

AGENDA ITEM #15
February 2, 2010
Public Hearing/Action

MEMORANDUM

January 29, 2010

TO: County Council

FROM: Essie McGuire, Legislative Analyst 

SUBJECT: **Public Hearing/Action – Supplemental Appropriation to the Montgomery County Public Schools’ FY10 Operating Budget, \$350,000 for the Real Estate Management Fund (Source: Real Estate Management Fund)**

A supplemental appropriation to the Montgomery County Public Schools’ FY10 Operating Budget, \$350,000 for the Real Estate Management Fund is before the County Council for public hearing and action today. The Board of Education transmitted this request on December 4, 2009 (circles 4-6). A draft approval resolution is attached at circles 2-3. The Council introduced this resolution on January 19.

The source of funds for this appropriation is revenue from the Real Estate Management Fund. The County Executive recommends approval of the appropriation (circle 1). This appropriation is necessary for MCPS to distribute revenue from telecommunication tower leases to the affected schools, and to cover a portion of rental costs from the Department of Facilities Management. The additional revenue was realized from an unanticipated increase in the number of tower leases executed in 2009.

Council staff recommends approval of the supplemental appropriation.

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

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Isiah Leggett
County Executive

MEMORANDUM

December 23, 2009

TO: Nancy Floreen, President, County Council
FROM: Isiah Leggett, County Executive *[Signature]*
SUBJECT: Supplemental Appropriation #10-294
FY10 Operating Budget
Montgomery County Public Schools
Real Estate Management Fund
\$350,000

2009 DEC 24 AM 8:06

RECEIVED
MONTGOMERY COUNTY
COUNCIL

On October 26, 2009, the Board of Education (BOE) requested authorization to receive and expend a FY10 supplemental appropriation of \$350,000 in the Real Estate Management (REM) Fund to pay the school revenue share in connection with an unanticipated increase in the number of telecommunication tower leases executed in FY2009 and to redistribute the administrative office lease rental payments from the Department of Facilities Management (DFM) budget to the REM Fund.

According to an approved BOE policy from 1997, schools are rewarded for leasing a portion of their sites to telecommunications companies erecting towers. At the end of 2009 and early 2010, seven new leases were executed, increasing the rental revenue available to the schools. In order to pay the schools this additional revenue, supplemental appropriation authority is needed. Also, since there are increases in expenses for the DFM budget, its administrative office rents can be shifted to the REM Fund, as was done previously. Overall, there are sufficient retained earnings from previous year surpluses in the REM Fund to use for these purposes and retain a reasonable balance.

I recommend that the County Council approve this supplemental appropriation of \$350,000 to pay the school revenue share and to redistribute the administrative office lease rental payments. The source of funds is the Real Estate Management Fund.

IL:bd

Attachments: Supplemental Appropriation #10-294
Request from the Board of Education

Resolution No: _____

Introduced: _____

Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

SUBJECT: Supplemental Appropriation #10-294
FY10 Operating Budget
Montgomery County Public Schools
Real Estate Management Fund
\$350,000

Background

1. Section 5-105(d) of the Education Article of the Annotated Code of Maryland provides for the expenditure of non-local funds by the County Board of Education after adoption of the budget, only with the approval of the County fiscal authority.
2. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
3. The County Executive received the Board of Education's action of October 26, 2009, requesting a supplemental appropriation to the operating budget as follows:

<u>Category</u>	<u>Amount</u>	<u>Funding Source</u>
51 Real Estate Management Fund	<u>\$ 350,000</u>	Real Estate Management Fund

Total \$ 350,000

3. The Board of Education has stated that this appropriation is needed to receive and expend \$350,000 for the Real Estate Management (REM) Fund. According to an approved Board of Education policy from 1997, schools are rewarded for leasing a portion of their sites to telecommunications companies erecting towers. At the end of 2009 and early 2010, seven new leases were executed, increasing the rental revenue available to the schools. In order to pay the schools this additional revenue, supplemental appropriation authority is needed. Also, since there are increases in expenses for the Department of Facilities Management's budget, its administrative office rents can be shifted to the REM Fund, as was done previously. Overall, there are sufficient retained earnings from previous year surpluses in the REM Fund to use for these purposes and retain a reasonable balance.
5. The County Executive recommends a supplemental appropriation to the FY10 Operating Budget of \$350,000 and has specified that the source of funds will be the Real Estate Management Fund.
6. Notice of a public hearing was given, and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the FY10 Operating Budget of the Montgomery County Public Schools is approved as follows:

