

Worksession

**MEMORANDUM**

April 24, 2012

TO: Government Operations and Fiscal Policy Committee

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

SUBJECT: **Worksession: FY13 Operating Budget – Non-Departmental Accounts:  
Boards, Committees and Commissions  
Council of Governments  
County Associations  
Public Technology, Inc.**

The relevant pages from the FY13 Recommended Operating Budget are at ©1-4.

*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 County Executive's recommended FY13 budget for these accounts are shown in the table below.

<b>NDA</b>	<b>FY12 Approved</b>	<b>FY13 CE Recommended</b>	<b>% Change</b>
Boards, Committees and Commissions	\$22,950	\$22,950	0
Council of Governments	\$742,940	\$770,500	3.6%
County Associations	\$72,710	\$72,710	0
Public Technology, Inc.	\$17,000	\$17,000	0
<b>Total</b>	<b>\$855,600</b>	<b>\$883,160</b>	<b>3.1%</b>

## FY13 Expenditure Issues

### Boards, Committees and Commissions

Currently, the County government has over 75 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.

During budget deliberations last year, the Council discussed the fiscal impact of all boards, committees and commissions. The Council encouraged the Executive to implement the Organizational Reform Commission's recommendation to convene a Committee Evaluation and Review Board in FY11, rather than FY12. The normal timeline would have started the process of appointing a CERB in FY12. The Council also urged the Executive to impose a timeline on the CERB's work.

A CERB was appointed on March 6, 2012 and already has done significant work into its review of boards, committees and commissions.

For FY13, the County Executive is recommending a budget for boards, committees and commissions of \$22,950, level with the current fiscal year.

### 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.

<b>MWCOG FUND (\$)</b>	<b>FY12 Approved</b>	<b>FY13 Recommended</b>	<b>Change from FY12</b>
General	\$553,330	\$575,691	\$22,361
Regional Environmental Fund	\$106,598	\$108,482	\$1,884
Anacostia Restoration Fund	\$83,000	\$86,320	\$3,320
Airport Noise			
Cooperative Purchasing			
Washington Area Housing Trust Fund			
<b>TOTAL Tax Supported</b>	<b>\$742,928</b>	<b>\$770,493</b>	<b>\$27,565</b>
<b>Billed to WSSC</b>			
Water Resources Mgmt. Planning	\$251,782	\$256,818	\$-7,553
Blue Plains Users	\$114,067	\$108,292	0
<b>TOTAL Paid by WSSC</b>	<b>\$365,849</b>	<b>\$365,110</b>	<b>\$-7,553</b>
<b>TOTAL</b>	<b>\$1,108,777</b>	<b>\$1,135,603</b>	<b>\$-16,599</b>

## County Associations

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

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

## Public Technology, Inc.

Public Technology, Inc. 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.

Montgomery County's dues for FY13 remain the same as in FY12.

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

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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 adopted assessment rate for FY2009 was .65721 and total membership dues were frozen at the FY09 dollar amounts for FY10, FY11, and FY12. For FY13 management recommended an assessment rate of \$.669134 with a 5% cap.

from the Employees' Retirement System (ERS), Retirement Savings Plan (RSP), Retiree Health Benefit Trust (RHBT), and the General Fund on behalf of the Montgomery County Deferred Compensation Plan (DCP) trust funds and are, therefore, not appropriated here. The Board of Investment Trustees manages the assets of the ERS and RHBT through its investment managers in 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.

In FY 13, the responsibility for the administration of the retirement plans will be centralized within one organization called Montgomery County Employee Retirement Plans. The new organization will oversee all facets of the retirement plans including investments, administration and accounting. The 7 full-time positions with the Board of Investment Trustees are charged to various retirement funds as are the 7 full-time positions transferred to the NDA from the Office of Human Resources to administer the plans; 0.7 FTEs are charged to the Compensation and Employee Benefits Adjustments NDA for deferred compensation management.

