Montgomery County Organizational Reform Commission

Final Report

January 31, 2011

Montgomery County Government

ROCKVILLE, MARYLAND 20850

January 31, 2011

Honorable Valerie Ervin, President
Montgomery County Council
100 Maryland Avenue, 6th Floor
Rockville, Maryland 20850

Honorable Isiah Leggett
County Executive
101 Monroe Street, 2nd Floor
Rockville, Maryland 20850

Dear Council President Ervin and Executive Leggett:

We are pleased to submit our final report to you on behalf of the eight members of the Montgomery County Organizational Reform Commission (ORC), who voted unanimously in favor of the report.

The Commission was appointed on July 20, 2010. Over the past six months, we held 16 full Commission meetings and 30 additional work group meetings. We have received testimony from over three dozen representatives of County agencies and departments, and held numerous meetings with municipal leaders, school officials, business leaders, and representatives of the County's employee organizations. We have also broadly solicited input from the general public and held a forum to allow any interested members of the public to recommend additional areas of inquiry. In addition, we have reviewed previously issued reports and recommendations that include suggestions for reorganizing County functions or improving the efficiency of County operations, including the comprehensive reports on the County's structural budget deficit that were issued in November and December of 2010 by the Office of Legislative Oversight. We have also considered structural or operational adjustments that have been adopted by other local jurisdictions in the State of Maryland and in other states.

Our recommendations are broadly divided into two groups. The first group deals with structural and organizational changes. Examples of recommendations within this group are those that would merge the Park Police force into the County Police force, reorganize parks and recreational services, and consolidate the County's information technology and procurement services. The second group deals with procedural and operational changes. Examples of recommendations within this group are those that would require greater transparency in the collective bargaining process, adjust the criteria that arbitrators must consider, and provide for greater efficiencies in the use of information technology.

We particularly want to thank Commissioners Len Simon, Dan Hoffman, Cristina Echavarren and Joan Fidler, who chaired the Commission's four work groups. They put in long hours along with Commissioners Scott Fosler and Susan Heltemes, who each served on two work groups and gave generously of their time to analyze and flesh out the recommendations that are contained in this report.

We are also grateful for the tremendous support that we received from staff in the Executive Branch and the Council. The one person who was indispensable to us is Justina Ferber, Legislative Analyst for the County Council. Justina guided our work every step of the way and we could not have completed this task without her. We also appreciate the help we received from Steve Farber, Council Staff Director, and Karen Pecoraro of the Council staff. We also wish to thank Fariba Kassiri, Assistant Chief Administrative Officer and Joseph Beach, Director of the Office of Management and Budget, who were with us for virtually every meeting of the Commission and were extremely helpful in guiding us throughout our work. In addition, we received valuable help from members of the Council staff and Executive Branch staff who provided important background information for review by the Commission's four work groups.

It has been an honor and a pleasure for us to serve on the Organizational Reform Commission. We hope that our recommendations will be helpful in dealing with the difficult fiscal issues that the County is now confronting.

Sincerely,

Vernon H Ricks Jr

Vernon H. Ricks, Jr.
Co-chair

Richard A. Wegman

Richard A. Wegman
Co-chair

ORGANIZATIONAL REFORM COMMISSION

MEMBER LIST

Council Appointees	Executive Appointees
Vernon H. Ricks, Jr., Co-Chair	Richard A.Wegman, Co-Chair
Scott Fosler	M. Cristina Echavarren
Daniel Hoffman	Joan Fidler
Len Simon	Susan K. Heltemes

Staff

Council Staff
Justina Ferber, Project Manager
Karen Pecoraro, Administrative Assistant

Executive Staff
Fariba Kassiri, Assistant Chief Administrative Officer, Office of the County Executive
Joseph Beach, Director, Office of Management and Budget

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"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction."

- Bill Gates

About the Organizational Reform Commission

The very existence of this Montgomery County Organizational Reform Commission (ORC) is testament to the fact that economic circumstances have dramatically altered the fiscal landscape and that County leadership has chosen a proactive path to ensure the County's resilience and financial stability. The County Council's creation of the Commission speaks to the importance of identifying viable opportunities for consolidating local government functions, both to help the County respond to the immediate budget crisis and, more importantly, to emerge from this historic economic downturn with a leaner and more cost-efficient structure for delivering services.

The County's budget challenge is both cyclical and structural. While the County is more fortunate than many other jurisdictions, the Great Recession that began three years ago has seen County unemployment more than double and revenues fall precipitously. For the current fiscal year, the County had to close a budget gap that grew to nearly $1 billion, about one-fourth of the total budget. Police, fire, safety net, and other vital departmental budgets that serve the County's nearly one million residents were cut – in some cases (such as libraries and transportation) by more than 20%, while taxes on energy and cell phones were raised sharply. Employee pay was frozen and employees of all agencies, except for the school system, were furloughed. Prospects for the coming year are also grim, especially given the prospect of additional cuts in State aid and the end of federal stimulus funds. The County's six-year fiscal plan projects only a slow recovery and a continuing mismatch between spending pressures and available revenues.

As the ad hoc citizen advisory group jointly appointed by the County Council and County Executive to guide an important organizational reform effort for Montgomery County's tax-supported agencies, we have embraced this challenge and approached our task – as one of our members noted – with "rigor and vigor." We strongly urge our elected officials, and the government professionals, to support our recommendations through the implementation process and to confront the critical decisions necessary to make change happen.

The Commission and Its Mission

The ORC was created under Council Resolution No. 16-1350, which established an eight-member body that consists of four members appointed by the Council and four by the Executive. Our Commission was led by Co-Chairs Vernon Ricks, Jr., a Council appointee, and Richard Wegman, an Executive appointee. Members included the following appointed by the Council: Scott Fosler, Daniel Hoffman, and Len Simon; and those appointed by the Executive: M. Cristina Echavarren, Joan Fidler, and Susan Heltemes.

The report is being submitted unanimously on behalf of the eight members of the ORC. In instances where a Commissioner may have a reservation about a recommendation, the reservation is footnoted in the report.

We were charged with recommending changes that would decrease County expenditures by eliminating service duplication and increasing the efficiency of County operations. Our focus was on the five primary County tax-supported agencies: the County government, Montgomery County Public Schools, Montgomery College, Maryland-National Capital Park and Planning Commission, and the Housing Opportunities Commission.

To guide us in our work, we adopted the following mission statement:

> Pursuant to Resolution No. 16-1350 of the Montgomery County Council, adopted on May 18, 2010, the Organizational Reform Commission will:
>
> (A) Solicit and consider suggestions from County officials and employees, stakeholders, and the general public concerning reorganization or consolidation of functions or government processes performed by County government and County-funded agencies;
>
> (B) Develop recommendations to reorganize or consolidate functions or revise government processes to achieve significant cost savings or efficiencies;
>
> (C) Identify the cost-savings, ease of implementation and impact on level of service associated with each recommendation;
>
> (D) Submit an interim report to the Council and Executive no later than September 30, 2010; and
>
> (E) Submit a final report to the Council and Executive no later than January 31, 2011.

Dividing the Task

The ORC began its task with a series of briefings from officials of the five County tax-supported agencies under study. We also met with members of the community at-large, business leaders, and representatives of the public employee labor organizations. It is from these interactions that the ORC garnered issues for review and recommendation.

In order to maximize our ability to address the various issues, we opted to divide into four work groups that focused on the following general subject areas:

Work Groups

I. **Consolidation or restructuring of County agencies or departments**
Len Simon, group leader; joined by Scott Fosler, Susan Heltemes, Vernon Ricks.

II. **Consolidation of overlapping functions, programs, and services**
Dan Hoffman, group leader; joined by Scott Fosler, Susan Heltemes.

III. **Workforce cost and management**
Cristina Echavarren, group leader; joined by Joan Fidler, Dick Wegman.

IV. **Privatizing or contracting out or innovative ways of providing government services**
Joan Fidler, group leader; joined by Vernon Ricks, Dick Wegman.

The Process of Our Work

Over the approximately six-month span of our work, the ORC:

- Conducted 16 full Commission meetings.
- Held 30 work group meetings.
- Solicited input from County residents through oral testimony at a public forum held on October 20, 2010, and through additional input received via emails and hard copy.
- Met with more than 35 senior County officials and staff from various County agencies and departments.
- Met with 15 other organizations, including:
  - The Fraternal Order of Police (FOP) (Lodge 30 and Lodge 35)
  - Montgomery County Government Employees Organization (MCGEO)
  - Montgomery County Education Association (MCEA)
  - Service Employees International Union (SEIU) Local 500
  - Montgomery County Taxpayers League
  - Montgomery County League of Women Voters
  - Bethesda-Chevy Chase Chamber of Commerce
  - Greater Silver Spring Chamber of Commerce
  - Montgomery County Council of Parent-Teacher Associations (MCCPTA)

  - Municipal leaders, including the mayors of Kensington, Poolesville, Rockville, Somerset, and Takoma Park; and a Gaithersburg city councilmember

- Reviewed previously issued reports and recommendations that addressed opportunities for reorganizing or enhancing the efficiency of County operations.

Throughout our deliberations, we were very fortunate to have the assistance and the available expertise of a number of extraordinary County staff members. They include: Fariba Kassiri, Assistant Chief Administrative Officer, Joseph Beach, Director, Office of Management and Budget; Office of the County Executive; Justina Ferber, Legislative Analyst, County Council; Karen Pecoraro, Legislative Services Coordinator, County Council; and Steve Farber, Council Staff Director. We also very much appreciate the assistance provided to the ORC work groups by the following Council and Executive Branch staff: Bob Drummer, Mike Faden, Alex Espinosa, Beryl Feinberg, Keith Levchenko, Essie McGuire, Linda McMillan, Charles Sherer, Costis Toregas, and Mike Woodruff.

Introduction

As we deliver this final report of the Montgomery County Organizational Reform Commission to the Council and Executive, we want to briefly highlight some of the existing factors and operational philosophies that served as a backdrop for our work.

A Budget Crisis

The establishment of the ORC, along with several other policy and analytical initiatives launched by Montgomery County in recent months, underscores the fiscal crossroads at which the County and its residents now find themselves. The seriousness of this crisis – stretching out over the last four budget years, with no sign of abatement – was an ever-present factor in our deliberations. The regular and worsening budget updates provided by the Executive and Council, as our work progressed, served to deepen our appreciation of the dire financial circumstances the County now faces.

Citizens, Not Auditors

The ORC was envisioned as a group of citizens who could bring to the table their cumulative civic and professional experiences, in order to make reasoned recommendations to the Executive and Council. It is not – and was not intended to be – a panel of budget analysts or fiscal auditors. As the Commission met weekly for four months, and several times a week in work groups for two months, we had access to the County's excellent professional staff and other members of the Montgomery County community who were not reticent to share their views with us. We interviewed dozens of individuals and reviewed extensive background materials. Ultimately, our recommendations are those of informed citizens who worked towards a point of view based on our shared knowledge and experiences. Because of the short time span allowed for our review, additional effort will be necessary on the fiscal, financial and organizational sides, to measure how best to implement and incorporate our recommendations.

Electeds Must Lead

Having rendered what we hope will be viewed as useful judgments reasonably arrived at, we will ultimately turn our work over to the County's elected leaders. We heard many times during our tenure that *"the low-hanging fruit has already been picked "* Indeed, between the initial reorganization undertaken by the Executive four years ago and the work done through two very difficult budget years, the easy decisions – if there ever were any – have been made. The ORC presents the County's elected leadership largely with recommendations that will lead to difficult decisions, but provides them a sufficient rationale to implement them as described or adjust them in ways in which a comparable result can be achieved. Regardless of the ultimate path they choose, we believe that it is the firm and focused hand of elected leaders, working with the public, the County's professional staff, and other interested parties that can institute the kinds of changes that will make a difference for the County's future.

A Process for Implementation

Should the County's elected leadership embrace these recommendations, we suggest that a process be established to implement them in a matter that is comprehensive, inclusive and deliberative. The very nature and complexity of unifying parts or all of currently disparate organizations strongly indicates that these efforts cannot be achieved with the simple waving of a wand.

Rather, it will take the diligence and hard work of those directly involved to give these consolidations or restructurings a chance for success. There is ample precedent within the County for these collaborative efforts leading to successful change.

According to the Council resolution that created the ORC:

- Any organizational proposal for County government in the Commission report must take the form of a reorganization plan that the Executive could submit to the Council under Charter §217.

- The Executive must, not later than February 28, 2011, either present to the Council under Charter §217 the reorganization plan recommended by the Commission or an alternative reorganization plan that the Executive concludes will produce at least the same level of cost savings, or inform the Council in writing why no reorganization plan is necessary.

- If the Executive does not present to the Council any reorganization plan or other proposal contained in the Commission report, the Council President must introduce each plan or proposal that can be implemented by County legislation as a bill before the Council.

- The Council must, not later than March 31, 2011, hold one or more public hearings on the reorganization plan, if any, presented by the Executive, and each bill introduced; and must vote on each plan submitted and each bill introduced before the FY12 operating budget is adopted.

Hard Choices

Words such as "consolidation" and "reorganization" broadly describe ways in which at least some progress might be achieved to help the County emerge from the difficult circumstances in which it is currently mired. Stripped away from these comforting words, though, the savings most generally achieved by consolidation and reorganization will quite frankly result in fewer County employees.

Whether this is brought about by shedding duplication or by intensifying the work programs of County staffers, the ORC recognizes the hard choices that need to be made. We also recognize the suffering and dislocation that some individuals will feel when their professional career status is altered or diminished. We have confidence that when presented with the necessity to do so, our County's elected leaders and senior officials will work hard to bring about these changes with compassion and fairness. We sincerely believe they will all fully recognize the unquestionable dedication of County employees and the obligation of the County to treat them fairly in the event of any change to their operations.

An Exceptional Workforce

Throughout the ORC's review process, we were consistently impressed by the professionalism and high caliber of the County workforce. Across the various County agencies and departments, the public is served by a highly skilled and dedicated team of individuals who have helped to firmly establish the County's well-deserved reputation for excellence in providing services to its taxpayers. We are keenly aware of the outstanding quality of their work and understand how their ability to deliver vital services and programs has contributed to the quality of life for which the County is so well recognized, both within the region and across the nation.

Given the nature of our scope of work and the scrutiny that it inherently places on specific governmental functions, we want to be absolutely clear that our analysis and our recommendations are in no way intended to be a criticism of the work that is being performed by hard-working County employees. Rather, our efforts are simply intended to address the charge given to us by the Council and Executive to identify potential efficiencies and cost-savings through unit consolidations or, in some cases, the elimination of functions that may be redundant or no longer needed.

The Future is Not 'Year One'

Many of the recommendations contained here will not yield savings in the first year of their implementation. Indeed, there are transactional costs associated with change, and those will be carried on the ledger in the beginning. Moreover, the reductions in personnel that are the inevitable result of a significant portion of consolidation and reorganization may not necessarily have to occur in year one. It may take several years to fully realize the savings and efficiencies sought within a specific recommendation. But if there is merit to the proposed consolidation and reorganization, then it is worth having a focused and careful approach to achieve the results in a measured manner that will have the least disruption to services and treat the professionals involved with respect.

A New Generation

In some respects, it may take several years to completely transform two or more County entities into a fully functioning new unit with its own personality and staffing, devoid of most of the remnants of the predecessor organizations. That is to be expected, as staffing is combined and then eventually retirements and elimination of redundancy give way to new hires that do not bring to their positions the organizational remnants of the previous departments. If this brings about savings to the County and more effective delivery of services, the changes which will develop over time in the newly formed entities will be worth the wait.

If You Were Starting from Scratch....

