

**Montgomery County Board of Education
Fiscal Management Committee Minutes**

January 5, 2009

A meeting of the Montgomery County Board of Education Fiscal Management Committee was held at the Carver Educational Services Center in Room 120 on Monday, January 5, 2009. In attendance were:

Members: Mr. Christopher Barclay, Chair
Mr. Philip Kauffman, Member
Mrs. Patricia O'Neill, Member

Staff: Mr. Larry A. Bowers, Chief Operating Officer
Mr. Roland Ikheloa, Chief of Staff, Board of Education
Ms. Sue DeGraba, Chief Financial Officer
Dr. Marshall Spatz, Director, Management, Budget and Planning
Mr. Roger Pisha, Audit Supervisor
Mr. Robert Doody, Controller
Mr. John Kevin, Investment Specialist, Benefits Strategy and Vendor Relations
Ms. Laura Steinberg, Staff Assistant, Legislative and Inter-Governmental Relations

The Meeting was called to order by Mr. Christopher Barclay, Chair, at 9:02 a.m.

The chair welcomed the committee's new member, Mr. Philip Kauffman.

Approval of November 18, 2008 Meeting Minutes

The Fiscal Management Committee voted unanimously to approve the November 18, 2008, minutes as submitted.

Master Lease Financing

MCPS finances a number of items, including the acquisition and maintenance of school busses and commercial vehicles, along with technology modernizations and classroom furniture. The current master lease authorized amount is \$89.8 million which in keeping up with current fiscal conditions is not adequate to fund FY 2009 and FY 2010 acquisitions and maintenance. MCPS is recommending to the committee to modify the current master lease agreement with First Southwest Leasing Company to reflect the current market and to increase the authorized amount to \$133.0 million. The committee members discussed with staff alternatives to amending the agreement on placing the master lease on bid; however, due to the current economic climate finding a lease company to finance MCPS would be difficult and the interest rates would be higher.

The committee agreed with staff to bring the recommended amendments of the lease agreement to the full Board at its January 13, 2009, Board meeting. This in no way should affect MCPS' ASAA bond rating.

Pension Plan (Composition of Board of Investment Trustees)

The pension plan provides core and supplemental benefits to MCPS employees and is overseen by a Board of Investment Trustees which consists of five internal trustees and four external trustees. The Board of Investment Trustees is chaired by Mr. Larry Bowers, chief operating officer for Montgomery County Public Schools. Given the vacancy on the Board of Trustees left by the retirement of Mr. G. Wesley Girling, MCPS held interviews for a replacement and would like to bring forth the recommendation of Helen Lou from Lockheed Martin to the full Board. The new director of Benefits was not appointed to the Board because his expertise was in the medical and dental field, not in the pension field.

In making this recommendation the shift of majority would change from an internal control to an external control. The committee members discussed the issue of external control, as well as the composition of the Board of Trustees and the notification process used. All Board of Trustees members are residents of Montgomery County so they are stakeholders. The committee would like to review the process when the current Board's terms are up.

The committee members agreed that they were okay with the shift in majority and to bring the recommendation to the full Board at the February 13, 2009, board meeting.

Reappointment of External Auditor

The external auditor contract is a six year contract that is renewable every two years. Staff's recommendation is to renew the contract with Clifton Gunderson LLP for the last two years of the six year contract. Based on the performance of Clifton Gunderson LLP, the committee saw no reason to deny the contract renewal. As long as the internal auditors rotate, the committee agreed with the recommendation that the contract extension of Clifton Gunderson LLP be brought to the February Board meeting.

IAG/IAF Committee Report

The fiscal management committee was presented with an action plan to add additional support for monitoring of the Independent Activity Funds (IAF) and to ensure that schools are provided with what they need to ensure their recordkeeping practices are in keeping with MCPS expectations and guidelines. The action plan includes a scenario-based training program for principals and other financial agents that currently is not mandatory but is highly recommended, and all schools are encouraged to send someone. High Schools with deficits have action plans in place to get out of those deficits, which includes support to the business manager, financial assistant, and someone to come in and work on a regular basis, personal support and periodic spot checks.

The fiscal management committee members want to have a conversation scheduled regarding the publication and access of school audits, processes for recuperating misspent funds, and a periodic report on the status of action plans at schools that have a deficit. The committee would like to have yearly updates on IAF including trends that we are working on changing.

FY 2010 Budget

MCPS staff updated the committee members on the budget. The superintendent's FY 2010 recommended budget is about \$2.1 million, which is the lowest percentage increase in 20 years. The increase in the tax supported budget is \$38 million with \$20 million in savings. The increases include student enrollment, compensation changes, employee benefits, inflation, and retiree health care benefits. A reduction of \$35.5 million includes 70.5 positions in central services; 10 positions in transportation, and 197.5 positions in school-based resources. In addition to position cuts, MCPS has made realignments. The budget includes an increase of \$17.7 million from the county and \$20.7 million from the State of Maryland.

State aid includes \$31 million for full funding of the Geographic Cost of Education Index (GCEI); however, GCEI funding is not mandated, and may not be fully funded. Part of the state aid increase is due in part to an error that was made last year that short changed MCPS approximately \$24 million for the current year.

The committee members would like to have more opportunities to have discussions like this before recommendations go to the full Board, and to also look at how we are doing and if there are any areas of concern.

The Fiscal Management Committee will be holding a joint meeting with the policy committee to discuss curricular fees.

The meeting was adjourned at 11:08 a.m.

Recorder: Becky Gibson