

Rochester Board of Education
Finance Committee Meeting
May 19, 2016

Attendance: Commissioner Cruz (Chair); Commissioners White, Powell (arrived 5:37PM) and Evans (arrived 6:01PM).

Parent Representative: Giancarlo Giannini (arrived 5:35PM).

District Staff: Lauren Poehlman, Chief Financial Officer; Everton Sewell, Budget Director; Annmarie Lehner, Director of Information Management & Technology; Charles Johnson, General Counsel; Mike Schmidt, Chief of School Operations.

Board Staff: Debra Flanagan

Community Members: Tom Renauto, Executive Director of the Rochester Joint Schools Construction Board (RJSCB)

Commissioner Cruz convened the meeting at 5:32PM.

I. Questions & Answers

Commissioner Cruz inquired about significant changes to the District's fiscal status over the last month. Ms. Poehlman reported that two major adjustments have been made to the General Fund: obtaining an interest premium on Bond Anticipation Notes (BANs) and clearing a liability that has been on the books for several years. She noted that these two items have enabled almost \$5.5M to be added to the Fund Balance for 2016-17. Ms. Poehlman explained that a resolution has not been prepared to account for these changes because it is not permissible to increase the General Fund budget based on revenue. She stated that funds will be transferred and grant revenue will be accounted.

Ms. Poehlman recalled that a concern was raised in last month's Finance Committee meeting about the study performed by consultant Barbara Smith, and the lack of response by the Transportation Department to her inquiries. She stated that multiple requests for information from the Transportation Department were not made, and the initial email was lost in a mass of messages. She emphasized that there was no intent on the part of the Transportation Department to ignore requests for information.

II. Review and Discuss Resolutions related to Phase II of the Facilities Modernization Program (FMP)

- 1. Amend agreement between the Rochester City School District, City of Rochester, and Rochester Joint Schools Construction Board to incorporate provisions of Phase II FMP legislation**
- 2. Request for advance funding to support work on Phase II FMP projects; funding will be restored upon issuance of Bond Anticipation Notes (BANs) to finance these projects**

Tom Renauto explained that the existing agreement between RCSD, the City of Rochester, and the Rochester Joint Schools Construction Board (RJSCB) has to be amended to incorporate the provisions of the Phase II legislation for the Facilities Modernization Program (FMP). He noted that the District advanced \$2.7M in seed money for Phase II projects, which was repaid when the City issued Bond Anticipation Notes (BANs). Mr. Renauto stated that the financing and master plan for Phase II have been developed, and the City plans to issue a BAN in July or August to cover the cost of the Monroe High School project. He pointed out that the final Phase II plan is different from the original, and the BAN will be able to cover construction costs for Monroe High School and design and reconstruction of other Phase II projects.

Mr. Renauto reported that the initial \$2.7M in funding advanced by the District has been exhausted, and additional funding is needed to cover costs for four months until the BAN is issued. He stated that the BAN will be for \$32M rather than the \$16M originally requested.

Commissioner Powell requested a copy of the proposed changes to the existing agreement, so that Board members are aware of the specific provisions being requested.

Action Item: A copy of the existing agreement between RCSD, the City of Rochester, and the Rochester Joint Schools Construction Board (RJSCB) will be provided to the members of the Finance Committee, with detail regarding the changes proposed to this agreement.

Commissioner Cruz inquired about potential risk or exposure if the District advances funding for Phase II projects. Mr. Renauto replied that the District would lose the funding if the City does not issue the BAN this summer, and emphasized that funding is being sought only to cover the costs of Phase II projects for the next four months.

Commissioner Powell asked whether the waiver to the State's maximum cost allowance has been resolved. Mr. Renauto responded that his discussions with NYS legislators indicate that the waiver may be approved within the next 1-2 weeks.

Mr. Renauto explained that the financial plan for Phase II of the FMP included a funding and financing schedule to maximize interest and extend the City's BAN. He stated that the municipal agreement will have to be modified to ensure that the City repays the District for the advance in funding.

Commissioner White questioned where the advance funding is coming from in the District. Ms. Poehlman clarified that these funds are not included in the budget, and would be considered a loan. She reported that the District is currently in a good cash position at this point, which will enable advance funding to be provided for these projects over the summer. Mr. Renauto added that a bond will be issued in February 2017 to finance Phase II projects, and these projects cannot begin without the advance funding.

Commissioner Powell inquired about the necessity to amend the existing municipal agreement. Mr. Renauto replied that the dollar amounts have changed under Phase II, and the \$7.3M requested in advance funding will only cover project costs until August 2016.

Commissioner Powell asked about the possibility of slowing the pace of work on the Phase II projects until further information is available about the State approving the waiver of the

maximum cost allowance for these projects. Ms. Poehlman responded that work could proceed at this point, and delays could result in additional costs. Chuck Johnson explained that the municipal agreement is necessary to ensure that the District is repaid for the \$2.7M that has already been advanced and for the \$7.3M in advance funding that is being requested.

Commissioner White questioned approving a resolution to advance funding before the revised agreement has been signed to ensure repayment to the District.

