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September 30, 1993

The Board of Education of Montgomery County met in special session at the Carver Educational Services Center, Rockville, Maryland, on Thursday, September 30, 1993, at 7:30 p.m.

ROLL CALL Present: Dr. Alan Cheung, President in the Chair
Mr. Stephen Abrams
Ms. Carrie Baker
Mrs. Frances Brenneman
Mr. Blair G. Ewing
Mrs. Carol Fanconi
Mrs. Beatrice Gordon
Ms. Ana Sol Gutierrez

Absent: None

Others Present: Dr. Paul L. Vance, Superintendent
Mrs. Katheryn W. Gemberling, Deputy
Dr. H. Philip Rohr, Deputy

Re: REPORT OF THE CORPORATE PARTNERSHIP ON MANAGERIAL EXCELLENCE IN THE MONTGOMERY COUNTY PUBLIC SCHOOLS

Dr. Cheung stated that on behalf of the Board of Education he would like to thank the Corporate Partnership and Mr. Larry Shulman for their dedication, commitment, and support in improving the school system. He thanked Mr. Shulman for his tenacious and passionate pursuit of this project as well as for his leadership. He assured the partnership that the Board would listen to their recommendations with the greatest care. The superintendent had assured the Board that the superintendent's response to the report would be scheduled as soon as possible.

Mr. Shulman thanked the Board for the opportunity to work with MCPS staff over the past nine months. This evening they would be presenting the 11 reports contained in "Investing in a Commitment to Quality." Eight of these were the original areas selected by Dr. Vance and the Board, and three were added as they worked together. These involved total quality improvement, communication, and strategic planning. There were 20 companies involved in the project, and each company paired up with another company or undertook an area by themselves. They had decided that the best approach was to have a peer on peer approach. For example, the personnel people from the Howard Hughes Medical Institute were working with MCPS personnel people. Hundreds of hours were spent by each of the teams in working with people in the school system. They had an opportunity to work together to see the kinds of things going on in the school system and to relate those things to their own experience in their own companies. They found MCPS staff to be very open to what the partnership was doing. He believed this happened because the people on the corporate side were vested with knowledge of the area they were working with. He said that people from the school system and from the corporate world had become friends, and he could not think of a nicer way for people to work together and come to an understanding of a situation.

Mr. Shulman remarked that the result of this was a 374-page report, and the first 18 pages consisted of an executive summary. In putting together the executive summary, they discovered four major findings which crossed many areas of the study. They found the need for long-range strategic planning to focus on the effectiveness and the efficiency of the administrative functions of the school system. They found the need to revise the budget process to accommodate the many multiyear investments and to project life cycle costs on a multiyear basis. They found the need for significant automation and an increase in the use of technology. They also found an area that was perhaps beyond the reach of the school system and of the county government. This had to do with minimizing the duplicative reporting requirements. MCPS had 275 reports to complete with 250 different formats. He thought that the corporate partnership could help in this regard.

Mr. Douglas Schiffman, president of Offbeat Marketing, said he wanted to talk about the people and the process, the consequences of not doing anything, and experiences people in business had had. In the report they stated that the problems MCPS was facing were process and not people problems. They found energetic and creative employees who were often forced by the system to do things in non-energetic and non-creative ways. He called attention to the purchasing process which was shown in the report as a 10-page flow chart and described the process the Purchasing Department must go through to fill a request for an item that was not a stock item. They suggested that automation could improve the process. However, they could automate a faulty process and end up with an automated faulty process. Employees needed to be empowered to suggest and to make improvements in systems and processes that they already knew to be faulty. Unless this type of quality management could take hold, they could not expect process improvements to take hold.

Mr. Schiffman noted that many recommendations in the report came from MCPS staff. It was unfortunate that some of these had not been able to be implemented already. It should be no surprise that the purchasing process was unwieldy, buses were growing more expensive to maintain, and their computers were outdated. MCPS needed an environment in which employees could ask why they were doing something and whether there was a better way to do this. Employees should have the authority to make those changes.

Mr. Schiffman said there were consequences of doing nothing. They understood the emphasis that had been placed on the educational side over the last few years, but they would remind the Board of the consequences of ignoring the administrative side. They were running out of places to cut costs and to save money. Systems were overloaded, and the fact that paychecks managed to get out every week to him was nothing short of a miracle and one day soon they might not.

