



The Montgomery County Council of Parent-Teacher Associations

September 28, 2009

Honorable Phil Andrews
President, Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Dear President Andrews:

With more than 50,000 members, MCCPTA's mission is to advocate for the education and welfare of the children of Montgomery County. Our delegates recently adopted a motion concerning the County's Spending Affordability Guidelines ("SAG") for the FY 2011 Capital Budget and FY 2011-16 Capital Improvements Program. On behalf of MCCPTA, I wish to submit these comments consistent with the delegates' motion. Our comments relate exclusively to the SAG applicable to general obligation bonds.

Section 305 of the County Charter requires the Council to set affordability guidelines in October for the upcoming budget discussions. As the Council's agenda packet for its September 22 public hearing emphasized, the guidelines target the amount of bonds that the county can afford, not necessarily the amount that is needed or that will be spent.¹ In setting the guideline for general obligation bonds, our delegates believe that the Council should be mindful of the opportunities that the current economic environment may present, while balancing, as you must, prudent consideration of the bond capacity of the county and its taxpayers. General obligation bonds issued under the SAG last year accounted for 52% of the county's total capital spending. General obligation bonds represented an even higher percentage of the school construction budget: over 65% of the

¹ Memorandum from Glenn Orlin to County Council, Sept. 11, 2009.

\$190 million in CIP expenditures for FY 2010 came from GO bonds.

It is important, therefore, not only that the Council set a limit that will enable the county to satisfy the very real needs for upgrading and expanding school facilities in the coming years, but that you do so in a way that does not threaten the county's fiscal condition.

We believe that the SAG should provide sufficient flexibility to allow the county to pursue opportunities to *accelerate* capital projects that have been planned in the CIP. It appears that the market now is very favorable for bidding of construction projects. In January 2009, Arlington County, Virginia, moved forward with a modernization project for Yorktown High School that, due to what were characterized as "extremely aggressive" bids, was projected to be completed for \$20 million less than originally planned. MCPS officials have informed us that bids recently received are coming in between 15% and 30% below previous projections. The Council should obtain analyses that verify recent experiences with construction bids in the county. If conditions are as favorable as these preliminary indications predict, the county could save significant amounts by bidding and beginning projects earlier than currently planned. We recommend that the Council set a guideline that would allow sufficient flexibility to pursue these opportunities in the spring should conditions remain favorable for construction projects.

Our comments come with two significant caveats. First, if the Council decides to increase the SAG limits above those currently projected, a fair proportion of that increase should be spent on school construction. For many years, the capital needs of the school system have exceeded available funds for school construction. As a result, projects have been delayed and county-wide initiatives for HVAC replacement, roof replacements and others have not expanded to the degree we believe is necessary. If the Council increases the SAG, it should use the extra bond capacity to "catch up" on these projects. To accomplish this, we urge the Council to pledge that schools will continue to receive at least the same percentage of County bond capacity that they have received in recent years.

Second, if the SAG is increased, the additional bond capacity should be used for projects that can maximize cost savings for the County. That is, the SAG limit should be set at an amount that would enable MCPS to accelerate planned addition and modernization projects in order to achieve potential cost savings. By using available funds to accelerate projects, we create a

potential win-win situation: the planned projects can be completed for less than projected, which in turn could free up funds to accomplish additional priorities (such as expanding HVAC replacements or energy-saving upgrades) in the future.

MCCPTA appreciates the opportunity to express our views on the Spending Affordability Guidelines. We look forward to working with the Council to ensure that the upcoming budget accommodates the needs of our schools.

Sincerely,

A handwritten signature in black ink that reads "Kay Romero". The signature is written in a cursive, flowing style.

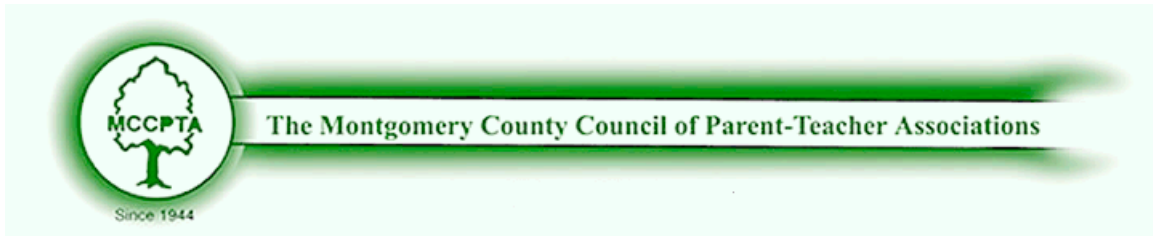
Kay Romero
President, Montgomery County Council of PTAs

Attachments:

MCCPTA Motion Regarding Spending Affordability Guidelines

cc:

Roger Berliner, Montgomery County Council
Marc Elrich, Montgomery County Council
Valerie Ervin, Montgomery County Council
Nancy Floreen, Montgomery County Council
Mike Knapp, Montgomery County Council
George Leventhal, Montgomery County Council
Nancy Navarro, Montgomery County Council
Duchy Trachtenberg, Montgomery County Council



**Motion Regarding Spending Affordability Guidelines
Approved by the MCCPTA Delegates
September 22, 2009**

The Montgomery County Council currently is soliciting comment on the Spending Affordability Guidelines for the FY 2011 Capital Budget and FY 2011-16 Capital Improvements Program. The CIP Committee moves that MCCPTA submit a letter to the Council stating

- (i) that MCCPTA recommends that the Council adopt SAG guidelines that provide sufficient flexibility to pursue opportunities to accelerate capital projects while conditions are favorable, balanced with prudent consideration of the bond capacity of the County and its taxpayers;
- (ii) that schools should continue to receive at least the same percentage of County bond capacity they have received in recent years; and
- (iii) that any increases in the SAG should enable MCPS to accelerate planned addition and modernization projects in order to achieve potential cost savings.