Like any governmental entity, the County's government grew over time, as a result of a variety of influences: geography, demographics, and the influences of neighboring jurisdictions, to name a few. Many of these aspects of County government stand the test of time quite well; others do not. The ORC looked at some of these functions and came to the conclusion that – despite the genealogy of how we got here – if you were going to start from scratch, you would probably do it differently. Therefore, in these cases, we proposed how to do so. This approach was motivated both by the goal of cost-savings, but also by a more logical approach to organizing governmental functions and delivering services in a way that will improve efficiency.

Not the Final Frontier

Time was the ORC's scarcest commodity. With its volunteer members devoting many hours each week as a full Commission and within the structure of their work groups, as well as in solitary review of documents, it was not possible to give every aspect of government the analytical time desired. We went where we felt it was most appropriate to go. We combined our examination of the evidence presented to us and the insights derived from the interviews we held with top officials and others, to develop proposals that we felt strongly could help our County get to a better place.

Summary of Key Recommendations

This final report of the Montgomery County Organizational Reform Commission contains 28 recommendations for reforming the organization and operations of County departments and agencies, in order to yield cost-savings and increased efficiency in the delivery of critical government services and programs.

We have broken down our recommendations into two primary categories:

I. Structural and Organizational Changes
II. Procedural and Operational Changes

Note: Appendix I to this report provides details on estimated cost-savings for each of these recommendations and the criteria that the ORC applied to each recommendation.

I. Structural and Organizational Changes

Boards, Committees and Commissions

- Accelerate the timeline for the citizen review process that periodically evaluates the County's boards, committees and commissions.

- Increase use of the Regional Services Centers' citizen advisory boards and the Office of Community Partnerships, whenever possible, in lieu of creating new citizen boards or committees.

- Reorganize the Commission for Women (CFW) to be relocated within another department, as deemed most appropriate, and eliminate the CFW office.

- Reorganize the Human Rights Commission, folding its functions into other entities, and eliminate the HRC office.

- Modernize the property management system for the Community Use of Public Facilities office (CUPF), and move the office to the Department of General Services.

- Reorganize the Criminal Justice Coordinating Commission (CJCC) so that it is housed and staffed within the County Police Department, and eliminate the executive director position.

Workforce Training

- Enable the Montgomery County Workforce Investment Board, the Division of Workforce Services (DWS), and its contractors to coordinate oversight of the workforce grants awarded by the Executive and the Council.

Legal Services

- Increase efforts to substitute costly contracted legal services with in-house expertise.
- Form a Task Force to create a consolidated Montgomery County Law Office that would serve multiple agencies.

Housing

- Establish a Task Force on a Montgomery Housing and Redevelopment Department, to begin the process of blending the Housing Opportunities Commission and the Department of Housing and Community Affairs.

Parks and Recreation

- Transfer all of the Parks Department's "user services" to the Executive Branch of County government, as part of the Department of Recreation. Retain responsibility for park planning, environmental stewardship, and ownership of park property at the Maryland-National Capital Park and Planning Commission.

Park Police and County Police

- Incorporate the Park Police into the Montgomery County Police Department.

Procurement

- Create a Shared Service Center for purchasing goods and services that would serve all County agencies with a centralized procurement schedule and catalogue.

Real Estate and Facilities

- Centralize real estate and facilities functions that are now handled separately by each of the County agencies.

The 311 System

- Consolidate information distribution and call center activities by expanding the County government's 311 system so that it also serves the other agencies.

Information Technology

- Consolidate the County's information technology leadership into a single independent Chief Information Officer (CIO).

Liquor Control

- Pursue options for establishing an independent "revenue authority" to be responsible for operation of the Department of Liquor Control, thereby generating more revenue for the General Fund and removing it from the Executive Branch.

II. Procedural and Operational Changes

Collective Bargaining

- Make the collective bargaining process more transparent and increase opportunities for public input.
- Modify the criteria for arbitrators to use in addressing a collective bargaining impasse.
- Change the method for selecting the arbitrator for collective bargaining.
- Make the scope of bargaining consistent for all County agencies.

School Funding

- Seek changes in the State's Maintenance of Effort (MOE) law.
- Seek changes in the State Education Article to authorize the Council to approve or reject the economic provisions of a collective bargaining agreement.

Information Technology

- Embolden all County departments and agencies to move in the direction of converting to Cloud and Thin Client computing.
- Expand the outsourcing of "seat management" to MCPS and Montgomery College.
- Consolidate major IT platforms and provide for a migration path.

Liquor Control

- Expand contracting of warehouse night-loading operations at the Department of Liquor Control to all warehouse operations and improve retail services.
- Contract out for a financial and performance audit of the Department of Liquor Control.

Boards, Committees and Commissions

Statement of the Issue

The County can achieve cost-savings by eliminating, consolidating and restructuring certain boards, committees and commissions, particularly those that have significant staff resources associated with them. This can be done while still maintaining a high level of access to County government by all citizens and retaining their ability to participate in County policies and projects to a significant extent. We applaud the work of many of these boards, committees and commissions, but suggest that their role and scope be tailored to meet both the current needs of citizens and the budget pressures facing the County.

Discussion of the Issue and Recommendations

The growth and development of the County's boards, committees and commissions is a direct result of many years of the County government seeking to be responsive to emerging new issues and problems. These bodies also provide a forum for citizens to provide input on policy-making, a place for resolution of problems, and a base from which certain services could be provided. A generous County can more easily afford to do these things during a time of rising revenues. However, the budget crisis that now plagues the County makes it necessary to view these entities with a more critical eye. We note that the phrase "boards, committees and commissions" is a broad-brush description and that not all of these disparate entities "are created equal" in size, stature or responsibility. As such, they would not always yield similar savings or efficiencies, if eliminated or merged. It should also be noted that of the 86 or so of these County groups, many are deemed as advisory, but some are necessary for specific statutory functions.

During the course of our deliberations, the ORC met with numerous members of the boards, committees and commissions and with staff liaisons from some of the core County departments to which the bodies are attached.

- ***Based on our interviews, discussions and analyses, we recommend a three-pronged approach to achieve cost-savings and streamline the operations of County boards, committees and commissions:***

1) **Acceleration of the Citizens Review Committee**. As part of the existing process for County review and evaluation of boards, committees and commissions, an ad hoc committee appointed by the Executive is next scheduled to commence in 2012. We believe that is the appropriate forum to rationalize the existence of 86 boards, committees and commissions. But we recommend that the Executive accelerate this process by convening this review committee as early as possible in 2011. We also recommend that rather than its previous two-year duration, and the nearly two-year evaluation process by the Council, the Executive instruct a new review committee to complete its work in six months, and that the Council commit itself to completing its evaluation and action within the following six months. Finally, we propose that rather than allowing for an open-ended evaluation, the Executive charge the new

review committee with the task of reducing or reorganizing the number of boards, committees and commissions. From our initial analysis, we believe that much of this can be achieved through consolidation of similarly purposed boards, committees and commissions.

2) **Regional Services Centers and the Office of Community Partnerships**. The County's Regional Services Centers each have a citizens' advisory board whose principal function is to receive input from citizens in their region on issues of importance to the community. We urge that, over time, the general culture of establishing new boards, committees and commissions to respond to particular issues be curbed in recognition of the capacity of the existing Regional Services Centers and their advisory boards. The Executive's Office of Community Partnerships can also serve as an ongoing platform to provide for citizen participation in the governmental process.

3) **Proposed Consolidations and Reorganizations**. The ORC proposes the following consolidations and reorganizations for boards, committees and commissions:

    a) **Commission for Women (CFW)** – Current Budget- **$881,300** – The ORC commends the CFW, which over the years has served a very important function. But as County government and the social landscape have evolved, it is clear that many of the CFW's activities duplicate those provided by other agencies. We believe that the CFW's core functions can be served in other ways. The CFW's counseling and career center is now duplicated to a great extent by the new Family Justice Center, the County's Workforce Development program, Montgomery College, and private entities and religious organizations.

    Additionally, the County's Office of Intergovernmental Relations effectively advocates for the County at all levels of government including CFW issues.

➢ ***The ORC recommends that the Commission for Women be restructured as an advisory committee attached to another department or unit deemed most appropriate by the Council and Executive. This action could save the County more than $800,000 annually.***

    b) **Human Rights Commission (HRC)** – Current Budget - **$1,738,400** – The work of the HRC in striving to eliminate discrimination, prejudice, intolerance and bigotry serves a vital function. A broad cross-section of federal, state and County laws protect human rights, and County citizens have access to federal and state channels to specifically address those rights covered under federal and state laws. Recent analysis indicates only a few complaints of human rights violations have been filed regarding rights protected only at the County level.

➢ ***The ORC recommends that the Council and Executive move the adjudicatory role of the Human Rights Commission to the state and federal governments, with the creation of a Human Rights Ombudsman in the office of the County Attorney to guide citizens to the appropriate authority and provide advice on options available for relief.***

This change would result in saving a substantial portion of the $1.7 million currently budgeted for the HRC. We propose that the HRC and Committee on Hate/Violence be combined to make their efforts more concentrated and provide a singular focal point for research and dissemination of information. This new combined commission can be aligned with the Office of Community Partnerships or another suitable entity, as determined by the Council and Executive. Finally, the activities of the Interagency Fair Housing Coordinating Group – currently supported by the Human Rights Office – should be returned to the Department of Housing and Community Affairs, from which it was removed in 1996.

c) **Interagency Coordinating Board for Community Use of Public Facilities (CUPF)** – Current Budget - **$9,325,840.**

➢ ***The ORC recommends a major modernization of the property management system for Community Use of Public Facilities. We also believe it is appropriate that the functions of the Office and Board move to the Department of General Services.***

Since CUPF is an enterprise fund, no taxpayer savings would be generated by these reforms, but it is highly likely that the efficiencies resulting from the moves could reduce costs to users or assist in improving services, thereby allocating a portion of its $9.3 million budget to more effective uses.

d) **Criminal Justice Coordinating Commission (CJCC)** – Current Budget **$158,000** - The CJCC performs an important function in helping to coordinate the programs and activities of the County's various criminal justice agencies. However, it meets only four times a year, does not require an annual report, and in other ways has had its duties modified in recent years. In the past, it has been staffed by County personnel who also had other duties, rather than by a dedicated staff of its own.

➢ ***The ORC believes that staff support for the CJCC does not require an executive director post that is now staffed by a high-level appointee. We recommend elimination of this position. We also recommend that the CJCC be housed in the Police Department, which would provide for its part-time staff support.***

Workforce Training

Statement of the Issue

Montgomery County has made the training of its residents to become productive members of the workforce a top priority over the years and is to be commended for doing so. This can include such worthy tasks as the development of job-seeking skills, specific marketable skills, and job-placement assistance. A number of highly capable entities within the County play important roles in this process, including the Montgomery County Workforce Investment Board, Montgomery College, Department of Health and Human Services, Housing Opportunities Commission and Division of Workforce Services.

Discussion of the Issue and Recommendations

ORC members met with representatives of virtually all components of the County's workforce training system. While their functions are separate, some specific aspects are similar and could form the basis for consolidation that could lead to overall savings and efficiencies. The ORC is sensitive to the needs of the various client communities that are the intended recipients of this workforce training. We have sought to make value-added recommendations that will save money and enhance the effectiveness of government operations.

- ***To eliminate duplication, provide support and assistance to grantees, and increase the reach of workforce services in the County, the ORC recommends that the Montgomery County Workforce Investment Board (WIB), the Division of Workforce Services (DWS), and its contractors coordinate oversight of the workforce grants awarded by the Executive and the Council.***

  Specifically, we recommend the following changes. With regard to the:

  1) **Role of the WIB** - The WIB would develop grant criteria and lead the grant review. The grant review would also include community members.

  2) **Role of DWS** – DWS would staff the WIB and oversee the work of the one-stop contractor, including ensuring that assistance to grantees would be included in the scope of work of their contract.

  3) **Role of the DWS contractors –** DWS contractors would work with the grantees to increase their knowledge and skills, issue checks to grantees, provide oversight of the grants through regular reporting by the grantee and monitoring, and develop the network among the grantees.

Other activities that may be part of this change could be the development of common outcome measures and application of program standards.

In order to ensure that this change is beneficial to all, there must be sufficient funding for the grants, the administration of the grants (financial and programmatic oversight), and the development of the network among the grantees. Additionally, if funds could be included for grant-writing, the WIB, DWS, and the DWS contractor could work to find funds to support services.

Benefits to the County would include: (1) providing grant oversight at lower cost by the one-stop operator; (2) eliminating duplication; (3) providing support and assistance to grantees; and (4) increasing the reach of workforce services in the County.

Benefits to grant recipients would include: (1) being part of a larger network; (2) access to information on job fairs and recruitments; and (3) access to experts at Workforce Services.

Legal Services

Statement of the Issue

Virtually all of the County's tax-supported agencies – County government, Montgomery County Public Schools, Montgomery College, the Maryland-National Capital Park and Planning Commission, and the Housing Opportunities Commission – are significant consumers of professional legal services. The estimated combined cost of the in-house legal services for the five agencies in the current year is $13.1 million, which accounts for the equivalent of 87 workyears. There are additional costs for contracted legal services of almost $2 million.

Discussion of the Issue and Recommendations

The ORC appreciated the ready access it had to the County's legal staff during its sessions. We learned that there may be some potential to pool legal resources across County agencies, to reduce costs and to develop additional "in-house" capacities that could help to minimize contracting.

- ***Therefore, the ORC recommends a two-part approach to reducing costs and gaining efficiencies and in-house expertise, with respect to legal services:***

  1) **Montgomery Law Office Task Force**. The Executive and Council should request that the heads of all County agencies designate their chief legal officers to participate on a six-month task force to develop a blueprint for creation of a consolidated *Montgomery County Law Office*. Under the creation of such an office, the legal expertise serving the County would be centrally located, with attorneys and other professionals primarily assigned to service the institutions from which they originally came, but also available to assist other branches on an as-needed basis. Naturally, "bright lines" or boundaries would need to be established to acknowledge and accommodate periodically conflicting interests, but we believe the potential benefits (e.g., combine administrative staffs, real estate consolidation) make it worth a full exploration to determine both feasibility and potential cost-savings.

  2) **Development of In-House Expertise**. The agencies' chief legal officers should start to develop in-house legal expertise to replace the contract attorneys who have been used extensively to date. For example, when taking into account all compensation, including benefits, the average cost of a staff attorney in County government is approximately $60 per hour including benefits. Contracted legal services are substantially more costly, except for child welfare cases. We appreciate the importance of such services in certain cases, but to save money, County agencies should explore greater use of an in-house legal team when it makes good business sense.

Housing

Statement of the Issue

ORC members met with the directors of the County's Department of Housing and Community Affairs, the Housing Opportunities Commission, and the Department of Health and Human Services. The directors presented a joint paper entitled *Why All of HOC's, DHCA's and HHS's Housing Related Programs Should Not Be Consolidated Into One Department.* We appreciate the time that the department directors spent with us, as well as their diligence in preparation of the paper expressing their strongly held views.

Discussion of the Issue and Recommendations

1) HHS – as noted in the aforementioned paper – refers to itself as a "social service provider," not a "housing developer, financier or manager." We agree and therefore do not believe that HHS should be part of any consolidation or restructuring proposals related to housing programs.

2) We also agree that there are *fundamental differences* in the missions and operations of HOC and DHCA. HOC is what most communities around the country call their public housing authority. Chartered by the state and empowered to be the recipient of millions of dollars annually in federal public housing capital and operating funds, along with federal vouchers and certificates to subsidize the rental payments of low-income individuals, the mission of the HOC is to provide affordable housing and supportive services for low- and moderate-income families and individuals throughout Montgomery County. The principal mission of DHCA is facilitating and overseeing affordable housing preservation and development with the public and non-profit sectors.

