

**MEMORANDUM**

April 19, 2013

TO:  Government Operations and Fiscal Policy Committee

FROM: Chris Cihlar, Director  
 Office of Legislative Oversight

SUBJECT: **Worksession: FY14 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-Departmental Account.

The County Executive's FY14 recommendations for the Office of Legislative Oversight and Independent Audit NDA are attached at ©1. OMB staff member, Erika Lopez-Finn, is expected to attend this worksession.

**OFFICE OF LEGISLATIVE OVERSIGHT**

The Executive Recommended FY14 Budget for the Office of Legislative Oversight is \$1,332,613. The table below summarizes the changes from the FY13 Approved Budget of \$1,228,860. The recommended budget represents a same services request from FY13 to FY14. The technical conversion of workyears to FTEs in the New Hyperion Budgeting System explains the increase from 9.3 to 10.3 FTEs.

Category	FY13 Approved	FY14 CE Recommended	Change FY13-FY14
<b>Expenditures</b>			
Total Personnel	\$1,290,727	\$1,303,856	1.0%
Total Operating	\$40,410	\$50,746	25.6%
Total Budget	\$1,331,137	\$1,354,602	1.8%
<b>Personnel</b>			
FTEs	10.3	11.0	6.8%

Personnel costs account for 96% of OLO's budget. In addition to the technical adjustment from workyears to FTEs, the Executive's Recommended FY14 budget reflects the following changes in personnel and operating costs:

- Decreased costs associated with the Director and the Administrative Specialist positions;
- Increased costs for County Executive's salary increase; and
- Decreased costs resulting in under filling the Research Specialist position with a Public Administrative Intern.

**Staff Recommendation:** Approve the Office of Legislative Oversight budget as included in the Executive's Recommended FY14 Operating Budget.

#### **INDEPENDENT FINANCIAL AUDIT NON-DEPARTMENTAL ACCOUNT**

The Executive's FY14 Recommended Operating Budget includes **\$420,820** for the Independent Financial Audit NDA. This NDA funds the independent audit of the FY13 financial statements issued by the County Government and other related audit work. This amount represents a zero percent increase from the FY13 appropriation for this NDA.

On April 16<sup>th</sup>, the Council introduced a resolution to authorize the Council President to contract with CliftonLarsonAllen LLP to conduct with work related to the audit of the County Government's FY13 financial statements. The Council is scheduled to vote on the resolution on April 23<sup>rd</sup>.

**Staff Recommendation:** Approve the Independent Audit Non-Departmental Account as included in the Executive's Recommended FY14 Operating Budget.

Attachments: County Executive's Recommended Budget ©1  
Update on Prior Year's Progress - OLO Work Program ©3

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# 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 FY14 Operating Budget for the Office of Legislative Oversight is \$1,354,602, an increase of \$23,465 or 1.8 percent from the FY13 Approved Budget of \$1,331,137. Personnel Costs comprise 96.3 percent of the budget for 11 full-time positions. A total of 11.00 FTEs includes these positions as well as any seasonal, temporary, and positions charged to or from other departments or funds. Operating Expenses account for the remaining 3.7 percent of the FY14 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 FY12, OLO completed more than a dozen research and evaluation projects.***
- ❖ ***OLO staff prepared information on agency pay adjustments, group insurance costs, and retirement costs for the GO Committee and full Council worksessions on the agencies' FY13 budget requests for pay and benefits.***
- ❖ ***OLO provided staff support for the Task Force on Employee Wellness and Consolidation of Agency Group Insurance Programs. The Council approved Resolution 17-373 to implement recommendations of the Task Force on employee wellness, disease management, and consolidation of group insurance spending data across agencies.***
- ❖ ***Current Work Program includes five major project themes: Structural Fiscal Issues, Economic Development, Ensuring a Skilled Workforce, Open Government, and Interacting with our Government and Public Utility Partners.***
- ❖ ***Productivity Improvements***
  - ***As a result of Report 2012-2, the Council President sent a letter to the Board of Education requesting that the MCPS routinely provide the Council with specified fiscal information related to the school system's pension and group insurance funds.***
  - ***Sponsored a graduate student from University of Maryland School of Public Policy who worked as a volunteer research assistant on an OLO report as part of his course assignments.***
  - ***Increased use of web access to OLO products, thereby reducing printing costs.***

## PROGRAM CONTACTS

Contact Chris Cihlar of the Office of Legislative Oversight at 240.777.7987 or Erika Lopez-Finn of the Office of Management and Budget at 240.777.2771 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 FY12	Budget FY13	Estimated FY13	Recommended FY14	% Chg Bud/Rec
<b>COUNTY GENERAL FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	842,200	887,244	915,361	967,463	9.0%
Employee Benefits	283,781	403,483	374,369	336,393	-16.6%
<b>County General Fund Personnel Costs</b>	<b>1,125,981</b>	<b>1,290,727</b>	<b>1,289,730</b>	<b>1,303,856</b>	<b>1.0%</b>
Operating Expenses	27,001	40,410	40,410	50,746	25.6%
Capital Outlay	0	0	0	0	—
<b>County General Fund Expenditures</b>	<b>1,152,982</b>	<b>1,331,137</b>	<b>1,330,140</b>	<b>1,354,602</b>	<b>1.8%</b>
<b>PERSONNEL</b>					
Full-Time	8	8	8	11	37.5%
Part-Time	3	3	3	0	—
FTEs	9.30	10.30	10.30	11.00	6.8%

