Agenda Item #(10)
March 9, 1993

Montgomery County Government

MEMORANDUM

March 5, 1993

TO: County Council

VIA: William H. Hanna, Chair GYEH.
Planning, Housing, and Economic Development Committee

FROM: Karen Orlansky, KO. Program Evaluator
Office of Legislative Oversight

SUBJECT: Report on PHED Committee's Consideration of the Merger Report Prepared by the M-NCPPC Montgomery County Department of Parks and Montgomery County Department of Recreation

A. PURPOSE OF MEMORANDUM

Last year, the PHED Committee identified the possible merger of the M-NCPPC Montgomery County Department of Parks and Montgomery County Department of Recreation as a FY93 budget project. The two affected department directors were requested to prepare a report on the feasibility of consolidating the two departments.

The final report from the Directors of the Departments of Parks and Recreation was submitted to the Council in January 1993, and the PHED Committee held a worksession on the Merger Report on February 25, 1993. The purpose of this memorandum is to report back to the full Council on the PHED Committee's consideration of the Merger Report.

B. PHED COMMITTEE CONCLUSIONS AND RECOMMENDATIONS

Recommendation (1): The PHED Committee concludes that, based upon the estimated cost data contained in the Merger Report, the merger of the Departments of Parks and Recreation does not appear practical at this point in time.

The Committee's conclusion that a merger of the Department of Parks and Department of Recreation does not appear practical at this time is based primarily upon the estimated costs of merger contained in the Merger Report. Specifically, the Merger Report data indicate that a merger (in either direction) has both one-time and ongoing costs associated with it, and that net long-term savings from a merger become apparent only if significant legislative and regulatory barriers are removed.

The Committee's recommendation not to pursue a merger of the two departments at this time is consistent with the positions taken by the County Executive (Circle 38), and Chairman of the Park Commission (Circle 34).

The Committee identified the laws, regulations, and practices of our personnel and retirement systems that appear to be driving the estimated costs of merger, and recommends that the MFP Committee further examine these issues. (See Recommendation No. 2.) If and when some changes are made to these underlying laws and regulations, then the Committee may want to revisit the estimated costs and potential savings of merging the two departments.

Recommendation (2): Based upon issues identified in the Merger Report, the PHED Committee recommends that the Council's MFP Committee further examine ways to make our personnel and retirement systems more flexible.

The PHED Committee concluded that the Merger Report is valuable as a case study for identifying "roadblocks" in our personnel and retirement systems that need to be addressed. The Committee recommends that the MFP Committee further examine ways to make our personnel and retirement laws, regulations, and practices able to react with greater flexibility to changing circumstances.

As discussed generally by the PHED Committee, specific issues that deserve review include: the Discontinued Service Retirement benefit; the lack of salary comparability between agencies; the differences in agency approaches to annual merit increases; and the unfunded pension liability that results from the transfer of service credits from one agency to another. (A more detailed explanation of each of these issues can be found at Circles 3-13.)

In his comments on the Merger Report (Circle 38), the County Executive also voices an interest in pursuing a number of issues related to retirement and compensation policies that were outlined in the report. As the Executive notes, "Resolution of these issues has the potential of reducing both the cost and administrative complexity of a Recreation and Parks merger, which, at some future time, still could be a desirable action."

Recommendation (3): The PHED Committee recommends taking a new approach to reviewing the FY94 operating budgets of the Parks Department and Recreation Department. The Committee suggests that, if it works well, then perhaps this new approach could serve as a model for how the Council approaches other operating budgets.

The PHED Committee recommends that a new approach be taken to reviewing the FY94 operating budgets of the Parks Department and Recreation Department. The new approach would focus on the goals and objectives of improving service delivery and accountability for results, as opposed to line-item budgeting. Characteristics of the new approach would include:

a. Concurrent review of the proposed operating budgets of the Department of Parks and Department of Recreation.

b. A kick-off discussion on the missions of the two departments.

c. A review of what the citizens' current and projected future needs are for services in the two departments. This would include analysis of data on the current use of Parks and Recreation programs and facilities, and ideas for developing specific ways to measure the departments' progress towards meeting future needs.

d. A focus on ways to maintain or improve service delivery without additional resources with an emphasis on the following:

   (1) Opportunities for cooperation/coordination between the two departments. This would include following-up on the specific suggestions offered in the Merger Report for possibly achieving some of the benefits of merger in a non-merged situation, (Circle 27) and the Executive's recommendation for a Memorandum of Understanding between the two departments (Circles 38-39).

   (2) Opportunities for re-aligning some of the current responsibilities of the two departments. This would include looking at the suggestion raised at the PHED Committee meeting to place all responsibilities related to program activity in the Department of Recreation, and all facility development and maintenance responsibilities in the Department of Parks.

   (3) Other opportunities for increasing general operating efficiency and effectiveness. This would include identifying specific rules and regulations that inhibit improved service delivery, and figuring out a plan for modifying the obstacles. One suggestion that has been made is to provide the departments with additional management flexibility on a pilot basis.

e. After having spent the majority of its time focusing on the delivery of services, the Committee would then review and make decisions on the specific appropriation requests of the two departments. As time permits, the Committee would identify meaningful measures of performance and accountability that would accompany specific budget decisions.

C. BACKGROUND MATERIAL

For the Council's background, attached to this memorandum is the packet that the PHED Committee used on February 25, 1993, for its worksession on the Merger Report.* The packet includes a chronology of the Parks/Recreation Merger Report, (Circle 1), and a discussion of the major issues that impact the cost of merger (Circles 3-13).

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* A number of technical corrections have been made on Circle 6 and Circle 9 of the packet.

The packet also contains:

KO/cca
703/38

Montgomery County Government

MEMORANDUM

February 22, 1993

TO: PHED Committee

FROM: Karen Orlansky, KO Program Evaluator
Office of Legislative Oversight

SUBJECT: The Merger Report Prepared by the M-NCPPC Montgomery County Department of Parks and Montgomery County Department of Recreation

On February 25, 1993, the PHED Committee is scheduled to receive a briefing on the Merger Report from the Director of the Department of Parks and Director of the Department of Recreation.

This packet is organized as follows:

This packet also contains:

I. A CHRONOLOGY OF THE PARKS/RECREATION MERGER REPORT

February 1992: The PHED Committee identifies the possible merger of the Department of Parks and the Department of Recreation as part of the FY93 Budget Project. The Committee requests the two affected department directors to prepare a report by July 1, 1992 on the possibility of consolidating the two departments.

Office of Legislative Oversight
100 Maryland Avenue, Rockville, Maryland 20850, 301/217-7990

March 1992: The County Executive's Recommended FY93 Operating Budget expresses support for the merger study.

April 1992: The Directors of the Departments of Parks and Recreation inform the PHED Committee that the July 1, 1992 deadline is not realistic given the complexity of issues that needed to be addressed. In response, the PHED Committee indicates that the Directors should take the time that they need to produce a thorough study of the merger question.

October 1992: The Directors of the Departments of Parks and Recreation complete the Draft Merger Report (blue cover). Copies are shared with the Planning Board and Recreation Advisory Board. An executive summary is sent to the Council and the County Executive.

November 1992: The Directors meet in public session with the Planning Board to discuss the Draft Merger Report.

November/December 1992: Parks and Recreation staff rewrite some sections of the Draft Merger Report in response to comments received.

January 8, 1993: The Directors transmit the final Merger Report (green cover) to the Council and County Executive. Written comments from the Chairman of the Park Commission are included with the final report.

January 28, 1993: The PHED Committee reviews the status of FY93 Budget Questions. The Committee indicates its interest in scheduling a briefing as soon as possible from the Directors of Parks and Recreation on the Merger Report. The Committee sends a memorandum to the County Executive requesting the Executive's written comments on the Parks/Recreation merger issue.

February 25, 1993: The PHED Committee is scheduled to receive a briefing from the Directors of Parks and Recreation on the Merger Report.

II. GENERAL OLO STAFF COMMENTS ON THE MERGER REPORT

The Directors and staff of the Department of Parks and Department of Recreation deserve recognition for the significant time and effort they dedicated to preparing the Merger Report. The end product represents literally thousands of hours of staff time.

Although no additional funds were appropriated for this assignment, there were costs of the study in terms of staff time being diverted from other projects. Work on the Merger Report was performed primarily by Parks Department and Recreation Department employees. Other Executive Branch and M-NCPPC staff were involved on the 11 staff committees that were formed to study different functional areas.

The Parks/Recreation Merger Report provides the Council with a number of constructive things:

- It provides a general framework for discussing the question of merging the Parks and Recreation Departments.
- It shows that many of the arguments concerning the direction of merger are based on factors other than cost. (See the two sections in the Executive Summary of the Merger Report, Implications of a Merger Outside of the Commission, and Implications of a Merger Outside of the Executive Branch, Circle 23.)
- It outlines how a merger of the two departments to either the County Government or the Commission will require legislative action by the County and the General Assembly, and budget action by the County and the Bi-County Commission.

With respect to the fiscal impact of a merger, the Merger Report demonstrates that even after specific budget issues are identified, it is difficult to place a price tag on them and reasonable people can disagree about how to cost them out. Although the details behind some of the specific cost estimates are debatable, the bottom-line conclusion of the Merger Report is that:

- A merger of the two departments (in either direction) has both one-time and ongoing costs associated with it; and
- A merger (in either direction) is not guaranteed to realize net cost savings over time.

