

Rochester Board of Education
Finance Committee Meeting
October 20, 2016

Attendance: Commissioner Cruz (Chair); Commissioners Evans (arrived 5:37PM), Powell and White.

Parent Representative: Giancarlo Giannini

District Staff: Lauren Poehlman, Chief Financial Officer; Everton Sewell, Budget Director; Steve Carling, General Counsel; Mike Schmidt, Chief of Operations.

Board Staff: Debra Flanagan

Commissioner Cruz convened the meeting at 5:33PM.

I. Review Minutes of September 20, 2016 Finance Committee Meeting

Motion by Commissioner Powell to approve the minutes of the September 20, 2016 Finance Committee meeting. Seconded by Commissioner White. **Adopted 3-0, with concurrence of Parent Representative.**

II. Review and Discuss September 2016 Financial Report

Lauren Poehlman announced that there have not been any major changes in the District's finances since last month. She stated that NYS funding for community schools is to be determined within the next few weeks, which will enable forecasts to be developed for the 2017-18 budget.

In terms of conducting public forums regarding the District's funding and 2017-18 budget, Ms. Poehlman reported that information will be made available earlier in the budget process, materials will be posted on the District website to be accessible to the public, and a series of forums will be held beginning in December 2016. She stated that the public forums will cover NYS funding, financing school districts, anticipated changes in funding to RCSD, and an overview of the District's budget process. Ms. Poehlman expressed the hope that feedback will be received throughout the budget process, and suggested convening a Work Session with the Board in December for long-range fiscal planning (e.g. 3-5 years). She stated that the budget process will be initiated earlier to facilitate planning and preparation for the upcoming school year. Ms. Poehlman noted that NYS Foundation Aid will be an issue again in the upcoming budget season due to termination of the Gap Elimination Adjustment. She reported that she does not anticipate much change in NYS funding to the District for 2017-18.

Giancarlo Giannini requested that the General Fund and Grant Fund revenue and budget summaries be combined in the Financial Report to facilitate monitoring of the District's overall fiscal condition.

Commissioner Cruz asked whether the requested summary would be cumbersome to provide on a regular basis. Ms. Poehlman replied that she is able to provide this combined summary, if this is the will of the Board.

Action Item: Future Financial Reports will include a summary of the revenue and budget for the General Fund and Grant Fund combined.

Motion by Commissioner Evans to approve the September 2016 Financial Report. Seconded by Commissioner Powell. **Adopted 3-0, with concurrence of Parent Representative.**

III. Review Quarterly Change Order Report for July through September 2016

Motion by Commissioner Powell to approve the Quarterly Change Order Report for July through September 2016. Seconded by Commissioner Evans. **Adopted 3-0, with concurrence of Parent Representative.**

IV. Review and Discuss 2015-16 Annual Student Activity Funds Report

Commissioner Evans inquired whether schools have been complying with financial accounting and reporting practices with Student Activity Funds. Ms. Poehlman responded that additional training is needed for school staff, as there have been issues with schools retaining receipts to account for all expenditures and notifying the Finance Department of fundraising events in advance. She explained that monitoring is difficult when notification is provided after the fact.

Commissioner Evans commented on the importance of fundraisers to support student activities, such as ice cream socials and dances. He expressed concern about the amount of money in Student Activity Funds, which are typically in cash and readily accessible, which presents a high risk for potential mismanagement of funds.

Commissioner Cruz asked about the percentage of schools compliant with accounting and reporting practices. Ms. Poehlman replied that she would have to look into the data and report back to the Committee.

Action Item: Ms. Poehlman will look into the percentage of schools that have been compliant with accounting and reporting procedures for Student Activity Funds, and report this information to the Committee.

Commissioner Cruz discussed the importance of providing training and clear guidelines regarding proper accounting and reporting practices to school staff, but noted that additional consequences may need to be imposed for continued failure to comply after this point, such as freezing a school's Student Activity Funds. He recommended drafting a letter from the Board to school staff to emphasize the importance of proper management of these funds, with an attachment outlining clear guidelines and accounting procedures. Ms. Poehlman asserted that school staff need to understand that compliance is as much for their own safety and protection as it is for District management to ensure proper accounting of all of these funds.

Action Item: Ms. Poehlman will draft a letter from the Board to school staff, including clear guidelines and accounting procedures for Student Activity Funds.

Everton Sewell discussed the need for internal control standards in the District that apply to everyone. Since some items are unique to a particular school, there is a tendency to think that they can be handled in their own way, but a clear set of standards is needed for all schools.

