

Resolution No.: 17-211
Introduced: July 12, 2011
Adopted: July 19, 2011

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Fiscal Year 2012 Work Program of the Office of Legislative Oversight

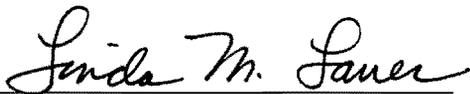
Background

1. Chapter 29A, Montgomery County Code, establishes the Office of Legislative Oversight to serve as the principal means through which the Council exercises its legislative oversight functions. This includes providing the Council with information and recommendations concerning the operations of public and private agencies, programs, and functions for which funds are appropriated or approved by the Council.
2. The law establishing the Office of Legislative Oversight (Chapter 29A, Montgomery County Code) specifically authorizes the Office to conduct special program or budget analyses at the request of the Council.
3. Section 29A-6 provides that the Director, Office of Legislative Oversight, shall prepare an annual Work Program, which shall be submitted to the Council for approval. On July 12, 2011, the Council introduced this resolution that outlines projects to be included on the Office of Legislative Oversight's FY12 Work Program

Action

The County Council for Montgomery County, Maryland, approves the attached Fiscal Year 2012 Work Program for the Office of Legislative Oversight.

This is a correct copy of Council action.



Linda M. Lauer, Clerk of the Council

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PROJECT #1
MANAGEMENT OF THE COUNCIL'S INDEPENDENT AUDIT CONTRACTS

Principal agency: County Government

Origin of project: Montgomery County Code, Chapter 29A (§29A-5(b)(9))
Council Resolution 12-154

Section 315 of the County Charter requires the Council to contract with a certified public accountant to perform an annual independent audit of the County Government's financial statements. The Council also contracts for the annual audit of the financial statements of the employee retirement plans, including the Montgomery County Union Employees Deferred Compensation Plan, and the local fire and rescue departments.

Since 1991, the Council has assigned the Office of Legislative Oversight the responsibility to act as the Council's contract administrator and provide support to the Council during the period of audit engagement. OLO carries out these responsibilities with oversight and guidance from the Council's Audit Committee. The Audit Committee consists of the members of the Government Operations and Fiscal Policy Committee, with the Council President and Vice President serving as ex officio voting members.

The FY12 Independent Financial Audit NDA funds the independent audits of the FY11 financial statements issued by the County Government, the employee retirement plans, the Montgomery County Union Employees Deferred Compensation Plan, and the local fire and rescue departments.

Council Resolution 12-154 indicates that the selection process for the independent auditor will occur at least every four years. FY12 is the fourth and final year of the Council's current audit contracts with Clifton Gunderson LLP and Rager, Lehman & Houck, P.C.

During FY12, OLO will staff the Council's selection of an auditor for the next four-year engagement, to begin with the audit of FY12. A request for proposal (RFP) will be issued in the fall. Because of the expected elimination of a separate appropriation directly to the local fire and rescue departments, the new RFP will be limited to seeking an auditor to perform the annual independent audit of the County Government's financial statements and the annual audit of the employee retirement plans, including the Montgomery County Union Employees Deferred Compensation Plan.

The Council's Audit Committee will conduct interviews with the top-rated firms and will recommend a final selection to the Council. The Council's selection of a new auditor, contract negotiations, and final contract signature by the Council President is targeted for completion in early Calendar Year 2012.

PROJECT #2
STAFF SUPPORT FOR THE COUNCIL'S AUDIT FUNCTION

Principal agencies: All County-funded agencies

Origin of project: Council Resolution 16-826

Council Resolution 16-826, adopted January 27, 2009, calls upon the Council's Government Operations and Fiscal Policy (GO) Committee "to continue to strengthen the Council's independent review and oversight of the County's financial reporting, management control, and audit activities." When performing these functions, the GO Committee meets as the Council's Audit Committee, with the Council President and Vice President serving as ex-officio voting members. The resolution requires the GO Committee to meet as the Council's Audit Committee at least four times a year.

Council Resolution 16-826 assigns the Office of Legislative Oversight with the responsibility to coordinate staff support for the GO Committee when it meets as the Audit Committee. During FY12, the Committee is scheduled to receive regular updates from the Office of the Inspector General and the Office of Internal Audit; address questions about best practices for financial reporting and contract documentation; select a new contractor for the Council audit contract; submit an end-of-year report to the Council; and address other issues as needed.

As directed by Council resolution, OLO will ensure that the Committee receives "assistance from the Council staff, the Office of the Inspector General, Executive Branch and other County agency staff, and contractors with appropriate expertise" in carrying out its "oversight of financial reporting and risk assessment."

PROJECT #3
ASSIST WITH REVIEW OF THE FY13 OPERATING BUDGET

Principal agencies: All County-funded agencies

Origin of project: County Council

During the spring of 2012, OLO staff will assist Central Council staff to prepare analyses for Committee and Council worksessions on the FY13 operating budget. This project is similar to OLO's operating budget-related assignment in recent years.

For this portion of the FY12 Work Program, the OLO Director will work collaboratively with the Council Staff Director to identify specific budget areas for OLO to assist with. Priority consideration will be given to topics that OLO has studied before.