It is my view that the Merger Report also makes an important contribution as a case study of why "Reinventing Government" is not a simple task. In particular, if we can use the Parks/Recreation Merger Report to identify the critical pieces of our personnel laws, personnel regulations, and other practices that limit the flexibility of government and make change so difficult and expensive, then the value of the Parks/Recreation Merger Report has potential beyond the specific decision of whether to merge these two departments.

The following section of this memo identifies and discusses the factors that significantly impact the estimated costs of merging the Department of Parks and Department of Recreation.

III. MAJOR ISSUES THAT IMPACT THE COST OF MERGER

The Merger Report divides the costs of merging the Department of Parks and the Department of Recreation into one-time costs and ongoing annual costs. The table in the Merger Report that summarizes the range of one-time and annual costs is attached at Circle 29.

<u>One-time costs.</u> The estimates for total upfront expenses (to merge in either direction) range between $320,000 and $481,100. Almost half of this is for a Classification Study and Organizational Review (estimated cost: $160,000). The remaining one-time costs are primarily to purchase the necessary hardware and software to integrate the Management Information Systems of the two departments.

<u>Annual Costs.</u> The estimates for net budget impact that will be incurred on an annual basis range between potential savings of $390,000 to cost increases of $6.5 million.

As outlined on Circle 29, the Merger Report shows that a merger in either direction will cost the new parent organization additional amounts each year for: administrative overhead; unfunded pension liability; and upgrades/modifications to existing Management Information Systems. A merger in either direction also shows potential savings (over the long term) from the eventual reduction in managerial and supervisory staff.

A merger in either direction would incur additional costs (or potential savings) to adjust employees' compensation for differences between the County Government and M-NCPPC on: work week; base salaries; and approaches to annual merit increases. Because the Discontinued Service Retirement benefit only applies to County Government employees, it is listed as an ongoing cost only if the Recreation Department merges to the Commission.

Using the Merger Report as a guide, the following pages provide some basic information about seven of the major issues that impact the potential costs of merger. All of these issues (except for integration of MIS systems) relate to personnel and retirement laws, regulations, and practices of the County Government and M-NCPPC:

- Issue A: The Discontinued Service Retirement Benefit;
- Issue B: Inconsistent work weeks between agencies;
- Issue C: Lack of salary comparability between agencies;
- Issue D: Differences in agency approaches to annual merit increases;
- Issue E: Job retention policies;
- Issue F: Unfunded pension liability that results from the transfer of service credit from one agency to another; and
- Issue G: Compatibility of computer and communications hardware/software.

Beginning on page 6, information on each of these issues is organized as follows:

Section 1 contains a brief description of the issue.

Section 2, Merger Costs, shows the one-time and/or ongoing costs of the Park/Recreation merger that are associated with the issue, as these costs are estimated in the Merger Report. The costs are shown separately for a merger of Parks to the County Government vs. a merger of Recreation to the Commission. (Although some of these costs deserve additional scrutiny, they provide an order of magnitude for purposes of the Committee's immediate discussion.)

Section 3, Authority, identifies the authority that governs the relevant law, regulation, or practice.

Section 4, When Will it Apply?, explains whether the issue will apply only if Parks merges to Recreation, or only if Recreation merges to Parks, or both; and whether the issue has implications outside of the Parks/Recreation merger question.

Section 5, Merger Report Recommendation, summarizes how the Directors of Parks and Recreation recommend dealing with the issue. In a number of cases, the Merger Report recommends an approach to reduce or minimize the potential cost.

ISSUE A: DISCONTINUED SERVICE RETIREMENT (DSR) BENEFIT

1. Brief Description:

Any County Government employee who has ten years of continuous service may elect to receive the DSR benefit if the employee's job has been abolished or employment has been terminated by an administrative action. The calculation of the DSR benefit varies depending upon when the employee enrolled in the retirement plan. Employees who resign or who are dismissed for cause are not eligible to elect the DSR benefit.

In general, for employees who enrolled in the retirement system prior to July 1, 1978, the DSR benefit adds five percent to what the employee would normally receive for retirement, and allows retirement payments to begin when the employee reaches his/her early retirement date (age 55 with 10 years of service or age 45 with 20 years of service). For employees who enrolled after July 1, 1978, the DSR benefit allows early retirement payments to be calculated without application of the reduction factor.

2. Merger Costs (as estimated in Parks/Recreation Merger Report):

a. If Parks merges to Recreation: DSR does not apply.

b. If Recreation merges to Parks: The net cost (over time) of DSR to the County's Retirement Fund is estimated to be $1 million for every seven employees who elect the DSR benefit; 37 Recreation Department employees have at least 10 years of service. The Merger Report estimates that the annual ongoing cost to the Retirement Fund would be $113,150 to $565,000, depending upon the number and salaries of employees who elect the DSR benefit.

3. Authority:

a. For County Government: County Retirement Law, County Code Section 33-45(d)

b. For Commission: N/A

4. When Will it Apply?

DSR is a cost factor to consider whenever County Government jobs are being abolished, and is not unique to the Parks/Recreation merger question. As currently written and interpreted, eligible County Government employees (meaning employees who have 10 years of service and whose job is abolished) must be offered the option to retire and receive the DSR benefit, even if the employee is offered another County Government job, or a job in another County/Bi-County agency.

Although DSR will almost certainly be a factor in any proposed inter-agency reorganization, it is also a factor in any within-County Government change that results in the abolition of specific County Government positions.

5. **Merger Report Recommendation:**

In order to implement a merger of Recreation to Parks, the Directors recommend amending the law to allow the voluntary transfer of Recreation employees to the Commission, and to state that employees who voluntarily transfer are not entitled to DSR. The Legal Committee of the Merger Report advises that while the Council can amend the law for employees who have not yet qualified for DSR, the Council probably cannot divest employees to rights to which they are already entitled.

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ISSUE B: INCONSISTENT WORK WEEKS

1. **Brief Description:**

The Commission defines full-time work as 37.5 hours/week, except for the Park Police who work 40 hours/week. The County Government defines full-time work as 40 hours/week.

2. **Annual Merger Costs** (as estimated in Parks/Recreation Merger Report):

    a. If Parks merges to Recreation: $1,482,000

    b. If Recreation merges to Parks: ($422,000) to $2,425,200 (a similar adjustment to the Prince George's County side of the Commission is estimated to cost an additional $3.4 million/year)

3. **Authority:**

    a. For County Government: County Personnel Law, County Code Chapter 33, and Personnel Regulations

    b. For Commission: Merit System Rules and Regulations (adopted by the Bi-County M-NCPPC)

4. **When Will it Apply?**

The issue of inconsistent work weeks between the County and M-NCPPC is not unique to the Parks/Recreation merger question. It has come up before as both an equity and cost issue. Inconsistent work weeks will be presented as a cost factor whenever there is a proposed inter-agency change that involves employees who currently work different numbers of hours.

5. **Merger Report Recommendation:**

To minimize ongoing costs, the Merger Report recommends that if Recreation were to merge with Parks, former County employees coming to the Commission should be able to choose either to retain their 40 hour work week and salary level, or to reduce their hours and compensation to 37.5 hours. When employees who retained their 40 hour work week left their jobs, they would be replaced by 37.5 hour employees. The immediate cost impact of allowing employees to retain their current work week and compensation is zero.

The Merger Report recommends that if Parks were to merge with Recreation, Commission employees should be given the option of increasing their work week to 40 hours and receiving a 6.7 percent salary adjustment. The Directors recommend that Commission employees who want to continue to work a 37.5 hour work week should be allowed to do so. (If all Parks employees opted for the 40 hour work week, the estimated annual cost increase is $1,482,000.)

ISSUE C: SALARY COMPARABILITY - BASE PAY

1. Brief Description

The County and M-NCPPC have different pay scales. A salary survey conducted jointly by the personnel departments of the County and M-NCPPC concluded that, on average, the Commission pay scale (adjusted for work week differences) is 2.61 percent below the County pay scale. The range was from 3.91 percent (Commission salaries above County) to 22.4 percent (Commission salaries below County).

2. Merger Costs (as estimated in Parks/Recreation Merger Report):

One-time Costs: The Merger Report estimates that a one-time classification study will cost $160,000

Annual Costs: (for salary differential adjustment)

a. If Parks merges to Recreation: $0 to $694,800

b. If Recreation merges to Parks: ($174,700) to $1,062,300, plus unknown amount for similarly adjusting salaries of Prince George's Commission employees.

3. Authority:

a. For County Government: County Personnel Law, County Code Chapter 33, and Personnel Regulations; the Regulations state that the County's salary schedule may be amended by the CAO, subject to Council approval.

b. For Commission: Merit System Rules and Regulations (adopted by the Bi-County M-NCPPC)

4. When Will it Apply?

As a cost factor, the issue of salary differentials will generally not arise with respect to organizational changes within a single agency because employees remain within the same merit system, which has agency-wide classification and salary schedules.

The issue of salary differentials between County agencies, however, has been raised before and is not unique to the Parks/Recreation merger question. It is a cost and equity issue that has been identified with or without proposals for organizational change.

5. Merger Report Recommendation:

The Directors recommend that a classification and organizational review of the merged department be conducted (one-time cost $160,000).

To minimize ongoing costs, the Directors recommend that after a classification study is conducted, employees should retain their current salaries and increment dates so long as their salaries fall somewhere in the range of the class to which they are assigned. Under this scenario, the only salaries that would be adjusted upward would be for employees whose current salary is below the starting point of the class to which they are assigned.