Commissioner Cruz suggested amending the resolution regarding the District advancing funding for Phase II projects to stipulate that this funding is contingent upon adoption of the amended municipal agreement.

Motion by Commissioner Evans to amend resolution to state that the District will only advance funding for Phase II FMP projects after the City of Rochester has adopted the amended municipal agreement. Seconded by Commissioner White. **Adopted 3-0, without concurrence of Parent Representative.**

Action Item: The above resolution regarding the District advancing funding to support Phase II FMP projects will be amended to stipulate that the funding will be provided contingent upon adoption of the amended municipal agreement by the Board of Education and the City of Rochester.

Commissioner Powell pointed to prior concerns regarding municipal agreements, noting that the City of Rochester has made unilateral decisions in the past in conflict with the existing agreement with the District (e.g. restriction on the amount that the District can borrow to the amount of debt retired during the fiscal year). She recommended amending the proposed municipal agreement to state that Bond Anticipation Notes (BANs) will be issued only to cover the costs of Phase II FMP projects.

Mr. Giannini stated that he would not vote in favor of either of the proposed resolutions because providing advance funding without having an amended agreement in place to ensure repayment contradicts sound business principles.

Action Item: The amended municipal agreement will include a statement that the City of Rochester will only issue Bond Anticipation Notes (BANs) to cover the costs of Phase II FMP projects.

Motion by Commissioner Evans to approve the above resolution regarding the District advancing funds to cover the cost of Phase II FMP projects, contingent upon the amendment that the funding only be provided after the municipal agreement has been approved by all parties. Seconded by Commissioner White. **Adopted 3-0, without concurrence of Parent Representative.**

III. Review and Approve Minutes of April 21, 2016 Finance Committee Meeting

Motion by Commissioner Evans to approve the minutes of the April 21, 2016 Finance Committee meeting. Seconded by Commissioner Powell. **Adopted 3-0, with concurrence of Parent Representative.**

IV. Review and Discuss April 2016 Financial Report

Everton Sewell reviewed the major changes contained in the April 2016 Financial Report:

- Net increase in General Fund revenue of approximately \$9.3M since the last budget amendment in March 2016 as a result of an increase in prior year refund (\$3M); reclassification of a Contract for Excellence transaction from a liability to revenue based on advice of external auditors (\$2.9M); and additional interest earnings of almost \$2.7M from BAN and bond sales for FMP projects.
- Net increase in grant revenue of \$2.7M since last budget amendment in March 2016, primarily due to federal grants (\$3.5M). The revenue from federal grants was offset by loss of almost \$900K in grant funding for Charlotte High School due to closure of the school at the end of the current school year.
- Increase in School Food Services Fund of approximately \$1.2M due to increase in federal reduced price reimbursement increase from serving more meals to students than anticipated. An additional \$1.2M will be taken from the Fund Balance to purchase equipment for hybrid kitchens in schools.
- The net increase to the overall 2015-16 RCSD budget amounts to approximately \$9.3M since the last budget amendment was approved in March 2016.

Commissioner Powell inquired about the length of time that the funds in the Fund Balance have been carried over to the next year. Mr. Sewell reported that these funds have accumulated over approximately the last three years.

Commissioner Cruz observed that the District seems to have a great deal of outstanding revenue, and asked about the extent to which this is due to the timing of expenditures. Mr. Sewell confirmed that this situation reflects a difference in timing between receipt of revenue and payment of funds. He noted that a number of substantial payments are scheduled in the near future.

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

V. Review Resolutions in Preparation for May 26, 2016 Board Business Meeting

A. PROCUREMENT & SUPPLY

1. Request to modify transportation contracts to align with the period of service recommended by the NYS Education Department Transportation Unit: Resolution No. 2015-16: 746

Commissioner Powell inquired whether the change in the effective dates for the transportation contracts will lead to a cost adjustment on a pro rata basis. Tim Schmandt replied that only the dates of the contract have to be changed to correct an error from last year. He stated that the dates for transportation contracts have to be aligned with the school year and the term for summer programs in order to receive reimbursement from the State under Transportation Aid.

Motion by Commissioner Evans to approve above resolution to amend transportation contracts. Seconded by Commissioner Powell. **Adopted 3-0, with concurrence of Parent Representative.**

B. FACILITIES

Contracts:

1. **Steve General Contractor, Inc. – site work; Kuitems construction, Inc. – general construction work - renovation of School No. 3: Resolution No. 2015-16: 747**
2. **UDN, Inc. – general construction work; Concord Electric Corp. – electrical work – renovation of School No. 4: Resolution No. 2015-16: 748**
3. **UDN, Inc. – general construction work; Pipitone Enterprises, LLC – HVAC work; Michael Al. Ferraulo Plumbing & Heating, Inc. – plumbing work; Eastcoast Electric, LLC – electrical work; Lozier Environmental Consulting, Inc. – air monitoring work – renovations to School No. 9 and Baden Street Recreation Center: Resolution No. 2015-16: 749**
4. **Genesee Building Restoration, Inc. – general construction work; Pipitone Enterprises, LLC – HVAC work; Lloyd Mechanical Co. – plumbing and fire protection work; Concord Electric Corp. – electrical work – renovations to the School Without Walls Commencement Academy: Resolution No. 2015-16: 750**
5. **SSM & RC, Inc. (dba “Spring Sheet Metal & Roofing”) – roofing work; Seneca Roadways, Inc. – site work – renovations to the Marshall Educational Campus: Resolution No. 2015-16: 751**
6. **Eastcoast Electric, LLC – electrical work – renovations involved in Phase VI of the District-wide Security project: Resolution No. 2015-16: 752**