<b>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>0</b>	<b>0.00</b>
<b>FY13 CE Recommended</b>	<b>0</b>	<b>0.00</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>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>22,950</b>	<b>0.00</b>
<b>FY13 CE Recommended</b>	<b>22,950</b>	<b>0.00</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>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>1,150</b>	<b>0.00</b>
Decrease Cost: Charter Review Commission - Biennial Workload Adjustment	-1,000	0.00
<b>FY13 CE Recommended</b>	<b>150</b>	<b>0.00</b>

### **Community Grants**

This NDA provides one-time grants directly to organizations in the Community. A complete list of grantees is located within the FY13 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. FY13 Community Grants are \$3,719,570;
- Community Service Grants: one-time grants for capital purchases that support health and human service activities. FY13 Community Service Grants are \$58,320.

Approved for Community Grants, but included as part of the Capital Budget within the Cost Sharing: MCG Project (CIP#720601) for a total of \$447,500 are listed as follows: ArtPrenuers, Inc. \$80,000; Live Garra Theatre, Inc. \$50,000; Muslim Community Center, Inc. \$70,000; Muslim Community Council, Inc. \$100,000; Potomac Community Resources, Inc. \$50,000; Sheppard Pratt Health Systems, Inc. \$50,000; and The Menare Foundation, Inc. \$47,500.

<b>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>617,510</b>	<b>1.00</b>
Add: Technical Adjustment to Increase the Personnel Costs	2,360	0.00
Add: Technical Adjustment to offset Increase in Personnel Costs	-2,360	0.00
Decrease Cost: Group Insurance Adjustment	-2,470	0.00
Eliminate: Reduction of \$50,000 for Management Audit	-50,000	0.00
<b>FY13 CE Recommended</b>	<b>565,040</b>	<b>1.00</b>

### **Consolidated Retiree Health Benefits Trust (MCPS)**

This NDA provides consolidated funding for Montgomery County Public Schools' contribution to the Retiree Health Benefits Trust.

<b>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>20,000,000</b>	<b>0.00</b>
Increase Cost: Additional OPEB contribution	41,931,000	0.00
<b>FY13 CE Recommended</b>	<b>61,931,000</b>	<b>0.00</b>

### **Consolidated Retiree Health Benefits Trust (Montgomery College)**

This NDA provides consolidated funding for Montgomery College's contribution to the Retiree Health Benefits Trust.

<b>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>1,000,000</b>	<b>0.00</b>
Increase Cost: Additional OPEB contribution	873,000	0.00
<b>FY13 CE Recommended</b>	<b>1,873,000</b>	<b>0.00</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>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>742,940</b>	<b>0.00</b>
Increase Cost: Membership dues assessment	27,560	0.00
<b>FY13 CE Recommended</b>	<b>770,500</b>	<b>0.00</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>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>72,710</b>	<b>0.00</b>
<b>FY13 CE Recommended</b>	<b>72,710</b>	<b>0.00</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,

<b>MUNICIPAL TAX DUPLICATION - FY13 BUDGET</b>				
<b>Municipality</b>	<b>FY13 Property Tax Duplication</b>	<b>Additional County Grant</b>	<b>FY13 Increase*</b>	<b>FY13 Total**</b>
Barnesville	0	0	0	0
Brookeville	5,858	226	710	6,794
Chevy Chase, Sec. III	22,362	5,112	3,322	30,796
Chevy Chase, Sec. V	0	0	0	0
Chevy Chase View	31,409	5,532	4,334	41,275
Chevy Chase Village	75,013	14,949	10,563	100,524
Town of Chevy Chase	96,663	19,946	13,688	130,297
Drummond	3,511	618	485	4,613
Friendship Heights	42,766	31,178	8,681	82,625
Gaithersburg	862,665	182,989	122,813	1,168,467
Garrett Park	36,888	5,703	5,003	47,593
Glen Echo	15,797	2,782	2,183	20,762
Kensington	95,826	27,254	14,443	137,523
Laytonsville	9,885	1,741	1,366	12,991
Martin's Additions	20,416	3,596	2,821	26,832
North Chevy Chase	18,199	3,205	2,514	23,918
Oakmont	2,494	439	345	3,278
Poolesville	160,280	28,226	22,129	210,634
Rockville	1,723,799	170,383	222,490	2,116,671
Somerset	40,287	6,748	5,525	52,560
Takoma Park	1,533,633	1,026,296	300,695	2,860,623
Washington Grove	34,181	6,019	4,722	44,922
<b>TOTAL</b>	<b>4,831,931</b>	<b>1,542,939</b>	<b>748,831</b>	<b>7,123,700</b>

