

MEMORANDUM

April 28, 2016

TO: Government Operations and Fiscal Policy Committee

FROM: Chris Cihlar, Director
Office of Legislative Oversight

SUBJECT: **Worksession: FY17 Operating Budget
Office of Legislative Oversight
Independent Financial Audit Non-Departmental Account**

Summary of staff recommendation: Approve the Office of Legislative Oversight's request for an increase of \$32,000 above the Executive's recommended budget for OLO and approve the Executive's recommended budget for the Independent Financial Audit Non-Departmental Account.

The County Executive's FY17 recommendations for the Office of Legislative Oversight and Independent Audit NDA are attached beginning at ©1. OMB staff member, Jennifer Nordin, is expected to attend this worksession.

OFFICE OF LEGISLATIVE OVERSIGHT

The Executive's Recommended FY17 Budget for the Office of Legislative Oversight is \$1,567,907. The table below summarizes the Executive's recommended changes from the FY16 Approved Budget of \$1,479,274. The recommended budget represents a same services request from FY16 to FY17.

Category	FY16 Approved	FY17 CE Recommended	Change FY16-FY17
Expenditures			
Total Personnel	\$1,454,164	\$1,546,620	6.4%
Total Operating	\$25,110	\$21,287	-15.2%
Total Budget	\$1,479,274	\$1,567,907	6.0%
Personnel			
FTEs	11.0	11.0	--

Personnel costs account for 98.64 percent of OLO's budget under the Executive's recommendation.

The Executive’s Recommended FY17 budget reflects the following changes in personnel and operating costs:

- Decreased costs associated with a reduction in operating expenses;
- Increased costs based on the County Executive’s salary increase; and
- Increased costs resulting from a reduction in lapse.

OLO Request above the Executive’s Recommended Budget. Based on past- and current-year experience, OLO requests an additional \$32,000 above the Executive’s Recommended FY17 budget to cover the costs of outside experts required for OLO projects. In FY16 OLO required the assistance of an actuary to complete Report #2016-5, required outside legal analysis on Maryland law to assist with its work on paid family leave, paid for travel expenses and expert fees related to OLO’s work on the Children’s Trust project, and required outside IT assistance to create an online presence for OLO’s Interactive Fiscal Statement Tool. In FY17 OLO already anticipates the need for outside expert analysis on two likely projects and these additional funds will ensure that final OLO projects are of as high a standard as possible. The table below summarizes the impact of OLO’s request on the FY17 budget.

Category	FY16 Approved	FY17 OLO Requested	Change FY16-FY17
Expenditures			
Total Personnel	\$1,454,164	\$1,546,620	6.4%
Total Operating	\$25,110	\$53,287	112.2%
Total Budget	\$1,479,274	\$1,599,907	8.2%
Personnel			
FTEs	11.0	11.0	--

Personnel costs account for 96.67 percent of OLO’s budget based on OLO’s request.

Staff Recommendation: Approve an increase of \$32,000 above the Executive’s Recommended FY17 Operating Budget for the Office of Legislative Oversight.

INDEPENDENT FINANCIAL AUDIT NON-DEPARTMENTAL ACCOUNT

The Executive’s FY17 Recommended Operating Budget includes \$420,820 for the Independent Financial Audit NDA. This NDA funds the independent audit of the FY16 financial statements issued by the County Government and other related audit work. This amount represents a zero percent increase from the FY16 appropriation for this NDA.

Staff Recommendation: Approve the Independent Audit Non-Departmental Account as included in the Executive’s Recommended FY17 Operating Budget.

Attachments: County Executive’s Recommended Budget ©1
 Summary of FY16 Projects ©4



Legislative Oversight

Mission Statement

The mission of the Office of Legislative Oversight (OLO) 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 FY17 Operating Budget for the Office of Legislative Oversight is \$1,567,907, an increase of \$88,633 or 5.99 percent from the FY16 Approved Budget of \$1,479,274. Personnel Costs comprise 98.64 percent of the budget for 11 full-time position(s) and no part-time position(s), and a total of 11.00 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 1.36 percent of the FY17 budget.

The increase of \$88,633 primarily consists of personnel costs and a reduction in lapse.

