

MEMORANDUM

April 29, 2010

TO: Management and Fiscal Policy Committee

FROM: Karen Orlansky^{KO}, Director
Office of Legislative Oversight

SUBJECT: **Worksession: FY11 Operating Budget
Office of Legislative Oversight
Independent Financial Audit Non-Departmental Account**

John Cuff, OMB Budget Analyst is expected to attend this worksession. The County Executive's FY11 recommendations for the Office of Legislative Oversight and Independent Audit NDA are attached at ©1.

Summary of staff recommendation:

- **Approve the Executive's recommended budget for the Office of Legislative Oversight.**
- **Reduce the FY11 Independent Audit NDA by \$10,000 (because the contracts were approved with no fee increase).**

OVERVIEW: OFFICE OF LEGISLATIVE OVERSIGHT

The Executive Recommended FY11 Budget for the Office of Legislative Oversight is \$1,241,310. The proposed FY11 funding level represents a decrease of \$99,760 from the FY10 Approved budget. The proposed FY11 budget for OLO translates into a 14.2% reduction in workyears.

Category	FY10 Approved	FY11 CE Recommended	Change FY10-FY11
Expenditures			
Total Personnel	\$1,270,660	\$1,187,150	-6.6%
Total Operating	\$70,410	\$54,160	-23.1%
Total Budget	\$1,341,070	\$1,241,310	-7.4%
Personnel			
Workyears	10.6	9.1	-14.2%

FY11 EXPENDITURE ISSUES

Personnel costs account for 95% of OLO's budget. The Executive's Recommended FY11 budget reflects the following savings in personnel expenditures:

1. Savings from 80 hours of furlough for full-time employees with prorated amount of furlough hours for part-time employees.
2. No funding for a Public Administrative Intern position (currently vacant).
3. Only half-time funding for other Public Administrative Intern position (filled).
4. Savings from reducing Administrative Specialist position from full-time to 90% time.
5. Savings from funding one Senior Legislative Analyst position (filled) at 90% time.

In addition, the Executive's Recommended FY11 budget reduces OLO's operating expenses by \$16,250 (23%) compared to FY10.

The table below summarizes the changes from OLO's FY10 Approved Budget.

Salaries and Benefits (this represents the net reduction after absorbing "fixed" increases, e.g., annualization of FY10 increments, retirement, group insurance adjustments)	-\$45,790
Furlough Days	-\$37,720
Operating Expenses	-\$16,250
Total change from FY10 Approved Budget	-\$99,760

Staff Recommendation: Approve the Office of Legislative Oversight budget as included in the Executive's Recommended FY11 Operating Budget.

OVERVIEW: INDEPENDENT FINANCIAL AUDIT NON-DEPARTMENTAL ACCOUNT

The FY11 Independent Financial Audit NDA will fund the independent audit of the FY10 financial statements issued by the County Government and the Local Fire and Rescue Departments.

On April 20, 2010, 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. The Council has the option of renewing these contracts for one additional year.

The Executive's FY11 Recommended Operating Budget includes \$430,820 for the Independent Financial Audit NDA. Compared to the amount approved in FY10, the \$430,820 represents an increase of \$36,820 (8%). The FY11 budget request included this additional amount to fund an expected fee increase plus the additional work associated with the audit of the Union 457 deferred compensation plan, as required by Bill 40-09, (enacted by the Council on December 1, 2009).

Staff Recommendation: Because the Council's audit contracts were approved in April without any fee increase, staff recommends the Council reduce the FY11 appropriation for the Independent Audit NDA by \$10,000. With this reduction, the total amount recommended for approval is \$420,820.

Attachments

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 FY11 Operating Budget for the Office of Legislative Oversight is \$1,241,310, a decrease of \$99,760 or 7.4 percent from the FY10 Approved Budget of \$1,341,070. Personnel Costs comprise 95.6 percent of the budget for eight full-time positions and three part-time positions for 9.1 workyears. Operating Expenses account for the remaining 4.4 percent of the FY11 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*

PROGRAM CONTACTS

Contact Karen Orlansky of the Office of Legislative Oversight at 240.777.7987 or John Cuff of the Office of Management and Budget at 240.777.2762 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 FY09	Budget FY10	Estimated FY10	Recommended FY11	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	931,430	922,870	906,820	832,060	-9.8%
Employee Benefits	323,018	347,790	321,820	355,090	2.1%
County General Fund Personnel Costs	1,254,448	1,270,660	1,228,640	1,187,150	-6.6%
Operating Expenses	23,323	70,410	58,590	54,160	-23.1%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	1,277,771	1,341,070	1,287,230	1,241,310	-7.4%
PERSONNEL					
Full-Time	11	9	9	8	-11.1%
Part-Time	0	2	2	3	50.0%
Workyears	11.3	10.6	10.6	9.1	-14.2%

FY11 RECOMMENDED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY10 ORIGINAL APPROPRIATION	1,341,070	10.6
Changes (with service impacts)		
Reduce: Operating expenses [Legislative Oversight]	-3,300	0.0
Reduce: Do not fill vacant position (Public Administration Intern) [Legislative Oversight]	-5,700	-0.1
Reduce: Reduce OLO's administrative position by 10% [Legislative Oversight]	-7,600	0.0
Reduce: Lapse PAI position	-59,220	-1.0
Other Adjustments (with no service impacts)		
Increase Cost: Retirement Adjustment	15,690	0.0
Increase Cost: Group Insurance Adjustment	8,510	0.0
Increase Cost: Overtime	7,750	0.0
Decrease Cost: Additional personnel cost reduction [Legislative Oversight]	-1,310	0.0
Decrease Cost: Printing and Mail Adjustment	-1,990	0.0
Decrease Cost: Annualization of FY10 Personnel Costs	-3,910	0.0
Decrease Cost: Annualization of FY10 Operating Expenses	-10,960	0.0
Decrease Cost: Furlough Days	-37,720	-0.4
FY11 RECOMMENDED:	1,241,310	9.1

FUTURE FISCAL IMPACTS

Title	CE REC. FY11	FY12	FY13	(\$000's) FY14	FY15	FY16
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY11 Recommended	1,241	1,241	1,241	1,241	1,241	1,241
No inflation or compensation change is included in outyear projections.						
Restore Personnel Costs	0	38	38	38	38	38
This represents restoration of funding to remove FY11 furloughs.						
Subtotal Expenditures	1,241	1,279	1,279	1,279	1,279	1,279

	Expenditures	WYs
Eliminate: Parent Resource Center (PRC) Program	-48,160	0.0
Decrease Cost: Retiree Health Insurance Pre-funding	-105,440	0.0
Reduce: Additional Program Reductions	-195,240	0.0
FY11 CE Recommended	5,804,040	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.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	0	0.0
Add: Inauguration and Transition	50,000	0.0
FY11 CE Recommended	50,000	0.0

Notes: This NDA is funded as FY11 is an election year.

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, 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.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	394,000	0.0
Increase Cost: New requirement to audit Union deferred compensation plan	25,000	0.0
Increase Cost: Annualization of FY10 Operating Expenses	11,820	0.0
FY11 CE Recommended	430,820	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.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	5,000	0.0
FY11 CE Recommended	5,000	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 at 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.

3