50% for each county.

Please note, that the FY17 budget includes a correction in compensation/benefit levels used in FY16, thus reflecting a 13% increase from FY16 levels, which included too large of reductions in personnel projections. With the correction in FY17, the proposed budget levels reflect a decrease of 3% (or \$5,384) from the FY15 budgeted level of \$165,620.

(Internal Service Fund)
Executive Office Building/CAS Facility Operations Budget Overview

The Executive Office Building/CAS Facility Operations Internal Service Fund accounts for expenses related to housing CAS operations which includes Central Administrative Services (CAS) departments of Finance, Legal, and Human Resources and Management; the Office of Internal Audit; the Office of the Chief Information Officer; and the Merit System Board. All operations, with the exception of the Office of Internal Audit, are located primarily within the Executive Office Building (EOB) at 6611 Kenilworth Avenue in Riverdale, Maryland. The building, which was built 1968, serves as the headquarters for bi-County support to the agency. Additionally, the EOB houses the Employees' Retirement System, and two units of the Prince George's County Parks and Recreation Department (Information Technology & Communication Division, and the Park Planning and Development Engineering Section). The Office of Internal Audit is located at an offsite leased spaced due to space shortages within the EOB building. The EOB/CAS Facility Operations Budget supports two employees who are responsible for the daily maintenance, repair, and operation of the EOB facility and surrounding property. Staff also provides support to offsite Internal Audit Offices.

Major maintenance projects include repair/replacement of failing mechanical systems, reconstruction/renovations due to routine use, maintenance of security systems, and, compliance with regulatory and workplace safety standards (e.g. fire, elevator, electrical, OSHA, MOSH, EPA, and the Americans with Disability Act).

Highlights and Major Changes in the FY17 Proposed Budget

For FY17, the EOB budget is \$1,194,440, maintaining the same funding levels as FY16. Although the building's aging infrastructure requires increasingly more attention, we are able to maintain a flat budget through cost-containment measures resulting from competitive bidding of specialized maintenance service and decreased reliance on external service contracts. Revenue to the fund is provided annually through operational occupancy charges to the tenant departments/operations based on allocated space. Occupancy rates are based on anticipated operating expenses to enable a clean, safe, and secure worksite for occupants and visitors. The cost per square foot covers facility maintenance and repairs, mechanical systems, janitorial services, security and electronic access system, and grounds maintenance. The proposed budget does not include any use of fund balance.

● **Revenue to the Fund:**

\$1,194,440 is projected from occupancy revenue. This revenue is based on the per square footage cost to operate the building. In FY16, the Commission approved an increase in the rate from \$20.65 to \$22.97 per square foot, thereby eliminating the need to use fund balance to cover budgeted expenses.

● **Expenditures in the Fund:**

Personnel Services: The EOB/CAS Facility Operations are maintained by two staff. Overall personnel costs are projected to have a small increase of 1.8% (\$4,378) due to adjustments issued by the Corporate Budget Office with respect to wages, benefits, Other Post-Employment Benefits (OPEB), and the compensation marker.

- Supplies and Materials: This category covers building supplies and parts, HVAC refrigerant and lubricants, and technology/security software/supplies (badges, key cards, etc.). A small increase of 1.9% (or \$411) is budgeted to address adjustments in supplier costs.
- Other Services and Charges (OSC): This component includes expenses for utilities, maintenance of major mechanical, janitorial, and operating services (elevator, HVAC, electrical, roofing), building repairs/improvements, and chargebacks. Expenses in this category decreased .8% (or \$4,789) from competitive bidding.
- Capital Outlay: This category includes capital expenses for structural building improvements, machinery, and equipment (boilers, generators, etc.). No increase is proposed to this category.

Major Known Commitments

FY17 Budget covers the ongoing maintenance, operation, and regular repairs of CAS facility operations. Due the aging infrastructure of the EOB, the budget also includes phased in, critical structural improvements to the EOB facility as identified by a comprehensive facility study. Significant planned projects in FY17 are highlighted below.

- Curtain Window Replacement (\$275,000 Capital Outlay): The exterior walls of the EOB are constructed using a curtain wall design (single pane glass windows and metal mounts set in concrete masonry frames). The curtain wall is original to the building which was constructed in 1968. Over the years, the life of the windows has been extended through periodic repairs to broken/damage glass and window seals. However, repairs have become less effective with the continued aging and deteriorating of the curtain wall. An independent facility assessment identified that the curtain wall has well exceeded its useful life of 35 years. Structural concerns including bowing of window frames, damaged mortar, and cracked windows/seals. The replacement of the window curtain will address these issues and provide enhanced energy efficiency.
- HVAC (\$45,000 Capital Outlay): The EOB building was designed to allow work spaces to be located primarily along perimeter walls. However, space shortages have required us to repurpose other areas located in the core building space. This has resulted in notable heating/ventilation concerns including stagnant airflow, inconsistent heating/cooling, variable moisture levels, and inefficient use of energy.

The FY17 program will include continued phased-in replacement of aging perimeter window HVAC units. These units have exceeded their life cycle and require an increasing number of repairs. Furthermore, the units rely on Freon 22 as the cooling agent. The EPA has established a mandate to phase out the use of this type of Freon. All manufacturers of air conditioning and heating equipment are now required by law to only produce HVAC equipment that uses the new, environmentally friendly, R-410A Freon. In 2020, Freon R-22 will become completely obsolete and extinct. The phased-in replacement uses energy efficient units that will result in lower energy consumption, reduce staff time for repairs, and comply with new EPA regulations. The units will also allow us to meet the mandates of the Commission's Sustainability Policy. (45K in Capital Outlay for replacement of perimeter HVAC system).

- Planned Building Improvements Other than HVAC (\$75,000 in Other Services and Charges and \$12,000 in Capital Outlay): Much of the electrical system is original to the building's construction. Electrical upgrades are needed to support current operations and enhance safety. Other required modifications include ensuring continued compliance with ADA and building/local codes, and mechanical upgrades of operating systems that have surpassed their life cycle and require an increasing number of repairs.

Staffing Changes

This fund includes 2.0 positions and 2.0 workyears. No changes in positions or workyears are proposed.

