

MEMORANDUM

April 26, 2011

TO: Government Operations and Fiscal Policy Committee

FROM: Karen Orlansky, Director
Office of Legislative Oversight

SUBJECT: Worksession: FY12 Operating Budget
Office of Legislative Oversight
Independent Financial Audit Non-Departmental Account

Summary of staff recommendation: Approve the Executive's recommended budget for the Office of Legislative Oversight and the Independent Financial Audit Non-Department Account.

The County Executive's FY12 recommendations for the Office of Legislative Oversight and Independent Audit NDA are attached at ©1. The following representative from OMB is expected at this worksession: Jane Mukira, OMB Budget Analyst.

OFFICE OF LEGISLATIVE OVERSIGHT

The Executive Recommended FY12 Budget for the Office of Legislative Oversight is \$1,228,860. The proposed FY12 funding level represents a decrease of \$17,560 from the FY11 Approved budget. The 0.2 increase in workyears shown in the table below results from the restoration of the FY11 furlough.

Category	FY11 Approved	FY12 CE Recommended	Change FY11-FY12
Expenditures			
Total Personnel	\$1,192,260	\$1,186,510	-0.5%
Total Operating	\$54,160	\$42,350	-21.8%
Total Budget	\$1,246,420	\$1,228,860	-1.4%
Personnel			
Workyears	9.1	9.3	0.2

Personnel costs account for 96% of OLO's budget. The Executive's Recommended FY12 budget reflects the following changes in personnel expenditures:

- Restore personnel costs for the FY11 furloughs
- Eliminate all funding for overtime
- Decrease costs associated with retirement and group insurance adjustments

In addition, the Executive's Recommended FY12 budget reflects the third years of reductions to OLO's operating expenses. The \$11,810 reduction represents a 21.8% decrease.

Staff Recommendation: Approve the Office of Legislative Oversight budget as included in the Executive's Recommended FY12 Operating Budget.

INDEPENDENT FINANCIAL AUDIT NON-DEPARTMENTAL ACCOUNT

The Executive's FY12 Recommended Operating Budget includes \$420,820 for the Independent Financial Audit NDA. This NDA funds the independent audit of the FY11 financial statements issued by the County Government and the Local Fire and Rescue Departments.

On April 12, 2011, the County Council approved the renewal of contracts without any fee increase with Clifton Gunderson LLP for the audit of the County Government's financial statements; and with Rager, Lehman & Houck, P.C. for the audits of the Local Fire and Rescue Departments' financial statements. This will be the final year of the Council's current audit contracts.

Staff Recommendation: Staff recommends approval of the \$420,820 FY12 budget for the NDA Independent Audit.

Legislative Oversight

MISSION STATEMENT

The mission of the Office of Legislative Oversight is to determine the effectiveness of legislation enacted by the County Council, and to make findings and recommendations concerning the performance, management, and operation of programs and functions for which funds are appropriated or approved by the Council.

BUDGET OVERVIEW

The total recommended FY12 Operating Budget for the Office of Legislative Oversight is \$1,228,860, a decrease of \$17,560 or 1.4 percent from the FY11 Approved Budget of \$1,246,420. Personnel Costs comprise 96.6 percent of the budget for eight full-time positions and three part-time positions for 9.3 workyears. Operating Expenses account for the remaining 3.4 percent of the FY12 budget.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

❖ ***A Responsive, Accountable County Government***

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***During FY10, Office of Legislative Oversight completed more than a dozen research and evaluation projects.***
- ❖ ***OLO staff completed numerous budget memorandums during Council worksessions on the FY11 budget; work included alternative furlough scenarios and review of the purposed retirement incentive program.***
- ❖ ***Acting on OLO's report on fiscal impact statements, the Council enacted legislation to enhance the information included in fiscal impact statements.***
- ❖ ***Productivity Improvements***
 - ***Current work program includes a major product on achieving long-term fiscal balance in the County.***
 - ***Sponsored two graduate students as volunteer research assistants, who worked on OLO projects as their course assignments.***
 - ***Increased use of web access to Office of Legislative Oversight projects, thereby reducing printing costs.***