\* This one-time increase restores the difference between the five percent reduction the County Executive indicated to the municipalities in February 2010 and the fifteen percent that was budgeted as a result of County fiscal constraints.

\*\* This does not include the estimated Municipalities' Speed camera allocation of 397,440.

<b>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>6,772,310</b>	<b>0.00</b>
Increase Cost: Ten percent of the FY10 payments	748,830	0.00
<b>FY13 CE Recommended</b>	<b>7,521,140</b>	<b>0.00</b>

### **Prisoner Medical Services**

This NDA provides reimbursements to physicians and hospitals for medical care provided to individuals in the custody of any Montgomery County law enforcement agency, with the following exceptions:

- Offenders committed to the custody of the Department of Correction and Rehabilitation (DOCR) and receiving medical treatment paid for by the budget of that department,
- Medical treatment expenses covered by Workers' Compensation,
- Medical treatment expenses covered by personal medical insurance,
- Medical treatment expenses covered by the Federal government,
- Medical treatment expenses covered by other appropriate and available outside resources.

The Department of Police will manage this account with the assistance of the County Attorney. All bills will be reviewed to determine the appropriateness of the medical expense reimbursement and to assess the responsible party for the medical expense.

<b>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>50,000</b>	<b>0.00</b>
<b>FY13 CE Recommended</b>	<b>50,000</b>	<b>0.00</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>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>17,000</b>	<b>0.00</b>
<b>FY13 CE Recommended</b>	<b>17,000</b>	<b>0.00</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>FY13 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY12 Approved</b>	<b>0</b>	<b>0.00</b>
<b>FY13 CE Recommended</b>	<b>0</b>	<b>0.00</b>

### **Retiree Health Benefits Trust**

Consolidated Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for re-tiree health benefits, similar to the County's practice of prefunding 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 \$3.3 billion – approximately three quarters the total FY13 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", is estimated at \$296.7 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 purpose in FY08. In May 2008, the County Council passed resolution No. 16-555 which confirmed an eight-year phase-in approach to the ARC. Consistent with this approach and based on the County's economic situation, the County contributed \$14.0 million to the Trust in FY08, \$19.7 million in FY09, \$3.3 million in FY10, and \$7.3 million in FY11. Due to fiscal constraints, the County did not budget a contribution for the General Fund in FY10 and FY11, but did resume contributions in FY12. For FY12, the County contributed \$26.1 million from the General Fund to the Retiree Health Benefits Trust. In addition, on June 26, 2011, the County Council enacted Bill 17-11 which established the Consolidated Retiree Health Benefits Trust. The bill amended existing law and provided a funding mechanism to pay for other post employment benefits for employees of Montgomery County Public Schools and Montgomery County College. In FY12, the County appropriated \$20 million and \$1 million for contributions on behalf of MCPS and the College, respectively. A detailed breakdown of FY13 recommended contributions to the Consolidated Retiree Health Benefit Trust for County Government tax supported agencies, participating agencies, Montgomery County Public Schools, and Montgomery College is available in the Workforce/Compensation section of the FY13 recommended operating budget.