

GO COMMITTEE #4  
April 15, 2011

Worksession

**MEMORANDUM**

April 13, 2011

TO: Government Operations and Fiscal Policy Committee

FROM: Jean C. Arthur, <sup>CA</sup> Legislative Analyst

SUBJECT: **Worksession: FY12 Operating Budget – Non-Departmental Accounts:  
County Associations  
Public Technology Institute  
Metropolitan Washington Council of Governments  
Boards, Committees and Commissions**

The relevant pages from the FY12 Recommended Operating Budget are at circles 1-3.

*The following persons are expected at this worksession:*

Sonetta Neufville, Administrative Specialist III, County Executive Office  
Bryan Hunt, Budget Analyst, OMB

**OVERVIEW**

Before the Committee today are funding requests for several non-departmental accounts. The total County Executive recommended FY12 budgets for these accounts are shown in the table below.

<b>NDA</b>	<b>FY11 Approved</b>	<b>FY12 CE Recommended</b>	<b>% Change</b>
Council of Governments	\$754,500	\$742,940	-1.5%
County Associations	\$72,710	\$72,710	0
Public Technology Institute	\$20,000	\$17,000	-15%
Boards, Committees and Commissions	\$27,000	\$22,950	-15%
<b>Total</b>	<b>\$874,210</b>	<b>\$855,600</b>	<b>-2.1%</b>

## FY12 Expenditure Issues

### Metropolitan Washington Council of Governments

This account pays the County's portion of COG's operating expenses and special COG initiatives. COG is a voluntary association of major local governments in the Washington Metropolitan area. COG aims to develop regional responses to issues affecting member jurisdictions. Below is a breakdown of the County's payments to COG.

	FY11	FY12	Change from FY11
<b>MWCOG FUND*</b>	<b>Approved</b>	<b>Proposed</b>	<b>Actual</b>
General	\$553,330	\$553,330	0
Regional Environmental Fund	118,161	106,598	-11,563
Anacostia Restoration Fund	83,000	83,000	0
Airport Noise			0
Cooperative Purchasing			0
Washington Area Housing Trust Fund			0
<b>TOTAL Tax Supported</b>	<b>754,491</b>	<b>742,940**</b>	<b>-11,563</b>
<b>Billed to WSSC</b>			
Water Resources Mgmt. Planning	256,818	251,782	-7,553
Blue Plains Users	114,067	114,067	0
<b>TOTAL Paid by WSSC</b>	<b>370,885</b>	<b>365,849</b>	<b>-7,553</b>
<b>TOTAL</b>	<b>\$1,125,376</b>	<b>\$1,108,777</b>	<b>-16,599</b>

### County Associations

This account pays the County's dues to the National Association of Counties and Maryland Association of Counties. The dues are based on population and are unchanged from FY11. Both MACo and NACo have frozen dues at FY10 levels.

NACo: \$17,417  
 MACo: \$55,292

### Public Technology Institute

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\* COG membership assessments are calculated on a per capita (population) basis each fiscal year using an assessment rate adopted by the COG Board of Directors. The annual formula will be suspended for the fiscal year 2012 and membership dues will be frozen again at the FY09 amount. COG will further review the assessment formula for the FY2013 budget.

\*\* This figure has been rounded up.

Public Technology Institute is a technology organization which supports local governments through research, education, executive-level consulting services, and national recognition programs. PTI works to identify research opportunities, share solutions, recognize member achievements and address the many technology issues that impact local government. PTI has a close relationship with the National League of Cities, National Association of Counties and International City/County Management Association.

According to PTI, Montgomery County's dues for FY12 will be \$20,000, the same as FY11. However, the Executive has recommended only \$17,000 for this account.

Council staff requested that Executive branch staff provide material on how the County has utilized PTI in the past year. The Department of Technology services is the most frequent user of PTI's services. Below is a statement by E. Steven Emanuel, Chief Information Officer, Department of Technology Services.