3) Although they deal with different types of housing and support it in different ways, function under different statutes, and have different sets of relationships with the federal and state governments, both agencies deal with *housing in Montgomery County*. Given this common thread, there ought to be a basis for some commingling of resources and effort.

4) Any such effort to combine these entities would have to protect the integrity and viability of any securities or instruments vital to the operation of either institution. Some amendment to state statutes would be required.

5) There is an effective model that sheds some light on overall viability of combining some functions. In 1981, the City and County of Sacramento created the Sacramento Housing and Redevelopment Agency (SHRA), which combined the staffs of their individual Public Housing Authorities (PHAs) with their Housing and Community Affairs divisions. SHRA, which now operates under one executive director, functions as the PHA and HCA agency for the City and County.

- ***The ORC does not recommend the full integration of HOC and DHCA into a single department. Rather, we recommend that County officials begin a process of "blending" the two agencies, in order to reduce costs and bring about cross-cutting synergies. Specifically, we recommend that:***

1) The Executive establish a *Task Force on a Montgomery Housing and Redevelopment Department*, composed of the directors of HOC and DHCA, and the County Attorney;

2) The Task Force should develop a reorganization plan within six months for the creation of MHRD, which would operate much like a "holding company" for the two agencies. The plan should include a timetable for implementation.

3) Elements of this reorganization plan should include:

    a) Resource-sharing for functions such as administration, human resources, legal services, and information technology;

    b) Co-location of personnel where possible; and

    c) Gradual integration of the management structure so that over a period of several years, a common structure is put in place.

4) Assumed within this process is the ongoing integrity of a stand-alone public housing authority with its own appointed commissioners, as well as methods for protection of the integrity of the financial tools vital to the current HOC mission and legal protections for each agency.

Parks and Recreation

Statement of the Issue

Given that the residents of Montgomery County need to relate separately to two agencies for parks and recreation matters – when many other jurisdictions around the country are served by a single agency that combines both functions – the merger of parks and recreation was an area of focus for the ORC that could not be ignored. We appreciated the insights of key staff members involved in the direction of the County's parks and recreation facilities.

Discussion of the Issue and Recommendations

Since the County Recreation Department is part of the Executive Branch and the Parks Department is part of the Maryland-National Capital Park and Planning Commission, a bi-county agency, implementing a merger would require coordination from multiple stakeholders, many of them not under the purview of County government.

In recent years, a number of alternatives have been discussed, including: (1) consolidation of most recreation services into the Recreation Department, a process begun through the Council's direction in the FY11 operating budget; (2) moving Recreation into the Parks Department; (3) moving additional park functions into the Executive Branch; and (4) dismantling the M-NCPPC.

The ORC believes that in order to make the parks and recreation system more streamlined and coherent for users, yet another approach should be adopted.

- ***Our recommendation is to transfer all "park user services" to the Executive Branch of County government by folding them into the Recreation Department and retaining the park planning functions within M-NCPPC, along with the environmental stewardship of natural, historic and cultural resources on park property. M-NCPPC would also maintain ownership of all park land.***

County government would assume responsibility for all: (1) recreation programming, including classes, camps, and trips; (2) programming and upkeep of sports facilities, including athletic fields, tennis courts, and ice rinks; (3) programming and upkeep of park activity buildings and amenities, including event centers, picnic shelters, boating facilities, and trains/carousels; (4) facility permitting and class registration; and (5) park law enforcement functions (see following section). These responsibilities could be shared by the Recreation, Police, Community Use of Public Facilities, and General Services departments, all of which are Executive Branch units.

The benefits of this option are that it:

1) Creates a management structure that is more streamlined, user-friendly, and consistent in programs, services, policies and procedures;

2) Achieves cost-savings and efficiencies from the elimination of redundant administrative functions in both departments and M-NCPPC Central Administrative Services, and also in program offerings, registration, and evaluation, marketing and outreach;

3) Facilitates the delivery of services designed for target populations (e.g., seniors, teens, persons with disabilities) with those offered by other County departments;

4) Sends a message to the public that the top priority placed on preservation and stewardship of land will remain unchanged.[1]

[1] **Reservation of Commissioner Scott Fosler:** The proposed merger of the County's park and recreation programs, and its Park Police and County Police functions, involves potentially significant costs, as well as comparatively modest cost-savings. The potential costs include: the financial expense of merger; the management and institutional complexities involved in the transition, as well as in the proposed new organizational arrangements; the impact on the quality of the County's parks and environmental systems (and the broader implications regarding core public services); the consequences for the structure and operation of the Maryland-National Capital Park and Planning Commission (M-NCPPC), a major bi-county agency, and one of the principal agencies of County government; the implications for relations with our regional partners in Prince George's County; and the consequences for the County's overall planning process. I do not believe the case has been made that the potential costs savings of the merger would outweigh these other costs and considerations, and I don't believe a decision of this consequence for the County should be driven solely by the interest in financial cost savings in program operations, especially since it could have a potentially negative impact on the County's long-term fiscal health, as well as on its quality of government. The appropriate venue for such a decision is one that takes full account of all of these factors.

Park Police and Montgomery County Police

Statement of the Issue

The ORC held several meetings with the top leadership of the Montgomery County Police Department and the Park Police, regarding possible options for consolidation between the two police forces. We were grateful for the time they spent with us and for the outstanding job they and all of their colleagues do each day, putting their own lives on the line to protect the lives of residents of Montgomery County. Because of the respect we have for both forces, it is fair to say we likely spent more time on the issues outlined below than any others, and wanted to proceed carefully in our deliberations, before making any recommendations.

Discussion of the Issue and Recommendations

➢ ***After serious consideration, the ORC recommends the incorporation of the Park Police into the Montgomery County Police Department. We do so for the following reasons:***

1) The fiscal crisis demands that we not ignore a clear fact: there are now two separately chartered police forces that serve Montgomery County. They are oriented to somewhat different missions, but nonetheless there are two, and when programs and services are being cut *to the bone* – and in some cases *into the bone* – the likely redundancies represented by two police forces cannot be dismissed. With compassion for the individuals involved and with appreciation for the special role of the Park Police and its unique services that must be preserved, we recommend that this incorporation be undertaken.

2) Despite the fine job they do, the presence of a separate police force for Montgomery County Parks is an aberration in local governance. Most major urban areas do not have separate police forces for their parks.

3) Incorporation of the Park Police into the County Police Department in no way diminishes support for and recognition of the role of the M-NCPPC. It should retain a strong planning and land use stewardship role in our region and can do so without a police force.

4) The County Police Chief has pledged to establish and maintain a Park Police division within the County Police Department that would assure the mission of protecting park users and park resources.

5) County police already operate in County parks. They are regularly called in to either assist or take the lead on specific incidents in the parks.

6) Much of the work of the Park Police is as stewards of the parks, a trusted and reliable presence for those families and individuals who rely on the parks for their recreation opportunities. Working with the Park and Recreation departments, there are creative ways to work with rangers (positions which would need to be

established) and volunteers to ensure that a vibrant form of this presence is maintained.

7) Some who wish to see the Park Police maintained as a separate entity believe that if they were to be incorporated into existing County Police operations, they will be treated as a lower-tier element within MCPD. There is also a concern that given the opportunity, they will migrate away from parks and to other positions within the County Police Department. This may occur, but mobility within divisions is common to modern policing, and we should not fear for a lack of capable individuals to staff the Parks Division.

8) The two departments have a track record of working together. A "Reciprocal Enforcement and Mutual Aid Agreement," dated May 1, 2007, outlines how the two departments cooperate. In addition, a current a task force is coordinating their telecommunications activities to enhance communications and save costs.

9) Savings come from a reduction of management and supervisory officers over time. The County Police Chief estimates that the integration could be undertaken in less than two years. A work group review shows the potential for savings of approximately $2.2 million per year, and the elimination of up to 32 positions.

10) The implementation issues are no doubt challenging, such as the future of the Park Police Saddlebrook facility, enforcement of park rules, and establishment of a ranger staff. Ultimately, it may take several years for the incorporation to be completed.[2]

[2] **Reservation of Commissioner Scott Fosler:** (See footnote 1, page 21, in the section on Parks and Recreation)

Procurement

Statement of the Issue

Currently, County agencies take limited advantage of their combined purchasing power resulting in duplicative costs for the procurement of similar goods and services.

Discussion of the Issue and Recommendations

ORC members held interviews with some but not all agency heads and procurement directors. The work of the Cross-Agency Resource-Sharing (CARS) Committee also provided useful recommendations on the purchasing of vehicles and paper, but these are only part of a short-term strategy. CARS acknowledges that a long-term strategy should expand this effort to other goods and services, and references a shared-services model. We focused on the duplicative functions and structures that have prevented procurement consolidation in the past.

We concluded that a limited scope and limited procurement consolidation would probably not create a sustainable and useful change. Quasi-formal coordination groups and optional or "buy-in" arrangements are not likely to be maintained over the long run. This is due to multiple factors, including differences in approach to procurement on an agency-by-agency basis and minor differences in requirements that may be perceived as significant.

Savings in consolidating these functions is likely to be achieved in two primary ways: combined purchasing power and potential elimination of workyears, due to fewer procurement activities. A third potential means of savings is the elimination of duplicative or unnecessary procurements in the future. Savings by elimination of these types of procurements could be significant but are impossible to quantify.

The federal government is moving in this direction, as the U.S. General Services Administration has just launched a new version of an on-line shopping system, with more than 28 million products available for its broad user base. This is a product-centric approach, similar to that of Amazon, and its result is improved service and reduced costs.

- ***To increase opportunities for significant cost-savings in the purchase of goods and services across multiple agencies, we recommend the creation of a Procurement Shared Service Center that would utilize a centralized procurement schedule and catalog.***

The County should take a phased approach to creating a central procurement schedule and catalog of goods and services. As noted above, centralized procurement of vehicles and paper has been recommended by CARS. However, these procurements are being consolidated within an existing entity (County government for vehicles and MCPS for paper). This collaboration is beneficial, but it is not a true shared-service model. Beginning with a comprehensive list of common goods and services, a Shared Service Center would be the central purchasing authority for these items. Among the items: office supplies, telecommunications equipment, professional services, and furniture. The catalog would be overseen by a single procurement authority that would serve each of the various departments and agencies, and the Council.

We believe that municipalities should also be able to take advantage of this Shared Service Center. The catalog should coordinate with the Metropolitan Washington Council of Governments and other such organizations.

Real Estate and Facilities Management

Statement of the Issue

The County is experiencing inefficiencies in real estate and facilities management, often because of competing agency priorities. At this time, the tools to properly manage these assets do not seem sufficient.

Discussion of the Issue and Recommendations

The ORC interviewed department directors and staff from County government and MCPS to discuss how their real estate, office space and facilities operations – including the Community Use of Public Facilities (CUPF) office – are managed. We also reviewed a significant amount of background information from CARS, to provide further context. We focused on the potential for managing these assets in a centralized manner, while continuing to meet the programmatic needs of the different organizations.

Currently, a combination of organization culture/structure and a lack of tools and systems is problematic. We were advised that the County government's facility and property resources are managed primarily through the institutional memory and informal tracking tools (paper records, spreadsheets, etc.) of one or two employees. Also, according to CARS research, "...not all the agencies have a central real estate function for their entire organization. In those organizations real estate transactions/planning take place in multiple departments/divisions..."

The CARS recommendation on this issue is to hold quarterly meetings to coordinate and identify potential opportunities to collaborate across multiple agencies. We believe that this approach is insufficient to effectively drive sustainable savings. Given the potential for competing priorities, we believe this is more likely to lead to decisions that are not in the County's best interest. It should be noted that there is work ongoing that would create a single Request for Proposal process for real estate services. This would benefit multiple agencies and we believe it is a useful improvement that should be advanced.

Another player in managing the use of the County's various real estate assets is CUPF. Any recommendation should include CUPF, in order to extend the same functionality and reduce the level of effort currently needed to perform its tasks.

- ***We recommend that the County consolidate its real estate and facilities functions so that these assets can be managed in a centralized manner.***

We believe that the County's new Enterprise Resource Planning System should be developed with a central structure in mind and with workflow capability that can accommodate the needs of CUPF. All County agency property, facilities, and office space should be managed through a central database, under a well-defined set of business rules. All space and property assets should be considered for central management. Management should be to a level of granularity (office, conference room or cubicle) that move management (management of office space) is also streamlined. We believe this change should be phased in and at this time we have not determined the best form of governance for this operation. We support eliminating silos, but we caution against an excessive role for any one programmatic need.

Utilization of the 311 System

Statement of the Issue

In 2010, County government implemented a centralized 311 system to provide residents with improved information and referral services. The system appears to have helped the County improve its responsiveness to customers. It appears, however, that the system's functionality is currently limited and its full benefits are not being realized. We believe its use can and should be extended to other agencies, in order to facilitate the public perception of "one government."

Discussion of the Issue and Recommendations

The ORC interviewed County government department heads and staff involved with implementing the 311 system. We also interviewed MCPS staff. We did not perform a detailed technical review of 311's current capabilities and design.

Most of the 311 system's early success in creating savings has come from consolidating call centers for multiple departments within County government. From our research, however, it was apparent that many processes occurring after an initial call is placed are still highly manual. Currently, the system does not handle resident calls related to MCPS or other agencies outside of County government. More analysis is needed to determine the extent to which these other agencies can be integrated. The most immediate potential exists in expanding the system's capacity to handle call ticket generation and processing.

- ***We would like to see the functionality of the 311 system expanded to automate select processes, with the goal of reducing workyears. We recommend the consolidation of County information distribution and call center activities, by expanding the use of the 311 system to other agencies.***

We strongly believe that the County should identify an implementation plan and any potential challenges associated with automating call ticket generation and management processes. This holds the greatest opportunity for immediate savings. Savings and an improved level of service may also be achieved by consolidating other agency call center functions into 311. The Executive has expressed interest in expanding 311 to other agencies, but further study is required. As part of the planning for future expansion, MCPS and other agencies not yet part of 311 should identify the cost and other issues associated with communicating and responding to resident requests.

Centralized IT Leadership

Statement of the Issue

The County would benefit greatly from having a single point of leadership for the oversight and management of its information technology systems across agencies. From infrastructure to system development, the current decentralized leadership model lends itself to duplication of effort and spending and poor information management across agencies.

The ORC interviewed department heads and staff from County government and MCPS to assess the current delivery and governance of information technology. In 1994, the Council established the Interagency Technology Policy and Coordination Committee (ITPCC), which fosters collaboration among agencies on technology initiatives. However, we noted very few examples of joint development efforts, and agencies appear to continue to develop redundant infrastructure (data centers, voice mail systems, etc.). It is also apparent that agencies have varying degrees of capabilities and that these capabilities are not always extended to other agencies.

The lack of a single point of effective leadership at the top of the County information technology hierarchy is resulting in inefficiency and unnecessary spending. The current governance model, utilizing the ITPCC, appears to be ineffective for achieving collaborative efforts that would reduce spending and create efficiencies. This includes making the most efficient use of both infrastructure and human capital. Expertise in process improvement, business analysis, and specific technologies should be available across agencies.

This is not to say that the ongoing work of the various agencies is not laudable. The County is fortunate to have multiple award-winning, highly respected IT teams within the agencies. However, given the current state of the County budget and the projected fiscal outlook over the next several years, focus must be given to efficiency.