The Director of Recreation also suggests that the Montgomery County and Prince George's County Councils and the Bi-County Commission consider establishing separate pay scales for the Commission's Montgomery and Prince George's Commission employees. This would reduce the potential cost impact that changes to Montgomery County Commission employees would have on Prince George's County Commission employees, or vice versa. The Parks Director opposes this suggestion because he believes it is inequitable to treat employees within the same agency who are subject to the same merit system differently.

ISSUE D: DIFFERENCES IN ANNUAL MERIT INCREASES

1. Brief Description:

At present, County Government employees, who are not yet at the top of their grade and who perform their duties in a satisfactory manner, are eligible to receive a 3.5 percent annual increase in salary. In the past, County Government also had a program of cash awards and outstanding service increments based upon employee performance. The County's employee awards program was suspended in FY91 due to fiscal constraints. For FY93, $90,000 was appropriated for an interim awards program to be shared among all County Government employees.

Commission employees, who are not yet at the top of their grade, are eligible to receive a 3 percent annual increase in salary. The Commission's current pay-for-performance program provides that employees who are rated "very good" receive the 3 percent salary increment plus a 2 percent cash award, and employees who are rated "exceptional" receive the 3 percent salary increment plus a 3 percent cash award.

2. Annual Merger Costs (as estimated in Parks/Recreation Merger Report):

a. If Parks merges to Recreation: ($280,900) to $78,000

b. If Recreation merges to Parks: ($25,000) to $91,300

3. Authority

a. For County Government: Personnel Regulations and annual budget action.

b. For Commission: Merit System Rules and Regulations (adopted by the Bi-County M-NCPPC) and annual budget action.

4. When Will it Apply?

As a cost factor, differences in annual merit increases generally will not arise with respect to organizational changes within a single agency because employees remain within the same merit system. Within County Government, there may be some exceptions to this because a number of departments/offices (e.g., the County Council) have developed differing pay-for-performance plans.

However, the issue of different approaches to merit increases and pay-for-performance between County agencies has been raised before and is not unique to the Parks/Recreation merger question. It is a cost and equity issue that has been identified with or without proposals for organizational change.

5. Merger Report Recommendation:

The Directors recommend that if Recreation merges to the Commission, then the employees should all come under the Commission's pay-for-performance system. The estimated annual cost increase is $65,900 ($25,000 in savings because the annual salary increment would be 3 percent instead of 3.5 percent, but an increase of $91,300 to provide cash awards for those who perform at a very good or exceptional level).

The Directors recommend that if Parks merges to the County Government, then the employees should all come under the County's system of annual merit increases. The estimated annual cost savings is $202,900 (an increase of $78,000 to pay for increments of 3.5 percent instead of 3 percent, but a savings of $280,900 for not providing cash awards).

ISSUE E: JOB RETENTION

1. Brief Description

The Merger Report recommends that no person in either organization should be involuntarily eliminated from public sector employment because of the merger.

2. Costs (as estimated in the Merger Report):

The Merger Report does not include cost estimates for reducing the number of Parks/Recreation employees at the time of merger. Both Directors agree that a merged organization could, over time, allow the phasing out of some supervisory or management positions. The Recreation Director is willing to estimate that eventually this would translate into a reduction of 8-10 positions, for an annual savings up to $500,000. At this time, the Parks Director is not willing to estimate a specific number of positions that will be able to be eliminated.

3. Authority:

The number of positions funded is directly related to annual budget action. For the County Government, the relevant actors are the County Executive and County Council. For the Commission, the relevant actors are the County Council, Montgomery County Planning Board, and Bi-County Commission. (The County Executive also makes a recommendation to the County Council regarding the Commission's budget.)

4. When Will it Apply?

The County's policies with respect to job retention are fundamental to all strategies for downsizing the government.

5. Merger Report Recommendation:

As indicated above, the Directors recommend that no person in either organization should be involuntarily eliminated from public sector employment because of the merger. The Directors recommend that employees should be offered the opportunity to voluntarily transfer to the newly merged organization. Employees who wish not to transfer should be provided RIF rights to access other vacant positions in either the Commission or the County Government, and be retained until a qualified position opens.

ISSUE F: UNFUNDED PENSION LIABILITY RESULTING FROM TRANSFER OF SERVICE CREDITS

1. Brief Description:

State law sets forth requirements concerning the transfer of employees between retirement systems of the State and political subdivisions of the State. In addition to requiring the retirement systems of the State and local government agencies to permit employees to transfer service credits, State law also provides for the transfer between retirement systems of some employer and employee contributions under certain circumstances.

In 1981, the retirement systems of the Commission and the County Government entered into a Reciprocal Agreement regarding the transfer of individual employees between the two agencies. The Agreement requires a transfer of assets to cover the present value of accumulated plan benefits. According to the Merger Report, the provisions of the Reciprocal Agreement offset approximately 35 percent of the unfunded pension liability resulting from the transfer.

According to the Merger Report:

- If Parks were to merge to Recreation, the County's Retirement Fund would incur an unfunded liability for each Commission employee who transferred Commission service credits to the County.
- If Recreation were to merge to Parks, the Commission's Retirement Fund would incur an unfunded liability for each County employee who transferred County service credits to the Commission.

2. **Annual Merger Costs** (as estimated in Parks/Recreation Merger Report):

a. If Parks merges to Recreation: The unfunded pension liability would require an annual payment of $700,000 for 40 years.

b. If Recreation merges to Parks: The unfunded pension liability would require an annual payment of $175,000 for 40 years.

Note: The overall cost to cover the unfunded liability in one retirement system is offset by a reduction of liability in the other retirement system. If the reduction in liability is taken into account, the net cost to the public sector may in fact be zero.

3. Authority

State law: Article 73B, Subtitle 4, Transfers Between Retirement or Pension Systems of the State or Political Subdivisions of the State (Annotated Code of Maryland, 1992 Supplement)

Reciprocal Agreement: Entered into December 3, 1981, and signed by the CAO for the Retirement System of the County Government and the Chairman, Board of Trustees for the M-NCPPC Retirement System.

4. When Will it Apply?

The County Government, M-NCPPC, MCPS, Montgomery College, and WSSC each operate their own retirement system(s). The unfunded pension liability issue arises whenever employees transfer from one retirement system to another.

5. Merger Report Recommendation:

The Directors recommend that the enabling legislation (to implement a merger in either direction) provide that employees be given the option of remaining within their current retirement plan and system. Once a year, there would be an administrative transfer of funds to cover the employees involved.

If employees do not remain within their current retirement system, the Directors recommend that a transfer of assets be made to cover the present value of accumulated plan benefits. For all employees, the estimated cost of this is $175,000/year over 40 years for a merger to the Commission, and $700,000/year over 40 years for a merger to the County.

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ISSUE G: MANAGEMENT INFORMATION SYSTEMS (MIS)

1. Brief Description:

At present, the computer and communications hardware and software of the Department of Recreation and Department of Parks are not readily compatible. The merger costs related to MIS are both one-time and ongoing costs to integrate and upgrade these systems as needed for the merged organization to function efficiently.

2. Merger Costs (as estimated in Parks/Recreation Merger Report):

a. If Parks merges to Recreation: One time costs of $159,800 to $321,100, and annual costs of $50,800 to $57,800.

b. If Recreation merges to Parks: One-time costs of $200,368 to $262,500, and annual costs of $44,000.

3. Authority:

a. For County Government: Annual budget action by the County Executive and County Council.

b. For Commission: Annual budget action by the County Council and Bi-County Commission.

4. When Will it Apply?

The issue of computer and communications hardware and software not being compatible between agencies is not unique to the Park/Recreation merger issue. It is likely to be a cost factor to consider in any organizational change, whether it be within a single agency or between agencies.

5. **Merger Report Recommendations:**

The Directors recommend making the investment to integrate and upgrade these systems as needed for the merged organization to function efficiently.

IV. OPTIONS FOR COMMITTEE ACTION

This section outlines several options for the Committee to consider. Under each option is outlined the related decisions that the Committee would need to discuss.

OPTION (A): Decide to support a merger Parks/Recreation Department

Under this options, the Committee must decide:

- The direction of merger;
- The target date for implementation; and
- How much to appropriate in additional funds for the estimated one-time and ongoing costs of merger.

If the Committee decides to proceed towards a merged Parks/Recreation Department, then the Committee may want to establish a process for receiving public input on the direction of merger. So far, the study of merging the two departments has been largely an internal staff project. The only representatives of the general public who have been somewhat involved have been members of the County's Recreation Advisory Board.

With respect to the target date of implementation, it is staff's understanding that because of the need for State legislation (for a merger in either direction), the earliest target date for implementation is July 1, 1994. Once a decision is made on the direction of merger, then the appropriate State legislation could be prepared for introduction during next year's session of the General Assembly.

With respect to the costs of merger, the Committee would need to decide how much to appropriate in additional funds for some or all of the one-time and ongoing costs identified in the Merger Report. As discussed earlier in this memorandum, many of the bottom-line costs relate to what decisions are made about the treatment of personnel.

OPTION (B): Decide not to support a merger at this time, but pursue selected budget, personnel, and service delivery issues raised by the Merger Report.