- DTS utilizes PTI frequently during the year. We attend several Webinars on emerging technology issues at no cost to the County and pass along research to other IT members and the DTS leadership team. We have also attended several PTI events (conferences and other local meetings) at no cost to the County over the past 9 years. As a result of the Webinars attendance, DTS is frequently invited to other IT conferences free of charge. DTS participates actively in PTI's various awards programs. In 2009, PTI named the County an Innovation Lab (see: [http://www.montgomerycountymd.gov/apps/News/press/PR\\_details.asp?PrID=5467](http://www.montgomerycountymd.gov/apps/News/press/PR_details.asp?PrID=5467)). The County / DTS has been recognized with several other PTI awards over the years. See: <http://www.montgomerycountymd.gov/dtstmpl.asp?url=/Content/DTS/awards.asp>.
- The most recent and direct use of PTI was when we engaged PTI for County IT direction, use and implementation of the Social Media direction. We used PTI for the background, best practices and included their president as the speaker for the leadership team. The membership allowed us that engagement at no cost to the County.
- We leverage PTI as well for horizontal IT initiatives that allow this organization to get us insights and strategies from other member counties, strategic documents on IT solutions and planning, at no cost. They also play a national role in the evaluation of the use of technology in government and as a lead in the development of near term strategy adoption that keeps MC in the forefront of technology innovation at a national level.

In 2011, DTS has received Technology Solutions and Innovations awards from PTI for the following projects:

- A GIS Platform for Emergency Management & Response: Common Operational Pictures (COP)
- Operational Pictures (COP) Vehicle Accident Report Purchase
- System H1N1 Flu Vaccine On-line Appointment Booking System

DTS also received a Technology Solutions Award for Telecommunications & Information Technology for this project:

- MC311: Re-engineering Local Government Through Customer Relationship Management

### **Boards, Committees and Commissions**

Currently, the County government has 86 boards, committees and commissions created by law or resolution. Over 1200 residents serve on these entities and most volunteer their time. Members on seven boards or commissions are compensated for their time. Some, such as the Board of Appeals and the Board of Investment Trustees, have full-time staff.

Recently, several members of the Council requested that staff work with Executive branch staff to quantify the fiscal impact of all boards, committees and commissions.

Apart from the boards, committees or commissions with dedicated staff, most of the costs associated with these entities are from departmental (including County Council) staff who support them by attending meetings and providing information. In addition, members on boards, committees and commissions are entitled to reimbursement of cost for travel and dependent care. The complete cost of boards, committees and commissions is difficult to ascertain but Executive staff developed a formula to do that. That information was not ready when this memorandum was finalized and will be distributed at the worksession.

As Committee members know, the Organizational Reform Commission recommended that the County convene a Committee Evaluation and Review Board in FY11, rather than FY12, which would be the normal timeline. The CERB reviews all boards, committees and commissions and makes recommendations to the Council and Executive. The Council and Executive have indicated support for this recommendation, and the Executive indicated he will soon start the appointment process for a CERB.

For FY12, the County Executive is recommending a budget for boards, committees and commissions of \$22,950, a \$4,050 reduction from the current budget of \$27,000. The Executive recommends reducing the amount for travel and dependent care reimbursements.

**Staff Recommendation: Approve as submitted by the County Executive.**

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>10,000</b>	<b>0.0</b>
Increase Cost: Medical services expense	40,000	0.0
<b>FY12 CE Recommended</b>	<b>50,000</b>	<b>0.0</b>

### \* **Public Technology, Inc.**

Funds are budgeted each year to continue membership in Public Technology, Inc. (PTI) as the County's research and development link with the National Association of Counties. Annual dues cover research and development assistance for innovative projects; access to a computerized information-sharing network; and membership in the Urban Consortium. The County participates in, and has received grants as a result of, initiatives in task forces on energy, solid waste, and telecommunications. PTI, as an organization, specializes in the research and assessment of ideas of interest to local governments for increasing efficiency, reducing costs, improving services, and solving problems. A current emphasis is on public enterprise, toward helping local governments identify and capture potential sales from products and information that are outcomes of government investment.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>20,000</b>	<b>0.0</b>
Decrease Cost: Reduce by 15 Percent	-3,000	0.0
<b>FY12 CE Recommended</b>	<b>17,000</b>	<b>0.0</b>