PROGRAM CONTACTS

Contact Karen Orlansky of the Office of Legislative Oversight at 240.777.7987 or Jane Mukira of the Office of Management and Budget at 240.777.2754 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Legislative Oversight

The Office of Legislative Oversight (OLO) conducts program evaluations, base budget reviews, audits, and other special studies in accordance with a Council-approved work program. OLO studies the effectiveness of legislation enacted by the Council and makes findings and recommendations concerning the performance, management, and operation of programs and functions for which funds are approved or appropriated by the Council. OLO is also the designated administrator for the Council's audit contracts, as required under Section 315 of the County Charter.

BUDGET SUMMARY

	Actual FY10	Budget FY11	Estimated FY11	Recommended FY12	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	881,159	845,680	844,480	867,040	2.5%
Employee Benefits	303,677	346,580	302,160	319,470	-7.8%
County General Fund Personnel Costs	1,184,836	1,192,260	1,146,640	1,186,510	-0.5%
Operating Expenses	15,124	54,160	31,300	42,350	-21.8%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	1,199,960	1,246,420	1,177,940	1,228,860	-1.4%
PERSONNEL					
Full-Time	9	8	8	8	—
Part-Time	2	3	3	3	—
Workyears	10.6	9.1	9.1	9.3	2.2%

FY12 RECOMMENDED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY11 ORIGINAL APPROPRIATION	1,246,420	9.1
Changes (with service impacts)		
Eliminate: Funding for overtime	-7,750	-0.2
Other Adjustments (with no service impacts)		
Increase Cost: Restore Personnel Costs - Furloughs	24,100	0.4
Increase Cost: Annualization of FY11 Lapsed Positions	13,000	0.0
Increase Cost: Printing and Mail Adjustment	540	0.0
Increase Cost: Help Desk - Desk Side Support	110	0.0
Decrease Cost: Retirement Adjustment	-6,450	0.0
Decrease Cost: Annualization of FY11 Personnel Costs	-7,220	0.0
Decrease Cost: Operating Expenses	-12,460	0.0
Decrease Cost: Group Insurance Adjustment	-21,430	0.0
FY12 RECOMMENDED:	1,228,860	9.3

FUTURE FISCAL IMPACTS

Title	CE REC. FY12	FY13	FY14	(\$000's) FY15	FY16	FY17
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY12 Recommended	1,229	1,229	1,229	1,229	1,229	1,229
No inflation or compensation change is included in outyear projections.						
Subtotal Expenditures	1,229	1,229	1,229	1,229	1,229	1,229

Historical Activities

This NDA contains a General Fund appropriation of \$287,090 and provides funding for the following agencies and programs:

- Historic Preservation Commission: The Historic Preservation Commission's main responsibility is to administer the historic preservation ordinance including recommending Montgomery County sites of potential historical significance. These efforts are administered by the Maryland-National Capital Park and Planning Commission (M-NCPPC).
- Historical Society: Funding for the Montgomery County Historical Society provides support for the Society's Education Program staff, educational and outreach programs for County residents, and to maintain the Historical Society's research library and museums.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	287,090	0.0
FY12 CE Recommended	287,090	0.0

Homeowners' Association Road Maintenance Reimburse.

This NDA provides a partial reimbursement to homeowners' associations (HOAs) for their maintenance of certain privately-owned roadways. The payment is currently restricted to through roadways, accessible to the public, which are one-quarter mile or longer and which provide vehicular access to more than four dwelling units. In FY97, an Executive Regulation was enacted allowing homeowners' associations to request that their roadways be deemed "private maintenance roads." This designation qualifies the HOAs for State reimbursement of their roadway maintenance costs. The County annually submits to the State its estimate of reimbursable miles, including those accepted as private maintenance roads. The State then reimburses the County and, subsequently, the County forwards the funds to HOAs.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	16,000	0.0
FY12 CE Recommended	16,000	0.0