**COMMISSION WIDE
EXECUTIVE OFFICE BUILDING INTERNAL SERVICE FUND
Summary of Revenues, Expenses, and Changes in Fund Net Position**

	<u>FY 16 Adopted</u>	<u>FY 16 Estimate</u>	<u>FY 17 Proposed</u>	<u>% Change</u>
Operating Revenues:				
Charges for Services:				
Office Space Rental- PGC Parks and F	212,449	212,449	212,449	0.0%
Retirement System	96,015	96,015	96,015	0.0%
CAS Departments	885,976	885,976	885,976	0.0%
Miscellaneous (Claim Recoveries, etc.)	-	-	-	-
Total Operating Revenues	<u>1,194,440</u>	<u>1,194,440</u>	<u>1,194,440</u>	<u>0.0%</u>
Operating Expenses:				
Personnel Services	247,351	247,351	251,729	1.8%
Supplies and Materials	21,089	21,089	21,500	1.9%
Other Services and Charges:	594,000	594,000	589,211	-0.8%
Debt Service:				
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Depreciation & Amortization Expense	-	-	-	-
Other Financing Uses	-	-	-	-
Capital Outlay	332,000	332,000	332,000	0.0%
Other Classifications	-	-	-	-
Chargebacks - Finance Dept.	-	-	-	-
Total Operating Expenses	<u>1,194,440</u>	<u>1,194,440</u>	<u>1,194,440</u>	<u>0.00%</u>
Operating Income (Loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating Revenue (Expenses):				
Interest Income	-	-	-	-
Interest Expense, Net of Amortization	-	-	-	-
Loss on Sale/Disposal Assets	-	-	-	-
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>0%</u>
Income (Loss) Before Operating Trans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Transfers In (Out):				
Transfer In	-	-	-	-
Transfer (Out)	-	-	-	-
Net Operating Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position - Beginning	<u>2,748,240</u>	<u>2,748,240</u>	<u>2,748,240</u>	<u>0.0%</u>
Total Net Position - Ending	<u>2,748,240</u>	<u>2,748,240</u>	<u>2,748,240</u>	<u>0.0%</u>

Note: Internal Service Funds' actuals reflect the appropriate accounting treatment of

(Internal Service Fund)
Risk Management Budget Overview

Summary

The Commission's Risk Management/Self Insurance Fund was established on July 1, 1978. Through centralized management, the Risk Management program uses safety protocols, loss control practices and self-insurance administration to reduce liability and mitigate losses to the agency. The program's overall goals include: reducing the risk of personal injury to employees; protecting and securing Commission assets; avoiding or minimizing injury to users of Commission services and facilities; and, managing costs and risk efficiently. The Department of Human Resources and Management (DHRM) is responsible for the program. The Fund is administered jointly with the Finance Department.

The program goals are met through risk assessments; implementation of loss control programs; management of commercial insurance and self-insured coverages; subrogation of liability; establishment of vendor insurance requirements to protect the agency against losses; supervisory/employee training and compliance reviews for adherence with workplace safety regulations issued by Maryland Occupational Safety and Health (MOSH), federal Occupational Safety and Health Administration (OSHA), Environmental Protection Agency (EPA) and the Department of Transportation (DOT); accident and damage investigations; facility inspections; administration of safety programs such as the drug and alcohol education and testing program, Drivers' License Monitoring program and defensive driving programs, risk assessments of new and existing agency programs; emergency response programs, case management of workplace injuries and liability claims. The Risk Management Office is staffed by three safety specialists, a workers' compensation specialist, a liability specialist, and a risk manager. A small amount of the Division Chief's time is directly charged to the Fund, and some fiscal oversight by the Executive Director, Corporate Budget team and the Finance Department is charged back to the Risk Management program.

For specialized services related to third party reviews of workers' compensation/liability claims and participation in group insurance, the Commission participates in a self-insurance program administered by the Montgomery County Government (MCSIP). This program is open to the Commission as a bi-county organization. Participation in MCSIP offers cost effective, independent claims adjudication services, and group discounts on commercial insurance policies for areas of general liability, real and personal property, police professional liability, automobile liability, and public official liability. Participation in MCSIP is reflected in the budget through external administration fees. Separate from MCSIP, the Commission also purchases insurance for various surety bonds, police horses, catastrophic and blanket coverage for other specialized programs. The Commission handles its own litigation and representation on liability and workers' compensation claims as the agency has better control of the outcome from these efforts. The Legal Department charges the Fund for these legal services.

FY17 PROGRAM PRIORITIES

- Comprehensive assessment of site-specific emergency action protocols for all agency facilities.
- Develop and conduct monthly position-specific safety trainings for maintenance and trades personnel.
- Design and implement accident reduction strategies for work units with high percentage of claims including maintenance/trades/construction activities.
- Continue comprehensive examination of workers' compensation and liability claims for accident reduction and enhanced return-to-work strategies.

FY16 PROGRAM ACCOMPLISHMENTS

- Reviewed and updated risk management and safety policies to incorporate new and/or revised Federal and State regulatory standards such as Emergency Action Procedures, Hazard Communication Standards, and Respiratory Protection.
- Developed comprehensive database of safety training programs to enhance tracking of necessary instruction, covered positions, and participants who have completed required training.
- Designed and implemented supervisory training on accident investigations related to maintenance/trades/construction activities.

HIGHLIGHTS AND MAJOR CHANGES IN THE FY17 PROPOSED BUDGET

Each year, the Risk Management budget is developed to establish necessary funding levels for projected future claims, insurance costs, personnel costs, and external administration fees. Claims expenses include paid claims, incurred but not reported claims estimates, and claim reserves. While the Commission subrogates its claims to offset losses and applies for reimbursements from the Federal Emergency Management Administration (FEMA), these recoveries are not budgeted as a revenue source to this Fund, but are returned directly to the affected departments after being received.

Total proposed FY17 agency-wide expenses are \$7,852,400. After the application of unrestricted fund balance and interest income (explained further below in greater detail), the total funding needs are adjusted to \$6,442,400. See Table 3.

As illustrated in Table 1 (below), the FY17 proposed expenses of \$7,852,400 reflect a 6% decrease from the FY16 adopted budget levels of \$8,363,409. These expenses are comprised of three components as reflected in Table 2. The largest component (66%) is related to costs for workers’ compensation and liability claims. By nature, this expense can vary significantly year-to-year based on the number, severity, and complexity of claims filed. As the Commission participates in the Montgomery County Government Self Insurance Program (MCSIP) for claim management services, we employ actuarial consultant (AON) to review historical losses and determine our projected costs. The FY17 reductions are primarily attributed to enhanced claims management and an adjusted actuarial approach that utilizes a longer historical average of claims data to project future costs. This approach, which is commonly referred to as smoothing, is used to minimize volatility in projected claims costs.

Table 1— Total Proposed FY17 Expenses (Before Interest Income and Use of Fund Balance)
Allocation of expenses for each county along with a comparison to the FY16 adopted levels

County	FY16 Adopted Expenses	FY17 Proposed Expenses	% Change
Montgomery County	3,335,045	3,235,150	(3)%
Prince George’s County	5,028,364	4,617,250	(8)%
Total Operating Expenses	\$8,363,409	\$7,852,400	(6)%

Table 2: Components of Proposed Expenses

Category	FY17 Proposed Expenses	% of Total Expenses
Workers’ Compensation and Liability Claims	5,150,800	66%
Internal Administrative Expenses	1,614,700	20%
External Administrative Fees	1,086,900	14%
Total Operating Expenses	\$7,852,400	100%

Proposed Funding (After Use of Fund Balance and Interest Income)

The proposed FY17 expenses are offset through the application of unrestricted fund balance of \$1,300,000 and interest income of \$110,000. The adjusted agency-wide funding of \$6,442,500 reflects a 7% reduction from FY16 adopted funding levels (Table 3). Table 4 presents the change in funding levels by county. The FY17 proposed county funding is allocated by department as presented on the Summary Budget Schedules (Attachments 1 and 2).