### **Restricted Donations**

This NDA was established to comply with the requirements of Government Accounting Standards Board Statement No. 34 (GASB 34) by budgeting for the receipt of private donations for County programs. The proceeds of the former Expendable Trust Fund accounts and other miscellaneous funds have been transferred to the Restricted Donations Special Revenue Fund. Appropriation authority to spend additional donations received during the year is provided through the County Council Resolution for the Approval of and Appropriation for the Operating Budget of the Montgomery County Government. The budget resolution provides that the unexpended balance in this fund at the end of the fiscal year is reappropriated by the County Council for the next fiscal year; and if needed, the Restricted Donations NDA can receive transfers from the Future Federal, State, or Other Grants NDA for any individual donations up to \$200,000. Additional information relating to the financial activities of this NDA is displayed in Schedule A-4, Fiscal Summary by Fund, Non-Tax Supported, Montgomery County Government, Restricted Donations.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>0</b>	<b>0.0</b>
<b>FY12 CE Recommended</b>	<b>0</b>	<b>0.0</b>

### **Retiree Health Benefits Trust**

Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$3.6 billion – more than half the total FY12 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be \$255 million, or approximately \$212 million more than the previous annual payment for current retirees.

For FY12, the ARC has been recalculated and is now estimated at \$328 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

The County has adopted an approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached. A total of \$31.9 million for all tax supported agencies was budgeted for this

Funding is also included to reimburse the contractor for costs not covered by operations during accounting periods when losses occur. These costs will be offset by contractor payments to the County during accounting periods with operating gains. In FY12, funds have been included to complete the management audit as required by the Management Agreement between the County and Marriott International, Inc.

Revenues consisting of net operating income from the Conference Center and land rent from the hotel are also reflected in the NDA. Twenty percent of the County's net proceeds from Conference Center operations will be retained for investment in marketing and facility improvements that will increase Conference Center usage. All proposed investment expenditures will be reviewed and approved by the Conference Center Management Committee.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>567,400</b>	<b>1.0</b>
Add: Funding for the FY12 Management Audit	50,000	0.0
Increase Cost: Group Insurance Adjustment	110	0.0
<b>FY12 CE Recommended</b>	<b>617,510</b>	<b>1.0</b>

### \* **Council of Governments**

The Metropolitan Washington Council of Governments (COG) is a voluntary association of major local governments in the Washington Metropolitan Area. COG seeks to provide regional answers to, and coordination of, area-wide issues such as air and water pollution, day care, housing, crime, water supply, land use, and transportation.

This NDA reflects Montgomery County's share of the organization's operation plus special COG initiatives. Additionally, the contribution supports the Cooperative Purchasing Program; the Anacostia Restoration Fund; the Regional Environmental Fund; the Airport Noise Abatement Program; and a membership fee for participation on a regional housing committee.

As in previous years, the Washington Suburban Sanitary Commission will provide Montgomery County's contribution to support the Water Resources Management Planning Program and the Blue Plains Users Program.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>754,500</b>	<b>0.0</b>
Decrease Cost: Annualization of FY11 Operating Expenses	-11,560	0.0
<b>FY12 CE Recommended</b>	<b>742,940</b>	<b>0.0</b>

### \* **County Associations**

This NDA funds Montgomery County membership dues to the National Association of Counties (NACo) and the Maryland Association of Counties (MACo).

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>72,710</b>	<b>0.0</b>
<b>FY12 CE Recommended</b>	<b>72,710</b>	<b>0.0</b>

### **Desktop Computer Modernization**

The Desktop Computer Modernization (DCM) program is based on a best practices approach to maintaining a modern and cost effective computing environment in the County. The program reduces the Total Cost of Ownership (TCO) of personal computers (PCs) and laptops through standardization, asset management, and maintenance services. DCM includes the centralized management, support, and maintenance of PCs and targets the annual replacement of approximately one-fourth of managed PCs. The program also includes PC-related training and software. This NDA includes funding for Help Desk support, management, maintenance, and replacement of PCs.

