

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

July 24, 2013

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, July 24, 2013. In attendance were:

Members: Mr. Philip Kauffman, Chair
 Mr. Christopher Barclay, Member
 Mr. Michael Durso, Member

Staff: Mr. Larry A. Bowers, Chief Operating Officer
 Mrs. Bei (Susan) Chen, Controller, Division of Controller
 Mrs. Susanne DeGraba, Chief Financial Officer
 Mr. Jonathan Gabel, Chief Investment Officer, Chief Financial Office
 Mr. Richard Johnstone, Director, Benefits Strategy and Vendor Relations
 Mr. Thomas P. Klausung, Director, Management, Budget, and Planning
 Mr. Philip McGaughey, Director, Division of Procurement
 Dr. Genevieve L. Floyd, Supervisor, Career and Postsecondary Partnerships
 Mr. Roger Pisha, Supervisor, Internal Audit Unit
 Ms. Laura Steinberg, Staff Assistant, Board of Education

The meeting was called to order by Mr. Philip Kauffman, chair, at 1:05 p.m.

Approval of May 13, 2013 Meeting Minutes

The meeting minutes of May 13, 2013, were approved as submitted.

Temporary Employees and Health Coverage

Staff provided the committee with an update on the future impact of three mandates of the Affordable Health Care Act. The Act requires that temporary employees who work 30 hours/week or 5,060 hours over the same calendar year are provided with health insurance benefits the following year. Processes will be put in place this year to identify those temporary employees who meet the criteria and benefits will be offered beginning in January 2015. Another mandate of the Act allows those employees whose health benefits are greater than 9.5% of their annual salary to have the option to purchase health insurance through the Maryland Health Insurance Exchange. Processes will be developed to inform those who meet those criteria that they have the option. The “Cadillac” tax (high-expense medical plans) will apply to employees who have chosen a high-end benefit plan that supersedes the cap established by the Act. The value over the cap is taxed at 40 percent. Once the tax is in effect in 2018, it could result in a yearly tax liability of between approximately \$5.00 and \$25.00.

Updates***403(b) Task Force***

MCPS maintains 403(b) and 457 retirement plans, with a little over half of MCPS employees actively participating in the 403(b). Staff provided an update on the work of the 403(b) Task Force. The task force, formed in October, has met three times and is focused on looking at ways to improve the voluntary supplemental retirement plan. The group has retained a consultant, Greystone consulting, a nationally creditable group to provide benchmark data. The group is working towards a recommendation about the plan structure to be used to inform the Request For Proposal (RFP) for bid in December 2014 to be effective in 2015. MCPS staff will be back to the Fiscal Management Committee several times during the RFP planning process. A communication memorandum will be sent to all employees in February with any changes to the plans, vendors, and/or offerings.

Transfer of Other Post-Employment Benefits (OPEB) Trust Assets

MCPS staff updated the committee on the transfer of \$42 million of the OPEB trust assets to the counties trust fund. This would be a trust to trust transfer and will streamline efficiency of administration, as well as provide a better ability to invest. From an investment return standpoint, this approach makes sense. The transfer will come back to the committee prior to going to the full Board in September.

Master Lease Renewal and Rate Survey

The director of procurement shared the results of a survey of master lease rates in other districts. When compared with other Local Education Agencies including Anne Arundel, Howard and Fairfax counties, the rates MCPS received are competitive. The committee agreed with the recommendation of staff to extend the \$75 million current master lease with Bank of America for another three years. The bulk of the lease is for buses and information technology. The recommendation will be sent to the Board for approval during the August Board meeting.

FY 2014 Internal Audit Work Plan

MCPS staff provided the committee with the FY 2014 Internal Audit Unit's (IAU) Work Plan. The committee's primary interest remains creating opportunities for the IAU to expand hours available for audits beyond the Independent Activity Funds. There was also interest expressed in considering use of external audits on a more regular basis. Staff agreed to bring back to the committee information about current and anticipated audits.

Maryland Senate Bill 740 – College Readiness and College Completion Act of 2013

Staff provided an update on the projected financial impact on MCPS of the College Readiness and College Completion Act of 2013, SB740, specifically with regard to dual enrollment at Montgomery College. This is a highly beneficial program for highly motivated students. Montgomery College would bill MCPS for 75 percent of the tuition for the first four courses per student. MCPS would in turn be able to bill the parents for 90 percent of the systems bill. Based on last year's dual enrollment data, if schools were able to collect from parents their share of the tuition costs, the expense to MCPS would have been approximately \$27K. However, if those costs were not collected, then the cost would have been approximately \$270K. Staff is working on a process for managing collection of fees and will have to see how it looks over the next year.

Montgomery College has a system in place where an adjunct professor will come to the school if there are at least ten students at a school interested in a particular class. The Maryland Association of Boards of Education is concerned about liability issues involving college instructors coming to a high school environment to teach public school students that are under the supervision of a public school system.

Summary of Actions and Follow-ups

- 1) Staff will bring the 403(b) Task Force's recommended RFP to the committee.
- 2) Staff will update committee on the OPEB trust transfer before bringing to the Board.
- 3) Staff agreed to bring to the committee information about current and anticipated audits.

The meeting adjourned at 2:48 p.m.