Teachers, principals, and parents expected something to be done, and these were the customers. If they had to emphasize one message, it would be that change was not a one-time event. If they embarked on a course of change they would be committing themselves to a new way of operating and constantly seek new and better ways of doing things. They were not saying that business knew best or that they had all the answers. He thought that MCPS had to be willing to change and to get out of the "business as usual" mode. If they did, they would create new opportunities for employees, unleash ideas, and find energy to attack problems. It had been their experience that most employees could handle these challenges. It would not be easy. The school system was a huge entity with many appetites for a limited pie. People were going to need to be trained or retrained. Hardware and software will always take longer than promised, would always cost more, and would never work the way it was expected to. Strong leadership from the top was needed to motivate, set the tone, and recognize and acknowledge performance.

Mr. Schiffman pointed out that MCPS had good people who could help to fix cumbersome and aging processes. If they continued to run their administrative operations the way they had been run, MCPS was going to be in crisis and soon. Help was available and was being offered. This help was in researching options, observing operations, training staff, lobbying federal and state agencies, and brainstorming with staff. He urged the Board to look at the school system through the eyes of staff and give them the tools and resources needed to operate the system more effectively.

Mr. Shulman said they had been asked where they thought the corporate partnership was going. They looked at it as a partnership with the school system. Rather than suggesting a course of action, he thought that the Board and the partnership should get together for dinner to discuss looking to the future. They would like to do this within the next 30 days.

Mr. Wayne Mills, Washington Gas Company, stated that his company and Computer Science Corporation had looked at transportation. They had talked about strategic planning, life cycle costing on bus replacement, facilities management, and a computerized routing system. He would like to discuss out-sourcing certain functions and the ability to right-size. During the course of their investigation, they came across information which gave them reason to believe there might be potential to look at out-sourcing certain things in the transportation sector. They were recommending continued investigation be conducted there. This might be part of the continuation of the partnership and involve transportation, facilities management, and finance people. With regard to right-sizing, the private sector had had to reduce layers of management and increase flexibility. All of that required the latitude to move and make changes. In looking at the administrative side of the transportation group, they were impressed with their plan to straighten out some line responsibilities and to increase productivity and efficiency. However, they were disappointed by some evidence of micro-management. Dr. Vance did not have the latitude to delete, add, or change positions without coming to the Board. He recommended that the Board give this some serious thought, look at the reorganization, and empower their CEO to carry out that reorganization.

In regard to depreciation of buses, Mr. Abrams asked how this related in the public sector and whether it might lend itself to a different style of ownership and/or leasing of vehicles as one of the options. Mr. Mills replied in the case of life cycles it was not appropriate to look at one year's worth of operation. They had to look at a life cycle including depreciation and operating expenses and make an informed decision what the most positive net present value was. Mr. Abrams asked how they were using the term "depreciation" in life cycle costing as it applied to a public sector entity. Mr. Mills commented that it cost $1.56 a mile to operate buses over the age of 12 versus $.56 a mile under 12 years. This would give them the expected life for the bus. For example, it might be economical to keep a bus 12 years but not 13 years. Therefore, they would depreciate their investment over 12 years.

Mrs. Brenneman said the report contained a discussion about moving the depots; however, it was pointed out that any such decisions would be politically sensitive and should not be made without significant economic benefits. Mr. Mills replied that some years ago a consultant had done a study to suggest certain geographic nodes to locate new bus parking and maintenance facilities. It was intelligent to plan ahead and build ahead, but this was not being done and the transportation times and distances went up every year. There was opposition in the community to locating such facilities, but he thought they needed a progressive and proactive attitude toward this or operating costs would continue to escalate.

In regard to out-sourcing, Mr. Abrams said the out-sourcing in the report tended to be in service areas relating to transportation but not out-sourcing transportation or parts of transportation component. Mr. Mills replied that they were recommending this be explored in depth. They did not have the time and information to do this. They did have the benefit of a study done in Baltimore by Peat Marwick. Mr. Abrams asked if their fully load cost of comparison could be used across the board or was it limited to transportation. Mr. Mills explained that the two alternatives were incremental cost pricing versus fully loaded cost pricing. One removed overhead and the other retained it. There were probably areas where it was appropriate to either. They would like to work with the finance people to look at this specifically.

Ms. Gutierrez said they had mentioned micro-management in the areas of additions and deletions of personnel. She indicated that the Board got one crack at approving the superintendent's recommendations at budget time. She thought the report implied that any changes had to be brought before the Board, and that did not happen. The superintendent had the authority to handle all the normal personnel issues. Mr. Mills said they had the understanding that to delete a position, create a position, or change a position would require some Board action. Ms. Gutierrez said that this would be done in the budget because it was required by law. Mr. Mills felt that the CEO needed the latitude to be able to make changes during the year. He was pleased that the superintendent had embraced the management process approach of total quality because that would empower the entire work force to speak the same language spoken by the corporate partnership.

