

Discussion

Aligning Capital, Budgets & Performance Through AI and Integrated Strategies

Leveraging technology to help you leave the office on time





your host

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Director of Product

Pick a number:

Think of any whole number
between 1 and 10

Multiply:

Multiply that number by 9

Add digits:

If it's a two-digit number,
add the two digits together.

For example: $54 \rightarrow 5+4 = 9$

Subtract:

Subtract 5 from that
number

Convert to a letter:

Assign a letter to your new number based on its place in the alphabet

1=A, 2=B, 3=C, 4=D

Pick a country:

Think of a **country** that
starts with that letter.

Take the second letter of that country's name and think of an **animal** that begins with that letter.

Pick the color:

What color is that animal?



Agenda

1. Process Improvement

2. Performance Management

3. Workforce Planning

4. Capital Improvement Planning

5. Communication & Transparency

6. The Evolution

7. Using AI in the Finance Office

8. Q+A

Up next:

Budgeting Basics



STRATEGIC INITIATIVES



1

**A Responsive and Accountable
County Government**

2

**Affordable Housing in an
Inclusive Community**

3

**An Effective and Efficient
Transportation Network**

4

**Children Prepared to
Live and Learn**

5

**Healthy and Sustainable
Communities**

6

**Safe Streets and
Secure Neighborhoods**

7

**A Strong and Vibrant
Economy**

8

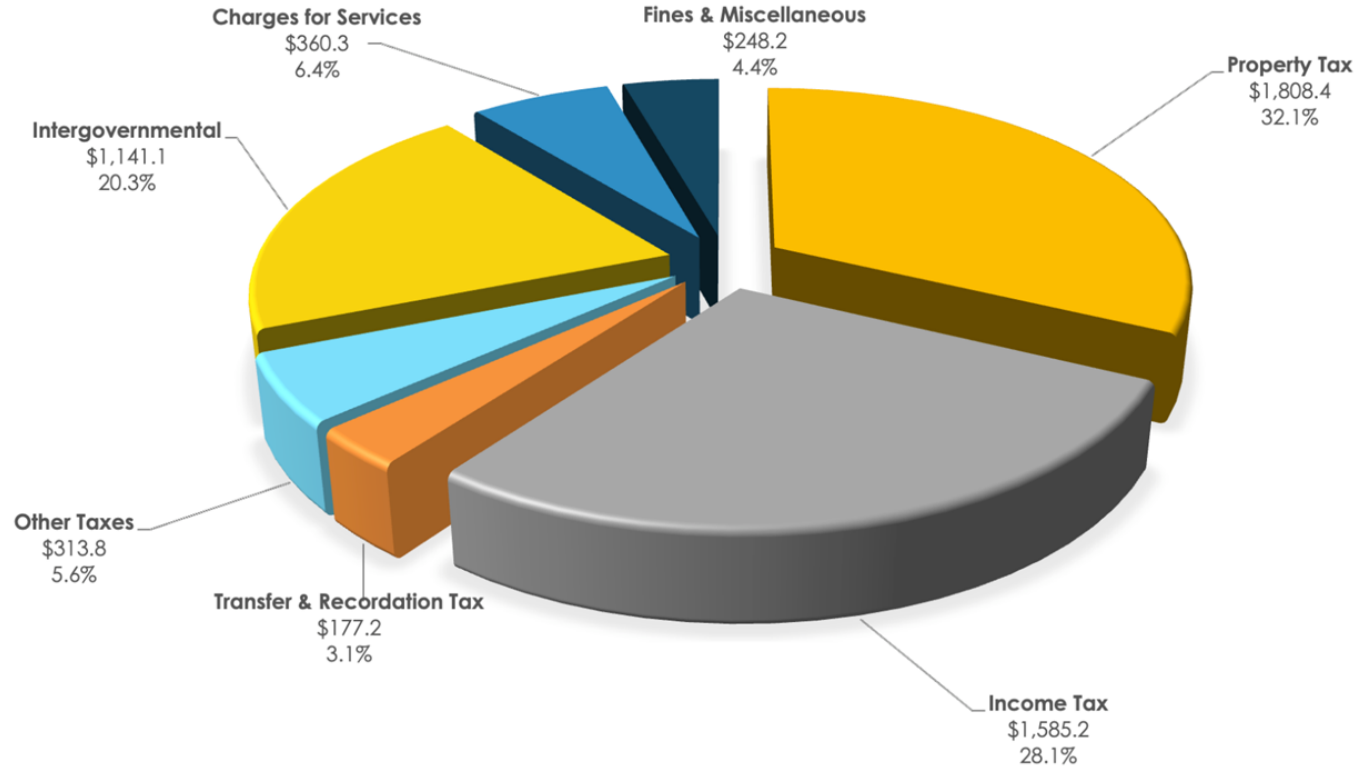
**Vital Living for
All of Our Residents**

