

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

**June 22, 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 Wednesday, May 13, 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  
Ms. Sue DeGraba, Chief Financial Officer  
Mr. Joseph Lavorgna, Acting Director, Department of Facilities Management  
Mr. Phil McGaughey, Director, Procurement  
Mr. Roger Pisha, Supervisor, Internal Audit Unit  
Mr. Giles Benson, Director, Department of Materials Management  
Mr. Michael Allnut, Assistant Director, Division of Maintenance  
Mrs. Christine Wolfes, Fiscal Assistant IV, Division of Maintenance  
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.

**Approval of Meeting Minutes**

The Fiscal Management Committee voted unanimously to approve the May 13, 2009, minutes as submitted.

**Procurement Process**

The Montgomery County Public Schools Department of Materials Management (DMM) presented information about a pilot program for ordering and managing supplies at schools. The DMM has been concerned about supply ordering ineffectiveness and inefficiencies. Data confirms that schools annually submit repeat orders for supplies irregardless of need. The result is unnecessary expenditures, overstocking, and expiration of supplies (i.e. pens or toner cartridges drying out). The pilot program, Ambassador Services Just in Time, hopes to change the culture of heavy spring ordering. Next year, 20 participating schools in the pilot will be guaranteed delivery of supplies within 5 workings days for smaller orders targeted at specific needs. Each school will have an ambassador, who is available daily via phone, and email, and will visit the school on a regular basis. Several participating schools will pilot the DMM Managed Storeroom Program that involves the warehouse stocking school storerooms and only charging for products that are used. The committee members were assured that school funds for supplies are never subject to a system freeze.

Committee members agreed that the program has the potential for significant savings and will require a change in culture and attitude. MCPS will provide the committee information on measures of success prior to the start of the pilot and will present outcome data once the program has been in effect for an entire school year.

### **Purchasing Cards**

The Division of Maintenance staff provided an overview of the division's use of purchase cards. The division uses purchase procurement cards only for supplies that are difficult to inventory and keep in stock. They explained the many safeguards and controls that are in place to protect against abuse and to ensure efficiency. They also provided examples of reports used to monitor expenditures. The Chief Operating Officer noted that the management controls in MCPS go far beyond those commented on in the Office of Legislative Audits (OLA) report. The Division of Maintenance accounts for 20-25% of all purchase card users and the Chief Operating Officer added that it is a model for the rest of MCPS.

### **Debt Policy**

The Chief Financial Officer presented a draft Debt Management policy, developed in response to the OLA report. She explained that the policy only applies to lease obligations and because there are no industry standards, it establishes a conservative limit on annual debt services. The Policy Committee will review it next and bring it to the full Board for consideration.

### **OLA Audit Recommendations Progress Report**

MCPS staff provided the committee with an update on several of the OLA recommendations. The Chief Financial Officer reported that the Dependent Eligibility Audit is complete. Even with fourteen documented contacts, 2,000 staff members have yet to verify a dependent's eligibility for health care benefits. Staff expects that number to drop to 1,500. With a projected annual savings of \$2.5 million per 500, they anticipate that the audit will result in an annual savings of \$7.5 million.

The Department of Facilities Management reported on the status of 2005 legislation which required LEA's to self-assess school facility conditions and which resulted in \$1 billion in allocations for school construction. State funds for self-assessments have been eliminated and a work group has been established to develop rational criteria that can be used statewide. Mrs. O'Neill commented about the need to be able to reconcile the workgroup's criteria with the Facilities Assessment with Criteria and Testing (FACT) that MCPS uses to determine priority order for modernizations.

### **FY 2011 Operating and Capital Budget Updates**

The Chief Operating Officer cautioned that the upcoming six-year Capital Improvement Program (CIP) will need to carefully estimate out year costs, recognizing that costs are low today but will surely rise over the next six years. He added that with current bids lower than anticipated, the \$12 million shortfall in FY 2010 state aid has not required any project delays. The Department of Facilities Management reported that there are 450 projects under way this summer.

The Chief Operating Officer added that the FY 2011 Operating Budget will be a huge challenge. There appears to be fewer retirees than projected or expected which will result in fewer savings. Enrollment and employee benefits (health care, retirement, and OPEB) will be significant drivers of the FY 2011 Operating Budget, in addition to contract renegotiations.

**Summary of Actions and Follow-ups**

- 1) Measures of Success Prior to Pilot of Just-In-Time Ordering
- 2) More Policies for Fiscal Management Committee to Review
- 3) Continued Updates on the CIP and Operating budgets
- 4) Continued Updates on the OLA Recommendations

The meeting was adjourned at 10:45 a.m.

Recorder: Becky Gibson