If the Committee decides not to support a merger of the Department of Parks and Department of Recreation at this time, then there are a number of related follow-up actions the Committee may wish to pursue. Three possibilities are outlined below.

Follow-up Action (1): Pursue improvements that can be achieved in a non-merged scenario.

Under the chapter heading, Alternatives to Merger, the Merger Report lists opportunities for realizing some of the benefits of merger in a non-merged scenario. The areas for potential improvements in a non-merged situation include enhanced coordination between the two Department in the areas of:

- Facility scheduling and permitting;
- Ballfield and facility maintenance
- Facility planning and development;
- Budget and policy development;
- Community relations/publications; and
- Volunteer recruitment.

As a follow-up action to the Merger Report, the PHED Committee could request the Directors of the Departments of Parks and Recreation to pursue some or all of these opportunities for improving planning, programs, and services in a non-merged scenario. The Committee can deal with the budget impact of implementing these ideas (either cost increases or cost reductions) within the context of the Committee's review of the budgets of the two departments.

Follow-up Action (2): Examine whether increasing the Commission's work week (and associated compensation) from 37.5 to 40 hours per week would be a good investment, regardless of merger.

As indicated earlier, the issue of inconsistent work weeks between the County Government and the Commission is not unique to the Parks/Recreation merger question. In 1988, the Merit Rules and Regulations of the Commission were amended to increase the Commission's work week from 35 to 37.5 hours, and employees received a 6.7 percent salary increase to compensate them for the additional hours worked.

As a budget issue, the PHED Committee could investigate whether increasing the Commission's work week from 37.5 to 40 hours would be a good investment, regardless of merger. The increase in compensation is estimated to be $2.4 million for Montgomery County Commission employees and another $3.4 million for Prince George's County Commission employees. This increase needs to be evaluated against the potential savings that may be available from: paying fewer hours of overtime; providing fewer hours of compensatory time, and in the long run, the potential for reducing the total work force because of the additional hours worked per week by each employee.

(Staff recognizes that undertaking this analysis is not a simple task, and that there are many variables that need to be taken into account. If the Committee is interested in pursuing this issue, staff recommends that the work week analysis be conducted in close coordination with Parks Department staff.)

Follow-up Action (3): **Recommend that the MFP Committee further examine a number of personnel issues that were identified by the Merger Report.**

As reviewed earlier in this memorandum, most of the estimated costs of merging the Departments of Parks and Recreation are driven by laws, regulations, and practices of the personnel and retirement systems of the County Government and M-NCPPC. Regardless of merger, the Committee may feel that a number of the underlying issues deserve additional review.

In particular, the County's Government's Discontinued Service Retirement benefit, and the complexities of transferring employees between the various retirement systems of County and Bi-County agencies stand out as issues that have an impact beyond the Parks and Recreation merger question. The PHED Committee may wish to recommend that these (and/or other) personnel and retirement related issues be taken up by the MFP Committee.

KO/cca
713/18

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION
Department of Parks, Montgomery County, Maryland
9500 Brunett Avenue • Silver Spring, Maryland 20901

January 8, 1993

The Honorable Marilyn J. Praisner
President
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear Mrs. Praisner:

We are pleased to transmit to the County Council our final Merger Report which represents our study on the feasibility of merging the Department of Parks and the Department of Recreation.

Our work over these past several months focused on identifying and analyzing the many issues involved in determining the feasibility of merger. Our efforts will have succeeded if we have brought before you all of the issues and all of the options that should be discussed and evaluated prior to making a merger decision. You will find that for many of the issues involved we have identified what we believe must be done for a merger to occur and what policy decisions need to be addressed. You will also note that the report includes a significant emphasis on implementation. As the study evolved we concluded that the process of implementation was the most appropriate factor by which each of the merger options could be tested. This approach to the merger study required certain assumptions which provided a basis for evaluating each option.

We confirmed early in the study that there is really very little duplication between the two Departments. Our Departments provide basically discrete services and a very high percentage of both staffs are directly involved in the delivery of those services. Most of the report, as a result, deals with implementation matters.

The costs for merger can vary widely depending on how certain policy matters are addressed and whether the consolidation takes place within the Executive Branch or within the Bi-County Commission. There are so many variables that it is virtually impossible to provide you with one projected bottomline merger cost. We have, however, provided comprehensive cost details for the various scenarios included in each of the options which will assist in the decision making process.

We believe the report to be a comprehensive review of critical issues with specific findings and proposals for solving those issues if a determination is made to merge the two departments under either of the two scenarios. The report also includes a series of recommendations in the event there is a decision not to merge the departments. We believe there are numerous ways by which the departments can forge a stronger and more effective relationship, and we have provided specific proposals to accomplish that goal.

We are indebted to the many staff from both agencies who contributed to this report. We believe their professional dedication and commitment to ensuring the delivery of high-quality service to the citizens of Montgomery County are obvious, and we sincerely appreciate their efforts. We also want to especially recognize the talent and selfless contribution of Bill Gries and Jennifer Hodges from the Department of Parks, and Charles Steinbraker from the Department of Recreation. Without question, their efforts and strong professional commitments were essential to the completion of this report.

We hope the Council finds this report useful in this deliberation of this obviously important issue. We stand ready to work with the Council and look forward to the Committee worksessions.

Sincerely,

Donald K. Cochran

Donald K. Cochran
Director of Parks

Trudye Morgan Johnson

Trudye Morgan Johnson
Department of Recreation

DKC:TMJ:ymw
Enclosure

Excerpt from Merger Report,
Prepared by Department of Parks and
Department of Recreation, January 8, 1993

EXECUTIVE SUMMARY

I. Introduction

Background

The idea of combining the Department of Parks and the Department of Recreation in Montgomery County has surfaced from time to time over the years. In February, 1992, as the County Council discussed the major financial concerns confronting the government, it requested the Directors of the Parks and Recreation Departments to prepare a study outlining the potential for merger. The County Executive endorsed this study in his Fiscal Year 1993 budget submission.

Eleven Committees were formed from staff of both Departments to evaluate all functional areas in both Departments. Each Committee examined how a merger would work, what service improvements could be gained, and what efficiencies could be realized or what additional costs would be incurred. The Directors reviewed the staff findings and worked with data developed to address the key issues related to a potential merger.

History and Current Status of the Organizations

The M-NCPPC was established in 1927 by the State Legislature for the acquisition, development and maintenance of lands adjacent to the District of Columbia. In 1951, an effort was made to establish a Recreation Department in the County Government and merge Parks into this new agency. A state delegate from Rockville was not convinced that both Department of Parks and Department of Recreation should transfer to the County, and successfully negotiated in Annapolis the splitting of the functions between the Commission and the County Government.

Today, the Department of Parks is made up of 671 career positions with a mission to "provide a park system in harmony with our natural resources, which conserves and enhances the environment, offers a variety of leisure opportunities and is accessible, safe and enjoyable to all." Its Fiscal Year 1993 budget is $33.3 million and is supported by a 14.9 cent per $100 assessed valuation Metropolitan District Tax (Park Tax). The Fiscal Year 1993 budget for Enterprise (golf, skating, and tennis) is $7 million and is a self supporting operation.

The Department of Recreation has 157 career staff (123 full time and 34 part time) with a mission to "provide and maintain quality programs and facilities to meet the recreational, social, cultural and physical needs of a diverse and changing community". Its

Fiscal Year 1993 budget is $16.5 million, supported by a 4.5 cent per $100 assessed valuation Recreation District Tax and $5.7 million in program revenues.

National, State and Local Perspectives/Prince George's Experience

According to the National Recreation and Parks Association, there was a national trend to merge Parks and Recreation Departments in the late 1950's and throughout the 1960's. Now, most in the nation are combined operations. In Maryland, thirty of the thirty-eight government entities have merged Parks and Recreation Departments. Of the seven largest counties, only Montgomery has separate Parks and Recreation operations. Prince George's County merged Parks and Recreation under the Bi-County Commission in 1970. Both citizens and staff report this was a very positive decision, though controversial at the time. This Department has an operating budget equal to approximately 5.6% of the total Prince George's County Fiscal Year 1993 government expenditure. In Montgomery County approximately 3.2% is budgeted for parks and recreation expenditures in Fiscal Year 1993.

II. Significant Issues and Recommendations

Community Implications

Parks and Recreation continue to play an increasingly important role in the quality of life for Montgomery County residents. Parks and Recreation are not just important for personal enjoyment, fitness and development, but also for economic growth and stability. Parks and Recreation facilities and programs promote a sense of community. This becomes ever more important as we grow in our diversity.

The Directors believe that the community would realize a number of significant advantages from a merger of Parks and Recreation including:

- a single identity with less confusion to the public
- consistent philosophy, mission and set of priorities
- "one stop shopping" at decentralized locations for classes, registrations, permitting
- coordinated long-range planning for programs and facilities
- broadened volunteer and staff capabilities

Long term, a combined Parks and Recreation Department will offer the most efficient and effective means to deliver leisure facilities and services to Montgomery County residents. One time and ongoing annual costs to achieve this gain should be reviewed in this light.

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Merged Organizational Structure

A review of the Departments of Parks and Recreation conducted during the course of this study uncovered minimal functional overlaps or duplicative positions. A very high percentage of staff in both organizations are involved in the direct delivery of services, primarily maintenance and program activities.