FY19 TAX SUPPORTED EXPENDITURES BY FUNCTION

Tax Supported Expenditures Only	Appropriation	% of Total	% Sum	FTEs
1. MCPS	\$ 2,443,168,218	50.1%	50.1%	21,254.35
2. Public Safety	\$ 584,444,953	12.0%	62.1%	3,959.16
3. Debt Service	\$ 420,098,135	8.6%	70.8%	-
4. General Govt. & Other Functions	\$ 286,553,070	5.9%	76.6%	1,152.75
5. Health and Human Services	\$ 273,618,065	5.6%	82.3%	1,227.71
6. College	\$ 264,799,723	5.4%	87.7%	1,810.10
7. Transportation	\$ 181,607,276	3.7%	91.4%	1,114.54
8. Retiree Health Insurance	\$ 167,455,138	3.4%	94.9%	-
9. M-NCPPC (Park and Planning)	\$ 126,880,311	2.6%	97.5%	923.11
10. Libraries, Culture, & Recreation	\$ 88,122,432	1.8%	99.3%	845.63
11. Community Dev. and Housing	\$ 32,469,182	0.7%	99.9%	65.40
12. Environment	\$ 2,714,393	0.1%	100.0%	16.50
	\$ 4,871,930,896			32,369.25

WHERE THE MONEY COMES FROM

TOTAL Revenues - \$5,634.2



Two (**very different**) Budgets

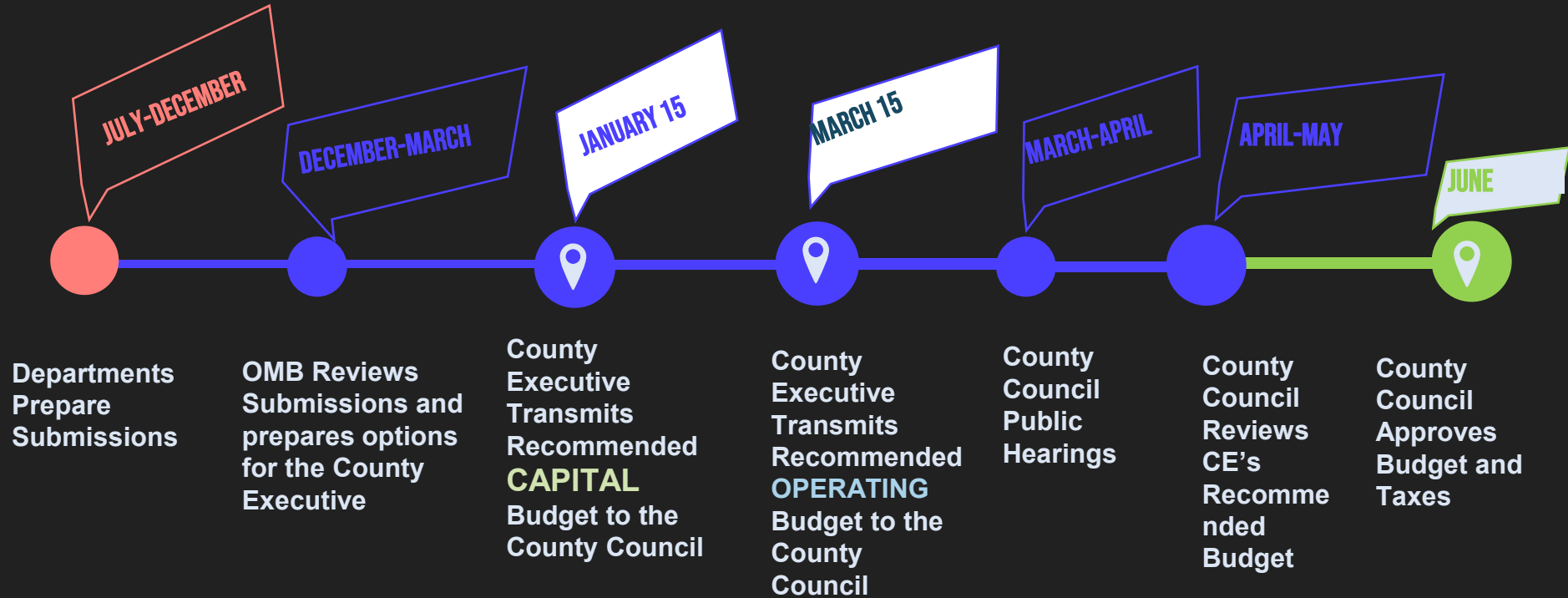
Operating Budget: **Services**

- K-12 education
- Community College education
- Public safety: Police, Fire, Courts, Corrections
- Transportation
- Social Services: Health, Income Maintenance, other
- Environmental protection
- Parks, recreation, and libraries
- Land use planning and regulation
- Trash collection and disposal
- Economic development
- **PAYS FOR DEBT**

Capital Budget: **Facilities**

- Schools, College facilities
- Roads and bridges
- Water and sewer facilities
- Information technology infrastructure
- Libraries
- Police and fire stations
- General government facilities
- Funded primarily through the issuance of bonds (borrowing)
- **CREATES DEBT**

The Budget Process



WHERE WE WERE

- ! Numerous (20+) Access Databases
- ! 4-5 Very old (15+ years) Legacy Systems | **ERP Budget Application**
- ! Scattered Documentation
- ! Hundreds of Excel Spreadsheets for Data Intake (FFIs, Quarterly Analysis...)
- ! Paper Tracking / Submissions (Budget Submissions, Documents, Leave Requests)
- ! Static Paper Publication (**tremendous effort to assemble**)



Up next:

Process Improvement

1

Where Does the Time Go?