Table 3: Change in Agency-Wide Funding Levels (FY17 vs. FY16)

Commission-wide	FY16 Adopted Budget	Proposed FY17	% Change
Total Expenses	8,363,409	7,852,400	
Use of Fund Balance	(1,323,609)	(1,300,000)	
Interest Income	(80,000)	(110,000)	
Total Funding Needs	\$6,959,800	\$6,442,400	(7)%

Table 4: Change in County Funding Levels (FY17 vs. FY16)

County	FY16 Adopted Budget	Recommended FY17	Change %
Montgomery	2,770,200	2,695,200	(3 %)
Prince George's County	4,189,600	3,747,300	(11 %)
Total Funding	\$6,959,800	\$6,442,500*	(7)%

*Allocations rounded to nearest hundred.

Montgomery County

The FY17 proposed expense for Montgomery County funded operations is \$3,235,200. After the application of \$500,000 in available fund balance and \$40,000 of interest income, the proposed funding level is adjusted down to \$2,695,200. The FY17 funding level represents a 3% decrease from the FY16 adopted budget, due to savings in projected claims expenses and an increase in available fund balance to offset costs.

- Proposed funding is allocated as follows: 98% (or \$2,637,500) to the Park Fund; 2% (or \$52,400) is attributed to the Planning Department; nominal amounts for Enterprise Fund (\$500) and CAS Operations (\$4,800).

Prince George's County

The FY17 proposed expense for Prince George's County funded operations is \$4,617,300. After the application of \$800,000 in available fund balance and \$70,000 of interest income, the proposed funding level is adjusted down to \$3,747,300. The FY17 funding level represents an 11% decrease from the FY16 adopted budget, due to savings in projected claims expenses and use of fund balance.

- Proposed funding is allocated as follows: 69% (or \$2,587,500) to the Parks Fund; 24% (or \$905,800) to the Recreation Fund; 4% (or \$155,700) to the Enterprise Fund; and 3% to the Planning Department (or \$93,500). A nominal amount is attributed to CAS (or \$4,800).

Expense Summary

As noted previously, the Risk Management Fund expenses (prior to interest income and use of fund balance) fall into three categories: Workers’ Compensation and Liability Claims, Internal Administrative Expenses and External Administrative Expenses.

- **Workers’ Compensation and Liability Claims:** As illustrated in Table 2, claims costs comprise 66% (or \$5,150,800) of the total FY17 proposed expense for the Risk Management budget. Costs for workers’ compensation and liability claims include the following three components:
 - **Paid Claims:** Actual payments for compensable open claims, whether they originated in the most recent fiscal year or prior periods.
 - **Claim Reserves:** Total expected expenses (present and future) for all open claims.
 - **Incurred But Not Reported Claims (IBNR):** The actuarial-based estimate of claims that have occurred but may be delayed in getting reported.

FY17 proposed claims expenses utilize actuarial projections which help determine necessary funding levels to protect the agency against expected and unforeseen losses in future years. Actuarial projections are developed based on analysis of the last full cycle of claims (FY15 data), historical claims, expected future losses, and other variables such as expected industry adjustments for medical costs (workers’ compensation) and replacement values (liability). As illustrated in Table 5, projected claims expenses reflect a 7% decrease from FY16 adopted budget levels.

Table 5: Change in Projected Workers’ Compensation and Liability Claims Expenses (FY17 vs. FY16)

County	Adopted Funding for FY16	Proposed Funding for FY17	Change in Funding	% Change from FY16
Montgomery County	2,043,318	2,002,200	(41,118)	(2)%
Prince George’s County	3,472,521	3,148,600	(323,921)	(9)%
Total	\$5,515,840	\$5,150,800	(365,039)	(7)%

The largest reduction is directly attributed to savings in workers compensation claims which comprise 84% of total paid claims. These costs cover medical and wage reimbursements for employees with work related injuries. The remaining 16% of claims costs are related to liability claims due to property damage, auto damage, and third party claims.

- **Proposed Internal Administrative Expenses:** These expenses comprise 20% (or \$1,614,700) of the total FY17 proposed expenses (see Table 2). These expenses cover internal staff and programs for Risk Management and Workplace Safety. Staff is responsible for implementing loss control programs, conducting risk analysis, managing the agency’s commercial and self-insurance programs, administering liability and workers’ compensation programs, and managing safety programs (regulatory compliance, inspections, investigations, training, etc.).
- **External Administrative Expenses:** These expense comprise 14% (or \$1,086,900) of the total FY17 proposed expenses (see Table 2). These expenses represent fees to MCSIP for claims adjudication, commercial insurance and actuarial services.

MONTGOMERY COUNTY RISK MANAGEMENT INTERNAL SERVICE FUND
Summary of Revenues, Expenses, and Changes in Fund Net Position
PROPOSED BUDGET FY2017