PROJECT #4
REVIEW OF CATEGORY 12 OF THE MCPS BUDGET

Principal agency: Montgomery County Public Schools

Origin of project: Council Resolution 17-177

This project was added to the Office of Legislative Oversight's FY11 Work Program by Council Resolution 17-177, adopted on June 21, 2011.

For the Council and the public, full and transparent budget information from every County agency is essential to the integrity of our fiscal decision-making process. The purpose of this OLO project is to provide critical information about a key part of the MCPS budget and lay a strong foundation for the Council's review of that budget in the coming year.

To improve the Council's fiscal oversight of the MCPS budget, OLO will review and analyze Category 12 of the MCPS budget, Fixed Charges. Specifically, OLO will:

- Examine the components of Category 12 and all related funds, including those for employee pension and group insurance benefits;
- Track the budget, appropriation, and expenditure trends of these components; and
- Review the underlying assumptions behind MCPS' budget requests in Category 12 and related funds.

OLO's will provide an initial report back to the Council by October 15, 2011. In addition, OLO will continue to track MCPS' Category 12 expenditures and provide periodic reports to the Council throughout FY12.

OLO is assigned this review with the understanding that the office will be assisted, as needed, by central Council staff and the Council's actuarial adviser, Bolton Partners. In addition, OLO will coordinate its work with any related initiatives undertaken by the Office of the Inspector General.

**PROJECT #5
STAFF SUPPORT FOR THE TASK FORCE ON EMPLOYEE WELLNESS AND
CONSOLIDATION OF AGENCY GROUP INSURANCE PROGRAMS**

Principal agencies: All County-funded agencies

Origin of project: Council Resolution 17-107, Task Force on Employee Wellness and Consolidation of Agency Group Insurance Programs

This project represents the allocation of OLO staff time to support the Task Force on Employee Wellness and Consolidation of Agency Group Insurance Programs. This Task Force was established by Council Resolution 17-107, adopted April 26, 2011.

This Task Force is charged with producing a report that includes:

- A review of employee wellness programs in County and bi -County agencies;
- Information on models of employee wellness programs in the public and private sector;
- Recommendations for establishment of or improvements to employee wellness programs in the County and bi-County agencies;
- A comparison of the major provisions/benefits of the health plans currently offered to employees and retirees;
- Recommendations on how to streamline and reduce the costs of health plan administration; and
- Recommendations on other health benefit cost containment strategies and options.

The Resolution assigns central Council staff with lead responsibility for staffing the Task Force. Working collaboratively with Council staff, OLO will assist with preparing background information and analysis to support the work of the Task Force.

Resolution 17-107 states that the Task Force will submit a report to the Council by November 1, 2011, or later if the Task Force identifies issues requiring further study and the Council extends the time for the Task Force to conclude its work.

PROJECT #6
RETIREMENT BENEFITS FOR PUBLIC SAFETY EMPLOYEES

Principal agency: County Government

Origin of project: FY12 Budget Worksessions

This project contains two assignments related to public safety retirement benefits that were identified during the Council's FY12 budget worksessions.

A. Potential Changes to Retirement Benefits for New Public Safety Employees

During its review of the FY12 operating budget, the Council decided to re-examine the structure and level of retirement benefits for new public safety employees. Working with the Council's Legislative Attorneys, OLO is co-staffing Committee and Council worksessions that will assess the current system's costs and level of benefits, and consider alternative retirement plan structures.

On June 21, the Public Safety and Government Operations and Fiscal Policy Committees held an initial discussion of potential changes to retirement benefits for new public safety employees. Staff will be working to compile follow-up information requested by Councilmembers, to be discussed at a subsequent worksession.

B. Deferred Retirement Option Plans (DROP) for Public Safety Employees

To follow-up on questions raised during the Council's review of the FY12 operating budget, OLO will conduct a study of the history, participation, costs, and benefits of the County Government's current Deferred Retirement Option Plans for public safety personnel.

By law (County Code Section 33-38A), the County Government offers two different Deferred Retirement Option Plans (DROP) for members of the Employees' Retirement System, the County's pension retirement system. The law outlines one DROP for police officers (the Discontinued Retirement Service Program) and another DROP for firefighters (the Deferred Retirement Option Plan).

According to current law, employees who participate in a DROP elect to retire but continue to work for the County Government for up to three years. While participating in the program, an employee's pension benefit is paid into an account on the employee's behalf. Members of the police DROP direct the investment of funds in their DROP accounts and members of the firefighter DROP earn 8.25% annual interest, compounded quarterly, on their accounts.

OLO's study of the two Deferred Retirement Option Plans will include:

- A legislative history of the two plans;
- A summary of data on DROP participation since the respective plans' inception;
- An analysis of DROP costs over time; and
- Feedback on the advantages and disadvantages of the current DROP from multiple sources (e.g., management, union representatives, DROP participants).