- ***We recommend the consolidation of the County's information technology leadership into a single independent Chief Information Officer position with budget formulation and execution authority.***

We believe that the productivity and efficiency of the entire County enterprise (across all agencies: County government, MCPS, Montgomery College, M-NCPPC, and HOC) would be enhanced if common decisions for IT platforms and applications were made by all agencies, and if the default strategy for all IT investments were to do so collectively. In order to accomplish this vision, we recommend consolidation of the County's information technology leadership into a single independent Chief Information Officer with budget formulation and execution authority. This should be done in a two-step process due to the long timeframe involved and significant legal hurdles. The two steps are:

1. **In the near-term adapt existing structures while legislative changes and transition planning occurs:**

The Interagency Technology Policy Coordinating Committee (ITPCC) has been used for almost two decades to promote collaborative action in the IT sphere, yet each agency is able to pass on projects and collaboration/consolidation opportunities offered by ITPCC, if it so desires. We believe that the ITPCC's authority and function could be expanded in the short-term by channeling all IT investments for each agency to this one body. The principals (who form the policy tier of ITPCC) could then instruct the CIOs (the technical subcommittee) to develop strategies which assume consolidated or collaborative actions, and the budgets presented to the Council – through the Executive – would reflect a single, coherent and efficient IT strategy. In order to implement this phase, the current ITPCC would be given the authority to develop a single, enterprise-wide strategic plan and a related implementation strategy. A multi-year transition strategy from the current stand-alone systems to a fully networked, collaborative system would be the first vital outcome of ITPCC's new efforts. Fund allocation and performance tracking against the strategic plan would be the vital ITPCC tasks, once this new approach was under way.

There is precedent for this collaborative funding approach. During the preparations leading up to Y2K at the turn of the century, ITPCC, indeed, took a resource allocation role explicitly for Y2K remediation technologies. In addition, there is language in the County Code that permits not only the joint procurement, but also the joint operation of facilities and systems across all agencies, a legal footing that could prove important in the acceptance of this expanded role for ITPCC. In this case, the Council should have line-item authority over the IT expenditures of all agencies using County funding for IT expenses. All of this should occur while planning for a single Countywide Office of Information Technology, led by the CIO.

2. When appropriate legal structures and an implementation plan are in place, begin the operation of a new Office of Information Technology, led by the CIO:

Ultimately, we believe a single CIO – with input from the various agencies – should formulate budget priorities and the Council should have line-item authority over this budget area. The CIO would oversee a consolidation of the IT management function, not be a single new position. As such, the CIO would have planning, business analysts, and management staff under his/her authority. Agencies would no longer have a CIO with a supporting staff. Instead, agency interests will be represented by a single liaison who will act as the owner and steward of agency requirements. The CIO, with the assistance of his/her staff and the agency liaisons, would formulate the Countywide IT budget and submit it to the Executive. The exact structure of this centralized entity is still to be determined. However, to provide potency to this position, we strongly believe the Council must have line-item authority over the IT expenditures of all agencies that utilize County funding for IT expenses.

This will obviously require changes in law and regulation. This change will facilitate multiple recommendations made by the ORC, as technology and tools are part of the foundation to many of our recommendations.[3]

[3] **Reservation of Commissioner Scott Fosler:** The potential savings in County government information technology (IT) are by far the most significant identified by the ORC. The potential is all the greater if the power of IT can be used to harness the abundant streams of information that IT itself is now generating, in order to improve the performance and productivity of government. Achieving this potential depends in part on the County's ability to centralize critical IT functions, which is complicated by the County's overall structure of multiple and quasi-independent government agencies. This broader organizational issue was clearly beyond the ORC's mission, but it needs to be taken into account in fashioning practical ways of organizing County government for greater efficiencies in IT, as well as in other areas the Commission addressed.

Consolidation of IT Operations

Statement of the Issue

A growing trend in government information technology (IT) operations is towards consolidation of major operations (data centers, back-up, e-mail systems) and a rapid migration to the "Cloud" for efficiency and citizen-centric improvements to systems.

Discussion of the Issue and Recommendations

The ORC interviewed various agency heads and staff involved with IT service delivery. It is clear that, except for the County's exemplary Fibernet project, which is available across organizational boundaries to all agencies, progress towards consolidation and Cloud migration will be slow.

If the prior recommendation regarding IT governance is implemented, then a consolidation of key IT services that can be shared across all agencies and departments will be far more possible. Not bound by current law and regulation, the ORC was able to focus on benefits that can be achieved through consolidation and Cloud migration and found them compelling. Based on studies published by IBM and Gartner, we believe the financial savings from a consolidation across all agencies could be anywhere from $18 to $36 million. Currently, County agencies spend about $180 million on information technology.

In our view, Montgomery County is unable to be a leader in this area because of the fragmented nature of its agencies and the separate funding decisions that are made with regard to IT. We believe that, under a unified IT leadership model, a consolidation and Cloud migration strategy could produce strong results, even within 18 months. However, we believe it would be very difficult for the County to make significant progress unless it changes the current governance model.

- ***We recommend that following the implementation of a new IT governance model, the County begin the consolidation of major IT platforms and provide for a migration path starting in FY12.***

These platforms can include a subset of the following: data centers, email systems, GIS, seat management, back-up and recovery, and select shareable applications.

Collective Bargaining

Statement of the Issue

The Council's Office of Legislative Oversight (OLO) recently released a comprehensive report on the County's tax-supported revenue and expenditure trends over the past 10 years, as well as those projected for the next six years.[4] OLO concluded that the County has a "structural budget gap," indicating that as currently projected, future spending would exceed expected revenue generation on a "persistent and recurring basis."

The historical increase in personnel cost is described in detail in OLO Report 2011-2. According to the report, a 10-year comparison of personnel cost versus the number of workyears indicates that the primary driver behind the increased cost is a higher average cost per employee, rather than a larger workforce. Employee compensation and benefits currently account for 82% of the County's total tax-supported spending. According to the OLO report, from FY02 to FY11, the County's tax-supported spending – excluding debt service – increased 59%, from $2.1 billion to $3.4 billion.[5] During this same 10-year period, inflation was 29%, the County's population grew 12%, and median household income increased 21%.

Personnel costs for the County government, MCPS, Montgomery College, M-NCPPC and HOC are largely determined by collective bargaining with employee unions. With unions representing the large majority of employees from these County tax-supported agencies, collective bargaining is one of the most important government processes. For this reason, we explored the possibility of making changes to the collective bargaining system.

The ORC was faced with a limited duration and limited resources to evaluate all processes that might merit analysis. We are aware that many of these should be addressed in the future. However, we chose collective bargaining because of the enormous impact collective bargaining agreements have on the County's fiscal situation. The ORC encourages the Council to continue to seek savings and efficiencies by reviewing these other processes. Please see Appendix II at the end of this report, indicating some issues that we would suggest be considered for future review.

Discussion of the Issue and Recommendations

The ORC's review of the collective bargaining system was governed by a desire to create a more equitable balance between the needs of County tax-supported employees and the needs of County residents. Over the past two years, due to the severity of the budget crisis, the Council has rejected some of the economic provisions in negotiated collective bargaining agreements with each County employee union. In FY11, the Council modified the furlough proposed by the Executive and adopted a budget that included a progressive furlough for all County Government employees. These "take-backs" inevitably lower employee morale over

[4] OLO Report 2011-2, *Achieving a Structurally Balanced Budget in Montgomery County (Parts I and II)*, is available on the Internet at: http://www.montgomerycountymd.gov/content/council/olo/reports/pdf/2011-2.pdf.
[5] OLO, Part I, pg 2

time. We believe that a collective bargaining system that results in more affordable contracts, without the need for last-minute take-backs, will ultimately lead to a more stable system and higher employee morale. County services can also be enhanced through more affordable labor contracts.

We did not limit our review to recommendations that can be implemented with little difficulty. Some recommendations can be implemented by the Executive without a change in current law. Some recommendations would require the enactment of legislation by the Council. Finally, some recommendations would require amendments to State law. Although we understand that changes to State law (such as the State Maintenance of Effort law, pertaining to public school funding) often require the consensus of elected officials – from lawmakers both within and outside Montgomery County – the County's growing structural budget gap requires that we consider all possible solutions.

Summary of Collective Bargaining Recommendations[6]

- ***We recommend an increase in the public's ability to participate in collective bargaining negotiations by:***

    1) Publishing the opening negotiating proposals from both the County and each County employee union;

    2) Requiring an evidentiary hearing before the arbitrator to be open to the public; and

    3) Requiring the Council to hold a public hearing on the terms of the negotiated agreement before taking action on it.

- ***We also recommend eliminating the Executive's obligation to conduct "effects bargaining" with the union representing police officers, thereby making the scope of bargaining consistent under each collective bargaining law.***

    The resolution of bargaining impasses through arbitration greatly affects the collective bargaining process. We support the Council's recent enactment of Expedited Bill 57-10, Personnel – Collective Bargaining – Impasse Procedures on December 14, 2010, which will require the arbitrator to evaluate and give the highest priority to the County's ability to pay for the final offers before considering a comparison of wages and benefits for other public employees. The Council's Government Operations and Fiscal Policy (GO) Committee recommended approval of the bill with an amendment on December 7, 2010.

- ***Although the bill was later enacted by the Council without this amendment, we recommend that the Council reconsider this amendment that would require the arbitrator to assume no increase in taxes when determining the affordability of the final offers.***

[6] **Reservation of Commissioner Dan Hoffman:** I abstained from approval of this recommendation on the basis that the changes being recommended were beyond the scope outlined by the resolution creating the ORC. The abstention was not due to the merits of the recommendation.

- ***We also recommend changing the method of selecting the arbitrator to enhance the accountability of the arbitrator to the taxpayers.*** We recommend a three-person panel, with each party selecting one arbitrator and the third neutral arbitrator selected by the parties from a list of persons appointed by the Council to four-year terms.

Public Accountability in Collective Bargaining

Collective bargaining sessions with County government employee unions are held in meetings closed to the public. The proposals and counter-proposals made by each side are never made public. If the parties reach impasse and invoke interest arbitration, the evidentiary hearing conducted by the arbitrator must be closed to the public. The terms of a negotiated agreement or an arbitrator's award are not made public until they are sent to the Council for approval. The intent of this confidentiality is to encourage the parties to speak freely without fear of their statements being used against them. Attendance at negotiating sessions by members of the public and the news media could inhibit the free and open discussion necessary to resolve disputes. However, open meetings could also inhibit the parties from making unrealistic demands and statements.

Collective bargaining in open meetings has been tried in Maryland. In 1981, the Carroll County Board of Education adopted a resolution that all collective bargaining meetings with the union representing public school teachers would be conducted in public. The union challenged the Board's resolution in Court, alleging that it was a failure to bargain in good faith. Despite the authority to conduct closed meetings to discuss collective bargaining in the Maryland Open Meetings Law, the Court of Appeals held that the Board could insist on open meetings without violating the duty to bargain in good faith. See *Carroll County Education Association, Inc. v. Board of Education of Carroll County,* 294 Md. 144 (1982).

More recently, Washington County Public Schools required the school unions to participate in open collective bargaining sessions in 2006. The parties eventually agreed to ground rules for open bargaining that provide for a closed session at the beginning of each meeting to explore new ideas, followed by an open meeting. All proposals and counter-proposals were made public in the open meeting.

We do not believe that all collective bargaining sessions should be open to the public. The parties must be able to speak freely without fear of each statement being published in the news media in order to negotiate in good faith. However, the current system eliminates almost all public input into the collective bargaining process.

- ***We recommend a modest increase in public accountability that would continue to permit the parties to speak freely during negotiations.***

  Specifically, we recommend that:

  1. The initial proposals and counter-proposals in collective bargaining negotiations from both parties should be publicly posted on the County's website for public comment. The negotiated collective bargaining ground rules with each County employee union should contain a final date for each party to submit all of their proposals for bargaining. We recommend posting the positions of each party, as

of that date. *This could be done by the Executive without changing current law or, alternatively, by the Council amending County law.*[7]

2. The Council should conduct a public hearing on all collective bargaining agreements before the Council's annual budget hearings. In order to accommodate this additional public hearing, we recommend that the statutory time periods for declaring impasse and completing arbitration be moved back by two weeks. *The Council would have to amend current law to change these dates. The Council has the current authority to hold a public hearing on collective bargaining agreements, but there is often not enough time to do this.*

The following chart shows the current statutory dates and our recommended new dates:

Bargaining Law	**Current Impasse Date**	**Current Arbitration Date**	**New Impasse**	**New Arbitration Date**
Police	January 20	February 1	January 6	January 18
General County Employees	February 1	February 15	January 15	February 1
Fire and Rescue	January 15	February 1	January 2	January 17

The evidentiary hearing before the arbitrator should be open to members of the public and news media. An open meeting would increase the ability of the public to provide useful comment on the decision at a public hearing before the Council. *This would require a change in County law.*

The Commission believes that it would make equal sense to provide for greater public input in the collective bargaining process with union employees of MCPS, Montgomery College, and the Maryland-National Capital Park and Planning Commission. However, these processes are governed by state law. We would support changes to state law that parallel the

[7] **Reservation of Commissioner Susan Heltemes:** Historically, the integrity of the collective bargaining process has functioned under stringent guidelines that rely on the integrity of all persons involved in the negotiations to maintain confidentiality to the process until a final product/agreement is attained. The final product is open to the public and hearings are held by the Montgomery County Council. Initial disclosures of proposals would likely establish unrealistic expectations not only for management, but also for employees since initial proposals are usually not where the negotiations come down at the conclusion of bargaining. If opening proffers were open to the public, it is likely that outside input could obstruct the bargaining process and interfere with tight timelines and strategy. Such obstruction could alter the negotiating process and ultimately end in more arbitration and deterioration of what has become a respected form of negotiation for our public sector employees. It is important to note that Park and Planning employees, as well as HOC, Montgomery College and MCPS employees, function under state guidelines that are different than those for the firefighters, police and MCGEO. Furthermore, it seems unlikely that making opening proposals from the County and unions prior to negotiating would actually result in savings. Such proposed savings are mere conjecture and not worth the effort of upsetting a time honored process that works.

collective bargaining recommendations in this document, in order to increase public accountability in collective bargaining with these agencies.

The Erosion of Management Rights

The Police Collective Bargaining law establishes the scope of collective bargaining in County Code §33-80. Similar to the collective bargaining laws for Fire and general County employees, the Police Collective Bargaining law requires the Executive to bargain over wages, benefits, and working conditions. Section 33-80(b) also establishes a list of "Employer rights" that the Executive does not need to bargain. However, unlike the collective bargaining laws for Fire and general County employees, §33-80(a)(7) requires the Executive to bargain over the "effect on employees of the employer's exercise of rights listed in subsection (b)." This provision is generally referred to as "effects bargaining." For example, §33-80(b)(3) grants the Executive the employer's right to "determine the services to be rendered and the operations to be performed." However, under effects bargaining the Executive would have to bargain with the union over the effect on employees of the Executive's decision to modify the services performed. In practice, "effects bargaining" has become the exception that makes most management decisions subject to bargaining.

"Effects bargaining" has hampered the ability of the Police Department to issue directives to govern how police officers must operate. For example, several years ago, the Police Department had to bargain with the FOP over a directive to implement the new computerized police report writing system. This bargaining delayed the implementation of a new system that County management established to improve efficiency. The FOP has recently delayed the implementation of all directives by refusing to respond to them.