If the Department of Recreation merges into the Commission, an additional fifteen and a half jobs (or equivalent contracts) would be needed to support the merged organization. Funding for these contracts or positions is currently in the budget, in either administrative overhead or chargebacks. Nine positions or equivalent contracts would replace functions that are presently provided to the Department of Recreation from County Government agencies and funded through direct chargebacks. The majority of these positions relate to building and grounds maintenance now provided by the Department of Facilities and Services. These positions would also be necessary if the Department of Parks were to merge into the County Government since it combines like functions and provides the most effective service delivery at no additional cost.

The remaining six and one half positions have been identified by the various M-NCPPC Department Heads, as needed to support the Central Administration Services Unit of the Bi-County Commission. These positions would be added to Human Resource Management, Finance, and Legal. These services are currently provided to Recreation by centralized County agencies.

The exact number of positions to support County centralized administrative functions if the Department of Parks merged into the County was not provided by the Executive Branch. The current County policy provides for an assessment against Special Funds to support administrative overhead at 12.89%. The number of positions needed for this purpose would be determined at time of merger.

Over the long term, pending completion of a classification and organizational study, the Recreation Director believes that some management and supervisory efficiencies could be realized through the successful integration of parks and recreation supervisory structures. There are several levels of supervision in each of the departments, as well as a few duplicative management positions. The Recreation Director believes it is possible to phase out and eliminate some eight to ten supervisory or managerial positions after thorough analysis (gained from the organizational study). This would flatten and streamline the supervisory structure and allow for an annual cost reduction of at least $500,000 that should have very little effect on actual service delivery.

The Director of Parks is of the opinion that the reduction of eight to ten supervisory or managerial positions cannot be guaranteed as a result of merger. He further believes that it is a mistake for this report to assert such an expectation. The Director agrees that there will be opportunity for reducing the overall workforce through attrition resulting from retirement and normal turnover. However, that process may not provide the level of reduction of upper management positions and the scope of dollars projected. The Director of Parks agrees that an organizational study and classification review is essential to the process of determining the existence of duplicative management functions. If those studies show position duplication or indicate opportunities where efficiencies can be found, then strategies for achieving those efficiencies can be implemented.

Depending on the direction of merger, some central administrative staff positions (Bi-County Central Administrative Services and/or County Agencies and Departments) could be reduced or transferred. It is, however, difficult at this time to determine how many. Therefore, we cannot provide an exact estimate of the net gain or decrease in positions or contracts that would result from merger. Much depends on the direction of the merger and the decisions on several key policy matters.

Treatment of Employees In a Merger

Three of the most significant impacts on employees are the subject of specific recommendations: job retention, salary implications and retirement. It is believed that no person in either organization (who chooses not to retire) should be involuntarily eliminated from public sector employment simply because of the merger. Employees should be offered the opportunity to voluntarily transfer to the newly merged organization either in the Commission or the County Government. Employees who wish not to transfer should be provided RIF rights to access other vacant positions. If there are any employees (which is doubtful) who would find themselves not with a job after full implementation of the new organizational structure, they should be given RIF rights to access jobs in either the Commission <u>or</u> the County Government and be retained until a qualified position opens. Employees also should be able to stay within their current retirement system and plan if they so choose. This would have to be detailed in the enabling legislation.

Two issues impact salary levels, the length of the workweek and salary differentials.

The Commission works 37-1/2 hours while the County works 40. It is recommended that if County staff merged to the Commission, they retain their 40-hour work week. These positions would ultimately be reverted to 37-1/2 hours after they were vacated by the incumbents. If the Commission merged into the County, Commission employees should be given the option of moving to a 40-hour work week and being compensated an additional 6.7% for the extra hours worked, or retaining their existing 37-1/2 hour week.

With respect to salary levels, a recent study conducted by departmental staff, of comparative salary levels indicates inequities exist between Commission and County employees occupying similar jobs. The survey of annual salaries at the mid-point of the range for selected classes indicates that the Commission salaries range from 3.19% higher than the County salary scale to 22.4% below the County scale. The "average salary differential" (adjusted for workweek) between the Commission and County was 2.61% below the County scale. This can be dealt with in one of two ways.

The scope of the classification study to be done after the merger could be expanded to include an assessment of salary inequities by class. The classification team would recommend a percentage adjustment for each class affected to balance the salary differentials. Another option would be for employees to retain their current salaries and increment dates, assuming these would be somewhere in the range of the class to which they were assigned. If any employees were below the range, they would have to be brought up to the first step. Employees beyond the range would retain their salary levels. While this doesn't immediately deal with the potential inequity issue, it does provide employees with a full retention of their current compensation. There would be minimal or no cost to the merger for this option while the first option has a potential cost of $695,000 in a merger to the County and $1.1 million in a merger to the Commission.

The Recreation Director suggests that the Prince George's and Montgomery County Councils and the Bi-County Commission deal with the issue of salary inequities by considering the establishment of separate salary scales for the Commission's Prince George's and Montgomery employees. The Director of Parks strongly disagrees with this suggestion, as he believes it is inequitable to treat employees within the same agency who are subject to the same merit system differently.

Implications of a Merger Outside of the Commission as Perceived by the Director of Parks

The Director of Parks believes there will be several broad policy impacts, resulting from removal of the Department of Parks from the Commission. In summary, these impacts include:

- Significant eroding of the philosophical underpinnings supporting creation of The Maryland-Washington Regional District. The Regional District has been the geographical basis for long-term land use planning in the County since 1927.

- Significant reduction in coordination between Parks and Planning Department staffs who routinely interact on specific land use proposals and general planning matters affecting all types of development. County-wide planning impacts may result in less effective master planning (i.e., incomplete identification of size and location of parks necessary for future recreational needs); less effective implementation of master plans (i.e., fragmented selection of parkland to be acquired through dedication at subdivision); and loss of Department of Parks' role in negotiating for the advance land acquisition (ALARF) of master planned road rights-of-way and other public facilities.

- Reduction of cooperation and coordination between Montgomery County's Department of Parks and Prince George's County's Department of Parks and Recreation on bi-county efforts (i.e., master planning Fairland Recreational Park, joint efforts to ensure that Commission facilities comply with the Americans with Disabilities Act).

- Potential for negative impact on the bond rating for the Prince George's side of the Commission.

- Alteration of unique public review and comment process for park development projects and major policy decisions.

- Conflict with Regional District Act Task Force Report, which noted that "current Commission structure [is] preferable because of the close linkage between the park function and the planning function."

- Possible dissolution of the entire Commission.

Implications of a Merger Outside of the Executive Branch as Perceived by the Director of Recreation

The Director of Recreation believes that there are several key impacts on the Executive Branch that should be considered prior to a decision removing the Department of Recreation from the County. These include:

- Reducing Executive Branch contact and touch with communities and neighborhoods. The Department of Recreation enjoys special relationships with low income groups, seniors, those facing physical challenges and youth groups. There would be some loss of County Government's touch with these groups that could have an important impact.

- Removes key prevention component of the Human Service Delivery System. Recreation staff and programs are the government's key prevention component in dealing with such issues as drug and alcohol use, delinquency and youth fitness.

- Reduce Executive management and control of a majority of their community based facilities. Community identity and access to local government information and services are critical problems that are being addressed through the developing system of community recreation centers.

- Reduces a "positive" contact citizens now make with government through participation in leisure programs. People need to feel better about government and the use of their tax dollars. Special events, community festivals, adult sports leagues, children's sports programs, summer camps, programs for the elderly and disabled create a positive image and feeling about County Government through the Department of Recreation.

Key Issues That Impact a Merger

There are five key issues that require additional focus prior to a merger decision.

- Discontinued Service Retirement (DSR): The Discontinued Service Retirement Benefit is a provision of the County retirement law that applies to employees with ten continuous years of service. Commission employees do not have this benefit. Over 50 Department of Recreation employees would be eligible for DSR benefits (drawing retirement early with 5% added to the payments), if their positions were abolished due to a merger into the Commission. If legally sustainable, Enabling Legislation should be written so that employees voluntarily transferring to the Commission would not be eligible for this benefit since they would not be losing their public employment. The present value of the DSR benefit is $7.3 million. The potential cost to the retirement fund, if every employee accepted DSR, would be $22.63 million amortized over a 40 year period, or $565,750 annually. A more realistic expectation may be to assume that 20% of those eligible may accept a DSR. The low cost to the retirement fund would be $4,526,000 or $113,150 annually.

- Inconsistent Workweeks: The Commission works 37.5 hours, the County 40. It is recommended that County employees going to the Commission be "grandfathered" to continue working 40 hours (no cost). If Commission staff came to the County, they should have the option of going to 40 hours (potential cost $1.5 million).

- Administrative Overhead Charge: This pertains to the cost of legal, personnel, finance and other services provided by various departments to the Department of Recreation and Central Administration Services to the Department of Parks. It is difficult to breakout exact costs related to the administrative support services. To merge the Department of Recreation into the Commission, it is estimated that the cost for administrative support services would be $308,000 annually. The County Government uses a percentage of 12.89% of salaries and benefits to calculate overhead costs. If the Department of Parks came into the County Government, this policy becomes an issue since additional funds would have to be appropriated to cover this annual $3.8 millon charge (12.89% of the Department of Parks Fiscal Year 1993 salaries and benefits). This is approximately $900,000 more than the current costs for these services. If the Department of

Recreation left the County Government, the cost to provide administrative support in the Commission, would not nearly equate to the $1.1 million now being charged for overhead.