- Waiting for IT to roll over systems at the start of each fiscal year
 - Double- and triple-checking numbers across disconnected spreadsheets
 - Tracking document versions through email chains
 - Formatting and reformatting budget publications
 - Chasing approvals across departments
 - Fighting with printers on budget adoption night
 - Aligning the executive branch with council priorities
 - Recruiting and onboarding replacement staff
-

- What are the big things that consume your time during budget season?
 - What are the smaller, more tedious tasks you wish you could automate or eliminate?
-

- Eliminate unnecessary process steps
 - Modernize your technology stack
 - Set up automated workflows for routing, approvals, and notifications
 - Unplug the printer
 - Up-level your staff
 - Align the executive branch and council early to prevent last-minute budget rewrites
 - Policy
 - Build a pipeline
-

Process Improvement: Quick Wins vs Systemic Changes

Quick wins (Do this week)

- Standardize your budget submission template
- Create a shared status tracker for document versions
- Set up email rules to auto-sort budget season communications
- Prorate vacant positions in your projections
- Schedule standing budget team check-ins on your calendar

Systemic changes (do this year)

- Move from spreadsheet-based budgeting to purpose-built software
- Implement a formal budget calendar with hard deadlines
- Create automated approval workflows
- Build a staff cross-training plan to reduce single points of failure
- Establish a position management policy with annual review

Up next:

Performance Management

2

The Challenge: Why Performance Management Can't Wait

- Governments are under unprecedented pressure to do more with less
- Most agencies are still tracking goals manually across spreadsheets
- Operating without a clear link between spending and desired outcomes
- Struggling to report progress clearly to leaders and the public
- Result: Budget decisions get made on politics and habit, not evidence
- If your goals live in spreadsheets, you're flying blind.