Dr. Cheung stated that their budget was by category, and they had to decide how many personnel were in each category. This was more macro than specific.

Mr. Swetnam, GTE Government Systems, said that his area was financial management. He commented that the people from his organization learned how things could be done when the morale was high in an organization that had been cut back. In regard to strategic planning, there needed to be a closer link between the operating and capital budgets. This was one more step in implementing a strategic approach to budgeting. They could only calculate full life cycle costs when they looked at both budgets. MCPS staff had the structure to do this, but they did not have the resources.

In regard to the payroll system, Mr. Swetnam said that staff members were doing a tremendous job with a system that was patched together. This needed to be fixed because the payroll system was being held together only through the efforts of some hard-working people. It would break if not addressed. He offered the services of the partnership to address the issues of the reporting requirements to the state and federal government.

Mr. Abrams said it would have been helpful to see the 200 plus formats broken down by the different levels of jurisdictions.

They were now in a circumstance where there were waiver opportunities in reporting. He asked if anyone looked to see if there were some commonality in reporting so that a universal cover form could be developed that would be acceptable to all of the different sources. Mr. Swetnam said they had a one page summary of 109 state reports specific to the State Department of Education, another 30 state agencies, and the rest to the federal agencies. With the exception of 15 or 20 reports, each one was specifically tailored to one grant program. They asked for the same information, month by month, quarter by quarter, and year by year. If they could get the requesters to accept the federal accounting, this would be progress. They were going to pursue this with the committees in Annapolis, the State Board of Education, and federal authorities. Mrs. Brenneman noted that when they talked about partnerships, they expanded to the greater community. She thought they would find a lot of support in the delegation and elsewhere.

Ms. Gutierrez said that industry did out-sourcing in payroll, and she wondered whether they had given consideration to this. Mr. Swetnam said they did not look at it from that point of view. They looked at the system currently being implemented in payroll. It was a patched-together system, but they did not look to see if there could be a totally different process that could be automated that would be better. They had not done this analysis which might lead to out-sourcing. They were recommending that MCPS make the investment to fix the existing system so that there would be back up and more automation. This recommendation was not as closely tied together in the report as they felt it should be with recommendations for personnel. The personnel and payroll systems were tied together, and this was a tremendous opportunity for a greater partnership.

Mr. William Chandler, Vitro Corporation, stated that his report was on data operations. They found many talented and dedicated people in that department. Two of the major themes in their report were investing in a variety of new computer automation projects and to budget differently. His team's recommendations covered both of those themes. They recommended that specific computer applications development projects be funded by the user organizations and from the Department of Technology, Planning, and Data Processing's budget. The current process was to lump all requests for computer applications development into their annual budget. Therefore, automation projects were viewed as just another cost to be minimized. Even though user requesting organizations had strongly felt their specific project would improve efficiency, it was hard to get the message out because projects were lumped together with other costs.

Mr. Chandler explained that this change would directly connect each project with the user department's mission. It would give the users much stronger control and involvement because they would control the budget. It would open up the computer applications development process itself and give the administration and the Board a better understanding of the impact of each project on the main mission of the organizations. It would change the current concept of computer applications development from an expense to one where each project was seen and evaluated on its potential as a long-range investment to improve efficiency.

Mr. Chandler reported that many organizations routinely included major automation projects as capital instead of expenses. If they wished to implement any automation projects recommended in the report, they recommended that the budgeting process be changed first. Their next recommendation was to establish broad-based guidelines for microcomputer hardware, software, and networks. The idea was to assure that programs and hardware were compatible with all the other sets. The trick was not to impose rigid standards that would stifle initiative and creativity. Without guidelines they might have E-mail systems, networks, and programs that worked in their local area but would not be able to talk to each other across the wider area.

Mr. Chandler said they noted that three different organizations within MCPS were responsible for installation and maintenance of computers. Much of the work was under the deputy superintendent for instruction; therefore, it was outside the scope of their review. However, it should be viewed as an opportunity to improve efficiency and reduce costs by perhaps consolidating functions.

Mr. Abrams said that the budget change could be done for the purpose of developing an internal annual operating budget, but it did not change how the Board presented its budget to the County Council. Mr. Chandler suggested that they might want to consider major automation projects as capital. Ms. Gutierrez thought that this was an excellent recommendation. She did not know if they had ever attempted to do any major automation projects as capital. She asked whether they had reviewed whether this was a legally acceptable approach to preparing budgets. Mr. Chandler said that this never came up, but he thought it would be feasible.