Housing Opportunities Commission

The Housing Opportunities Commission of Montgomery County (HOC) is a public body corporate and politic duly organized under Division II of the Housing Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law. As such, the Commission act as a builder, developer, financier, owner, and manager of housing for people of low- and moderate- (eligible) income. The Commission also provides eligible families and individuals with affordable housing and supportive services.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	5,804,040	0.0
Reduce: Unspecified Reductions	-290,200	0.0
FY12 CE Recommended	5,513,840	0.0

Inauguration & Transition

The Montgomery County Charter provides for the quadrennial election of a County Executive and County Council. This NDA provides for a ceremony and smooth transition of the County Executive and County Council every four years.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	5,000	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY11	-5,000	0.0
FY12 CE Recommended	0	0.0

Independent Audit

Section 315 of the County Charter requires the County Council to contract with a Certified Public Accountant for an independent post audit of all financial records and actions of the County government, its officials, and employees. By County Resolution, the Office of Legislative Oversight is the designated administrator for this contract, which also includes an independent audit of the basic financial statement of the Employee Retirement Plans; additional services related to reviews, tests, and certifications; and audits of tax-funded expenditures by the independent Fire and Rescue Corporations.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	420,820	0.0
FY12 CE Recommended	420,820	0.0

Interagency Technology, Policy, & Coordinating Comm.

This NDA supports the operation of the Interagency Technology, Policy, and Coordination Committee (ITPCC). The ITPCC was chartered by the Montgomery County Council to promote strategic planning and coordination in the use of information technology among County agencies. The ITPCC reports biannually to the County Council. By regularly convening the agencies' chief executive and chief information officers, the ITPCC provides an effective forum for the coordinated implementation of technology policies and guidelines. Additionally, the ITPCC facilitates interagency communication, the evaluation and sharing of new technologies, and advises policy makers on the strategic uses of technology.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	5,000	0.0
Decrease Cost: Operating Expenses	-750	0.0
FY12 CE Recommended	4,250	0.0

Judges Retirement Contributions

This NDA provides pensions for retired Judges who were on the bench prior to 1968 in the Circuit Court and the People's Court (District Court) of Montgomery County and for their surviving spouses.

The Circuit Court pension is calculated as one percent of the net supplement paid by the County to the salaries of the Circuit Court Judges as of May 31, 1968, multiplied by the number of years of active service as a Judge (up to a maximum of 20 years). The surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Section 12-10 of the Montgomery County Code.

The People's Court (District Court) pension is based on the current salary of a District Court Judge. A retired Judge receives 60 percent of the current salary of a District Court Judge, while a surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Article 73B, Section 63(b) of the Annotated Code of Maryland. This NDA may be increased to include a cost of living adjustment at a rate equal to that approved for District Court Judges by the General Assembly. If a cost of living adjustment is approved next fiscal year, the NDA will be adjusted as necessary by a year-end transfer.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	3,500	0.0
Decrease Cost: Adjust to Reflect Actual Expenditure Trend	-500	0.0
FY12 CE Recommended	3,000	0.0

Leases

This NDA provides the funds necessary to lease privately owned real estate to accommodate County programs. Real property leased by the County includes office, warehouse, and retail space; hangar facilities; child care space in schools; parking spaces; and space for communication antennas. Leasing property allows the County the flexibility to locate programs in the communities they serve and provides space for programs to operate when there is no County-owned space available. Further, it is an economical way to procure highly specialized, location sensitive, or temporary space. Currently, there are approximately 80 leased facilities. The inventory of leases is constantly shifting as new leases are added and existing leases are terminated.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	20,945,540	0.0
Increase Cost: Outpatient & Addiction Services lease at 981 Rollins	1,089,120	0.0
Increase Cost: Public Safety HQ Delays	929,060	0.0
Increase Cost: State share of closed school revenues	348,990	0.0
Add: Leases: other adjustments	187,910	0.0
Add: Space Planning	50,000	0.0
Reduce: Long Branch Police Satellite lease	-88,860	0.0
Reduce: Conservation Corps lease	-133,180	0.0
FY12 CE Recommended	23,328,580	0.0