Linkage to County Result Areas

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

◆ A Responsive, Accountable County Government

Accomplishments

- ✓ Report on the Department of Liquor Control in Montgomery County examined the County's system of alcohol distribution, the underpinning state law governing the County's system, and detailed financial and employment data for the County's Department of Liquor Control. The report set out a continuum of five options for potential changes to the County's alcohol control system and included options for new ways to raise revenue from the sale of alcohol in the County.
- ✓ Assessed the Montgomery County Public School (MCPS) "Revitalization/Expansion" program, the \$120 million per year capital program to reconstruct or renovate existing school buildings. The report identified significant shortcomings in the methodology used to evaluate school building conditions.
- ✓ Developed and launched the "Interactive Fiscal Plan," an online model that allows users to input alternative assumptions into the Fiscal Plan in order to better understand the relationship among budget elements and to explore alternative approaches to balancing the budget.
- ✓ As a result of an OLO study of processing times for preliminary plans, site plans and record plats, the Council adopted an initial set of timeline goals that it intends to use to monitor agencies' progress in streamlining the development review process.

Program Contacts

Contact Chris Cihlar of the Office of Legislative Oversight at 240.777.7987 or Jennifer Nordin of the Office of Management and Budget at 240.777.2779 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 FY15	Budget FY16	Estimate FY16	REC FY17	%Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	1,085,319	1,088,001	1,146,357	1,179,284	8.4 %
Employee Benefits	371,250	366,163	369,182	367,336	0.3 %
County General Fund Personnel Costs	1,456,569	1,454,164	1,515,539	1,546,620	6.4 %
Operating Expenses	18,535	25,110	25,110	21,287	-15.2 %
County General Fund Expenditures	1,475,104	1,479,274	1,540,649	1,567,907	6.0 %
PERSONNEL					
Full-Time	11	11	11	11	—
Part-Time	0	0	0	0	—
FTEs	11.00	11.00	11.00	11.00	—

FY17 Recommended Changes

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY16 ORIGINAL APPROPRIATION	1,479,274	11.00
Other Adjustments (with no service impacts)		
Increase Cost: Revised lapse assumption [Legislative Oversight]	51,623	0.00
Increase Cost: Annualization of FY16 Personnel Costs	21,562	0.00
Increase Cost: FY17 Compensation Adjustment	19,820	0.00
Increase Cost: Position reclassification and salary adjustments [Legislative Oversight]	17,577	0.00
Increase Cost: Group Insurance Adjustment	6,875	0.00
Increase Cost: Printing and Mail	177	0.00
Shift: Telecommunications to the Telecommunications Non-Departmental Account	(4,000)	0.00
Decrease Cost: Retirement Adjustment	(25,001)	0.00
FY17 RECOMMENDED	1,567,907	11.00

Future Fiscal Impacts

Title	CE RECOMMENDED (\$000s)					
	FY17	FY18	FY19	FY20	FY21	FY22
COUNTY GENERAL FUND						
EXPENDITURES						
FY17 Recommended	1,568	1,568	1,568	1,568	1,568	1,568
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	14	14	14	14	14
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	1,568	1,582	1,582	1,582	1,582	1,582

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; an independent audit of the basic financial statements of the Montgomery County Union Employees Deferred Compensation Plan; and additional services related to reviews, tests, and certifications.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	420,820	0.00
FY17 Recommended	420,820	0.00

Below is a brief summary of the FY16 OLO Projects:

Project Number	Title	Summary
1	Children's Trusts	As the County begins determining the next steps for the Children's Opportunity Fund, it is essential that we have a better understanding of how children's trusts work in other jurisdictions. This report will examine how Children's Trusts have been implemented in other areas and determine which strategies have resulted in the most beneficial outcomes.
2	Evaluation of Enterprise Zones	OLO will conduct an evaluation of the Enterprise Zone program in order to better understand the impact these zones have had. OLO will attempt to determine whether or not the tax credits distributed through these zones have helped spur the economic growth they are intended to foster.
3	State Aid to Montgomery County	The County Council is interested in understanding how State allocations to Montgomery County have changed over time and how Montgomery County compares to other Maryland jurisdictions in the receipt of State aid. OLO will build a model that captures this information and presents it in a concise and user-friendly fashion.
4	Affordable Housing and the Developmentally Disabled	This OLO report will examine the need for and availability of affordable housing dedicated specifically to developmentally disabled individuals.
5	New School Construction	This report will examine the decision-making process used by MCPS when determining whether to build a new school. In framing the discussion around building new schools, this report will also examine the manner in which MCPS and the Board of Education consider both the possibility of re-opening closed schools and making changes to school district boundaries. The report will also compare cost of school construction to other local jurisdictions.
6	Contractors in Montgomery County Government	This OLO report will investigate the use of contractors in Montgomery County and attempt to determine whether or not any function currently contracted out could be brought in-house.
7	Maintain and Update Interactive Fiscal Plan	The Interactive Fiscal Plan was launched in FY15. In FY16, OLO will maintain the model and periodically update the data to reflect current budget decisions and economic projections. In addition, OLO staff will demonstrate the model at public meetings as directed by the Council.

