Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 13, 2026

MEMORANDUM

To: Mrs. Ivon Alfonso-Windsor, Chief Financial Officer
Mr. Adnan Mamoon, Chief District Operations
Ms. Andrea L. Swiatocha, Deputy Chief, Division of Facilities Management

From: Mr. Melvin A. Phillips, Supervisor, Internal Audit Unit

Subject: Report on Audit of Fiscal Year 2026 Cell Tower Revenue Distribution

Background

Montgomery County Public Schools (MCPS) generates revenue from telecommunications transmission facilities (cell towers) located on school property in accordance with Board Policy ECN, *Telecommunications Transmission Facilities*. Following the policy's adoption in 1997, at that time, the Board of Education directed the superintendent of schools to develop an equitable way to share the lease revenue collected by MCPS in connection with telecommunication towers at schools. Subsequently, the superintendent of schools at that time approved a sharing formula that provided for one-third of the revenue to be distributed to the host school, one-third to be distributed to the other schools in the cluster, and the final third to be retained within the Real Estate Management Enterprise Fund.

In 2004, the superintendent of schools agreed to a formula modification to address the distribution among consortia schools. An excerpt of the approved recommendation appears below:

The work group recommended that the principal of the school with a cellular monopole on its site be given the responsibility to distribute one-third of the rent to support schools whose students primarily attend the school with the monopole. If, at the discretion of the principal, funds are available for grants to other schools within the consortia, these funds could be allocated to those schools as well.

The 2004 modification changed the recipient population for the host school's one-third share from the formal MCPS "cluster" to a "consortium" identified by the host principal. For purposes of this report, these terms are defined as follows:

Cluster: the administrative grouping of schools tied to a single high school under MCPS boundary policy. A cluster typically consists of the host high school, the middle schools whose attendance areas feed into it, and the elementary schools whose attendance areas feed into those middle schools.

Consortium: the feeder-pattern grouping selected by the host school's principal under the 2004 modification, defined as "schools whose students primarily attend the school with the monopole." In practice, the consortium frequently coincides with the cluster but is not identical to it: the principal exercises discretion in selecting recipients, and a feeder school whose students attend more than one high school can fall within the consortia of multiple monopole-hosting high schools.

Because the policy does not require that a school be included in only one consortium, the same feeder school can receive a distribution from more than one monopole-hosting high school in the same fiscal year.

The school hosting a cell tower is not required to perform any operational, financial, or programmatic activities to generate or sustain this revenue stream. Unlike student-generated funds, which require active participation, fundraising, or event coordination, cell tower revenue is derived solely from the use of district property through lease agreements managed centrally. As a result, the host school receives a financial benefit without a direct effort or contribution tied to the generation of the revenue.

As of April 2026, the MCPS telecommunications lease portfolio consists of 27 active lease agreements across 11 sites (10 schools and the Woodwards Road Future School Site) with seven tenant groups: Verizon Wireless, T-Mobile/Vertical Bridge, DISH Wireless, AT&T (New Cingular Wireless), Crown Castle and CCATT (Crown Castle/American Tower), SBA Communications, and Comcast. Several sites, including Sherwood High School, Northwood High School, and Watkins Mill High School, host multiple tenants on shared sites or towers.

Findings

Finding 1: Inequitable Distribution Among Schools

The IAU noted that the current revenue-sharing methodology results in significant variations in telecommunications lease revenue received among schools. Revenue distribution is driven primarily by the location of telecommunications infrastructure rather than student population, operational need, or other districtwide allocation factors. Because these funds are non–student-generated and may be used for school activities, staff activities, or program support, schools that do not receive cell tower commissions may have fewer discretionary resources. This disparity creates perception risks regarding fairness and transparency in how district-generated revenues are allocated.