Commissioner Powell recalled that NYS law indicates that students are supposed to manage Student Activity Funds, as a way to promote learning about financial management. She recommended that the officers of student organizations be included in the training that is provided.

Commissioner Cruz stated that compliance issues with these funds offers a teaching opportunity for students and staff.

Motion by Commissioner Powell to approve 2015-16 Student Activity Funds Report. Seconded by Commissioner Evans. **Adopted 3-0, with concurrence of Parent Representative.**

Commissioner Powell questioned the process by which the Board is notified of the Quarterly Report of Contracts amounting to less than \$35K in the fiscal year, and asked whether this report is reviewed by the Finance Committee. Ms. Flanagan replied that this Quarterly Report was distributed to Board members as a policy deliverable, and included in the packets that were sent out last Friday.

Mr. Carling explained that the Quarterly Report of Contracts totaling less than \$35K in the fiscal year is not subject to Board approval, but simply for information. He stated that the Law Department compiles this report, which is provided to the Superintendent, who distributes it to the Board.

Commissioner Evans requested that this report be provided to the Board in the form of a spreadsheet to facilitate calculations.

Action Item: Future Quarterly Reports of Contracts Totaling Less than \$35K for the Fiscal Year will be provided to the Board in the form of a spreadsheet.

V. Discuss Financial Reports & Resolutions Policy (6630)

Commissioner Cruz noted that the existing Financial Reports & Resolutions policy (6630) is under discussion because some purchasing resolutions involving large dollar amounts (i.e. \$100K+) have been presented to the full Board in monthly Business meetings without being vetted first by the Finance Committee.

Steve Carling explained that the current policy stipulates that the Finance Committee will review all budget, finance, and information technology resolutions, and any other resolutions “deemed necessary”. He stated that while the Committee has been reviewing resolutions for purchasing and facilities, this is not specifically included in the policy. Mr. Carling pointed out that the policy can be revised to ensure that these types of resolutions are systematically reviewed by the Committee, in addition to any other types of resolutions that Committee members would like to include.

Commissioner Powell recalled that the specific purchasing resolution that was presented in last month’s Board Business meeting involved a recurring contract, of which there seem to be many.

She stated that she does not understand the rationale for presenting some procurement resolutions to the Finance Committee for review, but not others. Mr. Carling replied that the practice of submitting procurement resolutions to the Finance Committee for review most likely depends on the department's management and their awareness of this practice, particularly since this is not a specific requirement stipulated in the existing policy.

Commissioner Cruz stated that he does not want to expand the review of resolutions by the Finance Committee to the point where this becomes a cumbersome process, but would like to examine the impact of including procurement and facilities resolutions for systematic review. He suggested identifying different options for review of these resolutions, particularly at different dollar thresholds and/or for different types of contracts.

Action Item: Mr. Carling will collaborate with staff in the Finance Department to examine the implications of changing the Finance Reports & Resolutions policy (6630) to include review of procurement and facilities resolutions by the Finance Committee, with information about the impact at different dollar thresholds. He will present this analysis in an upcoming Finance Committee meeting.

Commissioner Evans pointed out that Committee members must first consider the purpose of any additional review of resolutions. He asserted that Board members not serving on the Finance Committee still have an obligation to review and question resolutions with financial implications for the District, which is an essential component of exercising fiscal oversight.

Mr. Carling noted that the Authorization for Contracts policy (6745) requires Board approval for professional service contracts and competitively bid contracts for goods and services of \$35K or more in a fiscal year. Mr. Carling suggested that establishing a \$35K dollar threshold for Finance Committee review of contract resolutions would be consistent with this policy.

Commissioner Powell explained that the provision in the Authorization for Contracts policy requiring Board approval when cumulative expenditures under contracts with the same vendor reach \$35K was established because of concern about suspected past practices of issuing separate contracts with the same vendor just below the dollar threshold to avoid having to obtain the Board's authorization.

VI. Revisions to the 2016-17 Capital Improvement Plan (CIP)

Mike Schmidt announced that the 2016-17 revised CIP contains one significant change: to remove the projects planned for School No. 54, which is housed in the building where the former School No. 30 was located. He explained that the projects for this school are being removed from the Capital Improvement Plan because they will be addressed as part of Phase II of the Facilities Modernization Plan. Mr. Schmidt reported that RCSD is collaborating with the City to revise the final 2016-17 Capital Improvement Plan (CIP). He stated that the hope is to reach a final resolution with the approval of City Council in December. He noted that City Council did not approve the 2015-16 CIP until April last year, which created difficulties for the District in completing the projects on time.