## FY14 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>COUNTY GENERAL FUND</b>		
<b>FY13 ORIGINAL APPROPRIATION</b>	<b>1,331,137</b>	<b>10.30</b>
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: FY14 Compensation Adjustment	37,103	0.00
Increase Cost: Annualization of FY13 Operating Expenses	9,590	0.00
Increase Cost: Group Insurance Adjustment	6,814	0.00
Increase Cost: Retirement Adjustment	3,361	0.00
Increase Cost: Printing and Mail Adjustment	746	0.00
Increase Cost: Other Labor Contract Costs	327	0.00
Decrease Cost: Annualization of FY13 Personnel Costs	-13,168	0.70
Decrease Cost: Elimination of FY13 \$2,000 Lump Sum	-21,308	0.00
<b>FY14 RECOMMENDED:</b>	<b>1,354,602</b>	<b>11.00</b>

## FUTURE FISCAL IMPACTS

Title	CE REC.					
	FY14	FY15	FY16	FY17	FY18	FY19
This table is intended to present significant future fiscal impacts of the department's programs.						
<b>COUNTY GENERAL FUND</b>						
<b>Expenditures</b>						
<b>FY14 Recommended</b>	<b>1,355</b>	<b>1,355</b>	<b>1,355</b>	<b>1,355</b>	<b>1,355</b>	<b>1,355</b>
No inflation or compensation change is included in outyear projections.						
<b>Labor Contracts</b>	<b>0</b>	<b>48</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>
These figures represent the estimated cost of general wage adjustments, new service increments, and associated benefits.						
<b>Subtotal Expenditures</b>	<b>1,355</b>	<b>1,403</b>	<b>1,414</b>	<b>1,414</b>	<b>1,414</b>	<b>1,414</b>

# MEMORANDUM

April 16, 2013

TO: Government Operations and Fiscal Policy Committee

FROM: Chris Cihlar, Director  
Office of Legislative Oversight (OLO)

SUBJECT: Update on Prior Year's Progress - OLO Work Program

On July 31, 2012, the Office of Legislative Oversight's (OLO) Annual Work Program was approved. That work program is attached at ©5. Below is a brief update on the progress the Office of Legislative Oversight has made on these assignments and a summary of initiatives undertaken in FY13.

## Overview of FY14 Projects

### ❖ **Structural Fiscal Issues**

This first group of projects addresses the pressing fiscal challenges facing the County over the next several years. All three of these projects are designed to present the Council with information and analysis on structural cost drivers and their effect on agency budgets.

#### **Project #1A: Tracking One-Time and Structural Changes to the Operating Budget**

##### **SUMMARY:**

Reviews the structural budget changes that have been made since FY10 in response to the unprecedented economic downturn. The report will document where progress has been made and where challenges remain. OLO will also design a reporting tool that enables the Council to track, by agency, one-time and structural budget changes.

##### **UPDATE:**

This project will utilize the approved FY14 budget as key component of its research. OLO anticipates completing this project by the start of FY14.

#### **Project #1B: Hours Worked By Montgomery County Government Employees**

##### **SUMMARY:**

Examines County Government employees' use of leave and changes in leave patterns that increase or decrease total personnel costs.

##### **UPDATE:**

This project was completed and released on March 5, 2013.

#### **Project #1C: County Fiscal Planning and Recent Changes in State Law**

##### **SUMMARY:**

Provides the Council with information to better understand the relationship between recent changes in State law and County fiscal planning.

##### **UPDATE:**

This report was completed and released on October 16, 2012.

### ❖ **Economic Development**

One of the Council's priorities continues to be economic growth and development in the County. The projects in this group continue the Council's focus on economic growth and development issues in two specific areas: the County's use of economic development incentives and growing small businesses in the County.

#### **Project #2A: Economic Development Incentives**

##### **SUMMARY:**

Contributes to the Council's oversight of the public dollars used to provide economic development incentives by tracking and reviewing awards given to businesses since 2007 and their implications for the local economy.

##### **UPDATE:**

This report was completed and released on February 26, 2013.

#### **Project #2B: Growing Small Businesses in Montgomery County**

##### **SUMMARY:**

Enhances the Council's understanding of the role and influence of economic development programs for small businesses in Montgomery County by surveying a range of small businesses and their use and satisfaction with existing County services.

##### **UPDATE:**

This project was postponed until FY14.