For FY12, the County Executive recommends resuming the scheduled replacement of desktop computers. Currently 45% of County Government PC's, laptops and workstations are 4 years old or older. 18% are 5 years old or older. These units are at the end of their useful life and catastrophic device failures will increase, with visible negative impacts to both county employees and residents.

Further, Microsoft's Windows XP operating system is at the end of its lifecycle and will not be supported beyond April, 2014. Windows 7, Microsoft's new operating system, requires more robust hardware to operate correctly. Old systems will not work properly with the newest systems (without significant support requirements, expanding support resources) across the network resulting in degraded interoperability and communications. Risk of computer security incidents and compromise will increase,

accordance with the Board's asset allocation strategy and investment guidelines. The Board also administers the investment programs for the RSP and DCP. The Board consists of 13 trustees including the Directors of Human Resources, Finance, Management and Budget, and the Council Staff; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>0</b>	<b>0.0</b>
<b>FY12 CE Recommended</b>	<b>0</b>	<b>0.0</b>

### \* **Boards, Committees, and Commissions**

There are approximately 75 boards, committees, and commissions, created by law or resolution, which serve the County for a variety of purposes. These funds provide for the reimbursement of certain expenses incurred by eligible members of boards, committees, or commissions while on official business and/or for expenses related to the establishment of any new boards, committees, or commissions.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>27,000</b>	<b>0.0</b>
Reduce: Travel and Dependent Care Reimbursements	-4,050	0.0
<b>FY12 CE Recommended</b>	<b>22,950</b>	<b>0.0</b>

### **Charter Review Commission**

Section 509 of the County Charter requires that a Charter Review Commission be appointed by the County Council every four years, within six months after the Council assumes office, for the purpose of studying the Charter. The Commission shall report at least once to the Council on the Commission's activities within one year after appointment. Commission reports shall be submitted no later than May 1 of every even-numbered year. The reports shall contain recommendations concerning proposed Charter amendments, if any. This NDA provides for the expenses of the Commission.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>100</b>	<b>0.0</b>
Increase Cost: Increase Operating Costs	900	0.0
Increase Cost: Charter Review	150	0.0
<b>FY12 CE Recommended</b>	<b>1,150</b>	<b>0.0</b>

### **Community Grants**

This NDA provides one-time grants directly to organizations in the Community. A complete list of grantees is located within the FY12 Recommended Changes Table at the end of this section. Included in this NDA are:

- Community Grants: one-time grants to organizations that leverage Federal, State, and/or private funding or improve the quality of life for County residents. FY12 Community Grants are \$2,846,030;
- Community Service Grants: one-time grants for capital purchases that support health and human service activities. FY12 Community Service Grants are \$59,300.

Approved for Community Grants, but included as part of the Capital Budget within the Cost Sharing: MCG Project (CIP#720601) for a total of \$425,000 are listed as follows: Ivymount School, Inc. \$100,000; CHI Centers, Inc. \$200,000; and Catholic Charities of the Archdiocese of Washington, Inc. \$125,000.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>3,947,140</b>	<b>0.0</b>
Add: Community Grant: 9/11 Memorial of Maryland (Maryland 9/11 memorial at the World Trade Center in Baltimore's Inner Harbor)	25,000	0.0
Add: Community Grant: A Wider Circle, Inc. (rent and utilities)	28,720	0.0
Add: Community Grant: All Cameroonian Cultural and Development Foundation (a needs assessment and awareness campaign to identify patterns of vulnerability)	25,000	0.0
Add: Community Grant: Alliance for Workplace Excellence (operating support)	23,800	0.0
Add: Community Grant: Animal Welfare League of Montgomery County, Inc. (rent and utilities)	10,690	0.0
Add: Community Grant: Bethesda Cares, Inc (emergency and mental health services to homeless in Bethesda)	28,500	0.0