Dr. Cheung asked about the optimal percentage of budget that should be allocated in data processing in terms of project, program, and system. Mr. Chandler replied that they needed a core budget for systems application development to maintain training, to maintain a core group of senior people, and to maintain skills. They also needed the central data processing operating itself, but all the applications work should be in the user departments. Dr. Cheung said he had been told that in the private sector it was 3 to 5 percent in terms of information systems. Mr. Chandler thought this was a good number.

Dr. Cheung noted that there was a life cycle for computer hardware, and there were changes in software. Mr. Chandler said they had not looked into this because MCPS was already doing this. They were maintaining the life cycle applications and were not doing much new development.

Ms. Gutierrez commented that the mainframe was a very costly operation. She asked whether the mainframe was still the best choice for supporting these major operations. Mr. Chandler replied that they had thought about it. MCPS had invested a lot of money in equipment and software, although they were leasing some of it. They also had a lot of money invested in programs that ran on the mainframe. If they were starting from scratch, they probably would not want to do that, but they had already spent the money. If they changed it, they would have a lot of problems. They had a system that worked now but needed improvements. He thought that out-sourcing the mainframe operations would not save anything at this point.

Mr. Shulman introduced Ms. Susan Plotnick, Mr. Larry Driskill, and Ms. Georgia Johnson from Howard Hughes Medical Institute. Their team worked on personnel issues.

Ms. Plotnick reported that they had 40 recommendations, many of them focused on the areas of automation and technology. The Post had featured a story on the 16,000 index cards used by Personnel. The index cards were a low tech solution to a problem, and she and her group wanted to make recommendations to get rid of the cards. They had recommended longer term solutions to the index card issue. They had a department maintaining the index cards because it was the easiest way to get history information on employees. That information was available in other places, but it was not easy to get to. They saw the index cards as a symptom of a larger problem.

Ms. Plotnick stated that she wanted to talk about communication between Personnel Services and the users. In general they found the communication between the users and the systems development people to be inadequate. The consequences of this were enormous. They had systems developers developing systems somewhat in a vacuum because they did not know the operational impacts of their decisions. Users were not able to obtain needed information and developed subsystems. There were many PC-based subsystems and manual systems. They knew the Department of Technology had limited resources as did every department in MCPS. They thought the way the resources were being allocated was not in the best interest of the users in the personnel office.

In some cases such as the applicant tracking system, the users were not 100 percent clear as to what the outcome of that system would be. Therefore, they could not pre-plan and develop ways to operate under the new environment. At Howard Hughes, they had implemented a number of fixes. They had regular progress reporting, and they used a structured management approach where user requirements were defined. Ms. Plotnick suggested that Personnel Services might want to designate a full-time person to be the application systems representative. They also saw the human resources system as being somewhat inadequate. A new system was purchased in 1988 and was fairly high tech, but it had never been fully implemented. It was tied to technology that was 23 years old, and because of that the users could not get everything they needed out of it.

Ms. Plotnick said they were struck by how much time and resources was being spent to get data into the system so that paychecks could be cut. Very little management information was available out of the system, and because of this, staff developed subsystems and were doing duplicative data entry. They thought that one of the first priorities in that department should be finalization of implementation of the HR system. They believed that the on-line communications should be broadened to principals and staff. They had a lot of people spending a lot of time trying to get information they needed to do their jobs. People were on the phone, and principals were driving to Personnel to look at files. This was not an effective use of time.

Mrs. Fanconi asked if they had any idea of what it would cost to implement the human resources system. Mr. Driskill replied that it was more an effort issue than a cost issue because it would involve allocation of staff that were already there. Ms. Plotnick added that they had suggested resources be diverted to finish the system.

Mr. Abrams asked whether optical scanners would be reliable for data input. Mr. Driskill replied that it was highly reliable for document scanning versus data scanning. They could put an application in and reference it by social security number, but it would be less reliable for scanning data.

Mr. Abrams asked whether it was conceivable that they could have a unified system for student and employee records. Mr. Driskill explained that this recommendation was far down on their list because it would an expensive project in terms of infrastructure.

Mr. Paul Blumhardt, Martin Marietta Corporation, stated that his section was on strategic planning. One of his job responsibilities was to write corporate strategic and long-range operating plans. It was his job to facilitate the planning process. A strategic plan was a macro-view of what executive officers believed the corporation needed to do to fulfill its obligations to its owners, employees, customers, and the community. It contained a mission statement and objectives of the corporation and it provided guidance to the operating units in terms of strategic directions, goals, and resource allocations. The corporate operating plan was an aggregation of unit managers' commitments regarding their contributions toward the achievement of the corporate goals and objectives. Their performance evaluation as managers was based on how well they did in achieving these commitments. This provided an effective incentive for managers to prepare and implement effective plans.