- ***We recommend amending §33-80(a)(7) to make the scope of bargaining consistent with the scope of bargaining in the collective bargaining laws for Fire and general County employees.***

Public Accountability in Interest Arbitration

1. **Change the criteria for the arbitrator to use to resolve a collective bargaining impasse.**

Interest arbitration is a method of resolving disputes over the terms and conditions of a new collective bargaining agreement. Grievance arbitration is a method of resolving disputes over the interpretation or application of an existing collective bargaining contract. County Charter §510 requires the Council to enact a collective bargaining law for police officers that includes interest arbitration. Charter §510A requires the same for firefighters. Charter §511 authorizes, but does not require, the Council to enact a collective bargaining law for other County employees that may include interest arbitration or other impasse procedures. All of these Charter provisions require any collective bargaining law enacted by the Council to prohibit strikes or work stoppages by County employees. The Council has enacted comprehensive collective bargaining laws with interest arbitration for police (Chapter 33, Article V), firefighters (Chapter 33, Article X), and other County employees (Chapter 33, Article VII).

All three County collective bargaining laws require final offer by package arbitration requiring the arbitrator to select the entire final offer covering all disputed issues submitted by one of the parties. The arbitrator is a private-sector labor professional jointly selected by the Executive and the union. Since 1983, there have been 17 impasses resolved by interest arbitration. One of the impasses involved firefighters, one involved general County employees, and the other 15 involved the police.

The arbitrator selected the final offer of the International Association of Fire Fighters (IAFF) in the one impasse with the firefighters and selected the County offer in the one impasse with general County employees represented by the Municipal and County Government Employees Organization (MCGEO). The arbitrator selected the FOP offer in 11 of the 15 impasses with the police. The arbitrator selected the County offer over the FOP offer three times,[8] and the County agreed to the FOP offer after the arbitration hearing one time. One explanation for these one-sided results is a lack of public accountability in the interest arbitration system used to resolve impasses with County unions.

One of the arguments often raised in challenges to interest arbitration laws is the lack of accountability to the public. Legislatures enacting interest arbitration laws have responded to this criticism in a variety of ways. An Oklahoma law authorizes a city council to call a special election and submit the two proposals to the voters for a final decision, if the arbitrator selects the union's final package. The Oklahoma Supreme Court upheld this unusual provision in *FOP Lodge No. 165 v. City of Choctaw*, 933 P. 2d 261 (Okla. 1996). Some laws provide for political accountability in the method of choosing the arbitrator. The Colorado Supreme Court upheld an interest arbitration law, in part, because it required the city council to unilaterally select the list of arbitrators in *FOP Colorado Lodge No. 19 v. City of Commerce City*, 996 P. 2d 133 (Colo. 2000). Finally, many interest arbitration laws provide for accountability by adopting guidelines that the arbitrator must consider, require a written decision with findings of fact, and subject the decision to judicial review for abuse of discretion, fraud, or misconduct. See, *Anchorage v. Anchorage Dep't of Employees Ass'n*, 839 P. 2d 1080 (Alaska 1992).

We note that the Council enacted Expedited Bill 57-10, which modifies the criteria used by the arbitrator in resolving collective bargaining impasses with each County employee union. We support this legislation as a first step in the process of increasing public accountability in the arbitration process used to resolve impasses, but we recommend an additional amendment.

Under the County collective bargaining laws before the enactment of Bill 57-10, an arbitrator could only consider:

a. Past collective bargaining contracts between the parties, including the past bargaining history that led to such contracts, or the pre-collective bargaining history of employee wages, hours, benefits and working conditions;

[8] The FOP appealed two of the three decisions in favor of the County to the Circuit Court. The Circuit Court reversed a portion of the arbitrator's award in 2003 and affirmed the arbitrator's award for the County in 2008.

b. Comparison of wages, hours, benefits and conditions of employment of similar employees, of other public employers, in the Washington Metropolitan Area and in Maryland;

c. Comparison of wages, hours, benefits and conditions of employment of other Montgomery County personnel;

d. Wages, benefits, hours and other working conditions of similar employees of private employers in Montgomery County;

e. The interest and welfare of the public; and

f. The ability of the employer to finance economic adjustments and the effect of the adjustments upon the normal standard of public services by the employer.

The problem with these criteria can be seen in the most recent arbitration awards under the County collective bargaining laws. For example, Arbitrator David Vaughn described his understanding of the statutory criteria as follows:

> *"This provision does not require that any particular factor be considered or that all of them be considered. It simply identifies the factors that I may consider. Thus, I am free to determine whether any particular factor or factors weigh more heavily than others..."* (MCGEO Arbitration Decision of March 22, 2010)

In the 2010 Police arbitration decision, Arbitrator Herbert Fishgold, applying these criteria, found that the FOP's last offer for a 3.5% step increase, at a cost of $1.2 million, and a reinstated tuition assistance program, at a cost of $455,000, was more reasonable than the County's offer of no pay increase or tuition assistance. Mr. Fishgold found that the FOP had already given up a previously negotiated 4.5% cost-of-living increase each of the past two years and had, therefore, done enough to help balance the County's budget. The Council subsequently rejected both of these economic provisions and required all County employees to take furloughs, including police officers, in order to close an unprecedented budget deficit.

The arbitrator should consider the funds available to pay personnel costs before considering comparative salaries and past collective bargaining agreements. The bill, as enacted, requires the arbitrator to evaluate and give the highest priority to the County's ability to pay before considering the other five factors. The amendment that the Council ultimately rejected would have gone further by requiring the arbitrator to determine first if the final offers were affordable without raising taxes or lowering the existing level of public services. Although we support the bill as enacted without this amendment, the amendment would have added important guidance to the arbitrator to determine affordability based upon existing resources only.

- ***We recommend new legislation that would include the amendment that was originally supported by the Council's Government Operations and Fiscal Policy Committee on December 7.***

2. Change the method of selecting the arbitrator.

All three of the County's collective bargaining laws require the appointment of a professional labor arbitrator who is mutually selected by the Executive and the union. Professional labor arbitrators must avoid the appearance of favoring one side or the other in order to continue to be selected. It is especially important for a professional labor arbitrator to avoid a veto by a national union with affiliates representing public employees throughout the nation. The labor arbitrator is accountable to the parties but not to the taxpayers.

The Baltimore County Code has a different system for resolving disputes with unions representing non-public safety employees. The Code requires the appointment of a permanent arbitration panel consisting of five members serving four-year terms. Three members are appointed by the Council, one by the Executive, and one by the certified employee organizations. The members serve without compensation. The law provides for mediation before a professional mediator provided by the Federal Mediation and Conciliation Service, and fact-finding by a neutral selected from a panel of experts provided by an impartial third-party agency. If the parties are still unable to resolve the dispute, the arbitration panel conducts a hearing and issues an advisory decision. The decision of the arbitrator is a non-binding recommendation to the Executive, who makes the final decision.

Although this system has been in place for more than 10 years, only one dispute has been submitted to the Board. In 2008, a jointly selected professional labor arbitrator serving as a fact-finder recommended the employees receive a 3% pay increase after mediation. After reviewing the fact-finder's report and meeting with each party, the Arbitration Board issued a non-binding recommendation of no pay increase. The Executive accepted the Board's recommendation. However, the Baltimore County voters approved a charter amendment in the 2010 general election authorizing, but not requiring, the Baltimore County Council to enact a law requiring interest arbitration for general county employees similar to the law governing public safety employees.

The Baltimore Sun recently reported that the Baltimore County Council is likely to enact an interest arbitration law for general county employees. Although it is likely that Baltimore County will move away from this system, the Colorado Supreme Court, in *FOP v. City of Commerce City*, 996 P.2d 133 (Colo. 2000), held that an interest arbitration statute must require the arbitrator to be accountable to the public. The Court held that the statute did not violate a provision in the Colorado Constitution requiring political accountability for a person exercising governmental power *only* because it required Commerce City to appoint unilaterally a permanent panel of arbitrators that could be selected by the parties to resolve an impasse.

In New York, the Public Employees' Fair Employment Act, §209, establishes a three-person arbitration board to resolve an impasse between a state or local government employer and a union representing public safety employees. Each side chooses one arbitrator and the two arbitrators select a third neutral party. If the parties are unable to agree, the State Public Employee Relations Board (PERB) provides a list of neutral arbitrators that the parties must choose from by alternate strikes. The list is created by the PERB without input from either party. Section 806 of the Pennsylvania Public Employee Relations Act has a similar provision for a three-person arbitration board, with the third member selected from a list provided by the State PERB if the parties are unable to agree.

Maryland, however, does not have a comprehensive State law governing collective bargaining with State and local government employees and does not have a State PERB with jurisdiction over County government labor relations.[9] Montgomery County collective bargaining laws establish a single labor relations administrator for each bargaining unit to serve as the PERB. The labor relations administrator is jointly selected by the Executive and the union.

Montgomery County collective bargaining laws require the labor professional jointly selected by the parties to serve as both a mediator and the arbitrator. This dual role has the advantage of granting the mediator/arbitrator greater authority during the mediation process. A party must seriously consider any statement about a weakness in a party's position by a mediator who ultimately will resolve an impasse as the arbitrator. Traditional mediation promotes the free flow of ideas between the parties, in part, because the mediator has no authority to impose a resolution. This free flow of ideas is diminished when the mediator will also serve as the arbitrator. A major advantage of the dual role is that the mediator/arbitrator can issue a quicker decision because he or she is already familiar with the issues at impasse. This speed is useful due to the compressed schedule for bargaining, impasse resolution, and budget decisions. However, we believe the better alternative for both mediation and arbitration would be to use a jointly selected mediator and a separate arbitration board.

- ***We recommend establishment of a three-person arbitration board, with each party selecting one member and the two parties selecting a third neutral party.***

If the parties are unable to agree on a third party, we recommend following the New York and Pennsylvania model of requiring the parties to select a third party from a pre-selected list of neutrals appointed by the Council. The persons on the list would be appointed for a four-year term of office without requiring the concurrence of either the union or the Executive. If the parties are unable to agree on a person from the Council's list, they would be required to select an arbitrator through alternate strikes from the list.

Savings

As stated above, personnel costs, which mostly result from the collective bargaining process, account for approximately $3.4 billion in the FY11 budget. The ORC believes that if the changes in the collective bargaining process recommended below are implemented, savings of tens of millions of dollars annually could result. We believe this would occur as: (1) the collective bargaining process becomes more transparent; (2) the public takes a significantly greater role in the decisions that determine compensation and benefits; (3) arbitrators are chosen in a way that leads to more balanced outcomes; and (4) affordability is given paramount consideration in both collective bargaining and arbitration.

[9] Maryland does have a comprehensive labor relations law governing public school employees and recently established a Maryland Public School Employee Relations Board. However, the members of this Board are jointly selected by the employee unions and public school management.

Across all agencies, personnel costs have increased 64%, while the total number of work years increased only 10%.[10] Aggregate salaries across the five agencies show a 50% rate increase during the same period.[11] In some cases, salaries rose significantly higher as these employees received 80% salary rate increases.[12]

For the County government itself, the report shows that tax-supported personnel costs rose 63%. This increase reflects a 42% increase in salaries and wages and a much higher 125% increase in benefits. In addition, the report shows that workyears rose only 0.4% in the same period. The following table, using data from the OLO report, shows the dollar amounts and percentage increases in the 10-year period.

Montgomery County Government	**FY02**	**FY11**	**% Change**
Salaries and Wages *(millions)*	$364	$518	42%
Benefits[13] *(millions)*	$119	$268	125%
Total	$483	$786	63%
Workyears	7,347	7,374	0.4%

By contrast, as the OLO report states, data for state and local governments show an average salary increase of 30% and an average benefits increase of 67% in the period 2001-09. Also by contrast, data for the private sector show an average salary increase of 27% and an average benefits increase of 44%.[14]

Across the five agencies, total tax-supported personnel cost represents 82% of the overall budget. The OLO report indicates that a 1% reduction in salaries would reduce total personnel costs in FY12 for County government by $6.2 million. A 1% reduction in salaries across the five agencies would reduce total expenditures by $22.9 million.[15]

Similarly, the OLO report indicates that a 5% salary reduction across the five agencies would result in a $114.6 million reduction in the budget. By containing personnel cost increases, the County can reduce the long-term compounding effect of increases that are not sustainable under current revenue projections.

The rising trends in personnel costs that are comparatively higher than other government and private industry averages and are noted above predominantly result from the collective bargaining process.

[10] OLO report Part I, pg 2
[11] OLO report Part I, pg 3
[12] OLO report Part I, pg 3 and 80
[13] Benefits include Social Security, group insurance, and retirement contributions but exclude retiree health costs.
[14] OLO report Part I, pg 46
[15] OLO report Part II, pg A-4

A specific fiscal impact of these changes cannot be quantified. However, based on FY11 budgeted amounts, even a 1% reduction in salaries for County government employees would result in a $6.2 million savings in the first year. If a 1% reduction in salaries were to be achieved across all five tax-supported agencies, the total annual savings would be $22.9 million.

Public School Funding

We also have two recommendations for changes to State law governing public school funding.[16]

- ***We recommend an amendment to State law that would give the Council the authority to reject economic provisions of a collective bargaining agreement negotiated by the Board of Education.***

- ***We also recommend several amendments to the State Maintenance of Effort Law, to better reflect the necessary balance between funding for public schools and the other four tax-supported agencies.***

To give some perspective on the importance of this issue, two-thirds of all the public employees that serve Montgomery County's five tax-supported agencies are employed by Montgomery County Public Schools (MCPS). It will be impossible to achieve the necessary savings to eliminate the County's structural budget deficit without looking at the personnel costs of MCPS.

The Lack of Control Over School Funding

In FY11, the Montgomery County Public Schools (MCPS) operating budget comprised 57% of the total expenditures for the County's five tax-supported agencies. The County's lack of control over more than half of its tax supported spending reached a new level of prominence during the Council's deliberations on the FY11 budget.

The Montgomery County Board of Education (the School Board) is created in the Education Article of the Maryland Code. The Board of Education is responsible for operating MCPS. The Council's authority to approve the MCPS budget is derived from the Education Article. In *McCarthy v. Board of Education of Anne Arundel County,* 280 Md. 634 (1977), the Court of Appeals held that the General Assembly expressed its intent to occupy the field of public education and thereby preempted all local legislation in this area. Therefore, the State Education Article defines the extent of the authority of the Executive and the Council to control the amount of the County's funding of the MCPS budget.

There are two related issues that create this lack of control.

1. *The Council's role in funding collective bargaining agreements approved by the School Board.*

   The State Education Article, Title 6, Subtitle 4 (certificated employees) and Subtitle 5 (non-certificated employees) govern collective bargaining with public school

[16] **Reservation of Commissioner Dan Hoffman:** As with the collective bargaining recommendations, I abstained from approval of this recommendation on the basis that the changes being recommended were beyond the scope outlined by the resolution creating the ORC. The abstention was not due to the merits of the recommendation.

employees in Maryland. The "Fairness in Negotiations Act," enacted by the General Assembly in 2010, requires the local school board and the union to resolve an impasse in collective bargaining through arbitration before a new State Public School Labor Relations Board. Education Article §6-511 provides that if the County does not approve sufficient funds to implement a negotiated collective bargaining agreement, the School Board must "renegotiate the funds allocated for these purposes by the fiscal authority with the employee organization before the public school employer makes a final determination...."

Under State law, the County funds MCPS in broad statutory categories and does not approve or reject a collective bargaining agreement Therefore, the School Board makes the final decision to fund the economic provisions of a collective bargaining agreement, within the funds appropriated by the Council in each category. For example, last year the Council rejected all of the previously negotiated pay raises for County employees in response to the unprecedented drop in County revenue. In addition, the Council temporarily reduced the pay of each County employee, by imposing furlough days. The Council did not have the authority to require a similar furlough of MCPS employees. Although the Council reduced the Executive's recommended funding for MCPS by approximately $24 million, the School Board refused to furlough its employees to make up for the loss in funding. Instead, the School Board decided to reduce spending in other areas to account for the reduction.