Why Performance Efforts Often Fall Short

- Too Many Goals
 - Data Without Connection
 - Limited Accountability
 - Reactive Measurement
 - Change Fatigue
-

Common Measurement Mistakes in Government

- Focusing on inputs and activities instead of outputs, outcomes, or impact
 - Relying solely on lagging indicators — they tell you what happened, not what's coming
 - Choosing measures because they're easy to count, not because they're meaningful
 - Lacking accountability due to unclear ownership of the measure
 - Asking Alexa, ChatGPT, or Google to give you KPIs — without starting from your own goals
-

Leading vs. Lagging Indicators

Leading Indicator: Precursor
of future success

→ Potholes Fixed → Leading — action you control
that drives outcome

Lagging Indicator: Measure of past
performance

→ % of Roads in Good Condition → Lagging
— reflects the cumulative result of
maintenance

→ Crash & Fatality Rates → Lagging —
ultimate outcome measure; slow to
change

What You Can Do About It

- Be Realistic
 - Create a Prioritizing Workflow
 - Focus on Priorities
 - Align with Leadership Goals
 - Monitor Your Goals
-

Discussion

- Do you currently make budget decisions based on your department's performance?
 - What would need to change in your process to make that happen more consistently?
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Budget Maturity Model

- Initial: Check-the-box activity: manual & spreadsheet-based, limited collaboration
 - Managed: Structured annual process: line-item budgets, finance plays coordinating role
 - Defined: Performance-based budgeting introduced: multi-year planning begins, purpose-built software used
 - Strategically Managed: Budgets aligned to strategic plans: scenario modeling, cross-functional collaboration
 - Optimized: Dynamic & data-driven: agile reallocation, AI forecasting, high citizen engagement
-

Up next:

Workforce Planning

3

Why Workforce Planning is Your Highest-Stakes Decision

- Personnel costs typically represent 60–80% of a local government's operating budget
 - Yet most budgets treat positions as static line items rather than dynamic forecasts
 - Common failure modes: over-budgeting vacancies, under-budgeting step increases, missing COLA timing
 - The result: budget variance that's predictable — and preventable
-

Run A Multi-Year Forecast on Your Positions

- Budget by individual — base each position on current rate, not generic averages
- Factor in the next step increase, union contract rate, and scheduled COLA
- Project out 5–10 years to align personnel costs with your Capital Improvement Plan
- Model benefit cost increases: medical, dental, vision, life, short-term disability, workers' comp
- Plan for retirement payouts — they spike in predictable ways if you track tenure

Vacant & Unfilled Positions

-
- Departments routinely budget for positions as if they will be filled on Day 1
 - Reality: hiring timelines stretch 3–6 months or longer for specialized roles
 - Two practical strategies:
 - ◆ Prorate / push starting date of positions out several months in your projection
 - ◆ Remove positions that haven't been filled in 12+ months from the active roster

Involve Your Departments & Hold Them Accountable

- New position requests should reflect the TRUE cost to fill, not just base salary
 - Full cost includes: salary, FICA, Medicare, overtime exposure, benefits, workers' comp
 - Departments consistently underestimate — build a standard cost template
 - Overtime: track budget vs. actual monthly — don't let OT blow out in Q1
 - Establish clear position request deadlines tied to your budget calendar
 - Require justification tied to strategic goals or workload data — not just headcount history
-