	FY16 Adopted	FY16 Estimate	FY17 Proposed	% Change
Operating Revenues:				
Charges for Services:				
Parks	\$ 2,681,100	2,681,100	2,637,500	-2%
Planning	46,400	46,400	52,400	13%
CAS	4,700	4,700	4,800	2%
Enterprise	38,000	38,000	500	-99%
Miscellaneous (Claim Recoveries, etc.)				-
Total Operating Revenues	<u>2,770,200</u>	<u>2,770,200</u>	<u>2,695,200</u>	<u>-3%</u>
Operating Expenses:				
Personnel Services	455,097	455,097	463,250	2%
Supplies and Materials	22,500	22,500	27,500	22%
Other Services and Charges:				
Insurance Claims:				
Parks	1,966,796	1,966,796	1,918,100	-2%
Planning	41,173	41,173	51,700	26%
CAS	4,904	4,904	8,000	63%
Enterprise	30,445	30,445	24,400	-20%
Misc., Professional services, etc.	557,851	557,851	516,100	-7%
Depreciation & Amortization Expense				-
Other Financing Uses				-
Capital Outlay				-
Other Classifications				-
Chargebacks	256,279	256,279	226,100	-12%
Total Operating Expenses	<u>3,335,045</u>	<u>3,335,045</u>	<u>3,235,150</u>	<u>-3%</u>
Operating Income (Loss)	<u>(564,845)</u>	<u>(564,845)</u>	<u>(539,950)</u>	<u>-4%</u>
Nonoperating Revenue (Expenses):				
Interest Income	30,000	30,000	40,000	33%
Interest Expense, Net of Amortization				-
Loss on Sale/Disposal Assets				-
Total Operating Expenses	<u>30,000</u>	<u>30,000</u>	<u>40,000</u>	<u>33%</u>
Income (Loss) Before Operating Transfers	<u>(534,845)</u>	<u>(534,845)</u>	<u>(499,950)</u>	<u>-7%</u>
Operating Transfers In (Out):				
Transfer In				-
Transfer (Out)				-
Net Operating Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(534,845)</u>	<u>(534,845)</u>	<u>(499,950)</u>	<u>-7%</u>
Total Net Position - Beginning	<u>5,227,739</u>	<u>5,227,739</u>	<u>4,692,895</u>	<u>-10%</u>
Total Net Position - Ending	<u>4,692,895</u>	<u>4,692,895</u>	<u>4,192,945</u>	<u>-11%</u>
Designated Position	3,171,584	3,171,584	3,171,584	0%
Unrestricted Position	1,521,311	1,521,311	1,021,361	-33%
Total Net Position, June 30	<u>\$ 4,692,895</u>	<u>4,692,895</u>	<u>4,192,945</u>	<u>-11%</u>
Note: Allocation of administrative expense paid to Montgomery County for insurance pool management				
Parks	446,127	446,127	416,500	95.8%
Planning	11,414	11,414	11,300	2.6%
CAS	1,284	1,284	1,700	0.4%
Enterprise	16,740	16,740	5,300	1.2%
Total	<u>475,565</u>	<u>475,565</u>	<u>434,800</u>	<u>100.0%</u>

PRINCE GEORGE'S COUNTY RISK MANAGEMENT INTERNAL SERVICE FUND
Summary of Revenues, Expenses, and Changes in Fund Net Position
PROPOSED BUDGET FY2017

	FY 16 Adopted	FY 16 Estimate	FY 17 Proposed	% Change
Operating Revenues:				
Charges for Services:	\$			
Parks	2,724,100	2,724,100	2,587,500	-5%
Recreation	1,047,100	1,047,100	905,800	-13%
Planning	165,400	165,400	93,500	-43%
CAS	4,700	4,700	4,800	2%
Enterprise	248,300	248,300	155,700	-37%
Miscellaneous (Claim Recoveries, etc.)	-	-	-	-
Total Operating Revenues	<u>4,189,600</u>	<u>4,189,600</u>	<u>3,747,300</u>	<u>-11%</u>
Operating Expenses:				
Personnel Services	455,097	455,097	463,250	2%
Supplies and Materials	22,500	22,500	27,500	22%
Other Services and Charges:				
Insurance Claims:				
Parks	2,460,802	2,460,802	2,253,100	-8%
Recreation	705,790	705,790	683,900	-3%
Planning	101,398	101,398	73,000	-28%
CAS	5,208	5,208	7,200	38%
Enterprise	199,323	199,323	131,400	-34%
Misc., Professional services, etc.	795,632	795,632	733,400	-8%
Depreciation & Amortization Expense				-
Other Financing Uses				-
Capital Outlay				-
Other Classifications				-
Chargebacks	282,614	282,614	244,500	-13%
Total Operating Expenses	<u>5,028,364</u>	<u>5,028,364</u>	<u>4,617,250</u>	<u>-8%</u>
Operating Income (Loss)	<u>(838,764)</u>	<u>(838,764)</u>	<u>(869,950)</u>	<u>4%</u>
Nonoperating Revenue (Expenses):				
Interest Income	50,000	50,000	70,000	40%
Interest Expense, Net of Amortization	-	-	-	-
Loss on Sale/Disposal Assets	-	-	-	-
Total Nonoperating Revenue (Expenses):	<u>50,000</u>	<u>50,000</u>	<u>70,000</u>	<u>40%</u>
Income (Loss) Before Operating Transfers	<u>(788,764)</u>	<u>(788,764)</u>	<u>(799,950)</u>	<u>1%</u>
Operating Transfers In (Out):				
Transfer In				-
Transfer (Out)				-
Net Operating Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(788,764)</u>	<u>(788,764)</u>	<u>(799,950)</u>	<u>1%</u>
Total Net Position - Beginning	<u>10,254,145</u>	<u>10,254,145</u>	<u>9,465,382</u>	<u>-8%</u>
Total Net Position - Ending	<u>9,465,381</u>	<u>9,465,381</u>	<u>8,665,432</u>	<u>-8%</u>
Designated Position	6,059,089	6,059,089	-	-100%
Unrestricted Position	3,406,292	3,406,292	8,665,432	154%
Total Net Position, June 30	<u>\$ 9,465,381</u>	<u>9,465,382</u>	<u>8,665,432</u>	<u>-8%</u>
Note: Allocation of administrative expense paid to Montgomery County for insurance pool management				
Parks	504,337	504,337	466,700	71.6%
Recreation	156,936	156,936	141,600	21.7%
Planning	16,407	16,407	15,100	2.3%
CAS	1,424	1,424	1,500	0.2%
Enterprise	34,241	34,241	27,200	4.2%
Total	<u>713,345</u>	<u>713,345</u>	<u>652,100</u>	<u>100.0%</u>

Commission-Wide Group Insurance (Internal Service Fund)
Budget Overview

Summary

The Commission's Group Insurance Fund accounts for the costs associated with providing health insurance benefits to active and retired employees. The Fund revenues include employer, employee and retiree share of insurance premiums. Medicare Part D provides a subsidy. The Flexible Spending program is also a part of this fund.

As an internal service fund, the Fund covers all active employees with health and other insurance coverage in the operating departments and retirees eligible for health benefits. The premiums paid through the operating department insurance costs constitute most of the revenue, 81%. Revenue from employee and retiree share of the premiums makes up 18% of revenue, with the EGWP subsidy and interest income making up the balance. The fund is treated as a Commission-wide fund because its costs are not specifically generated by either county. Rather, the costs represent the total health insurance pool cost. In addition, OPEB Paygo costs are paid through the Group Insurance Fund.

The Group Insurance program is part of the Department of Human Resources and Management. It is staffed by 5 full-time positions plus a term contract position.

Highlights and Major Changes in the FY17 Proposed Budget

The Proposed FY17 expenditure budget is \$56.76 million, which reflects a 2.0 % decrease (or \$101,491) when compared to the FY16 Adopted Budget. This decrease stems from compensation and benefits adjustments.

The FY17 Proposed Budget reflects the effect of previously negotiated changes in employee health insurance cost share and the increase in retiree health insurance cost share. The administrative expenses are factored into the health insurance rates, and are paid through the premiums paid by the employer and employee. For FY17, the Group Insurance Fund proposed budget includes \$100,000 to provide consulting services for Affordable Care Act (ACA) compliance.