III. Review Resolutions in Preparation for October 27, 2016 Board Business Meeting

A. PROCUREMENT & SUPPLY

1. **Matt Industries, Inc. (dba “Dupli Envelopes & Graphics Corp.”) – contract for purchase of envelopes – Resolution No. 2016-17: 276**
2. **Monroe 2 – Orleans BOCES – cooperative bidding for school lunch paper and plastic supplies – Resolution No. 2016-17: 277**

Motion by Commissioner Evans to address all above Procurement resolutions as a group. Seconded by Commissioner Powell. **Adopted 4-0, with concurrence of Parent Representative.**

Motion by Commissioner Evans to approve all above Procurement resolutions. Seconded by Commissioner Powell. **Adopted 4-0, with concurrence of Parent Representative.**

B. FACILITIES

Final Payments:

1. **TES Environmental Corp. – final payment for air monitoring work in renovating School No. 30 – Resolution No. 2016-17: 278**
2. **TES Environmental Corp. – final payment for air monitoring work in renovating School No. 2 – Resolution No. 2016-17: 279**
3. **Genesee Building Restoration, Inc. – final payment for general construction work in renovating East High School – Resolution No. 2016-17: 280**
4. **Lozier Environmental Consulting, Inc. – final payment for air monitoring work in renovating School No. 29 – Resolution No. 2016-17: 281**
5. **Hewitt Young Electric, LLC – final payment for electrical work in renovating School No. 29 – Resolution No. 2016-17: 282**

Motion by Commissioner Powell to address all above Facilities final payment resolutions as a group. Seconded by Commissioner Evans. **Adopted 4-0, with concurrence of Parent Representative.**

Motion by Commissioner Powell to approve all above Facilities final payment resolutions. Seconded by Commissioner Evans. **Adopted 4-0, with concurrence of Parent Representative.**

Contracts:

6. **Pestech Exterminating, Inc. – contract for pest management services in various locations throughout the District – Resolution No. 2016-17: 283**

7. **IBC Engineering, PC – contract for general engineering services on an as-needed basis for new program or project initiatives and small capital improvement projects – Resolution No. 2016-17: 286**
8. **M/E Engineering, PC – contract for general engineering services on an as-needed basis for new program or project initiatives and small capital improvement projects – Resolution No. 2016-17: 287**
9. **Marathon Engineering of Rochester, PC – contract to provide civil engineering services on an as-needed basis for site improvements, landscape design, feasibility studies, and small capital improvement projects – Resolution No. 2016-17: 288**
10. **SWBR Architecture, Engineering & Landscape Architecture, PC – provide general architectural services on an as-needed basis for new program or project initiatives and small capital improvement projects – Resolution No. 2016-17: 289**
11. **Lozier Environmental Consulting, Inc. – provide general environmental consulting services on an as-needed basis – Resolution No. 2016-17: 290**

Motion by Commissioner Powell to address all above Facilities contract resolutions as a group. Seconded by Commissioner Evans. **Adopted 4-0, with concurrence of Parent Representative.**

Motion by Commissioner Powell to approve all above Facilities contract resolutions. Seconded by Commissioner Evans. **Adopted 4-0, with concurrence of Parent Representative.**

Other:

12. **Submit State Environmental Quality Review Act (SEQRA) documents to the NYS Education Department for various District capital improvement projects – Resolution No. 2016-17: 284**

Motion by Commissioner Powell to approve the above resolution to submit SEQRA documents to the NYS Education Department for specific capital improvement projects. Seconded by Commissioner White. **Adopted 4-0, with concurrence of Parent Representative.**

13. **Request that City Council of the City of Rochester issue \$18M in notes or bonds to finance capital improvements to RCSD school buildings – Resolution No. 2016-17: 285**

Commissioner Powell inquired whether the \$18M in financing from the City is in the form of a Bond Anticipation Note (BAN) or part of the annual CIP request. Mr. Schmidt replied that the requested financing is for CIP projects, and the guidelines issued by City Council last spring have been followed to the letter. He reported that all of the projects are based on the Building Condition Survey,

except for classroom upgrades at the PreK Center and repair of the parapets at School No. 58 to prevent water leaks.

Commissioner Powell asked about the loan payout, noting the two main constraints established by the City of Rochester charter on District financing: 1) limiting the amount borrowed to the amount of debt that was retired in the previous year; 2) limiting the amount to a specified percentage of bonding capacity. She inquired about the dollar thresholds established under these two constraints. Mr. Schmidt responded that the amount of the dollar thresholds will probably be determined in a meeting next Friday (Oct. 28th), which will involve identifying the projects not related to the Facilities Modernization Program and negotiating with the City on the final dollar amount. He stated that this information should be available by the next Finance Committee meeting.