Have Backup Scenarios Ready

- Budget negotiations rarely go exactly as planned — be prepared to respond quickly
 - Maintain pre-built scenarios: 3% reduction, 5% reduction, 10% reduction
 - Know which positions are funded by grants, one-time revenues, or expiring sources
 - Be able to show council the ripple effect of any reduction on service delivery
 - Document your assumptions — when numbers change, you need to rerun quickly
-

Discussion

- What are the biggest pain points in how your organization currently budgets for personnel?
 - Do you have a position management policy? What does it say about vacancies?
-

Up next:

Capital Improvement Planning

4

Why Capital Projects Demand Your Best Process

- Are highly visible
 - Impact financial health
 - Change communities
 - Drive economic growth
 - Build or collapse public trust
-

Discussion

- What are your biggest challenges with managing the Capital Budget?
 - How well-connected is your CIP to your operating budget and your strategic plan?
-

The Problem With Current CIP Technology & Process

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- Most organizations manage the CIP through spreadsheets + Word + email
 - Version control breaks down the moment a second person touches the document
 - Project data lives in silos
 - Operating budget impacts of capital projects are rarely tracked systematically
 - Collaboration across departments and with elected officials is not trivial

Asset Management Planning Informs Your CIP

- Strategic asset management is an ongoing, comprehensive process
- Develop a strategy that enables assets to provide desired service levels at the lowest life cycle cost
- Track required vs. actual maintenance costs
- Forecast the financial impact of deferral
- Include infrastructure condition data in your capital prioritization scoring
- Visual dashboards make the case to elected officials better than text-heavy reports

Rank & Score Your Projects Strategically

- Build a scoring framework tied to your strategic goals and community priorities
 - Sample scoring criteria: public safety impact, equity considerations, regulatory compliance, economic development potential, community visibility, urgency of need
 - Score projects on a 1–10 scale per criterion — total score drives priority ranking
 - Make the scoring process transparent and repeatable across budget cycles
-

Track Operating Budget Impacts of Capital Projects

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- Every new capital project creates ongoing operating costs — staff, utilities, maintenance
 - These costs must be reflected in multi-year operating budget projections before approval
 - Require departments to submit operating cost estimates with every capital project request
 - Connect the CIP approval process to the operating budget build — they cannot be separate

Grants: Don't Leave Money on the Table

- Track the full grant lifecycle: awards, obligations, disbursements, and close-out in one place
 - Manage compliance proactively — baked-in safeguards keep you ahead of audits
 - Align disbursements with outcomes, not just receipts and invoices
 - Oversee pass-through funds effectively with clear controls and sub-recipient visibility
 - Match grant funding to CIP projects that align with grant purpose — document the connection
-

When CIP and Workforce Planning Connect

- Your CIP and your personnel budget are not independent
 - Almost every capital project creates ongoing operating costs
 - Every position you add or remove changes your long-term debt service capacity
 - The integration: 5-year personnel forecast → operating floor → safe debt service capacity → CIP outer limit
 - Organizations that plan these separately over-commit on capital and under-budget on operations
 - Organizations that plan them together make decisions elected officials can defend — and residents can trust
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Up next:

Communication & Transparency

5

Sharing the budget with residents has been traditionally done through static PDFs.