The FY17 Proposed Budget contains a designated reserve of \$5.3 million, which is sufficient to meet the 8.5% of total operating expense reserve policy. A summary of the Proposed Budget is shown on the next page.

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION
GROUP INSURANCE INTERNAL SERVICE FUND
Summary of Revenues, Expenses, and Changes in Fund Net Assets
PROPOSED BUDGET FISCAL YEAR 2017

	FY15 <u>Actual</u>	FY 16 <u>Adopted</u>	FY17 <u>Proposed</u>	% <u>Change</u>
Operating Revenues:				
Intergovernmental	\$	\$	\$	
Medicare Part D Subsidy	317,000	700,000	-	-100%
EGWP Subsidy		1,805,000	1,200,000	-34%
Charges for Services:				
Employee/Retiree Contributions	7,090,856	9,884,689	10,137,524	3%
Employer Contributions/Premiums	40,365,515	44,722,998	45,795,360	2%
Employer Contributions - Other	25,150	18,600	15,900	-15%
Total Operating Revenues	<u>47,798,521</u>	<u>57,131,287</u>	<u>57,148,784</u>	0%
Operating Expenses:				
Personnel Services	615,029	726,962	736,582	1%
Supplies and Materials	5,027	35,000	50,000	43%
Other Services and Charges:				
Professional Services	296,837	495,000	595,000	20%
Insurance Claims and Fees	36,611,651	48,012,983	47,383,216	-1%
Insurance Premiums and Fees	6,858,437	7,784,530	8,195,394	5%
Change in IBNR	349,074	-	-	
Other Classifications		-		
Chargebacks	300,000	283,800	276,592	-3%
Total Operating Expenses	<u>45,036,055</u>	<u>57,338,275</u>	<u>57,236,784</u>	-0.2%
Operating Income (Loss)	<u>2,762,466</u>	<u>(206,988)</u>	<u>(88,000)</u>	-57%
Nonoperating Revenue (Expenses):				
Interest Income	46,750	15,000	15,000	0%
Total Operating Expenses	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	0%
Income (Loss) Before Operating Transfers	<u>(78,204)</u>	<u>(191,988)</u>	<u>(73,000)</u>	-62%
Operating Transfers In (Out):				
Transfer In	-	-	-	
Transfer (Out)	-	(700,000)	-	-100%
Net Operating Transfer	<u>-</u>	<u>(700,000)</u>	<u>-</u>	-100%
Change in Net Assets	<u>(78,204)</u>	<u>(891,988)</u>	<u>(73,000)</u>	-92%
Total Net Assets, Beginning	<u>7,467,241</u>	<u>10,907,860</u>	<u>12,756,217</u>	17%
Total Net Assets, Ending	<u>\$ 7,389,037</u>	<u>\$ 10,015,872</u>	<u>\$ 12,683,217</u>	27%
Designated Assets	3,612,826	4,300,371	5,373,127	25%
Unrestricted Assets	3,776,211	5,715,501	7,310,090	28%
Total Net Assets, June 30	<u>\$ 7,389,037</u>	<u>\$ 10,015,872</u>	<u>\$ 12,683,217</u>	27%

**STAFFING
COMPLEMENT**

	FY 15 Adopted		FY 16 Adopted		FY 17 Proposed	
	POS	WYS	POS	WYS	POS	WYS
GROUP INSURANCE FUND						
DEPARTMENT OF HMN. RES. & MGMT.						
Full-Time Career	5.00	5.00	5.00	5.00	5.00	5.00
Part-Time Career	-	-	-	-	-	-
Career Total	5.00	5.00	5.00	5.00	5.00	5.00
Term Contract	1.00	1.00	1.00	1.00	1.00	1.00
Seasonal/Intermittent		-		-		-
Total Group Insurance Fund	6.00	6.00	6.00	6.00	6.00	6.00

Montgomery County Capital Equipment Internal Service Fund

EXECUTIVE OVERVIEW

The Commission's Capital Equipment Internal Service Fund (CEISF) was set up to establish an economical method of handling large equipment purchases. The fund spreads the cost of an asset over its useful life instead of burdening any one fiscal year with the expense. Considerable savings are realized over the life of the equipment through the use of the CEISF.

Departments use the CEISF to finance the purchase of equipment having a useful life of at least six (6) years. All revenue and costs associated with the financing of such equipment are recorded in the Internal Service Fund. All equipment is financed on a tax exempt basis, resulting in considerable interest savings. The participating departments are charged an annual rental payment based on the life of the equipment.

HIGHLIGHTS AND MAJOR CHANGES IN FY17 PROPOSED BUDGET

The financing authority of the CEISF may be carried over from year to year. This means that if the total authorized amount of financing is not utilized during a particular fiscal year any remaining funding may be carried over to succeeding fiscal years. Approval of the budget gives the Commission's Secretary-Treasurer and other officers authority to carry out financing for this fund at such time and on such terms as is believed to be advantageous to the Commission without additional action by the Commission or a Planning Board.

For FY17, the Commission proposes the purchase and financing of \$2,650,000 in capital outlay expenses in the CEISF. This consists of \$2,400,000 for Parks for vehicles and equipment; and \$250,000 for Finance for SAN replacement and other IT needs.

Total expenditures are proposed at \$3,827,125.

Montgomery County Capital Equipment Internal Service Fund

MONTGOMERY COUNTY CAPITAL EQUIPMENT INTERNAL SERVICE FUND Summary of Revenues, Expenses, and Changes in Fund Net Position PROPOSED BUDGET FISCAL YEAR 2017

	FY 15 Actual	FY 16 Adopted	FY 17 Proposed	% Change
Operating Revenues:				
Charges for Services (to Other Funds)	\$ 2,286,500	\$ 1,895,250	\$ 1,982,650	4.6%
Miscellaneous (Sale of Equipment, etc.)	-	-	-	-
Total Operating Revenues	<u>2,286,500</u>	<u>1,895,250</u>	<u>1,982,650</u>	<u>4.6%</u>
Operating Expenses:				
Personnel Services	-	-	-	-
Supplies and Materials	143,999	-	-	-
Other Services and Charges:	72,592	-	-	-
Debt Service:				
Debt Service Principal	-	769,000	903,200	17.5%
Debt Service Interest	-	219,300	233,250	6.4%
Depreciation & Amortization Expense	1,485,432	-	-	-
Capital Outlay	-	800,000	2,650,000	231.3%
Other Classifications	-	-	-	-
Chargebacks	29,000	31,501	40,675	29.1%
Total Operating Expenses	<u>1,731,023</u>	<u>1,819,801</u>	<u>3,827,125</u>	<u>110.3%</u>
Operating Income (Loss)	<u>555,477</u>	<u>75,449</u>	<u>(1,844,475)</u>	<u>-2544.7%</u>
Nonoperating Revenue (Expenses):				
Debt Proceeds	-	-	2,650,000	-
Interest Income	7,877	3,000	3,000	0.0%
Interest Expense, Net of Amortization	-	-	-	-
Loss on Sale/Disposal Assets	110,639	-	-	-
Total Operating Expenses	<u>118,516</u>	<u>3,000</u>	<u>2,653,000</u>	<u>88333.3%</u>
Income (Loss) Before Operating Transfers	<u>673,993</u>	<u>78,449</u>	<u>808,525</u>	<u>930.6%</u>
Operating Transfers In (Out):				
Transfer in	-	-	-	-
Transfer (Out)	-	(805,550)	-	-100.0%
Net Operating Transfer	<u>-</u>	<u>(805,550)</u>	<u>-</u>	<u>-100.0%</u>
Change in Net Position	673,993	(727,101)	808,525	-211.2%
Total Net Position - Beginning	7,994,366		7,941,258	-
Total Net Position - Ending	<u>\$ 8,668,359</u>	<u>\$</u>	<u>\$ 8,749,783</u>	<u>-</u>