- <u>Unfunded Liability</u>: This refers to the deficit that would be created in either retirement fund due to the transfer of large numbers of employees. Enabling legislation would be needed to allow employees to retain membership in their current retirement plans and systems, if desired. If this cannot be accomplished, or a large number of employees wish to transfer from one system to the other, the unfunded liability could have an annual operating impact of $700,000 (Parks to County) or $175,000 (County to Parks). Advice has been provided from retirement experts indicating that this could potentially be an offsetting adjustment.

- <u>Collective Bargaining Implications</u>: Because many of the issues related to the merger involve conditions of employment, discussion/negotiations need to take place with Local 400 prior to a merger decision or drafting of enabling legislation.

III. Potential Merger Costs

A merging of Parks and Recreation, regardless of the direction, will generate both one-time costs and ongoing or annual costs. It was not possible to provide a "single bottom-line cost" to merge the two departments due to the following reasons:

- Many of these costs involve multiple, complicated policy issues, that vary depending on decisions from policy makers.

- After one-time costs are expended, there will be ongoing annual costs that result from merger. The differing nature of one-time versus annual costs require that they be viewed separately.

- Two sets of annual costs were developed. The first set of estimates is the "Annual Merger Costs - All Options."

- This set depicts all variables that effect merger. The second set of estimates is the "Annual Merger Costs - Directors' Recommendations". This set conveys specific recommendations of the Directors, regarding treatment of employees and ways to control the costs of merger.

- Costs are arrayed in a range of low to high to encompass the various sets of possibilities in each area.

- There is also a potential cost to the Prince George's County side of the Commission, in a merger to the Commission.

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In a merger of the Departments, estimated incremental costs or cost reductions include:

<u>One-Time Costs</u>. These costs cover upfront expenses that are necessary to facilitate the merging of the departments.

These costs range from $320,000 to $423,000.

<u>Annual Costs</u>. The ongoing annual costs are incremental costs that will be incurred on an annual basis and largely result from elements of the personnel and retirement systems, management information systems and Administrative Overhead. Costs for the Discontinued Service Retirement benefit, Administrative Overhead and the unfunded liability related to the retirement systems are also included. Two sets of annual costs are provided:

Annual Merger Costs - All Options. These costs range from cost reductions of ($390,000) to costs of $6,532,000.

Annual Merger Costs - Directors' Recommendations. These costs range from $206,000 to $5,837,000.

For detailed information relating to these costs, refer to Potential Merger Costs section of this report.

IV. <u>Alternatives to Merger</u>

Opportunities for Cooperative Efforts

A number of areas have been identified through this study process where closer coordination/cooperation could produce enhanced and/or more efficient service delivery if a decision is made not to merge or if a merger is delayed. These include:

- Improved coordination of staff functions, delivery of service and planning for classes, leagues and special events.
- Facility Planning and Development, CIP and Operating Budget Coordination. Increased interagency involvement in the budgetplanning and preparation process could produce a better integration of programs and facilities.
- Community Relations/Publications. Materials and messages could be jointly developed and distributed.
- Volunteer Recruitment. Joint recruitment and a broader range of opportunities could enhance volunteer efforts.
- Personnel Exchange. An agreement could be reached for the temporary exchange of personnel for purposes of occupational development.

V. Conclusion

From a philosophical and professional point of view, a merger between the Parks and Recreation Department will ultimately provide the best level of recreational services to the citizens of Montgomery County. From a practical and political point of view, this decision becomes less clear or easy. The initial and ongoing annual costs could range from several hundred thousand to several million, although a streamlined management structure of a merged organization could recover some of these costs over the long term through potential cost reductions of over half a million dollars each year.

Impacts on employees can be mitigated by enabling legislation permitting them to retain their employment and salary levels.

The most difficult aspect of the decision comes when examining the implications of removing Department of Parks from the Bi-County Commission, or Department of Recreation from the Executive Branch. For a variety of sound reasons, neither Director is comfortable with a recommendation that would remove their Department from its existing parent organization.

The final decision should be based on the initial and ongoing merger costs, potential long term cost reductions and what is in the best long term interests of the residents of Montgomery County and the Regional District.

ONE-TIME MERGER COSTS

CATEGORY	RECREATION MERGES INTO THE COMMISSION			PARKS MERGES INTO THE COUNTY		
ONE-TIME MERGER COSTS	LOW	HIGH	NOTE	LOW	HIGH	NOTE
Personnel			(A)			(A)
Classification Study & Organizational Review	$160,000	$160,000		$160,000	$160,000	
Management Information Systems			(B)			(B)
Central Admininistrative	$168,900	$182,900		$126,000	$171,500	
Departmental Systems	($9,000)	$39,300		($6,500)	$109,300	
Telecommunications	$6,900	$6,900		$6,900	$6,900	
Office Functions	$33,400	$33,400		$33,400	$33,400	
TOTAL ONE-TIME COSTS	$360,200	$422,500		$319,800	$481,100	

ANNUAL MERGER COSTS - ALL OPTIONS

CATEGORY	RECREATION GOES TO PARKS & COMMISSION			PARKS GOES TO RECREATION & COUNTY		
ANNUAL MERGER COSTS	LOW	HIGH	NOTE	LOW	HIGH	NOTE
Discontinued Service Retirement	$113,200	$565,800	(C)			
Administrative Overhead	$308,000	$308,000	(D)	$3,800,000	$3,800,000	(D)
Unfunded Liability	$175,000	$175,000	(E)	$700,000	$700,000	(E)
Personnel						
Work/Week Adjustment	($421,600)	$2,425,200	(F-1a)	$1,482,000	$1,482,000	(F-1b)
Salary Differential Adjustment	($174,700)	$1,062,300	(F-2a)	$0	$694,800	(F-2b)
Annual Merit	($25,400)	($25,400)	(F-3a)	$78,000	$78,000	(F-3b)
Pay Performance	$91,300	$91,300	(F-4a)	($280,900)	($280,900)	(F-4b)
Management Information Systems			(G)			(G)
Departmental Systems	$700	$700		$50,000	$57,000	
Telecommunications	$800	$800		$800	$800	
Office Functions	$42,500	$42,500		$0	$0	
Reductions in Managerial/Supervisory Staff	($500,000)	$0	(H)	($500,000)	$0	(H)
TOTAL ANNUAL COSTS	($390,200)	$4,646,200		$5,329,900	$6,531,700	

ANNUAL MERGER COSTS - DIRECTORS' RECOMMENDATIONS

CATEGORY	RECREATION GOES TO PARKS & COMMISSION			PARKS GOES TO RECREATION & COUNTY		
ANNUAL MERGER COSTS	LOW	HIGH	NOTE	LOW	HIGH	NOTE
Discontinued Service Retirement	$113,200	$565,800	(C)			(C)
Administrative Overhead	$308,000	$308,000	(D)	$3,800,000	$3,800,000	(D*)
Unfunded Liability	$175,000	$175,000	(E)	$700,000	$700,000	(E)
Personnel						
Work/Week Adjustment	$0	$0	(F-5a)	$1,482,000	$1,482,000	(F-5b)
Salary Differential Adjustment	$0	$0	(F-6a)	$0	$0	(F-6b)
Annual Merit	($25,400)	($25,400)	(F-3a)	$78,000	$78,000	(F-3b)
Pay Performance	$91,300	$91,300	(F-4a)	($280,900)	($280,900)	(F-4b)
Management Information Systems			(G)			(G)
Departmental Systems	$700	$700		$50,000	$57,000	
Telecommunications	$800	$800		$800	$800	
Office Functions	$42,500	$42,500		$0	$0	
Reductions in Managerial/Supervisory Staff	($500,000)	$0	(H)	($500,000)	$0	(H)
TOTAL ANNUAL COSTS	$206,100	$1,158,700		$5,329,900	$5,836,900	

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NOTES OF EXPLANATION

(A) Estimated cost of classification study and organizational review as recommended by the Personnel Committee.

(B) Includes one time costs that are beyond estimated costs in the current 3-5 Year Systems Plans for both agencies. Includes the following:

- *Central Administrative Systems: costs for conversion of personnel/payroll, accounting/finance, retirement systems, and upgrades to computer hardware.*
- *Departmental Systems: ranges from a possible savings from merging some systems to the highest cost of combining Parks' Facility Scheduling and Recreation's Class Registration systems. Includes cost for Recreation's connection to the Parks local area and wide area networks.*
- *Telecommunications: purchase of additional FAX machines to effectively communicate in merged environment.*
- *Office Functions: costs to upgrade 75% of Recreation's computers and to upgrade Recreation's software to meet M-NCPPC standards for compatibility in merged agency.*

(C) Recreation employees who have 10 continuous years of service are eligible to receive a Discontinued Service Retirement benefit in a merger to the Commission. If all eligible employees (52) elect to choose this benefit, the potential long term net cost to the retirement system would be approximately $7.3 million. This would increase to $22.6 million over the amortization (40 years) of the program, or $565,000 annually. If 20% of eligible employees elect to choose this benefit, the estimated cost is $1.4 million. This would increase to $4,526,000 over the amortization (40 years) of the program, or $113,150 annually.