GENERAL OBLIGATION BOND ADJUSTMENT CHART								
FY15-20 Amended Capital Improvements Program								
CE RECOMMENDED								
March 16, 2015								
	6 YEARS	FY15	FY16	FY17	FY18	FY19	FY20	
(\$ millions)	1,947,500	299,500	324,500	327,000	332,000	332,000	332,000	
BONDS PLANNED FOR ISSUE	194,700	29,950	32,450	32,700	33,200	33,200	33,200	
Plus PAYGO Funded	136,077	46,903	18,487	18,188	18,003	17,512	16,983	
Adjust for Implementation **	(82,247)	-	-	(7,743)	(15,998)	(24,615)	(33,891)	
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	2,195,530	376,353	375,437	370,145	367,205	358,097	348,282	
Less Set Aside: Future Projects	4,986	-	-	-	-	-	-	
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	2,086,272	375,424	361,789	351,821	348,106	338,807	310,325	
MCPS	(772,762)	(119,158)	(138,761)	(136,484)	(153,119)	(124,107)	(101,133)	
MONTGOMERY COLLEGE	(153,700)	(37,570)	(20,427)	(30,663)	(25,817)	(12,452)	(26,771)	
M-NCPPC PARKS	(67,786)	(9,789)	(11,103)	(13,135)	(12,677)	(11,222)	(8,862)	
TRANSPORTATION	(608,312)	(105,073)	(78,496)	(78,212)	(96,334)	(122,492)	(127,705)	
MCO - OTHER	(559,151)	(161,048)	(123,849)	(98,256)	(62,476)	(68,668)	(44,854)	
Programming Adjustment - Unspent Prior Years*	75,441	57,214	10,847	4,929	2,317	0.134	-	
SUBTOTAL PROGRAMMED EXPENDITURES	(2,086,272)	(375,424)	(361,789)	(351,821)	(348,106)	(338,807)	(310,325)	
AVAILABLE OR (GAP)	-	-	-	-	-	-	-	
NOTES:								
* See additional information on the GO Bond Programming								
Adjustment for Unspent Prior Year Detail Chart								
** Adjustments Include:								
Inflation =		2.03%	1.98%	2.20%	2.33%	2.53%	2.80%	
Implementation Rate =		86.46%	94.51%	94.61%	94.61%	94.61%	94.61%	

Technology Modernization -- MCG (P150701)

Category
Sub Category
Administering Agency
Planning Area

General Government
County Offices and Other Improvements
County Executive (AAGE03)
Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

8/25/14
No
None
Ongoing

	Total	Thru FY14	Rem FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	134,853	87,585	16,863	30,405	19,683	5,586	5,136	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	56	0	56	0	0	0	0	0	0	0	0
Total	134,909	87,585	16,919	30,405	19,683	5,586	5,136	0	0	0	0

FUNDING SCHEDULE (\$000s)											
1,340	0	0	1,340	1,340	0	0	0	0	0	0	0
67,812	49,462	6,420	12,030	11,030	500	500	0	0	0	0	0
741	0	741	0	0	0	0	0	0	0	0	0
2,634	2,634	0	0	0	0	0	0	0	0	0	0
645	0	0	645	645	0	0	0	0	0	0	0
2,623	0	2,623	0	0	0	0	0	0	0	0	0
59,014	35,489	7,135	990	6,660	0	0	0	0	0	0	0
134,909	87,585	16,919	30,405	19,683	5,586	5,136	0	0	0	0	0
APPROPRIATION											

19,683											
0 5,586											
10,222 0											
0											
124,187											
87,585											
36,602											
134,909											
113,621											

ment, upgrade, and implementation of IT initiatives that will ensure ongoing viability of key processes, and produce a high return in terms of customer service and accountability to our residents. The project completed through this project include the Enterprise Resource Planning (ERP) Financial and Reporting phase of the 311/Constituent Relationship Management (CRM), Electronic Time reporting system Review (BPR). Planning activities for the Department of Health and Human Services (HHS) and processes are underway. The Budgeting module of the ERP system (Hyperion) and currently underway and the workforce component of the Hyperion System has been completed. The Core Business Systems to improve the efficiency, effectiveness, and responsiveness of the County's Tax Assessment Billing System is underway. This system is used to bill residents for County and municipal property taxes, solid waste fees, water quality fees, WSSC fees, and The HHS program provides for the development and implementation of an Enterprise Integrated Case Management (EICM) system as part of a larger Process and Technology Modernization (PTM) program that will move the County's model of practice to a more effective client-centered model of practice. As part of this initiative,