In reviewing the strategic planning process used in MCPS, Mr. Blumhardt said he found the preparatory process to be excellent. However, the implementation process was frequently inhibited by external influences. Public institutions and corporations were struggling to meet a complex and overriding challenge: how to gain maximum benefits from the technology that continued to revolutionize the way they worked. Computers, television, electronic publishing, telecommunication technology, and electronics were creating the new medium of the information super highway. As these technologies merged into a single interactive information industry, changes in access to and use of information services and tools would profoundly influence and even drive educational goals, content, and structure. MCPS must not only increase the use of technology to improve teaching, learning, and administration, but also expand this training so that thousands of employees and students would be able to use the new technology tools and resources to broaden and manage opportunities.

Mr. Blumhardt reported that the issue of instructional and administrative technology had been identified by the Board of Education as one of its top priorities during the next two fiscal years to assure that MCPS would continue its tradition of academic excellence. A standard of technological equity was necessary so that all students would have opportunities to learn and benefit from technology. Additionally, there was a growing need to train MCPS staff in the use of technology in classrooms and administrative offices to broaden, enhance, and manage instruction as well as improve such support systems as student transportation and procurement. The Board was currently working to develop an educational technology policy to provide the philosophical framework to guide this effort. Meeting the technology challenge had major financial implications for both the operating and the capital budgets.

Mr. Blumhardt quoted from prior MCPS technology plans and noted that as a result of budget cuts many of the technology programs had to be curtailed. In FY 1993 only $185,000 was appropriated for instructional microcomputers to meet a proposed plan of $2.5 million. In addition, operating and capital construction funds had not been approved to add communications labs at elementary schools which did not have them. Many classroom and laboratory computers were rapidly reaching obsolescence. This was particularly true in elementary and middle schools where almost 50 percent were five or more years old and needed to be replaced in the near future.

Mr. Blumhardt stated that unless the Board of Education became involved in the planning process and took ownership in the strategies, the school system would not receive the resources it needed to fulfill its long-range vision.

Ms. Gutierrez requested a copy of Mr. Blumardt's remarks because he had done an excellent job of summarizing the issues.

Mr. Blumhardt felt that MCPS faced a tremendous challenge. He said that when he started the study he knew nothing about education but a lot about planning. Upon reflection he would change some of the statements in his portion of the report. For example, many high costs had nothing to do with learning. People questioned why the administrative staffs were so large, but it became apparent when one looked at what the school system had to do. When he started he did not understand this, and he knew that only one family out of four in the community had children in MCPS. They had a changing student body and expected more from high school graduates. If problems with students were not caught before fifth grade, there was no way these students could catch up. The other problem was getting students ready for the first grade. Companies today needed to worry about the skills of their current work force and future work forces. They needed to participate and help their employees.

Mrs. Fanconi hoped that Mr. Blumhardt would help them get the information out to people about what he had learned. She suggested that he might write a letter to the editor to help people understand what a big business MCPS did run. They needed people of his stature to say it was okay to build the administrative structure and to have good business systems.

Mrs. Brenneman stated that she was struck by one section of the report which stated that the community needed to become more involved in nurturing the education process. She agreed that it needed to be said again and again that only one out of four had children in the school system. She would say that "more" of the community needed to be involved. Mr. Blumhardt commented that businesses were happy to help, but the people in MCPS were the only ones who knew what kind of help was needed. Dr. Cheung asked Dr. Frankel to contact Mr. Blumhardt regarding accountability measures.

Mr. Kevin Cosimano and Mark Lynch, Bechtel Corporation, headed the group studying logistics. Mr. Cosimano stated that he and Mr. Lynch both had young children in MCPS. He would echo the support of all the corporations for MCPS and for the message that had to get out to the public. He suggested that they visualize a 1968 battleship moving up 270 at rush hour in the snow right before the holidays. There was a log jam behind that ship, and the financial situation had made it difficult to navigate that ship. He said that Giles Benson and his staff were to be commended for their efforts trying to keep the ship going.

Mr. Cosimano stated that in nine months they could not resolve all that had to be done; therefore, they focused on a few areas. The first recommendation was automation and full implementation of the 1988 system. The first procurement module had been implemented, but there were five modules in the process with a four to five year plan for implementation. They were talking about linking systems for procurement, inventory, fleet, and property management. MCPS had the technical staff to do this, but it had to be declared a priority. Another area of concern was the damaging budget cycle. MCPS had a "spend it or lose it" mentality. There was no incentive to save because of late allocations and early budget freezes. Schools and offices bought everything early whether they needed it or not. Mr. Cosimano said that they also needed to empower people to make decisions and let them manage the process, not just supervise the process.