8	MC311, Performance Measurement and Performance-Based Budgeting	OLO will review how MC311 uses data to measure the timeliness of service delivery and provide status information to customers. It will also investigate whether and how MC311 data may be used to inform the County's budget process.
9	Individual and Business Tax Burden Analysis, including the Fuel Energy Tax	This study will identify the major taxes imposed on individuals and businesses in different regional jurisdictions, including Montgomery County's fuel-energy tax. The study will analyze the tax burden on households at different income levels. Additionally the study will analyze the tax burden on businesses of different types and sizes.
10	Universal Pre-K	OLO will describe universal pre-K programs in other jurisdictions. It will examine their funding sources, policy and funding challenges associated with delivering universal pre-K programs, best practices for implementing pre-K programs, and types of programs that would have the best chance of succeeding in Montgomery County.
11	Mapping Procurement	This project will review the procurement process function for all County Government departments. OLO will examine changes made in recent years and identify further areas for improvement by looking for unnecessary or redundant steps in the process or for functions that could be automated. This process may lead to recommendations to change or simplify legislative requirements imposed on procurement.
12	Safe Routes to School	This OLO study will analyze the Safe Routes to School program and the impact it has had in the County. Additionally, it will focus on areas or locations in Montgomery County that have experienced higher than typical levels or incidents of pedestrian/vehicle collisions to determine if the concepts behind Safe Routes to Schools might be applied around these specific high incident areas.
13	MCPS Retirement Benefits	This project will review structural issues related to the MCPS pension fund in the following areas: 1) Board policy regarding the pension plan funded ratio and current actuarial projections for future pension fund contributions through 2020, 2) how the retirement benefits over which MCPS has discretion impact future year pension obligations, and 3) how other Maryland jurisdictions structure retirement benefits for their school system employees not in the State-run pension plan.
14	Procurement and Technology	This OLO report will summarize best practices in the procurement of information technology services in government, including identification of changes that could provide more flexible and agile procurement processes.

15	Use of MCPS School Buildings	This proposed project will consider the following two questions: 1) whether school buildings formerly operated by MCPS are located in areas with significant current need for additional school space, and 2) whether and at what general cost space in former operating schools could be converted back to its original, MCPS education-oriented, purpose.
16	Transportation Management District Strategies and Goals	This OLO report will summarize the transportation management strategies employed in each of the TMDs and will present information on the programs and expenditures of each TMD. OLO will compare the goals of the five TMDs and will examine any strategic plans or policies that address the role of TMDs in addressing County transportation, land use, and environmental objectives.
17	Fiscal Impact Statements	In FY15, the Office of Legislative Oversight completed a full-year initiative to review all fiscal impact statements that the Council received from the Executive Branch. During FY16, OLO will continue the fiscal impact statement project for a second full-year using the same model and framework developed during FY15.
18	Management of the Council's Independent Audit Contract	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.
19	Assist with the Review of the FY17 Operating budget	OLO staff will assist Central Council staff to prepare analyses for Committee and Council work sessions on the FY17 operating budget. OLO will work collaboratively with the Council Administrator to identify specific budget areas for OLO staff assistance. Priority consideration will be given to topics that OLO has studied before.
20	Staff Support for the Council's Audit Committee	As directed by Council resolution, OLO will ensure that the Audit 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."
21	Comparative Data on High-Level Manager Salaries	This memorandum report provides the Council with comparative data on "high-level manager" salaries for Montgomery County, the federal government, and 24 other local governments – 10 within the Washington, DC-Baltimore region and 14 outside the region located in high cost of living areas.