Discussion

- What are your biggest challenges putting together budget publications, memos, and decision packages?
 - Who are you communicating with — and what do they actually need to understand?
-

The Static PDF Problem

- Sharing the budget with residents has traditionally meant a static PDF
 - PDFs are inaccessible, unsearchable by non-experts, and immediately out of date
 - They require expensive professional design work to look credible
 - They don't allow residents to explore the data at their own level of interest
 - Most residents never open them
-

Types of Publications Government Finance Teams Produce

-
- Ordinances and Resolutions
 - Meeting Agendas and Minutes
 - Annual Reports (ACFR, Performance Reports)
 - Budgets: Capital, Operating, Decision Packages, Quarterly Analysis, Fiscal Impact Statements
 - Public Notices and Legal Advertisements
 - Strategic Plans
 - Newsletters and Bulletins
 - Citizen Surveys and Public Feedback Reports

GFOA Distinguished Budget Award: What It Takes

-
- Policy Document: Budget must serve as a policy document that identifies what the organization does and why
 - Financial Plan: Must present a financial plan for at least two years, showing long-term sustainability
 - Operations Guide: Must function as an operations guide, linking resources to programs and services
 - Communications Device: Must communicate to the public in a clear, accessible, and visually engaging manner

Communicate With Stakeholders & Get Their Input

- Public engagement on the budget is not just a legal requirement
 - Interactive capital improvement program portals let residents explore projects by location and priority
 - Participatory budgeting models give communities a direct role in allocation decisions
 - Stakeholder input gathered during planning prevents costly reversals after adoption
 - Digital engagement tools capture input from residents who can't attend public meetings
-

Up next:

The Evolution of AI

6

AI Has been Here Longer than You Think

-
- 1950 — Alan Turing publishes "Computing Machinery and Intelligence," introducing the Turing Test
 - 1957 — Frank Rosenblatt develops the Perceptron: the first neural network-based computer
 - 1980s — Backpropagation algorithms enable deep learning foundations
 - 1997 — IBM's Deep Blue defeats world chess champion Garry Kasparov
 - 2017 — The Economist declares data the world's most valuable resource, surpassing oil
 - 2022 — ChatGPT launches; generative AI enters mainstream public consciousness
 - 2023 — 26% of IT leaders say ML/AI will drive most IT investments; financial services invests \$35B in AI
 - 2024 — 1 in 4 public employees now use AI for work; finance professionals are leading adopters
 - 2025 — 78% of organizations now use AI in some form

AI in 2026: Where We are Now

-
- 65% of organizations use generative AI in at least one business function — double the rate from a year ago
 - 81% of financial services firms are adopting AI at some level
 - 43% of public-sector employees now use AI regularly — up from just 17% in 2023

GFOA Perspective on AI

- GFOA is concerned that over-reliance on AI could result in future finance leaders losing the ability to create original insights
- AI must not become a crutch
- The risk is not that AI will replace finance professionals
- The risk is that professionals who use AI will replace those who don't
- And that finance leaders who use AI as a shortcut will be less capable than those who use it as a tool

What AI Actually Is and Isn't

- Machine Learning: Detects trends and flags outliers
 - Predictive AI: Projects budget trajectories, revenue streams, and capital investment risks
 - Generative AI: Drafts first-pass content
 - Agentic AI: Goes from prompt to process
-

Up next:



Using AI in the Finance Office

How to bring AI into the office



Copywriting: draft reports



Data analysis: summarize long documents



Brainstorming & ideation



Productivity hacks: automatically respond to resident questions



Detect anomalies before they cause delays

Sample AI Use Cases (External)

-
- Budget vs. actual variance analysis — automated summaries for public reporting
 - RFP building for repetitive capital or professional services projects
 - Budget initiative narratives written for public consumption, not just internal use
 - Visualizations of complex financial data for council presentations and resident portals
 - Comparative analytics: benchmark your entity against similar peer jurisdictions
 - Self-service FOIA request support using structured data and AI retrieval
 - Chatbots for constituent Q&A on budget, taxes, and service-related questions