### ❖ **Ensuring a Skilled Workforce**

The two projects in this group examine how well the County's resources are allocated to increase the career and college readiness of County youth. Both projects build upon previous OLO reports.

#### **Project #3A: Youth Workforce Development in Montgomery County**

##### **SUMMARY:**

Reviews the array of programs that Montgomery College, Montgomery County Government, and MCPS administer to prepare young adults to enter careers in middle skilled positions that require a license, credential, and/or associate degree, including programs that assist dropouts and youth with disabilities.

**UPDATE:** This report is in its early stages. OLO anticipates this project will be completed by the beginning of FY14.

#### **Project #3B: The Achievement Gap in Montgomery County – An FY13 Update**

##### **SUMMARY:**

Describes local trends in student performance and summarize research on promising practices for narrowing the achievement gap as a follow up to prior reports on the Achievement Gap and MCPS' High School Consortiums.

##### **UPDATE:**

This report was completed and released on March 12, 2013.

### ❖ **Open Government**

The Council has consistently advocated for the government to be more open and transparent to its residents. In support of this priority, OLO will undertake the following project aimed at enhancing the use of technology to increase transparency and foster economic growth.

**Project #4A: Open Government**

**SUMMARY:**

Examines how open government initiatives have been implemented in other jurisdictions, offer recommendations about how such initiatives can work to bring information and products to Montgomery County residents, and investigate the use of new technologies to implement open government initiatives and potentially foster growth in the business sector.

**UPDATE:** This project is well underway. OLO anticipates it will be completed in June 2013.

❖ **Interacting with our Government and Public Utility Partners**

The two projects in this group examine topics that require the government to partner with other government or public utility entities to reach common solutions beneficial to the public at large and County residents in particular.

**Project #5A: Municipal Tax Duplication and Revenue Sharing**

**SUMMARY:**

Works collaboratively with Council staff to support the Government Operations Committee's review of the Municipal Sharing Task Force's Final Report.

**UPDATE:**

This project is well underway. OLO anticipates it will be completed in June 2013.

**Project #5B: Utility and Transportation Work in County Rights-of-Way (ROW)**

**SUMMARY:**

Examines where opportunities exist to improve coordination between the Departments of Permitting Services (DPS) and Transportation (DOT), WSSC, PEPCO, and State agencies for work performed in County Rights-of-Way (ROW).

**UPDATE:**

This project is well underway. OLO anticipates it will be completed in May 2013.

❖ **Ongoing Projects and Responsibilities, Additional Assignments and Carryover Work**

**Project #6A: Management of the Council's Independent Audit Contracts**

**SUMMARY:**

Oversees the Council's contract for the annual audit of MCG financial statements, the financial statements of the County Government's retirement system, the financial statements of the Montgomery County Union Employees Deferred Compensation Plan, and other related tasks.

**UPDATE:**

This is an ongoing responsibility. FY13 has been an especially intensive year.

**Project #6B: Staff Support for the Council's Audit Committee**

**SUMMARY:**

Staffs the Council's Audit Committee.

**UPDATE:**

This is an ongoing responsibility. FY13 has been an especially intensive year.

**Project #6C: Assist with Review of the FY14 Operating Budget**

**SUMMARY:**

Provides staff support for operating budget work sessions, with specific tasks to be determined in consultation with the Council and Staff Directors during the first quarter of calendar 2013. Additionally, OLO will be on call to provide analysis of important fiscal impact statements received by the Council, collective bargaining provisions that result from labor negotiations, non-competitive awards, and spending or policy proposals that unexpectedly are placed into agencies proposed budgets.

**UPDATE:**

Similar to recent years, OLO is working with Council staff on budget compensation issues. Additionally, OLO is providing support for the Education Committee with a specific focus on the achievement gap and its connection to the budget.

**Project #6D: Assist with Implementing Recommendations of the Task Force on Employee Wellness and Consolidations of Agency Group Insurance Programs**

**SUMMARY:**

Assists with implementing the recommendations from the Task Force on Employee Wellness and Consolidation of Agency Group Insurance Programs.

**UPDATE:**

This is an ongoing work project. Work sessions have been held in October 2012 and February 2013.

**❖ ADDITIONAL ITEMS**

*(The following projects have been added to the OLO work load in FY13)*

**Project #1: Added April 9, 2013 - Designing and Constructing Public Buildings: A Review of Best Practices and Models in Local Jurisdictions**

**SUMMARY:**

The purpose of this OLO project is to enhance the Council's understanding of the oversight of the design and construction of public buildings and facilities by reviewing best practices and models used in other jurisdictions.

**UPDATE:**

This project has begun and a kick off meeting will take place shortly.

**Project #2: Begun in April 2013 - Provide bi-weekly updates of MC311 calls.**

**SUMMARY:**

The purpose of this work is to provide Council members summations of metrics associated with calls coming into the MC 311 system.

**UPDATE:**

These reports are being published and will continue to be provided on a bi-weekly basis.