Mr. Lynch reported that they were recommending a fundamental restructuring of the procurement process. The current procedures had evolved over time without anyone's having ownership. They had insisted on the inclusion of the flow charts in the report so people could see the very labor intensive process. They believed that everything had to be streamlined and a comprehensive set of guidelines be established to improve the efficiency of the process, heighten the cost awareness of the process, and continue to provide quality service.

Mr. Lynch said that their second issue was continuous improvement. There was no feedback system in the current procurement process for performance or product quality. The users did not call the buyers. The buyers did not have time to call the users. They tried to get the best price, but no one knew about the quality. This limited the creativity of the workforce, and it required a top-down commitment that TQM would be the structure that the system was reorganized under. The people doing the work were the best ones to determine the best way to do it, but they did not think their opinions mattered much.

Mr. Lynch indicated that they had invited Mr. Benson to Bechtel in July for continuous improvement coaches training. Mr. Benson attended for four days and asked that two more people be trained. He and Mr. Cosimano were prepared to provide whatever guidance they could on how to buy goods and services. Mr. Lynch said he did not know the school system but had worked in procurement for 20 years. He knew how to buy things and how to specify needs so that dollars were spent wisely. This could save some of the $30 million they spent every year.

Mrs. Fanconi knew that the statistical tools used were part of the TQM process. She thought this would give their employees energy and enthusiasm. A lot of them felt that something was wrong, but until they had the tools they could not assess this. It excited her to know that Bechtel was training MCPS staff.

Mrs. Fanconi stated that right now they were reinventing government at the national level, and they were talking about getting rid of the lowest bid. She wondered if any of this was happening at the state level. She thought MCPS needed to look at whether the lowest bid was getting them the best quality. She said that the partnership might have the clout to do something about this. She has spoken to someone who said he was pleased that the Board was accepting the report as well as it was, and she was shocked because the Board wanted all the help it could get. She thanked the partnership for the efforts they had made. Mr. Thomas Doherty, Bell Atlantic, and Mr. Robert Bozarth, Marriott Corporation, headed the group looking at facilities management. Mr. Doherty thanked Bill Wilder for all his help and the cooperation of his staff. The issue before them was to think about what the business partners were doing to be more effective. The focus was on managing change through managing ideas such as cost, quality, and innovation. If MCPS addressed those three areas, they would be well on their way to a world class support service organization.

Mr. Doherty said that as they looked at facilities, it seemed appropriate for them to develop a strategic plan so that they could create a foundation upon which decisions could be made long term. In order to bring value to the process they needed to communicate strategic planning. They focused on cost, quality, and innovation. First of all, MCPS had to understand its costs which was the total cost which did include depreciation. They needed to think of facilities as being a financial asset. They addressed out-sourcing in the report as well as some gate-keeping responsibilities. The quality side of the issue came down to being a provider of choice. They did that through managing costs, the cost structure, and the quality. They did not want to focus only on the cost structure because there was a relationship between cost and quality. Facilities organizations within corporations were subject to a fair amount of competition because of the potential for out-sourcing. Accountability, trust, and empowerment were important issues in their report.

Mr. Bozarth said that he had one example which was typical of their recommendations. This was the building service worker at an individual school. That person took a lot of day-to-day direction from the principal, and their job description was not clear. The monies in the budget to pay for that person were in the operations budget. The biggest part of the job that person was supposed to do was preventative maintenance. In addition, they did not know what this person was accomplishing on a day-in day-out basis. If they wanted to look at costs, this clouded the issue. If they wanted to look at out-sourcing, they could not define the duties to be out-sourced and cut across organizational issues.

Mrs. Brenneman said she was not sure of the purpose of producing the total cost of operation by discrete cost category per school. Mr. Doherty replied that the idea was "whole occupancy cost" which included house service, repair, maintenance, utilities, security, cost of the fixed asset, etc. The value in doing this was the ability to compare like facilities and like processes to gain insights as to how they were doing things differently and the opportunity for improvement. For example, they could have one school where it cost $1.80 per square foot and another one where it was $ .90, and they could look at why this costs differed.

In regard to regulatory accounting on cost reduction, Mr. Abrams said he presumed they were doing the same thing and using regulatory accounting to attribute the savings on a per school basis. Mr. Bozarth explained that they were trying to get to the energy savings that MCPS had done so well which could be applied to next year's energy costs as opposed to using them for something else. Mr. Abrams commented that right now they were doing a system capture, and he asked whether this was tied in with the school-based capture of costs. Mr. Bozarth replied that the recommendation was on regulatory accounting, but it would be folded into the other cost structure to get a clearer picture. Mr. Abrams asked whether the incentive would be the saving which would be used in that school for other purposes, and Mr. Bozarth replied affirmatively.