- ***We recommend that the State Education Article be amended to authorize the Council to approve or reject the economic provisions of a collective bargaining agreement that has been approved by the School Board or awarded by the Public School Labor Relations Board in arbitration.***

2. *The Maintenance of Effort Law.*

Background: The ORC decided to address another major driver of personnel costs for the County that does not directly involve collective bargaining. State law requires each local jurisdiction to fund its school system at a minimum level known as Maintenance of Effort (MOE). The law establishes a formula to determine the threshold funding level, based on enrollment and prior year funding. The calculation for local contribution is independent of any other funding, such as state or federal aid. Regardless of any potential changes to other revenue sources, each jurisdiction is required to maintain the level of its local contribution to the school system, adjusted only for enrollment. A school system can apply for a waiver from MOE in a given year. If the State finds that a jurisdiction did not comply with MOE, the jurisdiction is not eligible to receive the increase in State education aid for that fiscal year that it would otherwise have received.[17] Although the MOE law is not directly related to collective bargaining, it is impossible to reduce the personnel costs for MCPS employees without addressing the MOE law that controls County public school funding.

[17] Our research indicates that Maryland has the only law in the United States requiring public school funding to remain at the same level of per pupil spending in the prior year.

In FY12, the County's MOE funding level is estimated to increase by $82 million or 5.8% due to a projected increase in enrollment and other provisions of the MOE law. The County's six-year fiscal plan currently projects a decrease in agencies' combined tax-supported spending in FY12 of 3.9%. The County will not be able to meet the MOE level in FY12 without excessive cuts in County services or layoffs in the other four tax-supported agencies. This pattern is likely to continue into the future, absent a change in the State law.

Problem – The law:

- Creates a serious disincentive for counties to fund education above the minimum level;
- Does not acknowledge the joint responsibility of all government levels to maintain continuity of support for education;
- Does not recognize the reality of severe economic downturns;
- Assumes there can never be a reason to spend less per pupil than in the previous year, which precludes legitimate budget savings and productivity improvements;
- Assumes the only measure of education adequacy is spending, rather than performance;
- Applies a counter-intuitive penalty by reducing State education funding if a County does not meet MOE, thus reducing resources in an already tight economic situation;
- Assigns responsibility for granting or denying a county's waiver application to the State Board of Education, which is not responsible for ensuring deficits are funded;
- Does not establish reasonable criteria to evaluate a waiver application; and
- Does not allow an appeal of the State Board of Education's decision on whether to grant a waiver.

Possible Solution – A Legal Remedy:

A threshold question is whether a minimum local funding prerequisite, based upon prior year funding, should continue in the law at all, given the flaws outlined above. But if repealing the MOE requirement entirely is not feasible, ***we recommend*** the following legislative changes to improve it.

- **Add criteria related to school performance.** Meeting MOE should be a requirement only if a school system is found to be inadequate on certain performance measures, such as State or Federal test scores, or by certain minimum program standards, such as class size.

- **Include in the criteria for granting a waiver an assessment of the potential impact of reductions on school performance.** Allow school systems or counties to show how some efficiencies would not affect the quality of classroom instruction. Examples include reduced employee compensation, a change in benefit structure, or infrastructure efficiencies such as joint procurement with other County agencies. This assessment should have added weight in the decision.

- **Include in the criteria for granting a waiver an assessment of the severity of economic conditions.** Allow counties to receive a waiver if certain economic indicators are present, such as a loss of revenue of a certain percent, a percent increase in unemployment, or reduction in the wealth base calculated by the State. These indicators should also have added weight.

- **Allow appeal of the State Board of Education's waiver decision.** An appeal to either the Board of Public Works or the Office of Administrative Hearings would provide counties the benefit of a wider fiscal perspective, rather than relying only on the perspective of educational advocacy.

- **Change the penalty structure.** A less punitive option could be to allow counties to document how reduced funding would affect the educational program and submit a plan to continue or improve school system performance. A practical option would postpone a monetary penalty to the next fiscal year, allowing counties to anticipate reduced funding rather than face a significant shortfall in the current year.

Contracting and Privatization

Statement of the Issue

One of the key areas the ORC explored, for the purpose of developing cost-savings and enhanced efficiency in service-delivery, was that of contracting out or privatizing some of the County's existing functions. In analyzing opportunities for the County to convert existing operations to "in-sourcing" or "out-sourcing," the ORC focused primarily on areas that would entail large-scale functional improvements, rather than adjustments to smaller-scale functions within specific departments and agencies. In some cases, as a result of this review, cost-saving opportunities unrelated to contracting out or privatization were also identified and considered.

Experience with contracting government services has demonstrated that neither government, nor business, nor nonprofit organizations are inherently more or less efficient, but that the key factor determining cost-effective performance is good management motivated by strong incentive, which usually translates into competition. To the extent business is more efficient than government, it is usually because competition inherent in a market economy drives businesses to innovate and improve. If business lacks that incentive, as is often the case in business monopolies, it is no more likely to demonstrate greater efficiency than a comparable government monopoly. By the same token, government agencies operating in a competitive environment have demonstrated that they are capable of being as efficient as business.

Some local governments have discovered that the key to deriving efficiencies from contracting is to skillfully structure markets and competitions for government services in which governments and businesses (and also nonprofit organizations) all compete against one another for contracts. For example, in the 1990s, Indianapolis held scores of public-private competitions across some two dozen separate services (e.g. trash pickup, wastewater treatment, street repairs), exceeding a half billion dollars in work. Government workers won at least 16 bids outright and split 13 additional bids with private contractors. Overall, the public-private competitions alone were estimated to cut the city's costs by over $100 million over a seven-year period.

Discussion of the Issue and Recommendations

Among County services that the ORC considered as possible candidates for contracting out or privatization were:

- School Bus Transportation (contracting)
- Information Technology – Seat Management, Cloud Computing, Data Centers (contracting)
- Transit Services/Ride On (contracting)
- Liquor Control operations; wholesale and/or retail (contracting/privatization)

Based on our analysis, we have no recommendations to make with regard to school bus transportation or transit services. However, we have included background on our findings regarding those areas, in the appendices of this report.

Our findings and recommendations with regard to options for contracting out and/or privatizing information technology and liquor control functions are noted below.

Information Technology (IT) Recommendations:

Although this recommendation goes beyond the issue of contracting and privatization, the ORC believes that major savings in both these areas can be achieved with the creation of a strong central information technology "czar" that would play a lead role in the oversight of information technology acquisitions and operations for all five tax-supported agencies. In the absence of a central IT "czar," the County will continue to make silo-based decisions governed by parochial concerns.

- ***As noted above, we recommend the creation of a permanent Chief Information Officer position for the County that is answerable to the Council and has the authority, responsibility and accountability to make IT decisions for all agencies.***

With regard to seat management, Cloud computing, and data center consolidation, the ORC believes all of these strategies have the potential for major cost-savings and that they should be should be studied quickly and implemented in a consolidated manner, across agencies, where they are not already in place.

- ***We recommend that all County departments and agencies move to incorporate the IT practices noted above.***

Liquor Control Recommendations:

- To increase sales by the County Department of Liquor Control, the ORC supports efforts to minimize the amount of alcohol purchased outside the County by County residents.
- We support the DLC's plans to study further the possibility of contracting out warehouse operations and to seek changes in State and County law that would provide the department with additional flexibility and independence to manage its operations.
- The ORC reviewed the issues associated with privatization and believes that more study is required to understand the potential impact of privatization, in terms of its potential impact on County finances and on retail prices and convenience for customers. These impacts should be compared to improvements that could be made to DLC, within the current environment, without any shift to privatization.

Discussion of Contracting Out County Services

For purposes of this review, the "contracting out" of County services would mean that the County would maintain its responsibility to deliver a particular service, but that the service itself – or a piece of the service – would be provided by a third party, rather than by "in-house" staff. Ultimately, the County would still be responsible for the service being delivered and for contract oversight.

There are a variety of reasons why the County may choose to contract out a service. The County may be starting up a new program and may not want to create a permanent infrastructure until a program is more mature. The service may require unique personnel skill-sets that are easier to provide and/or maintain under contract. Or, a program may be likely to change in the future and a contract approach may be more nimble than an established infrastructure.

From a financial standpoint, the bottom-line question that the ORC sought to explore was whether the same level of service or better can be provided at a lower cost via contract or "in-house" by County personnel. There are factors that may affect this question in either direction. For instance, the County does not have to build a profit into its program costs, as does a private-sector entity. However, the County may have higher operating costs – such as fully loaded labor costs – than a private-sector entity. Because of the varying circumstances involved, the ORC felt strongly that neither option – in-house or contracting out – was inherently better than the other. Each situation has to be reviewed on its own merits and must take into account not only the financial implications, but also a wide variety of other factors that may present themselves.

Relevant Laws:

For information purposes, we provide details on two local laws that have a direct effect on the County's use of contractors to deliver its services or programs. We make no judgments on the merits of these laws. These include:

1. **Bill 5-02 -- Living Wage Law**, which requires contractors doing business with the County to pay their workers an annual wage based on certain indices. While it is uncertain what impact this law has on contract costs, presumably, in cases where a particular field of labor is paid more because of the living wage requirement than it might otherwise receive in the private sector, some amount of the wage differential is likely to be passed on to the County through higher contract costs. Therefore, if the County chooses to contract out a particular service, contract cost estimates should assume compliance with the living wage law.

2. **Bill 32-05 – Contracts and Procurement Services**, enacted in August 2006, requires that a savings threshold must be met (25%) and that other approaches, such as a departmental reorganization, have been considered before the County can contract out work currently being performed by a County employee.

Discussion of Privatization

Under a full shift to privatization, rather than simply contracting out a particular service, the County would be getting out of the business of providing a service, with the expectation that the private sector would fill the service need. Depending on the service privatized, the County may even sell related assets to one or more of the entities that take over the service delivery. In such a case, the County would no longer oversee the service delivery. However, the County would still be involved through licensing and regulation of the given service.

In general, candidate services for privatization must generate revenues that exceed expenditures or must at least have the potential to do so. If not, then the service is unlikely to be provided by the private sector unless some form of subsidy by the County or another entity is provided.

The ORC work group studying this issue agreed that there are relatively few services provided by the County that meet the above criterion. In these cases, the group focused on privatization options that would, at a minimum, not reduce County revenues and would ideally create positive budget impacts in the long run.

Relevant Laws:

Depending on the particular service being considered for privatization, there may be local, state, and/or federal laws that would affect if and how such a privatization can be done and/or whether such a strategy would be cost-effective for the County.

Information Technology

With regard to information technology, the ORC analyzed the possibility of contracting or privatizing in the areas of seat management, Cloud computing, and data center consolidation. The fourth area it studied is that of "thin client computing," an innovation, rather than a contracting/privatization option.

County agencies will spend approximately $180 million on information technology in FY11 to support their widely dispersed assets. With a conservative estimate of 10% to 20% savings through consolidation and shared use of resources, the savings to the County could total $18 to $36 million.

Background

Studies have shown that government costs for operating and managing IT infrastructure are often higher than they need be, in some cases by a factor of more than two. A report recently published by the IBM Center for the Business of Government, *Strategies to Cut Costs and Improve Performance*, states that – at the federal level – at least 20-30% of that spending could be eliminated by reducing IT overhead, consolidating data centers, eliminating redundant networks, and standardizing applications. Our frequent references to the federal government are to provide additional emphasis to the fact that the County has much to learn from the federal experience.

In the IT sector, outsourcing – or privatization – very often results in reduced costs and improved service levels. The key to improved service levels is generally in the establishment of rigorous and measurable Service Level Agreements (SLAs).

We believe that information technology, more than any other area related to government operations, lends itself to privatization. Technologies are constantly changing and governments often do not have the in-house expertise to keep up with rapid changes in needed skill sets. The "FUD" rule often prevails – "fear, uncertainty and doubt." The private sector, unhampered by this and focused on the bottom line for its consumers, moves with greater agility, resulting often in a disconnect between the way the government adopts new technologies and how the commercial world wields the power of innovation. Without question, the private sector has the competitive edge in information technology.

Looming over any discussion of IT privatization is the apparent lack of central leadership in the County on IT decision-making. The County government and the other tax-supported agencies do collaborate in several ways when it comes to discussing strategies and options. Amazingly, in our view, there is no one IT leader with the authority and responsibility to make final IT decisions for all tax-supported agencies.

Recently, the federal government announced that it plans to ask Congressional appropriators to grant CIOs authority over all back-office IT services, such as e-mail, content management systems and web infrastructure. As noted above, we believe that Montgomery County should do the same, with authority vested in a single CIO.

Another area with bearing on both groups is the establishment of a working capital fund, or revolving fund, to manage common administrative services. This would allow for a pooling of funds, thus making privatization more effective due to savings gained through economies of scale.

"Seat Management"

The practice of "seat management," with regard to the use of computer workstations, was pioneered by the federal government to upgrade and standardize desktop computing services, while controlling IT expenses. Seat management covers three functions: PC replacement, maintenance, and Help Desk support. It is a fixed monthly fee per user, or "per seat," for equipment and/or services the government chooses to outsource. Outsourcing this function is not new to County government. It has been in place since 1998 and now covers all of its 6,000-plus PC users. The program is centralized and has given the County government greater buying power, thereby lowering the cost of technology purchases.

The total savings to County government, through outsourcing seat management (excluding asset ownership) from 2000 to 2010, was $27 million – an average of $2.5 million a year. The County chose to retain the assets, but outsource its services. The savings on Help Desk support services alone was $22.5 million. In the absence of a contracted seat management program, the County would have hired staff to provide this service internally. The presence of the Help Desk program has greatly improved employee productivity, due to dramatic decreases in down time and simultaneous improvements in first-call resolution rates.

The County's Seat Management Program provides additional services and efficiencies for which savings are not easily quantified or quantifiable. These services and efficiencies include, but are not limited to: hardware standardization, centralized acquisition, electronic software distribution and asset management.

MCPS and Montgomery College are prime candidates for outsourcing of seat management. The CARS effort is looking at expansion of this program beyond the County government. We recommend that a fast-track study be conducted, after which seat management should be expanded to MCPS and the College.

"Cloud Computing"

On December 9, 2010, the federal government's Chief Information Officer detailed proposals for some of the most sweeping changes to hit federal computing since the 1996 Clinger-Cohen Act created agency CIO jobs. The new 40-page strategy directs agency IT leaders to follow a "Cloud first" policy, in which they must evaluate the practicality of leasing access to web-based technology before buying new hardware or software. Here is where central leadership pays dividends. Each federal agency will be required to pick three "must-move" services within three months, transition one of those services to the Cloud within a year and shift the remaining two within 18 months.

For Montgomery County to institute savings, it must dismantle the old method of installing new technology – which is to design overly ambitious systems that become antiquated – and instead embrace methods that modernize equipment quickly and cheaply. The strategy entails outsourcing IT to the "Cloud."

Traditionally, computing services have been delivered through desktops or laptops operated by proprietary software. Cloud computing allows organizations to access software, services and data storage through powerful remote file servers. Given the growing number of file servers in County government and other agencies, we believe significant savings will be realized through the use of Cloud computing. Currently, there are more than 350 "industrial-level" servers using full virtualization technology, for the County government alone. Cloud computing enables organizations to scale up or down to the level of needed service so that needed capacity can be optimized.

Cloud computing relies on vendors with databases and applications within the Internet "Cloud," rather than on locally run applications. Federal agencies are doing more of this outsourcing, with the most recent example being GSA's announcement that it will soon convert its e-mail services to Google mail. That move is expected to result in cost-savings of approximately 50%. State and local governments, including the District of Columbia and Los Angeles, are also following this trend.