Fifteen of the 26 high schools received no cell tower commission of any kind in FY26. High school distributions ranged 30-fold, from Clarksburg HS at $1,836 to Sherwood HS at $56,042. Elementary and middle school distributions ranged 15-fold, from $918 to $13,766. The disparity persists even within the consortium-sharing model: a feeder school in the Northwood consortium receives $5,167, while a comparable feeder school in the Blake consortium receives only $1,640, reflecting the difference in the host high school's underlying lease income rather than any difference in student need.

The variation in distributions is further amplified by the absence of a single-distribution rule in the consortia model. Because the 2004 modification did not require that a feeder school be assigned to only one consortium, a school whose students attend more than one monopole-hosting high school can be included in each of those high schools' consortia lists and receive a separate distribution from each. The IAU identified three elementary schools that received commissions from more than one host high school in FY26:

- Glen Haven Elementary School received $4,034 from the Albert Einstein High School consortium and $5,166 from the Northwood High School consortium, for a combined FY26 commission of $9,200.

- Kemp Mill Elementary School received $5,166 from the Northwood High School consortium and $1,871 from the John F. Kennedy High School consortium, for a combined FY26 commission of $7,037.

- Arcola Elementary School received $5,166 from the Northwood High School consortium and $1,871 from the John F. Kennedy High School consortium, for a combined FY26 commission of $7,037.

Finding 2: Governance and Authorization of Woodwards Road Revenue Allocation Has Not Been Formally Documented

Under Board Policy ECN and the 1997 sharing formula, one-third of the lease revenue from each telecommunications site is retained by the Real Estate Management Enterprise Fund, and two-thirds is distributed to the host school and consortium. The Woodwards Road Future School Site, however, has no operating school and therefore no host or consortium; the entire revenue from the six Woodwards Road leases (AT&T/New Cingular, Comcast, DISH Wireless, SBA Communications, T-Mobile, and Verizon Wireless) is retained 100 percent by the Real Estate Management Enterprise Fund. This amounts to approximately $220,274 in annual revenue that does not enter the school-distribution pool. In the absence of documented authorization, the district may be unable to demonstrate that the current allocation methodology is consistent with Board intent, creating governance and transparency risks.

Finding 3: Contractual Rent Escalations Were Not Fully Applied

The MCPS standard lease language provides that annual rent shall increase by "two and one-half percent (2.5%) over the previous year's rent OR an amount equal to the increase in the Consumer Price Index (CPI-U), whichever is greater." The IAU finds that Real Estate Management (REM) does not maintain a centralized lease administration system that tracks escalation requirements and renewal dates. MCPS applied the minimum contractual escalation rate of 2.5 percent without consistently documenting comparisons to CPI-U, as required by lease agreements. During FY22 through FY25, CPI-U exceeded 2.5 percent in every year, most notably reaching 9.1 percent in June 2022, meaning the lease language required a higher escalator than what was actually billed.

Applying the contractual "greater of" formula to each lease for FY21 through FY25, using the U.S. Bureau of Labor Statistics (BLS) June 12-month CPI-U percent change as the comparison rate, the IAU estimates that MCPS under-collected approximately $200,000 across the portfolio over the five-year period. The $200,000 estimate requires pulling each lease's actual anniversary-month CPI from the Bureau of Labor Statistics, the precise anniversary date for that lease, and reconciling against the rent invoiced and collected by MCPS Finance.

Finding 4: Lease Renewals Were Not Executed Timely

The audit noted that lease contract renewals were not executed timely for T-Mobile and Verizon Wireless. The audit determined that the T-Mobile lease was due for renewal in 2020, but was not actually renewed until 2022. Based on the lease terms, delayed renewals may have resulted in forgone rental revenue and increased the risk that lease terms are not administered in accordance with contractual requirements. The precise financial impact should be calculated and validated by management. The delayed renewals occurred because REM does not maintain a formal contract monitoring process to track lease expiration dates, renewal options, and required renewal actions.