Action Item: Mr. Schmidt will report to the Finance Committee in the November 10th meeting the final dollar threshold established with the City of Rochester for financing the District's 2016-17 Capital Improvement Plan.

Commissioner Powell pointed out that the City unilaterally changed the terms of a resolution that had been mutually agreed upon with the District, and has not held themselves to the same standards. She recalled that the City tried to cut funding for the 2015-16 CIP, even though the District had adhered to all of the requirements. Mr. Schmidt replied that two important discussion points need to be emphasized: 1) Work on buildings is never completed, just as one's home requires ongoing repair and maintenance; 2) Ongoing discussion about facilities to be included in Phase III or IV of the FMP, yet there is no timeframe for obtaining approval by the NYS legislature.

In terms of the need for ongoing repair and maintenance of District buildings, Mr. Schmidt asserted that it is preferable to perform the work on a routine basis and be eligible for reimbursement under NYS Building Aid than to utilize the District's General Fund.

As far as the facilities that might be addressed in Phase III or IV of the FMP, Mr. Schmidt pointed out that many of the buildings included in Phase I were not completed (e.g. School No. 50, Charlotte High School), and a large percentage still need to be addressed. He noted that even if a building is not being utilized on an annual basis for a school, the District still has an obligation to maintain the facility (e.g. a segment of the Jefferson campus, Franklin campus). Mr. Schmidt reported that these facilities are nowhere near the end of their useful life, and will continue to be utilized as swing space for the foreseeable future. He stated that it would be short-sighted to take funding from the FMP to earmark for swing spaces in buildings that will eventually be retired, rather than performing minimal ongoing work to maintain these buildings on a 3-4 year rotation.

Motion by Commissioner Powell to approve the above resolution to request the City of Rochester to issue bonds to finance RCSD capital projects. Seconded by Commissioner Evans. **Adopted 4-0, with concurrence of Parent Representative.**

C. INFORMATION MANAGEMENT & TECHNOLOGY

1. Approval of the RCSD Modified Final Smart Schools Investment Plan – Resolution No. 2016-17: 291

Commissioner Powell asked whether the above resolution addresses the portion of the RCSD Smart Schools grant application that had been rejected (i.e. City-wide WiFi). Mr. Schmidt responded that the entire \$43M in the RCSD Modified Smart Schools Investment Plan is currently under review by the NYS Education Department, including the proposed provision of Internet broadband access to all City residents. He explained that this resolution pertains to \$8.5M of the total \$43M for removal or replacement of transportable classrooms at School Nos. 4, 10, and 16, and will not affect the NYS Education Department review or approval process. Mr. Schmidt noted that other schools have transportable classrooms, but these can be addressed in Phase II of the Facilities Modernization Program. He added that the Smart Schools Bond Act funding allows flexibility to either eliminate transportable classrooms or replace the classroom space by adding classrooms for the PreK program. Mr. Schmidt announced that all of the transportable classrooms will be eliminated, either through the \$8.5M allocated from the Smart Schools Bond Act or Phase II of the Facilities Modernization Program (FMP). He stated that the \$8.5M is being used strategically in schools that need additional assistance, rather than in schools that are already planned for renovation in the FMP.

Commissioner Powell asked whether all of the schools with transportable classrooms have a PreK program. Mr. Schmidt replied that all of these schools have PreK programs, and this aspect of the RCSD Smart Schools Investment Plan has been approved by the NYS Education Department and only requires approval from the Board.

Motion by Commissioner Evans to approve above resolution to modify the RCSD Smart Schools Investment Plan. Seconded by Commissioner Powell.
Adopted 4-0, with concurrence of Parent Representative.

Late Submissions:

1. Amendment of contract with Downey-Goodlein Elevator Corp. for maintenance services to reflect purchase of the company by KONE, Inc.

Motion by Commissioner Powell to approve above resolution to amend the contract to reflect new ownership of Downey-Goodlein Elevator Corporation. Seconded by Commissioner Evans. **Adopted 4-0, with concurrence of Parent Representative.**

2. Contract for Monroe 1 BOCES to provide transportation services to RCSD students with disabilities attending their programs

Motion by Commissioner Evans to approve above resolution for BOCES transportation of RCSD students with disabilities. Seconded by Commissioner Powell. **Adopted 4-0, with concurrence of Parent Representative.**

Meeting adjourned at 6:33PM.