Note: Future Financing Plans

Capital equipment financed for Parks and Planning	\$ 2,470,000	\$ 2,400,000
Capital equipment financed for Finance Dept.	100,000	250,000

Prince George's County Capital Equipment Internal Service Fund

EXECUTIVE OVERVIEW

The Commission's Capital Equipment Internal Service Fund (CEISF) was set up to establish an economical method of handling large equipment purchases. The fund spreads the cost of an asset over its useful life instead of burdening any one fiscal year with the expense. Considerable savings are realized over the life of the equipment through the use of the CEISF.

Departments use the CEISF to finance the purchase of equipment having a useful life of at least six (6) years. All revenue and costs associated with the financing of such equipment are recorded in the Internal Service Fund. All equipment is financed on a tax exempt basis, resulting in considerable interest savings. The participating departments are charged an annual rental payment based on the life of the equipment.

HIGHLIGHTS AND MAJOR CHANGES IN FY17 PROPOSED BUDGET

The financing authority of the CEISF may be carried over from year to year. This means that if the total authorized amount of financing is not utilized during a particular fiscal year any remaining funding may be carried over to succeeding fiscal years. Approval of the budget gives the Commission's Secretary-Treasurer and other officers authority to carry out financing for this fund at such time and on such terms as is believed to be advantageous to the Commission without additional action by the Commission or a Planning Board.

For FY17, the Commission proposes the purchase and financing of \$1,520,000 in capital outlay expenses in the CEISF. This consists of \$1,270,000 for Parks & Recreation for a phone sytem upgrade; and \$250,000 for Finance for SAN replacement and other IT needs.

Total expenditures are proposed at \$2,399,931.

Prince George's County Capital Equipment Internal Service Fund

PRINCE GEORGE'S COUNTY CAPITAL EQUIPMENT INTERNAL SERVICE FUND Summary of Revenues, Expenses, and Changes in Fund Net Position PROPOSED BUDGET FISCAL YEAR 2017

	FY 15 Actual	FY 16 Adopted	FY 17 Proposed	% Change
Operating Revenues:				
Charges for Services (to Other Funds)	\$ 2,434,700	\$ 1,346,150	\$ 1,634,950	21.5%
Miscellaneous (Claim Recoveries, etc.)	-	-	-	-
Total Operating Revenues	2,434,700	1,346,150	1,634,950	21.5%
Operating Expenses:				
Personnel Services	-	-	-	-
Supplies and Materials	145,211	-	-	-
Other Services and Charges:	288,234	-	-	-
Debt Service:				
Debt Service Principal	-	1,264,500	695,400	-45.0%
Debt Service Interest	-	326,500	179,650	-45.0%
Depreciation & Amortization Expense	403,375	-	-	-
Other Financing Uses	-	-	-	-
Capital Outlay	-	-	1,520,000	-
Other Classifications	-	-	-	-
Chargebacks	18,200	19,700	4,881	-75.2%
Total Operating Expenses	855,020	1,610,700	2,399,931	49.0%
Operating Income (Loss)	1,579,680	(264,550)	(764,981)	189.2%
Nonoperating Revenue (Expenses):				
Debt Proceeds	-	-	1,520,000	0.0%
Interest Income	4,713	2,000	2,000	-
Interest Expense, Net of Amortization	-	-	-	-
Loss on Sale/Disposal Assets	(35,487)	-	-	-
Total Nonoperating Revenue (Expenses):	(30,774)	2,000	1,522,000	76000.0%
Income (Loss) Before Operating Transfers	1,548,906	(262,550)	757,019	-388.3%
Operating Transfers In (Out):				
Transfer In	-	-	-	-
Transfer (Out)	-	-	-	-
Net Operating Transfer	-	-	-	-
Change in Net Position	1,548,906	(262,550)	757,019	-388.3%
Total Net Position - Beginning	2,431,011		3,717,367	-
Total Net Position - Ending	\$ 3,979,917	\$	\$ 4,474,386	-

Note: Future Financing Plans

Capital equipment financed for Parks and Rec	\$ 500,000	\$ 1,270,000
Capital equipment financed for Finance Dept.	100,000	250,000

Central Administration Services – Office of the Chief Information Officer FY17 Budget Narrative

Executive Overview

Working together with the Chief Technology Officers of each department and the Information Technology Council the Office of the Chief Information Officer (OCIO) has submitted the FY 17 budget the following highlights.

Fiscal year 2016 (FY16) has seen continued success in policy creation in the face of increase information technology security threats and breaches. Working with the Office of Internal Audit we have stepped up our review of our information technology environment and the policies that govern it. Our focus is to ensure the confidentiality, integrity, and availability of Commission data. This work will continue as the threats continually change. Additionally working with the Information Technology Council we are evaluating how projects are prioritized and authorized with the expectation of improving our efficiency.

Office of the CIO

The proposed FY17 expenditure budget is \$772,522 representing a 31% (or \$186,318) increase from the FY16 adopted levels. This increase will be funded by drawing down the fund balance in the Office of the Chief Information Officer. As a result there is no increase in the departmental funding for the OCIO.

The major driver of this increase is the shift of prior projects and consulting expenses from Commission-wide IT Initiatives' costs to Office of the CIO operational expenses. These operational expenses include annual security awareness training, external enterprise-wide Information Technology audits, and miscellaneous consulting support.

Commission-wide IT Initiatives

The budget request for the IT Initiatives was developed with the Chief Technology Officers and was discussed and recommended by the Information Technology Council. The OCIO requests authority to spend \$2,290,000 for the projects below. The first three projects listed below will be funded from departmental contributions and the fourth will be funded by debt issuance with the first payment to be budgeted in FY18. The planned projects are:

- Managing our **Microsoft Software** Licensing needs (\$870,000)
- Upgrading the **Graphical Information System** base maps (\$500,000)
- Upgrading the time system **Kronos** (\$60,000)
- Replacing the **Alliance** physical security system (\$860,000)

Note that a portion, approximately \$600,000, of the Microsoft Software licensing is currently funded by each department in their respective operating budget. In FY 17, the entire cost of Licensing will be budgeted this Internal Service Fund.