The T-Mobile contract for Springbrook HS missed two consecutive terms before signing the renewal. Similarly, the Magruder High School lease continues to receive the standard 2.5 percent annual escalation despite the absence of a documented lease renewal.

The Verizon Wireless lease at Albert Einstein High School remained in effect beyond its scheduled renewal period, and rent continued to be billed using historical escalation provisions rather than updated renewal terms.

Comcast has not paid the proposed annual rent increases because a formal renewal agreement has not been executed. Comcast has been paying the same monthly rent since January 2024, potentially resulting in lost revenue due to the delay in renewal and failure to enforce the agreement.

Finding 5: Delinquent Tenant Accounts Require Formal Collection and Escalation Procedures

Dish Network has not remitted contractual lease payments since December 2025. As of April 2026, approximately six months of rent totaling $88,724 remained outstanding. REM is unable to collect the monthly rent. The audit noted that existing collection efforts have not resulted in the resolution of the delinquent account and could benefit from formal escalation procedures and defined collection timelines. Based on discussions with REM personnel, REM is sending reminders, and the MCPS legal department is aware of the situation; however, no resolution as of yet.

Recommendations

The IAU recommends that the district develop and implement a revised, more equitable cell tower revenue distribution model. Under the current structure, revenue is largely driven by the location of telecommunications infrastructure rather than school activity, student population, or demonstrated need. This reinforces a location-based advantage that contributes to inequitable outcomes across the district.

As of the date of this report, there was approximately $991,391 in unused funds across 85 schools. On average, schools collectively maintained average year-end balances of approximately $634,000 during the past three fiscal years. This highlights further that funds remain idle across multiple schools, reinforcing the need to reevaluate and revise the current revenue-sharing model to promote more effective and equitable use of these funds.

In addition, the district should establish clear criteria for the use of cell tower revenue at the school level, reducing reliance on discretionary or location-based decisions that may contribute to inconsistent outcomes across schools.

Given that a significant portion of schools do not receive any cell tower revenue, the district should establish a modernized distribution methodology that promotes broader and more equitable access to these funds. Management should evaluate alternative distribution methodologies to determine whether the current allocation model continues to align with district objectives. Alternatives could include revising the host/cluster sharing formula, establishing a baseline allocation methodology, or designating a portion of revenue for districtwide student support initiatives.

IAU recommends that the Real Estate Management Team implement the following corrective actions:

- Implement a formal lease monitoring process that tracks contract expiration dates, renewal options, escalation provisions, and delinquent accounts. Management should establish periodic reviews to ensure timely renewals, accurate rent adjustments, and prompt collection actions.

- Correct the annual escalator going forward and pursue retroactive recovery. REM should immediately implement the contractually required "greater of 2.5% or CPI-U" comparison at each lease anniversary, using the BLS 12-month percent change for the month preceding the anniversary as the lease language requires. For the periods during which the higher CPI rate was not applied, the IAU recommends that the

Division of Legal Services and the Division of Facilities Management evaluate the district's right under each lease to retroactively invoice the difference (estimated at approximately $200,000 across the portfolio), and pursue collection where the lease language and statute of limitations permit. At a minimum, the corrected escalator should be applied at the next 2026 anniversary on every lease to prevent further under-collection.

- Management should establish formal collection escalation thresholds, including legal referral timelines and documentation requirements for delinquent accounts.

- Obtain and retain documentation of the authority for the Real Estate Management Enterprise Fund's 100 percent retention of Woodwards Road Future School Site revenue. Board Policy ECN and the 1997/2004 sharing formulas describe the disposition of telecommunications revenue at a school site, but neither addresses revenue generated at a parcel where no school exists. REM should locate the underlying authorizing instrument. If no such document exists, REM should request a written authorization memorializing the current treatment and specifying the disposition of accumulated Woodwards Road revenue once a school is constructed on the parcel.

No management response is necessary for this report. The Internal Audit Unit will follow up on the status of these recommendations during its next annual audit of the cell tower lease revenue program.

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