

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

**November 23, 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, November 23, 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. Susanne DeGraba, Chief Financial Officer  
Mr. Roger Pisha, Supervisor, Internal Audit Unit  
Ms. Laura Steinberg, Staff Assistant, Legislative and Inter-Governmental Relations  
Mr. John Kevin, Investment Specialist, Department of Financial Services  
Mr. Robert Doody, Controller, Division of the Controller  
Ms. Robin Confino, Executive Assistant, Office of the Chief Operating Officer  
Ms. Diane Moore, Executive Assistant, Office of School Performance  
Mr. Sherwin Collette, Chief Technology Officer  
Mr. Joseph Lavorgna, Acting Director, Department of Facilities Management  
Mr. Richard Johnstone, Director I, Benefits Strategy and Vendor Relations

Guests: Mr. William Early, Clifton Gunderson LLP  
Mr. Douglas Rowe, Mercer Human Resource Consulting  
Ms. Cheri Amoss, Clifton Gunderson LLP

**Approval of Meeting Minutes**

The minutes were changed to reflect that MCPS' cost for the Dependent Eligibility Verification was \$280 thousand. The minutes were then moved into record as modified.

**Audit of the Financial Statements of MCPS**

Clifton Gunderson LLP reported to the committee their audit of the financial statements of Montgomery County Public Schools (MCPS) for the year ended June 30, 2009. The report issued the school system a clean opinion, that the Financial Management System (FMS) is on track for its second year and the corresponding manual is progressing. The auditors did not have any major issues to bring to the Fiscal Management Committee or the Board, and next year's audit will begin in the next two-three months.

**Actuarial Valuation**

Mercer Human Resource Consulting presented their annual review and actuarial valuation of the MCPS Employee's Retirement and Pension Systems as of July 1, 2009. Given the current fiscal climate, they reported that MCPS conditions are similar to those of other public sector entities.

However, it was pointed out that the ratio of market value to actuarial value, which has increased from 107 percent in 2008 to 137 percent in 2009, is approaching a red light level but will likely move back towards 100 percent with fewer future investment losses. It also was stated that a new study may be needed to confirm or modify assumptions about turnover/retirement rates. However, he cautioned that any study would need to be careful about what constitutes a new trend versus an anomaly based on the current economic conditions.

### **Pension Fund Report**

The Department of Financial Services presented the committee members with an overview of total plan assets as of September 30, 2009. While the performance results for one year ended June 30, 2009, were down nearly 21%, the performance results for the first quarter ended September 30, 2009, are up more than 12% to \$793.6 million. These data are consistent with the overall economic climate. Additionally, a consultant has confirmed the plan's overall asset allocation. The Chief Operating Officer added that the Board may need to anticipate an impact on the operating budget to adjust for the poor investment climate.

### **Benefits Negotiations Update**

The Chief Operating Officer said that wellness and disease management programs continue to be a part of the ongoing discussions as both have implications for long-term savings. He went on to say that cost sharing also remains an issue.

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

MCPS staff reported that an RFP has been issued for a prescription claims audit. They have received nine potential vendors. Staff will bring recommendations to the Fiscal Management Committee. Additionally, following the county's lead, staff will be looking at issuing an RFP for a medical claims audit.

Staff is struggling with the OLA recommendation that the Board should adopt a policy regarding long-term obligations. The concern is that such a policy may contradict state laws that do not authorize Boards of Education to issue debt, even though lease financing arrangements are now fairly common. The item was tabled to further explore the issues associated with developing a regulation without a governing policy.

MCPS staff reported that quotes ranging from 3,000 to 40,000 annually for a confidential hotline, for employees and vendors, have been reviewed and that for an annual cost of \$3,000 a year, a hotline targeting employees can be established. Recommendation will come to the full Board through a memo.

### **Technology Update**

The Chief Technology Officer reported that Oracle Identity and Access Management Suite has been implemented to enforce password protections. Password protocol will be changing to require a minimum length, system lock out after 10 failures, and expiration after 120 days. A formal security audit log process has been instituted and the computer room access controls have been updated and strengthened.

**FY 2011 Operating and Capital Budgets Updates**

The Department of Facilities Management reported that Inter-Agency Committee (IAC) staff's first recommendations for state CIP funds awards \$18.2 million to Montgomery County. Interestingly, no systemic projects were among these and traditionally all systemic projects have been approved. This year, MCPS has requested \$6.2 million for systemic projects.

The Chief Operating Officer reported that the uncertainty over Maintenance of Effort continues to pose challenges for this year's operating budget, as well as the development of next year's budget.

**Course Related Fees Update**

MCPS staff reported to the committee members that 60 – 70 percent of course-related fees have been eliminated, guidelines for elementary school supplies were changed, and that \$1.5 million dollars was realigned to schools to offset the loss of fees. Additionally, the waiver process has been made clearer and more widely disseminated. Other than having to make an adjustment for elementary school instrumental music, no major issues have emerged. Staff will be collecting and analyzing data regarding waiver requests at the end of the first semester and will share this data with the Board. Staff looked at the master schedule and it appears that no courses have been dropped due to the change in curriculum fees either by not being offered or by cutting back on the number of classes.

**Summary of Actions and Follow-ups**

- 1) Tabling the debt policy, policy versus regulation not tied to a policy
- 2) Update on the hotline

The meeting was adjourned at 12:03 p.m.

Recorder: Becky Gibson