(D) Both Bi-County operations of the Commission and General Government departments/agencies provide assistance in common functions including personnel, finance, systems & programming, and legal. The impact on administrative resources in a merger to the Commission is estimated to cost $308,000 based on input from M-NCPPC Department Heads. The impact on administrative resources in a merger to the County is estimated to cost $3.8 million, based on current chargeback assessment to Special Funds of 12.89% of salaries and benefits. (The Directors do not recommend $3.8 million for administrative overhead charges in a merger to the County, however, this amount is reflected given the County's current policy).*

(E) *Maryland State law does not require the transfer of employer contributions to the Retirement Plan of the "receiving" retirement system. If a transfer of assets were made to cover the present value of accumulated plan benefits, the cost of the unfunded liability in a merger to the Commission would be $7 million, or $175,000 annually over 40 years. In a merger to the County, the costs would be $11.8 million, or $700,000 annually over 40 years. Overall, the cost to cover the unfunded liability may be offset by a "relief" of cost in the other agency.*

(F-1a) *Low end of range reflects estimated savings in salary adjustment if Recreation employees were to convert to a 37.5 hour workweek. High end of range reflects estimated adjustment to salaries of all employees in the Montgomery County side of the M-NCPPC to convert to a 40 hour workweek. A similar adjustment for the Prince George's County side of the Commission is estimated at $3,415,300.*

(F-1b) *Reflects estimated cost for average salary increase of 6.7% for Parks employees, excluding Park Police, to convert to a 40 hour week.*

(F-2a) *Low end of range reflects estimated savings in salary adjustment if Recreation employees' salaries were reduced on the average of 2.61% in attempt to establish equity between the pay scales. High end of range reflects estimated adjustment to salaries of all employees in the Montgomery County side of the Commission. This adjustment would consist of an average increase of 2.61% in attempt to establish equity between the pay scales. A similar adjustment for the Prince George's County side of the Commission is $1,468,100.*

(F-2b) *Low end of range reflects no salary adjustment for Parks employees to compensate for the differential in pay scales. High end of range reflects estimated adjustment to salaries of Parks employees in attempt to establish equity between the pay scales. This adjustment would average 2.61%.*

(F-3a) *Reflects a savings due to a .5% decrease in annual merit increases. (The Commission gives 3% annual merit increases, whereas the County gives 3.5%).*

(F-3b) *Reflects an additional outlay due to .5% increase in annual merit increases. (The County gives 3.5% annual merit increases, whereas the Commission gives 3%).*

(F-4a) *Estimated cost in providing pay performance to Recreation personnel consistent with the current Commission practice.*

(F-4b) *Estimated cost reduction in not providing pay performance to Parks personnel.*

(F-5a) *Directors' Recommendation: Estimated based on allowing Recreation employees to have the choice of retaining their 40 hour workweek. Positions would revert to a 37.5 hour workweek when vacated.*

(F-5b) *Directors' Recommendation: Estimated based on Parks employees raising their workweek to 40 hours, and receiving a 6.7% salary adjustment. If all Parks employees opted for the 40 hour workweek, the estimated cost if $1,482,000.*

(F-6a) *Directors' Recommendation: Estimated based on placing Recreation employees in the new classification and grade at their pre-transfer salary level as long as the pre-transfer salary falls within the range of the new grade. If below the minimum of the new grade range, the employee's salary will be increased up to the minimum. If beyond the maximum, the employee will retain his salary, but would not receive pay increases or adjustments until the maximum exceeds the red-circled rate. An estimate of the potential costs could not be provided.*

(F-6b) *Directors' Recommendation: Estimated based on placing Parks employees in the new classification and grade at their pre-transfer salary level as long as their pre-transfer salary falls within the range of the new grade. If below the minimum of the new grade range, the employee's salary will be increased up to the minimum. If beyond the maximum, the employee will retain his salary, but would not receive pay increases or adjustments until the maximum exceeds the red-circled rate. An estimate of the potential costs could not be provided.*

(G) *Ongoing costs for communications and maintenance. Includes costs of an additional computer support person required for user support and system administration.*

(H) *Based on assumption that a merged organization could, over the long term, allow the phasing out of some supervisory or management positions, that would result in an annual reductions of costs. This would be contingent upon conducting a thorough organizational review. We believe that these cost reductions could range up to $500,000.*

It is important to note that costs have not been estimated and included for office modifications or relocation, movement of computer equipment, telephone and data wiring. Though some costs no doubt will be needed, this level of implementation analysis was not considered appropriate until a decision on merger and direction is made.

For additional information on these various costs, refer to the sections on Key Issues, Treatment of Employees, Administrative Overhead, Personnel, and Management Information Systems.

Summary

In the event of a decision to merge, it is recommended that additional analysis is conducted overall, to lay out a specific implementation plan and detailed cost estimates.

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION
8787 Georgia Avenue • Silver Spring, Maryland 20910-3760

January 8, 1993

The Honorable Neal Potter
Montgomery County Executive
101 Monroe Street
Rockville, Maryland 20850

The Honorable Marilyn J. Praisner
President
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Re: Department of Parks and Department of Recreation
Merger Report

Dear ~~Mr.~~ Neal Potter and ~~Ms.~~ Marilyn Praisner:

The Montgomery County Park Commission has read and discussed the Merger Report prepared by the Director of Parks and Director of Recreation. We have also received a briefing on this report by the Directors and key staff involved in the study. Based on what we have read and discussed concerning this matter, we offer the following comments.

The Department of Parks has successfully operated for more than 65 years and the Department of Recreation has successfully operated for more than 40 years - each independent of but in harmony with the other. The successes and correspondingly strong citizen support that these departments have enjoyed over the years demonstrate that this arrangement not only works but works well, and that quality, cost effective parks and recreation services can be delivered to County citizens in a non-merged setting.

We agreed to cooperate fully with the Council and the Executive in the study and instructed the Director of Parks to participate in order to determine whether or not a merger of these two departments should occur. It became apparent to us that an obvious key in making this determination would be an identification of the efficiencies that might result that would translate into operating cost reductions while at the same time improving service delivery. We were clear from the beginning, however, that should a merger occur, it would involve the Department of Recreation coming to the Commission, for to do otherwise would destroy the Park and Planning Commission. Short of a merger, it is our judgement that both departments would benefit if they continued to operate as they do now but with improved communication, cooperation and a commitment to working even more closely together. A merger should not occur simply for "merger's sake."

The following are salient points to be gleaned from the report:

- A merger in any direction will cost substantial dollars for several years. While the range of possible costs is considerable, any cost may very well be too much given the tight fiscal situation.

- In the long term only eight to ten management and supervisory positions may be eliminated as a result of merger. This would amount to an estimated cost reduction of $500,000 annually. There is no guarantee, however, that these positions will be eliminated. Even if these cost reductions are realized, ongoing annual costs of merger will still remain. In other words, these "cost reductions" do not outweigh the ongoing annual costs of merger except in a merger scenario where the Department of Recreation comes to the Commission.

- Little, if any, duplication of services or functions occurs between the two departments. The cost reductions therefore expected from a merged department will be relatively small and perhaps not worth the effort or the anticipated merger costs.

- County Council involvement in budget and policy matters of the Department of Parks would change dramatically if the Department of Parks were to become a part of the Executive Branch. Anything that would diminish the Council's role in parks affairs should be avoided.

- The Planning Board, which also serves as the County's Park Commission, is the independent policy making body for the Department of Parks. In this role, the Park Commission sets policy only after communicating with the public through hearings and worksessions and giving every consideration to the needs and concerns of the community. In addition, the Park Commission provides County-wide input to the Council and the Executive for decisions they must make regarding budgets and priorities. A merger outside of the Park and Planning Commission would drastically alter the existing public process that guides the decision making in developing, managing and maintaining the County's park system. Under the Executive Branch, how would you replicate the function of the Park Commission and at what cost?

- The valuable interactions between the planning and parks departments, the oversight provided by the same public body--the value of these land use intangibles to the public and elected officials cannot be overemphasized.

- Twenty years ago, Prince George's County merged the Department of Parks and the Department of Recreation under the Commission. This arrangement has worked well and quality service is being provided. That merger, however, took place under much simpler financial and legal circumstances; it should not be assumed that merger could have occurred as easily today as it did then.

- In September 1991, the County's Regional District Act Task Force Report concluded that the provisions of the Regional District Act are fundamentally sound and that the advantages of the present bi-county structure greatly outweigh the disadvantages. The County Council and the Executive accepted the findings of the Task Force and submitted state legislation, enacted in 1992, to strengthen Article 28. In that spirit, any merger considerations should not include the crippling effect of removing the Department of Parks from the Park and Planning Commission.

- The Merger Report failed to look at additional cost implications that could result from a Department of Parks merger into the County that involve the loss of cost-sharing benefits derived from shared use of Central Administrative Services with the Commission's other Departments. The Department of Park's proportional share of the Montgomery County side of the FY 93 operating budget for Central Administrative Services amounts to 72%.

- The annual cost of merger in the event the Department of Recreation comes to the Commission may be understated at the high end of the range by as much as $4.9 million. This additional cost would result from treating the Commission's Prince George's County employees in the same fashion as the Commission's Montgomery County employees when eliminating salary differentials resulting from the 40 hour workweek issue and the existing pay inequity.

The Park Commission is not seeking or recommending a merger of the Department of Parks with the Department of Recreation. The departments are providing outstanding, efficient service as presently constituted. We do not believe that a merger should occur just because combined departments may be the rule rather than the exception across the country. There are alternatives to merger that could improve service delivery, and these are effectively highlighted in the Merger Report. Unlike merger, pursuing these alternatives would have little or no major policy implications and would involve minimal costs.