Ms. Barbara Humpton, IBM Federal Systems Company, said she was proud to be here as a member of the partnership and equally proud to be a parent of a first grader at Rosemont ES. She commended the MCPS administration for wanting to pursue total quality management and for inviting the corporate partners to help them in that pursuit. They were recommending a four-phased approach to implementing total quality in Dr. Rohr's offices to help extend the vision of Success for Every Student so that it would be clearly understood by all administrative support staff.

Ms. Humpton said their recommendations reflected some stumbling blocks they had encountered in implementing TQM in their business. First, MCPS was encouraged to extend SES rather than starting a new program and calling it total quality. The corporate partnership has asked to be allowed to help with the training phase, and currently Marriott was providing training for Dr. Rohr and his staff. In the near future, the staff would be visiting IBM Federal Systems Company for IBM to share its best practices.

Ms. Humpton emphasized that in this journey they needed to be relentless because it was easy to pick the low-hanging fruit. They were recommending that the administration regularly access their total quality system. In this way, MCPS would be able to set higher and higher goals for the system. She commented that managing in TQM was very different from managing according to the old style. It was important for the Board to understand in order to support the efforts of the administration.

Mrs. Brenneman commented that the Board of Education set policy for the school system, but the Board had never discussed or endorsed the idea of total quality management. Some Board members had been trained in TQM, and some others had not. She asked whether the policy makers were in conflict with the administration. Ms. Humpton replied that there could very well be conflict. It was her belief that within any part of a system they could understand and implement TQM, but they would only have success with the entire system based on the support the system provided. She believed they would reap far greater rewards if the policy makers embraced the concepts of TQM.

Mrs. Fanconi suggested that the partnership might want to extend an invitation to the Board to attend training or a seminar. They had spent an afternoon at Xerox which had been an effective introduction because Xerox had provided examples of how TQM could be used in a school system. She commended Dr. Rohr for the work he had done with the partnership. On behalf of the corporate partnership, Ms. Humpton stated that they had been delighted with their interaction with Dr. Rohr.

Mrs. Fanconi commented that school systems tended to be very rigid. It would be a real challenge for MCPS to respond and loosen up and empower people to make their own decisions. Mistakes did happen, and the community was not forgiving of mistakes. Therefore, they would need a lot of help and encouragement. She hoped that the partnership would stick with them because MCPS had limited training funds.

Ms. Gutierrez thought that the most valuable thing in the whole partnership was TQM. She recalled their first breakfast meeting when they talked about what the partnership might be, and almost in unison all the executives had stated that they could not help MCPS unless it helped itself. This was the heart of TQM: continuous process improvement. She had run for the Board on TQM, but in 1990 no one knew what TQM meant. She was delighted to see how much TQM as a philosophy had become part of MCPS. She commended the administrative leadership for their efforts despite the fact that TQM had been developed for the manufacturing sector rather than education. In education, it was easier to translate in operations, and the partnership had examined these areas. There was incredible value in having peers talk to peers and professionals talk to professionals. In the analyses they had used TQM as well in defining the customer in each process. She thought this had been a very fruitful experience, but the key would be for the partnership to continue to share training because TQM required continous training, not one-shot efforts.

Mr. Ewing commented that the discussion of TQM spoke to the need to assess the organization, measurable goals, and management that was fact based. They did not say much about the kind of systematic feedback to the decision makers to make this all work. He thought that sometimes TQM came across as an approach that did not emphasize data as a support for decision making. He asked Ms. Humpton for her views. Ms. Humpton replied that in her organization people felt that TQM was far too measurement driven. Her organization had attempted to establish measurable goals for them to pursue and had asked them to report how they were doing. Many of the corporate partners were suggesting that by changing some data management systems they would be able to better understand whether the school system goals were being achieved. Management by fact was a critical part of TQM. The framework shared by IBM with Dr. Rohr included a very crisp feedback mechanism which looked for information coming back from the school system to assure them they were achieving those goals.

Ms. Sondra Gillice, Guest Services, stated that her area was food services. They had several suggestions. The first one was an incentive compensation for the school-based food service managers who met or exceeded "financial" goals. Now food service managers were budgeted within and carried as an FTE in the budget of food services, but for some reason their reporting relationship was a solid line into the principal. If that individual had a direct reporting relationship into food services and had goals for improving their bottom line even if it meant that losses would be reduced in FARMS schools, the loss could be reduced. They felt there should be a way to build in incentives.