Motion by Commissioner Evans to address all above Facilities contract resolutions as a group. Seconded by Commissioner Powell. **Adopted 3-0, with concurrence of Parent Representative.**

Commissioner Powell inquired whether the costs incurred for electrical work in renovating the Baden Street Recreation Center would be fully reimbursed under NYS Building Aid (Resolution No. 2015-16: 749). Mike Schmidt replied that all of these costs are eligible for reimbursement, as long as the facility is used for the District’s instructional purposes.

Motion by Commissioner Powell to approve all above Facilities contract resolutions. Seconded by Commissioner Evans. **Adopted 3-0, with concurrence of Parent Representative.**

Final Payments:

7. **Thurston Dudek, LLC – final payment for plumbing work in renovating the Jefferson Educational Campus: Resolution No. 2015-16: 753**
8. **UDN, Inc. – final payment for general construction work in renovating School No. 30: Resolution No. 2015-16: 754**
9. **Titan Development, Inc. – final payment for general construction work in renovating School No. 23: Resolution No. 2015-16: 755**
10. **Epic Contracting of Orchard Park, Inc. – final payment for asbestos abatement work in renovating School No. 3: Resolution No. 2015-16: 756**
11. **Pipitone Enterprises, LLC – final payment for mechanical work in renovating School No. 39: Resolution No. 757**
12. **Lozier Environmental Consulting, Inc. – final payment for air monitoring work in renovating Wilson Commencement Academy: Resolution No. 2015-16: 758**
13. **Lloyd Mechanical Co., LLC – final payment for plumbing work in renovating School No. 29: Resolution No. 2015-16: 759**
14. **DiPasquale Construction – final payment for general construction work in renovating School No. 52: Resolution No. 2015-16: 760**
15. **Steve General Contractor, Inc. – final payment for general construction work in renovating East High School: Resolution No. 2015-16: 761**

Motion by Commissioner Evans to address all above Facilities final payment resolutions as a group. Seconded by Commissioner Powell. **Adopted 3-0, with concurrence of Parent Representative.**

Motion by Commissioner Evans to approve all above Facilities final payment resolutions. Seconded by Commissioner Powell. **Adopted 3-0, with concurrence of Parent Representative.**

C. INFORMATION MANAGEMENT & TECHNOLOGY

1. **Agreement between the City of Rochester and the Rochester City School District regarding provision of city-wide broadband service to city residents: Resolution No. 2015-16: 762**

Annmarie Lehner reported that all of the elements are being put in place to enable the District to begin work as soon as the New NY Broadband grant application has been approved. She stated that the agreement with the City of Rochester is currently being formalized.

Commissioner Powell recalled that a comprehensive presentation had been given on this initiative in a previous Finance Committee meeting, in which use of City libraries was discussed as a potential hub for broadband service. She asked whether consideration has been given to expanding the broadband network to other facilities (e.g. the Robach Center).

Commissioner Cruz inquired whether the City of Rochester will be contributing funds for this initiative. Ms. Lehner replied that funding is being sought through the New NY Broadband grant and from vendors, with maintenance costs to be covered by the City of Rochester. She stated that the District plans to collaborate with the City in developing the Request for Proposal (RFP), selection criteria, and selection of a vendor. Ms. Lehner explained that the vendor will be expected to contribute toward a percentage of the costs because City-wide broadband service will generate revenue. She stated that the Smart Schools grant will provide \$6M, and the District will be expected to match that funding. Ms. Lehner noted that the District hopes to cover some of the cost of the matching funds through the New NY Broadband grant.

Commissioner Powell recalled suggesting including Monroe County facilities in the broadband network to cover the gap in the south part of the City. Ms. Lehner explained that the City of Rochester and Monroe County recently released an RFP to study the extent and condition of the existing fiber network in the County. She stated that the District does not use any of the County's fiber network and has been paying a private vendor for use of their network (Fibertech). While the District would prefer to utilize the County's existing network, further investigation is needed to determine the extent of the network and its current condition.

Commissioner Powell pointed out that the change in leadership in the County Executive has halted the feasibility study of the County's network. She suggested encouraging the County to respond to the RFP to provide City-wide broadband service and also realize additional revenue.

Ms. Lehner added that this initiative will lead to free WiFi service for all City residents, and recent interviews with local business owners indicated a significant interest in participating.

Motion by Commissioner Powell to approve above Information Management & Technology resolution for City-wide broadband service. Seconded by Commissioner Evans. **Adopted 3-0, with concurrence of Parent Representative.**

Meeting adjourned at 6:21PM.