If the Council and Executive determine that a merger should occur, we are prepared to cooperate in helping to make this a reality, provided the merged organization is under the umbrella of the Maryland-National Capital Park and Planning Commission. Because of the serious financial and policy costs, we would object greatly to any merger outside of M-NCPPC.

Sincerely,

Gus Bauman

Gus Bauman
Chairman
Montgomery County Park Commission

cc: Park Commission
Don Cochran
Trudye Johnson

bcc: J. Rhoads
R. Marriott
E. Navarre
L. Hedgepeth
R. Schiff
M. Godfrey
M. Joyce
M. Feinstone
K. Orlansky ✓
G. Lynch
J. Lawton
P. Goldberg

Montgomery County Government

ROCKVILLE, MARYLAND 20850

Neal Potter
County Executive
(301) 217-2500
TTY 217-6505

MEMORANDUM

February 22, 1993

TO: Marilyn J. Praisner, President, Montgomery County Council

FROM: Neal Potter, County Executive NP

SUBJECT: Merger of the Recreation and Parks Departments

I have recently had the opportunity to read and discuss with the Recreation Director and others the study regarding the potential for merging the Recreation and Parks Departments. I am very appreciative and impressed with the staff effort that went into this report. However, I must admit to being a bit discouraged when I first read it. What seemed to be a simple idea with the potential of leading to a more efficient government operation turned out to be a web of complex policy issues and cost barriers.

I understand that nearly any restructuring of this nature typically requires some initial start-up costs and investment. However, I am very concerned about both the magnitude of the potential costs for this particular reorganization and our current ability to fund them. In my judgement, neither of these Departments could absorb these costs without an extremely serious reduction of services. This would not be either fair to the Parks and Recreation customers or in the best interest of the County. This is also not a cost that I am willing to recommend at the present time for support by the general taxpayer. Our other budget needs and priorities simply outweigh our ability this year to fund administrative restructuring which will not produce significant savings in the near term. Therefore, I am recommending that the County Council not move forward with plans to merge these two Departments.

However, there are matters such as retirement and compensation policies outlined in this report that need to be addressed. I am concerned about both the costs and the policy implications of the discontinued service retirement benefit as it apparently must be applied in such a merger. I want to explore further with you whether changes in this law are warranted and in the best long-term interests of the County. I am also interested in exploring whether or not we should have a more common classification and compensation system for all public employees. Though not covered in the Parks and Recreation study, these are public policy matters that really extend beyond this potential merger. Resolution of these issues has the potential of reducing both the cost and the administrative complexity of a Recreation and Parks merger, which, at some future time, still could be a desirable action.

Until such time, I believe we should endorse the concepts outlined in the report regarding service enhancements that can be achieved without a merger's taking place. Specifically, I am recommending that a Memorandum of Understanding be executed between the two Departments. It should cover all of the matters outlined in the report under Facility Planning and Development, Community Relations and Publications, Facility Scheduling/Permitting, Volunteer Recruitment, Ball Field and Facility Maintenance Contracts, Operating Budget and CIP Coordination, Personnel Exchange, and Park Commission/ Advisory Board relationship.

Regarding this final issue, I am prepared to go beyond the recommendation in the report and support legislation that changes the structure of the existing Area and Countywide Recreation Advisory Boards making them advisory to the Park Commission as well as the County Executive and County Council. For all other areas, the Memorandum of Understanding should be detailed enough to depict specific outcomes desired and processes to achieve these results. Concurrence of the Planning Board is essential for this to be achieved. I recommend that you urge the Planning Board to work with the Recreation Department to develop such an agreement. I am prepared to direct Trudye Johnson to work cooperatively with the Chairman and the Director of Parks to arrive at a working document that will come as close as possible to achieving the benefits that could be realized through a merger, particularly those that most directly impact the customers and users of these services. I will ask that we both receive progress reports and be advised if any major disagreements or stumbling blocks occur.

For the time being, I believe this is the best that we can do. I have been, as you know, a strong supporter over the years of both Recreation and Parks. I cannot recommend an expenditure of tax funds to support the administrative costs that are apparently necessary for merger and I will not further reduce services beyond what is already necessary to adjust to the fiscal situation to make this possible. When and if the cost factors change, I would be willing to reconsider what still appears to me could be worthwhile structural change.

I look forward to working with the Council on this issue.

NP/sa

Montgomery County
County-Wide Recreation Advisory Board
12210 Bushey Drive • Silver Spring, Maryland 20902 • 217-6820

RECEIVED COUNCIL

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February 22, 1993

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CC

The Honorable Neal Potter
County Executive
Executive Office Building
100 Maryland Avenue
Rockville, Maryland 20850

The Honorable Marilyn Praisner
President
Montgomery County Council
Stella Werner Office Building
Rockville, Maryland 20850

016447

Dear Mr. Potter and Mrs. Praisner:

The Recreation Advisory Boards have reviewed and discussed the Merger Report prepared by the Department of Recreation and Department of Parks. Our approach in following the development of this document has been to consider what is in the best interest of the residents of Montgomery County in the delivery of recreation and park services. To guide us in this effort, we viewed the primary function of the Department of Recreation to provide leisure programs and services to the community and the primary function of the Department of Parks is to provide and maintain leisure facilities. In most cases, we think the current system works well, but we feel there is room for improvement.

We have been concerned about the charge to the departments since we became aware of this study. The departments were asked to examine the feasibility of merging the two departments. The assignment triggered a heavy focus on identifying the differences between the parent organizations, most of which are very costly to remedy, and did not go far enough in our view, of exploring how consumer needs could be better served. This also resulted in a report which is too heavily focused on employee issues and the development of assumptions/ positions to resolved these concerns. The most meaningful section of the report, "Alternative to Merger," speaks to ways to improve current services which is the most important factor to us.

In representing the community of users interest, we are looking for the following service indicators:

- Department(s) that are responsive and sensitive to the community's needs

- o Department(s) that establish and maintain direct lines of communication with the community
- o System(s) that enable the community to make maximum use of park and recreation facilities
- o An assurance of the most effective planning and location of public facilities
- o Innovation and flexibility to respond to community change
- o Responsiveness to information and referral needs and elimination of confusion in government services
- o Diversified programming that meets overall community needs which reach beyond those individuals or groups that already know how to access programs and facilities
- o Assurance that our present system(s) are the most cost effective way to delivery the services
- o Ways to gain economies if the Operating Budgets and Capital Improvements Programs of the departments are coordinated
- o Adequate input by residents into changes and development of policies that affect service provision

We believe that the bottom line for taxpayers and the using public must be the delivery of the highest quality services. This report speaks only indirectly to some of our interests largely due to the initial charge to the departments. The findings, as well as the tone of the report, reflect organizational and institutional adjustments that would be required to facilitate merger. We offer for your consideration, specific thoughts on some of the major findings:

COST. The cost represented in this report could be enormous and we are deeply concerned about this implication on existing services. The cost of merger range from $300,000 to $6,500,000 depending on how certain personnel, work week and retirement issues are resolved. We found the retirement unfunded liability issue particularly confusing and difficult to understand. These costs are not offset by significant savings from merging the two departments, long or short term in our opinion. We are concerned that money spent on implementing a merger would come at the expense of program, which has already suffered serious cuts and adjustments at a time when program and service demands are increasing. There is a long list of service needs in each department that cannot be met within their budgets and we cannot support allocating scarce resource for a merger of these departments.

COMMUNITY CHANGE. Our County, very much like the rest of the world has experienced significant change in demography - its people, its cultures; and in growth and development over the past 20 years. The organizational structures and systems that worked for 65 years for Parks and 40 years for Recreation obviously need to be modified to respond to our changing community. We are not prepared to say that the Recreation and Parks Departments are broken, but like many of our fortune 500 corporations in the private sector, they may need organizational adjustments to respond to today's needs. We recommend that you look to the mission statements of these departments to determine appropriate adjustments where necessary. We offer one example that may lend itself to modification which we feel are major benefits to the users. The Parks Department provides and maintains athletic facilities and issues permits for their use. Recreation is the largest user of these fields and is the primary provider of public youth and adult athletic programs. Each of the agencies brings a different kind of expertise to this service area. To the users it is confusing to discern who does what and in reality it doesn't matter. It only matters that it be done well. In today's environment, organizational responsiveness and survival requires collaborative efforts often assisted with technology. A strategy should be forthcoming from these agencies to make athletic facility programming and scheduling this a seamless process for the users. After all, both are paid from the tax payers pockets.

MIDDLE GROUND. Perhaps you should explore a middle ground between leaving well enough along and merging the two departments. We believe there are clearly opportunities to improve coordination and service delivery that could be implemented without a merger and at minimum cost. Our Eastern Area Advisory Board indicated the government at minimum should "build a bridge between these department to ensure effective services." Some of these areas are detailed in the "Alternative to Merger" section of the report. We recommend these as a beginning point. We have outlined in this letter expectations and benefits that the community expects at a minimum from these departments. Your decision on this report we believe result in service improvements to residents.

We would like to acknowledge the staff work that went into this report, particular at a time of declining resources. We believe this effort has identified ways they can work closer and better together. Every year we've requested and received your support of these services because we believe they truly enhance the quality of life for all citizens. We would welcome an opportunity to speak and work with you on this matter.

Sincerely,

Ellen Myerberg

Ellen Myerberg, Chair
County-wide Recreation Advisory Board

cc: Area Boards