PRINCE GEORGE'S COUNTY CIO & COMMISSION-WIDE IT FUND
Summary of Revenues, Expenses, and Changes in Fund Net Position
PROPOSED BUDGET FISCAL YEAR 2017

	FY 15 Actual	FY 16 Adopted	FY 17 Proposed	%
				Change
Operating Revenues:				
Charges for Services (to Other Funds)	\$ 785,878	\$ 803,204	\$ 1,281,804	59.6%
Miscellaneous (Claim Recoveries, etc.)	-	-	-	-
Total Operating Revenues	<u>785,878</u>	<u>803,204</u>	<u>1,281,804</u>	<u>59.6%</u>
Operating Expenses:				
Personnel Services	109,524	304,483	338,547	11.2%
Supplies and Materials	25,011	11,462	2,939	-74.4%
Other Services and Charges:	521,622	408,345	1,532,102	275.2%
Debt Service:				
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
Depreciation & Amortization Expense	128,943	-	-	-
Other Financing Uses	-	-	-	-
Capital Outlay	-	-	-	-
Other Classifications	-	-	-	-
Chargebacks	-	-	-	-
Total Operating Expenses	<u>785,100</u>	<u>724,290</u>	<u>1,873,588</u>	<u>158.7%</u>
Operating Income (Loss)	<u>778</u>	<u>78,914</u>	<u>(591,784)</u>	<u>-849.9%</u>
Nonoperating Revenue (Expenses):				
Debt Proceeds	-	-	516,000	-
Interest Income	8,374	-	-	-
Interest Expense, Net of Amortization	-	-	-	-
Loss on Sale/Disposal Assets	(22,034)	-	-	-
Total Nonoperating Revenue (Expenses):	<u>(13,660)</u>	<u>-</u>	<u>516,000</u>	<u>-</u>
Income (Loss) Before Operating Transfers	<u>(12,882)</u>	<u>78,914</u>	<u>(75,784)</u>	<u>-196.0%</u>
Operating Transfers In (Out):				
Transfer In	-	-	-	-
Transfer (Out)	-	-	-	-
Net Operating Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(12,882)</u>	<u>78,914</u>	<u>(75,784)</u>	<u>-196.0%</u>
Total Net Position - Beginning	<u>2,922,311</u>		<u>2,563,443</u>	<u>-</u>
Total Net Position - Ending	<u>\$ 2,909,429</u>	<u>\$</u>	<u>\$ 2,487,659</u>	<u>-</u>
Note: Future Financing Plans				
Capital equipment financed for IT Initiatives		\$ -	\$ 516,000	

Bi-County Staffing Complement:

	FY 15		FY 16		FY 17	
	Adopted		Adopted		Proposed	
	POS	WYS	POS	WYS	POS	WYS
OFFICE OF THE CIO						
Full-Time Career	2.00	2.00	3.00	3.00	3.00	3.00
Part-Time Career	-	-	1.00	0.50	1.00	0.50
Career Total	2.00	2.00	4.00	3.50	4.00	3.50
Term Contract	-	-	-	-	-	-
Seasonal/Intermittent		-		-		-
Total CIO / Commission-wide IT Fund	2.00	2.00	4.00	3.50	4.00	3.50



THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

6611 Kenilworth Avenue Riverdale, Maryland 20737

MEMORANDUM

DATE: November 12, 2015

TO: Montgomery County Planning Board
Prince George's County Planning Board

FROM: Joseph C. Zimmerman, Secretary-Treasurer

SUBJECT: Finance Department FY17 budget submission

The Planning Boards have provided guidance for developing the FY 2017 budget. This guidance was to prepare a base budget for 2017 including major known commitments required to maintain services, and an essential needs request that will be considered for inclusion in the budget.

You considered the preliminary request some weeks ago, and authorized me to put it into final form.

I am pleased to submit the attached information in response to your guidance. Comments on specific items are as follows:

- **Personal services:** Recalculation of salaries to reflect current assignments along with projected reductions in pension cost resulted in a decrease of \$244,524. This amount does not include any anticipated amounts for merit or COLA increases, which are addressed separately by the Budget Office.
- **Other operating charges:** Details of new/increased budget lines as approved for inclusion in the proposed budget are as follows:
 - Various contracts for software and IT hardware support will increase in cost for fiscal 2016 in the amount of \$131,000 as previously discussed.

- An additional \$95,000 has been included to fund equipment acquisitions through the equipment internal service fund. All of these funds will be used to replace and upgrade IT equipment.
- \$24,600 is included in this category to fund increases in cost for Kronos cloud services and Office 365 through the Commission Wide IT initiatives fund. This item was not known at the time of the preliminary submission.

Changes to chargebacks will result in a \$24,167 decrease in the net budget for 2017.

Details of the amounts allocated to each County, funded positions, and the total request are attached for your reference. I look forward to discussing this proposal with you on November 19.

CENTRAL ADMINISTRATIVE SERVICES
Expenditures by Department by Type
PROPOSED BUDGET FISCAL YEAR 2017

	FY 16 Adopted	FY 16 Estimate	FY 17 Proposed	%
				Change
Department of Finance				
Montgomery County				
Personnel Services	3,191,316	3,191,316	3,072,366	-3.7%
Supplies and Materials	79,900	79,900	79,900	0.0%
Other Services and Charges	697,318	697,318	816,118	17.0%
Capital Outlay	-	-	-	-
Other Classifications	-	-	-	-
Chargebacks	(791,800)	(791,800)	(822,307)	3.9%
Total	3,176,734	3,176,734	3,146,077	-1.0%
Prince George's County				
Personnel Services	4,259,503	4,259,503	4,133,929	-2.9%
Supplies and Materials	104,300	104,300	104,300	0.0%
Other Services and Charges	912,186	912,186	1,043,986	14.4%
Capital Outlay	-	-	-	-
Other Classifications	-	-	-	-
Chargebacks	(1,525,200)	(1,525,200)	(1,518,860)	-0.4%
Total	3,750,789	3,750,789	3,763,355	0.3%
Combined Total				
Personnel Services	7,450,819	7,450,819	7,206,295	-3.3%
Supplies and Materials	184,200	184,200	184,200	0.0%
Other Services and Charges	1,609,504	1,609,504	1,860,104	15.6%
Capital Outlay	-	-	-	-
Other Classifications	-	-	-	-
Chargebacks	(2,317,000)	(2,317,000)	(2,341,167)	1.0%
Total	6,927,523	6,927,523	6,909,432	-0.3%