Recently, the U.S. Department of Agriculture moved to Cloud computing for its more than 100,000 employees. It appears that some experimentation is beginning in Montgomery County, with M-NCPPC now in negotiations with a vendor for such services.

We strongly endorse this direction. After consultation with representatives of the federal agencies that have adopted Cloud computing, we urge a quick adoption of this technology for functions such as e-mail, calendar maintenance, and other basic desktop applications for all County agencies.

While the ORC is aware that the County government's Department of Technology Services has articulated, published and encouraged a Cloud strategy and marketed a "private Cloud" environment, we do not believe savings can be fully realized unless the department moves to nearly a 100% migration. Tentative steps will not garner savings.

Data Center Consolidation

By 2015, the federal sector plans to shrink the number of its data centers by about 40%, winding down approximately 800 of the government's 2,100 or so costly and environmentally unfriendly server farms.

The issue of data center consolidation, already under study by the CIOs in County agencies, needs to move at a more rapid pace and could be implemented faster and cheaper through an outsourcing contract. Contracting out this function across all agencies will speed the process of implementation accomplished through tightly written service level agreements.

In the absence of a single, central CIO, we recommend the County enlist the services of a private contractor to examine the work flows and requirements of all agencies and provide a cost schedule for consolidation. County agencies can then focus on their core mission, while letting outside vendors manage their IT services.

Thin Client Computing

While not a contracting or privatizing issue, another IT-related cost-saving innovation is "thin client computing," where the machine that would sit on the desk of the more than 30,000 employees of County agencies would have limited local storage capacity. Instead, they would rely on a central machine maintained by a vendor for access, execution and storage of tasks. A successful pilot has been implemented by the Housing Opportunities Commission and supported by Montgomery County government's Department of Technology Services, with excellent results. A switch to thin client computing would save dollars – the hardware and software costs are a fraction of regular PC prices – and provide a more secure IT environment, since all the security measures would be centrally administered. In addition, thin client units help to reduce energy costs since they have no moving motor parts, which are associated with hard disks.

The ORC proposes that the operational benefits gained from a robust implementation of thin client computing be adopted by County government and that, based on the results of the recent "technical barrier" study, it then be considered for expansion to the other agencies.

Department of Liquor Control

Issue: Should the County privatize Department of Liquor Control (DLC) operations or seek to increase DLC profits by contracting some operations?

Background:

Four Maryland counties are alcoholic beverage control counties: Montgomery, Somerset, Wicomico and Worcester. Eighteen states in the U.S. are control states. The government owns the product and licensing is a state function. In Maryland, licenses are regulated by State law.

In 1951, the State of Maryland passed a law creating the Montgomery County Department of Liquor Control (DLC). The DLC assumed control over alcoholic beverages through a monopoly on the wholesale of alcoholic beverages to licensees operating in the County and the retail of liquor for off-premises consumption in the County. As part of its wholesale operation, the County maintains a warehouse and distributes its products to licensees.

Under Maryland law, Maryland is a one-price state. Distributors must sell product to wholesalers at the same price. Over 90% of distilled spirits are handled by two distributors in Maryland. There are three large beer distributors and two large wholesale wine distributors, plus some small wine distributors. All alcohol laws in Maryland are State laws under Article 2B.

Within County government, DLC is an enterprise fund that records all of its expenses and revenues within the fund. DLC also reimburses the County for indirect and technology support costs. DLC predates Charter government, and state law dictates how DLC funds are generated, collected and disbursed. First, funds go to offset overhead costs; second, to debt reduction; and third, to the County General Fund.

Maryland law does not allow beer and wine sales in grocery stores, but four stores in the County are grandfathered. The County is a wholesaler. There are no liquor licenses in the County because liquor is sold in the County liquor stores, also known as dispensaries. The State has sole authority to tax alcohol and the County pays excise tax on liquor. The County owns the warehouse, while locations for the retail stores are leased. DLC assets consist of its inventory and the warehouse. There is a 28% markup on liquor and a 25% markup on wine. DLC prices are comparable to other Maryland jurisdictions. Washington, D.C. has the cheapest liquor prices in the United States because its excise taxes are the lowest.

Discussion

The ORC discussed liquor control issues with the DLC Director and a County resident who testified on and asked the Commission to explore the issue of privatizing the liquor department.

We asked for FY10 financial information for DLC, including a balance sheet and statement of cash flow. We also asked for information on allocation of indirect expenses, compliance with general accounting principles and the accounting basis for the DLC finances, independent audits of DLC, depreciation expenses, debt payments, cost of goods sold, personnel costs and sales per store. DLC also provided an organizational chart and a wage comparison for store workers at the County rate and living wage rate.

The ORC discussed DLC finances and the resident's view that the reported profits, adjustments and fund transfer numbers – if reported differently – could have changed outcomes.

> ➢ ***We recommend the contracting out of a financial and performance audit for the Department of Liquor Control.***

Conclusions

Privatization

The ORC discussed the privatization of DLC operations and acknowledged that State law would have to be amended for privatization to take place, and that Montgomery County would not necessarily have control over the outcome of any legislative amendments.

The sale of alcohol is a controversial issue. Some people feel that the County should not be in the liquor business, while others fear a liquor store on every corner. Those holding the former view are of the opinion that if the County withdrew from the business, the County retail stores would be operated more efficiently and that operators could save money by buying directly from suppliers. This argument is mitigated by the fact that Maryland is a one-price state that makes savings moot, though one could argue that the increase in retail stores would increase profits. Those concerned about privatizing the sale of liquor believe that incidents involving drunken behavior might increase, thereby leading to an increase in public safety concerns.

An argument against privatizing DLC operations is that the change could reduce the County's ability to control the wholesale, distribution and retail of alcoholic beverages in the County. Maintaining such control has been an essential element of the County's current policy regarding alcoholic beverage sales in the County. A counter-argument is that the licensing and enforcement functions would not disappear and that enforcement functions exist for the sale of tobacco.

Privatization would provide a one-time revenue infusion from the sale of the warehouse and the inventory. But under total privatization, it is unlikely that $25-30 million – the surplus revenues that DLC now transfers to the County's General Fund – could be generated from investment income, shared taxes from increased sales, and additional license fees.

The proposal for privatization brought to us by the resident who addressed this issue at our public forum would continue to provide the same level of surplus revenues currently generated by DLC operations. His assumptions include:

- Doubling of sales, due to increased retail convenience and selection.
- Imposing a 6% fee on wholesale sales.
- Requiring licenses for wholesalers.
- Imposing additional license fees from retailers.
- Increased revenue gained in property taxes from retail stores.
- Writing off the Crabbs Branch property, which DLC does not own.
- A gain of $47.6 million in transition assets.

While appreciating the considerable pro bono work performed by this individual, the ORC was not convinced that all these assumptions are entirely defensible. We believe that some are overly optimistic and that others would rely heavily on the raising of fees. The major argument made by this individual that appeared to have the most merit, was the comparatively low consumption – and hence, sales – rate for a county of our population size and median household income. The bottom line is we do not believe that privatization, at this juncture, would generate revenues sufficient to make up for the $25-$30 million that is transferred annually to the General Fund, under the existing system.

Contracting

Under contracting options, the County would continue to maintain effective control, provide adequate levels of service, and potentially increase surplus revenues through lowering costs. The ORC discussed contracting and the fact that the County had previously contracted out the operations of several of its retail stores. In 1997, a State bill limited the County's contracting of DLC retail operations to the stores under contract at that time. Currently, the Flower Avenue store is the only contracted retail store. State law would have to be amended to allow contracting of retail operations. Cost comparisons show that the County could save money on personnel costs if operations are contracted.

Warehouse operations are currently contracted for night-loading operations. The ORC discussed contracting out warehouse loading and delivery operations. There are 63 employee workyears associated with warehouse staff and 72 workyears total associated with warehouse and delivery operations. This is a potential area for savings in both reduced personnel costs and legacy costs.

The level of private sector interest in providing warehousing services is unknown. Contracting of warehouse operations would likely reduce costs because potential contractors would bid in accordance with current market wages and benefits paid for similar employment in the private sector. Contracting would allow the County to forgo costs related to breakage and pilferage because the contractor would be responsible for those costs.

From 1993 to 1997, the County successfully contracted the operations for four County retail stores and was considering the expansion of contracting to its other retail stores when State legislation was adopted prohibiting the County's ability to contract beyond those already under contract, which was limited to four stores.

- ***We recommend that the current practice of contracting out warehouse night-loading operations be expanded to include all warehouse operations.***

Establishment of a Revenue Authority

The ORC also discussed with DLC staff whether DLC could significantly increase its transfer to the General Fund if it had additional independence and flexibility, under the direction of an entity similar to the County's Revenue Authority. This is one recommendation that focuses on increasing revenue, not necessarily through increased consumption, but through an increase in sales and recapture of out-of-county sales.

- ***We recommend that the County pursue options for establishing an independent "revenue authority" for operation of DLC, thereby generating revenue and removing it from the Executive Branch.***

We asked DLC to provide further information regarding the potential savings that could be realized from this approach. We believe it would allow DLC to operate more like a business, hire its own employees, and possibly increase the number of available retail stores in those under-served areas of the County where consumers now often flee to neighboring jurisdictions for sustenance – with a resultant increase in sales.

The most immediate savings in a revenue authority scenario would be the flexibility to contract out the wholesale operations division. The annual savings are estimated conservatively at $1.7 million and the legacy savings would be considerable. The revenue authority could gain additional savings by either operating its own administrative functions or by negotiating a memorandum of understanding with the County government, for the provision of such services. The establishment of a new revenue authority would require a modification to state law and the need to memorialize the Department of Liquor Control in the County Code, similar to the Montgomery County Revenue Authority.

Appendices

Appendix I: Recommendation Criteria and Cost-Saving Estimates

Council Resolution No. 16-1350, which established the ORC, stated that the Commission should develop criteria to evaluate its recommendations and that the criteria should address potential cost savings, ease of implementation, and service level impact.

To fulfill the direction in the resolution, the ORC has graded each recommendation on the following basis: [18]

- ***With regard to difficulty to implement***, the ORC has rated each recommendation either: (1) "short-term" – meaning that we believe the recommendation can be implemented by the County Executive on his own authority, without any need for further action by the Council or any other body; (2) "mid-term" – meaning that we believe the recommendation requires Council approval, but does not require review or approval by any other body or jurisdiction; and (3) "long-term" – meaning that we believe the recommendation will require review and approval by the State or by some other entity, in addition to approval by the Council.

- ***For service level impact***, the ORC has rated each recommendation either "low," "moderate," or "significant," based upon its judgment as to the likelihood of overall impact of the recommendation upon the general public, or upon segments of the public that rely upon, or utilize directly, the services provided by the department or agency affected by the recommendation. Where the number of individuals likely to be affected is relatively small, and the degree of disruption in the continuation of services is likely to be modest, the ORC has rated the service level impact as "low." Where the ORC anticipates that a higher number of individuals could be affected, or greater disruption is likely to occur, it has rated the service level impact as "moderate." Where a substantial number of individuals could be affected or even greater levels of disruption can be anticipated, the ORC has rated service level impact as potentially "significant."

- ***For potential cost-savings***, the ORC has based its judgment on readily available information, such as budget data, personnel costs or published reports, such as those issued by the Office of Legislative Oversight (OLO). The figures presented represent annual savings that the ORC believes can be achieved once a recommendation is fully implemented, which, in some cases, could require multiple budget cycles. In the case of some of the ORC's recommendations, involving adjustments or revisions to government processes, it was not possible to develop precise estimates of savings In such cases, the ORC suggests a broad range of savings that may be achieved once a recommendation is fully implemented.

[18] **Reservation of Commissioner Scott Fosler:** I think the ORC criteria would have allowed for a more comprehensive assessment had they included: net, as well as gross, cost-savings; management and institutional, as well as legal, impediments to implementation; impacts on effectiveness and quality, as well as levels of service; and opportunity costs, which would weigh comparative net costs across an array of options.

The following chart displays a list of the ORC's 28 recommendations, along with their estimated cost savings, anticipated level of difficulty in implementation, and potential service level impact.

Rec #	Recommendation	Cost Savings	Implementation*	Service Level Impact**
	Changes in Structure and Organization			
1	Accelerate the citizen review process for evaluation of County boards, committees and commissions.	Not quantifiable at this time	Short-term	Low *Could impact citizens who serve on B/C/Cs*
2	Increase use of Regional Services Centers and Office of Community Partnerships.	Not quantifiable at this time	Short-term	Low
3	Reorganize the Commission for Women and eliminate the office.	$0.8 million	Mid-term *County legislation*	Low *CFW services go elsewhere*
4	Reorganize the Human Rights Commission and eliminate the office.	$1.7 million	Mid-term *County legislation*	Low
5	Modernize Community Use of Public Facilities by moving it to the Department of General Services.	Not quantifiable at this time	Mid-term *County legislation*	Low
6	Reorganize the Criminal Justice Coordinating Commission and eliminate the Executive Director position.	$0.15 million	Mid-term *County legislation*	Low
7	Enable the Workforce Investment Board and the Division of Workforce Services to coordinate oversight of the workforce grants awarded by the Executive and the Council.	Not quantifiable at this time	Short-term *Executive action* *Council action*	Low *Should improve services*
8	Increase efforts to substitute costly contracted legal services with in-house expertise.	$0.5 - $1.0 million	Short-term *Executive action* Long-term agency action	Low *Should not affect legal services*
9	Establish a task force to create a consolidated Montgomery County Law Office to provide legal services for multiple agencies.	Not quantifiable at this time	Mid-term *County legislation*	Low *Should not affect legal services*
10	Establish a Task Force on a Montgomery Housing and Redevelopment Department to begin the process of blending HOC and DHCA.	Not quantifiable at this time	Long-term *State legislation*	Low *Should not impact affordable housing clients*

	Changes in Structure and Organization			
11	Transfer all parks user services to County government and retain at M-NCPPC park planning and environmental stewardship and ownership of park property.	$1.0 million	Mid-term *May require some personnel actions by M-NCPPC*	Low *Should not impact park users*
12	Incorporate the Park Police into the Montgomery County Police Department.	$1.6 - $2.2 million	Long-term *State legislation*	Low *Should not impact park users*
13	Create a procurement Shared Service Center with a centralized procurement schedule and catalog.	$0.1 million	Short-term	Low
14	Centralize County real estate and facilities functions now handled separately by County agencies.	Not quantifiable at this time	Mid-term	Low
15	Consolidate information distribution and call center activities by expanding 311 functionality to other agencies.	Not quantifiable at this time	Short-term	Low
16	Consolidate County information technology leadership into a single, independent Chief Information Officer.	Not quantifiable at this time	Mid-term	Low
17	Pursue options for the Department of Liquor Control to become an independent "revenue authority."	Not quantifiable at this time	Long-term *State and County legislation*	Low
	Changes in Process and Operations	**Cost Savings**	**Implementation***	**Service Level Impact****
18	Make the collective bargaining process more transparent and increase opportunities for public input on (a) initial proposals; and (b) the end of the process.	***	(a) Short Term *Executive action* or (b) Mid-term *County legislation*	Low
19	Modify the criteria for arbitrators to use in addressing a collective bargaining impasse.	***	Mid-term *County legislation (for amendment as introduced in Bill 57-10)*	Low
20	Change the method for selecting the arbitrator for collective bargaining.	***	Mid-term *County legislation*	Low

Rec #	***Changes in Process and Operations***	Cost Savings	Implementation*	Service Level Impact**
21	Make the scope of bargaining consistent for all County agencies.	***	Mid-term *County legislation* Long-term *State legislation*	Low
22	Seek changes in the State's Maintenance of Effort law.		Long-term *State legislation*	Low
23	Seek changes in the State Education Article to authorize the Council to approve or reject the economic provisions of a collective bargaining agreement.	***	Long-term *State legislation*	Low
24	Embolden all County departments and agencies to move in the direction of Cloud and Thin Client computing.	Not quantifiable at this time	Short-term	Low
25	Expand outsourcing of "seat management" to MCPS and Montgomery College.	$2.5 million****	Short-term	Low
26	Consolidate major IT platforms and provide for a migration path.	$18-36 million*****	Short-term	Low
27	Expand contracting of warehouse night loading operations at the Department of Liquor Control to all warehouse operations and improve retail services.	$1.7 million	Short-term	Low
28	Contract out for a financial and performance audit of the Department of Liquor Control.	Not quantifiable at this time	Short-term	Low

* Implementation: Short-term - can be achieved by County Executive alone.