Sample AI Use Cases (Internal)

-
- Draft email responses to department heads and council members
 - Generate checklists for audit prep, month-end close, and purchasing compliance
 - Financial analysis in Excel — formulas, pivot tables, macros, and data cleaning
 - Presentation preparation — develop graphs, visualizations, and talking points
 - Position description writing and resume review for hiring
 - Meeting summaries from recorded budget work sessions
 - Scenario narrative generation: "explain the impact of a 5% reduction in this department"

RELIC: Formula for Better Prompts

-
- R — Role: Tell the AI who it is — "You are an assistant city manager with 20 years of experience"
 - E — Exclusion: Tell the AI what NOT to include — "Do not include technical jargon or acronyms"
 - L — Length: Specify output size — "Keep your response between 300–400 words"
 - I — Inspiration: Provide a style reference — "Use this document as a reference for tone and voice"
 - C — Context: Ground the prompt — "You work for the City of X and have been tasked with creating a public budget summary"

Prompting Principles for Public Servants

-
- Be Specific: vague input = vague output. Include time frame, data source, or document type
 - ◆ Instead of: "Summarize this report"
 - ◆ Try: "Summarize Q3 budget variance for Public Works — focus on deviations over 10%"
 - Define Format & Tone
 - Ask for bullets, tables, or summaries; specify formal (council) vs. accessible (residents)
 - Set Constraints
 - ◆ Word count and output length reduce the risk of hallucinated detail
 - Provide Context
 - ◆ Refer to a specific policy, dataset, or previous document to anchor the response
 - Iterate
 - ◆ Treat the first output as a draft. Good prompting is a conversation, not a single request

Up next:

Using AI Responsibility



How to Avoid AI Pitfalls

Hallucinations:

- AI can generate information that sounds authoritative but is not based on real data
- Always validate sources — ask "what is this based on?"
- Never assume data accuracy without human verification
- Use sandboxed tools with clear audit trails
- Make human review a requirement — not an optional step

Privacy & Data Security:

- If using a free AI account, your data may be used to train the model
- Never input resident PII, confidential financial data, or personnel records into consumer AI tools
- Choose enterprise AI solutions that don't add your data to public training models
- Establish a clear organizational AI use policy before widespread adoption
- Publicly disclose AI use policies — residents and oversight bodies will ask

AI Risk Checklist for Government Finance Teams

- Data security
 - Personnel risks
 - Operational risks
 - Reputational risks
 - Legal and IP risks
 - Financial risks
 - Procurement risks
-

AI Created for the Public Sector

- Keep your data safe
- Be able to verify results
- Opt in to faster workflows
- Human-in-the-loop is non-negotiable
- From CFO 1.0 (scorekeeper) to CFO 3.0 (strategist)
- The question isn't "should we use AI?, " it's "how do we govern it well?"

Discussion

- Do you think local governments will build their own AI tools or rely on private sector partners?
 - What will responsible public-private AI partnerships look like for government finance?
 - How should local governments vet vendors and hold them accountable for AI use?
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-
- **Operate Efficiently:** Identify and eliminate process inefficiencies that consume staff time, applying practical techniques for streamlining budgeting workflows
 - **Connect Budget to Outcomes:** Link capital improvement planning, workforce costs, and operating budgets to strategic goals and community priorities
 - **Workforce Planning:** Forecast personnel costs accurately, manage vacancy savings, and align staffing decisions with long-term financial sustainability
 - **Strengthen Public Trust:** Produce accessible, data-driven budget documents and stakeholder engagement that moves beyond static PDFs
 - **Adopt AI Responsibly:** Understand generative, predictive, and agentic AI — and implement them with appropriate human oversight and data governance

Up next:

Q+A

9



Thank you!

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Public service affects everyone in America, every day. That's why we build software to power more effective and accountable government.