CENTRAL ADMINISTRATIVE SERVICES POSITION/WORKYEARS
POSITION DETAIL BY DEPARTMENT BY COUNTY

	FY 16		FY 16		FY 17	
	Adopted	Estimate	Proposed	Adopted	Estimate	Proposed
	POS	WYS	POS	WYS	POS	WYS
DEPARTMENT OF FINANCE						
<i>Montgomery County</i>						
Full-Time Career	26.00	26.00	26.00	26.00	26.00	26.00
Part-Time Career	0.40	0.30	0.40	0.30	0.40	0.30
Career Total	26.40	26.30	26.40	26.30	26.40	26.30
Term Contract	-	-	-	-	-	-
Seasonal/Intermittent	-	-	-	-	-	-
Less Lapse	(2.00)	(1.11)	(1.11)	(1.11)	(1.11)	(1.11)
Subtotal Department of Finance	24.30	26.40	26.40	25.19	26.40	25.19
<i>Prince George's County</i>						
Full-Time Career	34.00	34.00	34.00	34.00	34.00	34.00
Part-Time Career	0.60	0.30	0.60	0.30	0.60	0.30
Career Total	34.60	34.30	34.60	34.30	34.60	34.30
Term Contract	-	-	-	-	-	-
Seasonal/Intermittent	-	-	-	-	-	-
Less Lapse	(1.49)	(1.49)	(1.49)	(1.49)	(1.49)	(1.49)
Subtotal Department of Finance	32.81	34.60	34.60	32.81	34.60	32.81
TOTAL						
Full-Time Career	60.00	60.00	60.00	60.00	60.00	60.00
Part-Time Career	1.00	0.60	1.00	0.60	1.00	0.60
Career Total	61.00	60.60	61.00	60.60	61.00	60.60
Term Contract	-	-	-	-	-	-
Seasonal/Intermittent	-	-	-	-	-	-
Less Lapse	(4.60)	(2.60)	(2.60)	(2.60)	(2.60)	(2.60)
Total Department of Finance	61.00	56.00	61.00	58.00	61.00	58.00



Office of the General Counsel
Maryland-National Capital Park and Planning Commission

Reply To

November 19, 2015

Adrian R. Gardner
General Counsel
6611 Kenilworth Avenue, Suite 200
Riverdale, Maryland 20737
(301) 454-1670 • (301) 454-1674 fax

Memorandum

TO: Montgomery County Planning Board
Prince George's County Planning Board

FROM: Adrian R. Gardner
General Counsel

RE: Legal Department – FY 17 Administration Fund

This memorandum is to solicit Planning Board input in crafting the FY 2017 budget for the Commission's Office of General Counsel (OGC or Legal Department).

A. Recommendation

I recommend a maintenance-of-effort budget.

B. Budget Proposal

The Legal Department's FY 2017 proposed budget after chargebacks is \$2,337,398 allocated as follows:

- Montgomery County Administration Fund: \$1,318,555
- Prince George's County Administration Fund: \$1,018,843

This proposal represents a net decrease (or, -6.0%) below our FY 2016 approval. That net decrease primarily represents a decrease in the pension rate. Essentially, all non-personnel items are retained at levels that are flat; and, the proposal considers the most recent cost allocation split 51.9/48.1 MC/PGC.

C. Conclusion

I respectfully request Planning Board support this proposal.

c: Tonya Miles, Chief Departmental Administrator

Attachment

Memorandum re: Legal Department – FY17 Administration Fund

November 19, 2015

Page 2

LEGAL DEPARTMENT						
PRELIMINARY FY17 OPERATING BUDGET REQUEST						
		MC Admin Fund	PGC Admin Fund	DEPARTMENT TOTAL	% Change	Positions
	FY16 Adopted Budget	\$ 1,467,883	\$ 1,019,042	\$ 2,486,925		24.0
FY17 BASE BUDGET INCREASES						
	Salaries	(59,454)	36,289	(23,165)		
	Benefits	(41,999)	(9,109)	(51,108)		
	Supplies and Materials	(566)	566	(0)		
	Other Operating Changes	(17,595)	(3,997)	(21,592)		
	Chargebacks	(29,714)	(23,948)	(53,662)		
	FY 16 One-time Expenses					
	Subtotal Increase - Base Budget Request	\$ (149,328)	\$ (199)	\$ (149,527)	-6.0%	24.0
	Change to Base Between Counties from Labor Cost Allocation Change					
PROPOSED CHANGES						
	Specific Request			-		
	Specific Request			-		
	Specific Request			-		
	Specific Request			-		
	Specific Request			-		
	Subtotal Proposed Changes	\$ -	\$ -	\$ -	0.0%	
	Total Increase FY17 Proposed Budget Request	\$ (149,328)	\$ (199)	\$ (149,527)	-6.0%	0.0%
	Total FY17 Proposed Budget Request	\$ 1,318,555	\$ 1,018,843	\$ 2,337,398		



THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

6611 Kenilworth Avenue • Riverdale, Maryland 20737

November 19, 2015

To: Montgomery County Planning Board

From: Renee Kenney, Chief Internal Auditor

Re: FY17 Budget Request/Justification

The Office of Internal Audit submits the following FY17 budget request for your approval:

Office of Internal Audit						
FY17 OPERATING BUDGET REQUEST						
			MC Admin Fund	PGC Admin Fund	DEPARTMENT TOTAL	% Change
	FY16 Adopted Budget		\$ 200,933	\$ 354,986	\$ 555,919	
FY17 BASE BUDGET INCREASES						
		Salaries	26,482	(4,732)	21,750	
		Benefits	3,951	(10,338)	(6,387)	
		Other Operating Changes			-	
		Chargebacks		(2,502)	(2,502)	
		FY16 One-time Expenses				
		Subtotal Increase - Base Budget Request	\$ 30,433	\$ (17,572)	\$ 12,861	2.3%
	Change to Base Between Counties from Labor Cost Allocation Change					
PROPOSED CHANGES						
		Specific Request			-	
		Subtotal Proposed Changes	\$ -	\$ -	\$ -	0.0%
		Total Increase FY17 Proposed Budget Request	\$ 30,433	\$ (17,572)	\$ 12,861	2.3%
	FY17 OPERATING BUDGET REQUEST		\$ 231,366	\$ 337,414	\$ 568,780	

The OIA has a FY16 adopted budget of \$555,919, split between Montgomery County and Prince George's County, 36/64% respectively. The proposed FY17 operating budget of \$568,780 represents an overall increase of 2.3% over FY16.

The OIA is not requesting any special requests for FY17.

The \$12,861 increase in base salaries and benefits is primarily due to approved salary equity and COLA adjustments, and planned reclassification adjustments for two auditors.

The OIA receives a chargeback from Prince George's County for one internal auditor. Before chargebacks, the split between Montgomery County and Prince George's County reflects the recently approved CAS labor allocation of 34.7%/65.3%. After chargebacks, the allocation is 41%/59%.

Thank you for your consideration.