Mid-term – requires action by the County Council.

Long-term – requires action by another entity (e.g., State legislature.)

** Service Level Impact: Low (no or little impact), Medium or High.

*** The ORC believes implementation of the recommendations on collective bargaining could result in large savings. As one example, if employee salaries were 1% lower, the savings in year one alone would be $6.2 million for County government, and $22.9 million for all agencies combined, according to the recent OLO report. *See page 46.*

****This number reflects the experience of County government. *See page 52.*

*****This number is a conservative estimate based on studies by IBM and Gartner. *See page 32.*

Appendix II: Issues for Future Consideration

The ORC was given just over six months to complete its task. With limited time and resources, it was simply not possible to fully explore the full range of issues that could potentially yield benefit for the County, as a result of cost-savings or improved efficiency. We have identified some issues that we believe would warrant further study by the County in the future.

Structural Issues:

- Conduct a major evaluation of the County budget process.
- Consider whether all County labor costs should be tracked by project and activity.
- Provide uniform health benefits across all the agencies.
- Assess the bi-county planning structure under the M-NCPPC.
- Evaluate with the General Assembly the pros and cons of restructuring the MCPS budget process, to make it more accountable to the Executive and Council.

Non-Tax revenue enhancements:

- Provide additional grant-writing capability that would be available across all County government and agencies (including municipalities through service level agreements).
- Consider contracting out Department of Liquor Control retail operations; this would require State legislation.

Also, there are several on-going projects in which the ORC believes the County has taken positive steps toward addressing its budget problems:

- The Office of Legislative Oversight (OLO) report, *Achieving a Structurally Balanced Budget in Montgomery County,* and the next steps outlined in the report to achieve long-term fiscal balance.
- The Cross-Agency Resource-Sharing (CARS) initiative, which would benefit from greater support by agency leaders.[19]

[19] **Reservation of Commissioner Scott Fosler:** In addition to planning, budgeting, and generating non-tax revenue, I would also add for further consideration the following government processes with important fiscal implications: sorting among necessary, desirable, and cost-beneficial functions of government and public services; designing efficient service-delivery systems that tap the combined strengths of the government, business, nonprofit, and civic sectors; improving innovation, performance and productivity; managing and collaborating across organizational and institutional boundaries; and strengthening the local economy and tax base in a manner that increases net County government revenues. All of these processes are more than just general considerations to be taken into account by policy makers, but are precisely definable processes that can and should be structured and carried out with explicit design, discipline and accountability.

Appendix III: Contracting or Privatization Options Considered

As noted in the report, the ORC researched four specific areas for possible contracting out or privatization of services. They included information technology, liquor control, school bus transportation, and transit services. We are not recommending any changes with regard to school bus transportation and transit services, but provide background from those discussions below.

School Bus Transportation

The issue of Montgomery County Public Schools (MCPS) bus transportation raised the following questions regarding possible cost-savings:

1. Could savings be achieved by having secondary (middle and high school) students use Ride On buses, especially in the more urbanized areas of the County?
2. Could families be charged for some school bus transportation?
3. Could MCPS charge for school bus use during non-school times (i.e., summer)?
4. What savings could be gained from contracting out bus service?

The information we received indicated that significant savings were not possible in this area, primarily due to existing efficiencies in the MCPS transportation system that have already been implemented. The school system has made efficiencies in transportation services a priority, so they do not detract from spending on educational services.

Background

MCPS provides transportation services to almost 96,000 students daily and maintains a fleet of 1,272 buses, which makes it the sixth largest publicly owned fleet of school buses in the nation. The school system spends approximately $33.7 million annually for Regular Education Bus Operations and $36.7 million for Special Program Bus Operations. Regular Education operations are utilized to transport students to their home school. Special Program operations transport students to many different schools, primarily for special education students who receive services outside their neighborhood school. Special Program operations also cover transportation for students attending programs, such as magnet or consortia programs, that are not available in their neighborhood school. Special program transportation is much more costly per student but is also mandated in cases such as transportation of homeless children to their home schools.

Key Questions Addressed:

1. Could savings be achieved by having secondary (middle and high school) students use Ride On buses?

MCPS buses run several routes each morning and afternoon, and often during the day, as well. Typically, each bus will run an elementary, middle, and high school route each morning and afternoon, and may run other special program routes. School opening times are specifically staggered to achieve this level of efficiency. Since buses are serving all levels of schools, removing the secondary routes does not generally allow for the reduction of a bus or driver, since they would still be needed for the remaining routes.

In addition, Ride On bus routes do not always serve secondary schools at the time of dismissal. One recent analysis found that the per-mile operational cost for Ride On is higher than for MCPS school bus transportation. Ride On buses cost more than school buses and Ride On bus drivers are paid higher wages than school bus drivers. Thus, if Ride On routes would need to be added to replace MCPS routes, additional costs would be incurred, not savings.

The primary method of achieving cost-savings in this area is to increase the distance students are required to walk or provide their own transportation to schools. The current guidelines for walking distances are 1 mile for elementary students, 1.5 miles for middle school students, and 2 miles for high school students. MCPS has had numerous conversations over the years about this.

2. *Can families be charged for some school bus transportation?*

There are many legal uncertainties surrounding this issue. Last year, a bill was introduced in the Maryland General Assembly to remove a prohibition against Montgomery County charging for transportation services. However, following advice from the State Attorney General, the bill was withdrawn. The AG advised that other sections of state law prohibit school boards from charging fees for bus transportation, and that removal of the one identified prohibition related to Montgomery County would not be sufficient to allow MCPS to charge for these services.

It was determined that additional legal analysis would be necessary and a much more extensive local bill would have to be drafted, or statewide legislation introduced, to determine whether MCPS could charge for some or all student transportation costs. In addition, even if it were deemed feasible, there are other factors to be considered, such as non-discrimination requirements for special education and waivers for low-income families.

Some other jurisdictions around the country do charge for some or all transportation services. However, some of these practices are being contested and laws regarding education services vary from state to state.

3. *Could MCPS charge for school bus use during non-school times (i.e., summer)?*

MCPS currently charges groups, primarily government entities and non-profit organizations, for use of school buses in the summer. MCPS charges an hourly rate sufficient to cover the cost of operation, the same as it charges schools and school organizations, such as PTAs, for field trips or other use during the year. These rentals are not intended to raise revenue but to offset additional costs.

4. *What savings could be gained from contracting out school bus service?*

Additional analysis would be necessary to determine whether significant savings could be achieved through contracting out this service. It does not appear that MCPS has evaluated this option in recent years. Three other counties in Maryland currently contract out their school transportation services. Given the size and relative efficiency of the current system, the primary savings would likely be in reduced bus driver compensation and benefits. While there are significant legacy costs associated with personnel costs, this may be an option worth pursuing, assuming no imminent decisions on the recommendations of the OLO Report, *Achieving a Structurally Balanced Budget in Montgomery County.*

Transit Services

The issue of transit services raised the following questions regarding cost savings:

1. What savings can be achieved through privatizing the County Ride On system's small-bus operation?
2. What are the cost-savings from eliminating the Kids Ride Free and the Full Seniors/Disabled Ride Free programs?
3. What are the cost-savings from leasing vs. purchasing Ride On buses?
4. What is the lost revenue from the C-Pass, the County Employees-Ride-Free-On-Ride-On program?
5. How many suburban bus services in the Washington metropolitan area are operated by contractors?
6. What savings would accrue from contracting out the personnel component – rather than other operating expenses – of Ride On bus service?
7. Has the County considered designing Ride On bus routes to reduce the use of Metrobus?

After receiving responses to these questions, the ORC concluded that significant savings are not attainable. Many of the smaller savings that could be realized have been given consideration in the past by the County and are generally outside the scope of the ORC's work.

Key Questions Addressed:

1. What savings can be achieved through privatizing Ride On's small bus service?

The small bus fleet that operates in those parts of the County with little ridership or in areas that are not easily accessible by Ride On was privatized a few years ago. However, due to rider complaints, the privatized operation and maintenance of the small bus fleet was returned in-house and has been operated fully by the County since March 2008. This increased the annual cost of operating the small bus program by $2.1 million. Some of this increase, though, was to provide a higher level of maintenance than had been provided by the contractors. Historically, contract bus operators tend to skimp on equipment maintenance.

2. What are the cost-savings achieved from eliminating the Kids Ride Free and the Full Seniors/Disabled Ride Free programs?

Both the Kids Ride Free and the Full Seniors/Disabled Ride Free programs were eliminated this year. The savings accrued from suspending Kids Ride Free, which provided free rides on both Ride On and Metrobus, is $466,000. Of this, $366,000 is added revenue for Ride On and $100,000 represents the reduction in reimbursement to WMATA for Metrobus.

Limiting free service for seniors and persons with disabilities to mid-day weekdays, from its original 24/7 service, has resulted in savings of $238,000. Of this, $159,000 is added revenue and $79,000 is the savings in reimbursement to WMATA. If the free service were totally eliminated (charging the federally mandated half-fare instead), the County would gain an additional $238,000 in savings.

3. What are the cost savings from leasing vs. purchasing Ride On buses?

The County owns the fleet of Ride On buses. Purchasing the buses is the more cost-effective option as the buses operate for well over the 12-year useful life, after which they have virtually no re-use value except for scrap.

4. What is the lost revenue from the C-Pass, the County Employees-Ride-Free-On-Ride-On program?

The estimate for FY10 was $54,000 annually. Given that Ride On fares have since increased, the lost revenue due to the C-Pass is now $60-65,000 annually.

5. How many suburban bus services in the Washington metropolitan area are operated by contract?

While nearly all the other suburban bus services are contracted out, all of them are on orders of magnitude smaller than Ride On. As a large suburban system, Ride On's operations are much more comparable to those of Metrobus and MTA than to other area bus systems. Any contractual operation would require additional County staff for contract oversight, which would cut somewhat into any anticipated savings.

Fleets of Regional Transit Operators

	Contracted	In-House	# of buses
Fairfax Connector (Fairfax County)	y		141
Fairfax Cue (Fairfax City)		y	8
ART (Arlington County)	y		23
PRTC (Potomac&Rappahanock)	y		107
DASH (Alexandria City)	y		49
Loudoun County	y		37
DC Circulator	y		49
The Bus (Prince George's County)	y		67
Howard County	y		20
Frederick City		y	18
Ride On (Montgomery County)		y	302

MTA	y	533
WMATA	y	1273

6. What are the savings that would accrue from contracting out the personnel component of Ride On bus service?

There are several factors involved in arriving at a reasonable estimate. The personnel cost of operating and maintenance of the small bus service has risen by 15%, due to its conversion from privatization to in-house operation. The personnel cost for all Ride On bus operations and maintenance combined is about $40 million. Assuming in very broad terms that a conversion to contracting out would reduce costs by 15%, the savings would be in the range of $5 million. However, there would be significant challenges in finding a contractor that could provide just bus drivers and maintenance personnel.

7. Has the County considered designing Ride On bus routes to reduce the use of Metrobus?

Ten years ago, the County hired a consultant to study the relative costs of operating Ride On versus Metrobus. The consultant concluded, and the Council agreed, that an apples-to-apples comparison would look at the cumulative costs of bus operators, motor pool costs (i.e., mechanics, parts, and fuel), route coordinators, other direct operating personnel, and scheduling and communication costs. Together, these costs comprise the "partially allocated cost" per platform hour for Ride On, and this is compared to what WMATA would charge us per platform hour to provide Metrobus service.

The County's Department of Transportation does this calculation every year, and it is reported to the Council. For FY11, Ride On's partially allocated cost is $81.62/hour, while Metrobus charges $102.41 for non-regional service (i.e., the kind of local service that might be provided by Ride On).

Even though Ride On is cheaper to operate, the County is limited in the amount of service it can provide, due to the number of buses it owns. Substitution of Ride On for Metrobus service is usually something that occurs at off-peak times (especially weekends), when Ride On buses are available. This has definitely resulted in some savings.

Appendix IV: Council Resolution Creating the Commission

Resolution No.:	16-1350
Introduced:	May 11, 2010
Adopted:	May 18, 2010

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmembers Berliner, Leventhal, Navarro, and Trachtenberg

SUBJECT: Montgomery County Organizational Reform Commission

Background

1. The County's current and projected fiscal situation requires County services to be provided with the greatest efficiency possible.

2. It is difficult to achieve substantially increased government efficiencies and consolidation through consensus by affected stakeholders given the potential impact on jobs, agency and department responsibilities, and perceived community impacts.

3. To provide options for the needed organizational reform, the County Council and County Executive should jointly create and empower a Montgomery County Organizational Reform Commission whose recommendations must be voted on by the Council.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

1. The County Council and County Executive must jointly create a Montgomery County Organizational Reform Commission not later than June 30, 2010. The Council must appoint 4 members and designate one member as Co-Chair of the Commission. The Executive must appoint 4 members and designate one member as Co-Chair of the Commission.

2. The Commission must be composed of County residents who are experienced in government, business, or non-profit service delivery, or who otherwise have experience and expertise in creating efficient models of providing services and operations. A person appointed to the Commission must not be employed by County government or any County-funded agency.

3. The Commission must solicit suggestions for potential reorganization or consolidation of functions performed by County government and County-funded agencies from: elected officials; County residents; business and community

leaders; County and agency employees; bargaining unit representatives; and other stakeholders. The Commission must draft and adopt written criteria to evaluate which suggestions merit further consideration by the Commission. The criteria must include:

- a minimum level of potential cost savings (for example, $1 million per year);
- a standard for ease of implementation; and
- a measure of acceptable service level impact.

Not later than September 30, 2010, the Commission must submit a status report of its progress to the Council and the Executive outlining its progress to date and its work plan through January 31, 2011. Executive staff and Council staff must provide support to the Commission.

4. The Commission must submit its final report to the Executive and Council not later than January 31, 2011. The report must contain the Commission's recommendations to reorganize or consolidate functions performed by County government or County-funded agencies. For each recommendation for reorganization or consolidation, the Commission's report must include the rationale and estimated cost savings associated with implementing the recommendation. Any organizational proposal for County government in the Commission report must take the form of a reorganization plan that the Executive could submit to the Council under Charter §217.

5. The Executive must, not later than February 28, 2011, either present to the Council under Charter §217 the reorganization plan recommended by the Commission or an alternative reorganization plan that the Executive concludes will produce at least the same level of cost savings, or inform the Council in writing why no reorganization plan is necessary.

6. If the Executive does not present to the Council any reorganization plan or other proposal contained in the Commission report, the Council President must introduce each plan or proposal that can be implemented by County legislation as a Bill before the Council.

7. The Council must, not later than March 31, 2011, hold one or more public hearings on the reorganization plan, if any, presented by the Executive, and each Bill introduced under paragraph 6, and must vote on each plan submitted under paragraph 5 and each Bill introduced under paragraph 6 before the FY2012 operating budget is adopted.

This is a correct copy of Council action.

Linda M. Lauer

Linda M. Lauer, Clerk of the Council