PROJECT #7
OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Principal agencies: County Government, Montgomery County Public Schools
 Montgomery College, M-NCPPC

Origin of project: FY12 Budget Worksessions
 Expedited Bill 17-11, Personnel – OPEB Trust

Expedited Bill 17-11, adopted by the Council on June 27, 2011, creates a consolidated Retiree Health Benefits Trust for Montgomery County Government, Montgomery County Public Schools, and Montgomery College. This legislation amended the County's Retiree Health Benefits Trust to provide a funding mechanism to pay for other post-employment benefits (OPEB) for employees of MCPS and Montgomery College. In addition, the bill added representatives of these two agencies to serve on the Trust's governing board that oversees the investment of the Trust's assets.

To provide the Council and other agencies with a comprehensive and up-to-date understanding of OPEB funding and related issues to be addressed during FY12 and future years, OLO will compile data and analysis to answer the following questions about the four tax-supported agencies: Montgomery County Government¹, MCPS, Montgomery College, and M-NCPPC.

1. When was the most recent actuarial valuation conducted on the OPEB for each agency? As a matter of policy, how often should the valuations be updated and at what time of year?
2. What is the current total asset amount in each agency's OPEB trust? What is the liability by agency and what are the major assumptions used to calculate this liability?
3. What is the current OPEB phase-in schedule for each agency assumed in the most currently adopted Fiscal Plan? How do the respective schedules for each agency compare to one another?
4. What is the impact on the OPEB liability of recent changes adopted by the agencies to retiree health benefits?
5. At what point do the projections of costs for retiree health benefits indicate that annual pay-as-you-go appropriations will not be sufficient and that trust fund resources will be needed?
6. Is there experience with OPEB from other jurisdictions that point to policies and practices (including approaches to funding, eligibility, and benefits offered) that the County should consider adopting?

OLO is assigned this project with the understanding that the office will be assisted, as needed, by central Council staff and the Council's actuarial adviser, Bolton Partners.

¹ This will include relevant information about the other agencies/organizations that participate in the County Government's retiree health insurance benefits plan: the Housing Opportunities Commission, Revenue Authority, Strathmore Hall Foundation, Credit Union, Dept of Assessments & Tax, Washington Suburban Transit Commission, and the Village of Friendship Heights.

PROJECT #8
FY11 WORK PROGRAM - CARRYOVER PROJECTS

The two projects listed below were added as part of a mid-year amendment to OLO's FY11 Work Program, adopted by the Council in February 2011. Work on both projects is underway with target completion dates in the first half of FY12.

A. Services for MCPS Students on the Autism Spectrum

Principal agencies: Montgomery County Public Schools
 County Government (DHHS)

Students identified with autism in Montgomery County Public Schools accounted for nearly 9% of students with disabilities in 2010. Between 2000 and 2010, MCPS' enrollment of students identified with autism increased more than ten-fold from 128 to 1,501 students.

This project will collect and synthesize information on MCPS and County Government (MCG) services for students on the autism spectrum, to include information on:

- The legal mandates that shape MCPS' delivery of autism services;
- Best practices for serving children with autism as recognized by federal agencies;
- Trends in MCPS funding of autism services and autism enrollment;
- The types of services provided by MCPS and MCG for students with autism; and
- Performance outcomes and existing evaluations of MCPS' autism programs and services.

In addition, OLO will work with the Special Education Advisory Committee and the Montgomery County Council of Parent Teacher Associations to elicit parents' views on program strengths and opportunities for improving services to children with autism spectrum disorders.

B. Alternative Programs in MCPS

Principal agency: Montgomery County Public Schools

School systems often rely on alternative programs to reduce dropout rates among students who have been unsuccessful in traditional programs. The intent of MCPS' Alternative I, II, and III programs is to enable students to function effectively and succeed in their home secondary schools. In 2010, 225 students participated in alternative programs for an average time period of between one and three semesters.

The purpose of this project is to describe the continuum of MCPS' alternative programs and targeted interventions aimed at reducing dropout rates. Specifically, OLO's report will address:

- The legal mandates that shape MCPS' delivery of alternative services;
- Best practices for delivering alternative programs and improving graduation rates;
- Trends in MCPS alternative program funding and enrollment;
- The types of alternative services provided by MCPS;
- MCPS' coordination with other agencies to deliver alternative programs; and
- Strategies and interagency efforts in use in other jurisdictions to implement alternative programs and improve graduation rates.

**PROJECT #9
FOLLOW-UP ON COMPLETED OLO REPORTS**

This project consists of Office of Legislative Oversight staff time spent on follow-up activities identified during the Council's review of previously completed OLO projects:

Project 9A is follow-up work related to OLO Report 2012-1, Food in Montgomery County Public Schools. This report is scheduled for release by the Council on July 19, 2011. OLO will staff the Education Committee's worksession(s) on this report this fall.

Project 9B is a continuation of follow-up work related to the two reports OLO completed during FY11 on Achieving a Structurally Balanced Budget in Montgomery County (OLO 2011-2). In addition to being available to answer questions on the material contained in Part I and Part II of the report, OLO will provide an update on how final action taken on the FY12 budget impacts the projections for future revenues and expenditures across the tax-supported agencies.