Ms. Gillice reported that they had also talked about having some focus groups involving administrators, teachers, visitors, and students. The groups could be asked what they wanted and what could be done better. Ms. Gillice said they had also talked about enhanced merchandizing of the line, and she was working with Mrs. Brown and her staff. The marketability of products could be increased by such things as bundling or offering a coke, sandwich, and an apple for less than they would cost if purchased individually.

Mr. Abrams commented that this was the one area which really put MCPS on the cutting edge. What he read was that they had a very effectively run food service operation. On the debit card, he thought he had seen a recommendation of a smart card as opposed to using bar code or mag strip. Ms. Gillice replied that both were on the market, and she did not know whether one was preferred over the other. She thought they were getting ready to do a pilot. Mr. Abrams noted that Fairfax was already using the bar code, and he wondered why they had to start with a pilot. Ms. Gillice pointed out that a large capital investment would be required if this were introduced in all schools. Her approach would be to try it in two or three different schools with two or three different kinds of demographic configurations. Mr. Abrams was concerned that they might be re-inventing the wheel here because school systems elsewhere were already using this.

Ms. Gillice stated that she was extremely impressed with the job Mrs. Brown and her staff did. They ran a $21 million enterprise with fewer and fewer resources, an increased population, and an increased FARMS program.

Mrs. Brenneman reported that her elementary school did use a debit card, and it had been working for two or three years. However, this was not formalized with a bar code. Ms. Gutierrez asked if training had been oriented on how to conduct focus groups. Ms. Gillice replied that they had not done that training, but they had looked at customer service training and merchandizing.

Mr. Theodore Urban, Ferris, Baker & Watts, explained that his group looked at educational accountability. They had one core finding which was that the original objective of DEA was not being adequately met. Many functions were cluttered by an excess of routine tasks, and many routine tasks were mandatory and including tests administration, retrieval of records, etc. This meant there was less time available for the evaluation function which was intended as the core of DEA.

Mr. Urban indicated that DEA was an amalgam of unrelated functions. In the audit area, they felt there was too much of a focus on small expenditures. The audit group should look at the larger dollar expenditure areas. The school system dealt with large sums of money and had excellent staff, and the losses had been small. They also felt there should be a greater discipline in terms of the schedule and objectives of the audit team and in the team's communication with the Board. Because of budget cutbacks and the addition of other tasks, many of the objectives of the audit team itself were not always met. It should be the Board's function to set those priorities and to give the audit team greater guidance as to where the Board wanted those resources deployed.

Mr. Urban said that another area in DEA dealt with policy, regulation, and administrative services. This group handled records maintenance, transcript provisions, and the setting of various policies. Their recommendation was that the administrative tasks should be moved out of DEA into some of the support service organizations, and the policy function should be moved to the office of the deputy for instruction. He said that the testing area was one of the more frustrating one. There had been a great proliferation of tests, and test achievement had become the objective rather than the measure of the academic performance. It was also the area that the Board and the school system had the least control over because of state mandates. It was also frustrating because of the time DEA staff had to spend administering the tests and had little time to analyze test results. Testing was also the most closely related area to instructional evaluation which was the core of DEA. It was the area that was probably of the greatest interest to the Board's customers: the students and parents. Because of all the mandatory administrative functions, they felt there was inadequate time for many of the evaluations to be performed. There was less opportunity for Dr. Frankel and his staff to exercise their creativity.

Mr. Urban noted that a very small portion of the budget of MCPS was truly within administration. The greatest portion of the budget was for instruction. If they were concerned about the cost effective use of buses and computers, they should also be equally, if not more concerned, with the cost effectiveness of the instruction provided to students. The data and the means were available for that, but this evaluation was low on DEA's priorities.

Mrs. Fanconi remarked that the Audit Committee had met earlier and had looked at recommendations specific to the committee; however, there were four people in the room and five interpretations of the third recommendation. When they talked about auditing activity funds she wondered if they were suggesting these audits should be done more frequently or have the fund itself hire an accountant. Mr. Urban replied that the recommendation was closer to her last comment. It was not so much the frequency but the fact that these funds involved a small amount of money. They would look for volunteers within the PTA or support system within MCPS for people with an auditing background. These volunteers could provide guidance and do an audit.

Mr. Shulman reported that the group working in the area of communications were not able to attend. Board members and Dr. Vance expressed their appreciation to Mr. Shulman and the members of the partnership. They welcomed the idea of a dinner with the partnership and were awaiting the superintendent's recommendations on the report.

Re: ADJOURNMENT

The president adjourned the meeting at 10:25 p.m.

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PRESIDENT

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SECRETARY

PLV:mlw