<u>Category</u>	<u>Amount</u>	<u>Funding Source</u>
51 Real Estate Management Fund	<u>\$ 350,000</u>	Real Estate Management Fund
Total	\$ 350,000	

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

Office of the Superintendent of Schools
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 4, 2009

MEMORANDUM

To: The Honorable Isiah Leggett, County Executive
The Honorable Nancy Floreen, President,
Montgomery County Council

From: Jerry D. Weast, Superintendent of Schools 

Subject: Transmittal of Board of Education Item #3.1.2

Recommended FY 2010 Supplemental Appropriation for Real Estate Management

BOE Meeting Date: October 26, 2009

Amount of Money: \$350,000

Type of Action: Supplemental Appropriation

JDW:LAB:MCS:jp

Attachment

Copy to:

Dr. Spatz

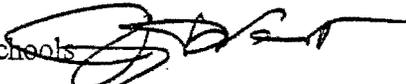
Montgomery County Office of Management and Budget

Office of the Superintendent of Schools
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 26, 2009

MEMORANDUM

To: Members of the Board of Education

From: Jerry D. Weast, Superintendent of Schools 

Subject: Recommended FY 2010 Supplemental Appropriation for Real Estate Management Fund

Recommendation in Brief

Approval is requested to receive and expend, subject to County Council approval, an FY 2010 supplemental appropriation of \$350,000 from the Real Estate Management (REM) Fund. The supplemental appropriation is required to pay the school revenue share in connection with an unanticipated increase in the number of telecommunication tower leases executed in FY 2009 and to redistribute the administrative office lease rental payments from the Department of Facilities Management budget to the Real Estate Management Fund.

Background Information

At the Board's direction, after Policy ECN, *Telecommunications Transmission Facilities*, was approved in November 1997, the superintendent of schools established an equitable process to reward schools for leasing a portion of their sites to telecommunication companies wishing to erect towers. A sharing formula was established that allows the host school to retain one-third of the rental revenue, the feeder schools within that high school cluster to share one-third equally, and the final one-third to be returned to the Real Estate Management Fund. This process was later amended to address consortia, allowing the principal of the host school to distribute one-third to support schools whose students primarily attend the school with the monopole.

In FY 2009, \$265,058 was distributed to schools, which was less than the \$273,451 budgeted. The shortfall was attributed to the slowing economy and, for FY 2010, a modest increase totaling \$267,225 was projected to provide for consumer price index adjustments on existing leases. Seven new telecommunication leases were executed in the latter part of FY 2009 and early FY 2010. The additional leases were primarily due to a shorter approval timeline for targeted collocation opportunities. Additional leases are anticipated for the current fiscal year. The revenue share for distribution to schools attributable to the telecommunications tower rent that will be collected in FY 2010 is projected at \$450,000.

The Real Estate Management Fund traditionally supplements the Department of Facilities Management (DFM) budget with funds to pay administrative office rents. The increase in expenses for other items in the DFM budget, including additional relocatable classrooms needed because of higher enrollment, requires shifting more of the burden to the Real Estate Management Fund. The REM budget for building rentals will increase to \$1,575,426. There are sufficient retained earnings from previous year surpluses in the REM Fund to use for these purposes and retain a reasonable balance for future needs.

Relationship to Ongoing Program

The mission of the REM Fund is to effectively manage the real estate interests of Montgomery County Public Schools (MCPS). This mission and the fund activities are consistent with Goal 5 of the MCPS strategic plan, *Our Call to Action: Pursuit of Excellence*, to provide high quality business services that are essential to the educational success of students.

Use of Funds

This supplemental appropriation will allow for the timely distribution of checks to schools in the current fiscal year. During the period of budget constraints, schools will use these funds to address critical needs. This supplemental appropriation also will provide funds to pay an increased share of administrative office rents and provide relief for the Department of Facilities Management budget.

Recommended Resolution

Resolved, That the superintendent of schools be authorized to receive and expend, subject to County Council approval, an FY 2010 supplemental appropriation of \$350,000 from the net assets of the Real Estate Management Fund.

<u>Category</u>	<u>Amount</u>
51 Real Estate Management Fund	<u>\$ 350,000</u>
Total	<u>\$ 350,000</u>

and be it further

Resolved, That a copy of this resolution be sent to the county executive and County Council; and be it further

Resolved, That the county executive be requested to recommend approval of this resolution to the County Council.

JDW:LAB:MCS:jmt