

**Rochester Board of Education  
Finance Committee  
August 24, 2015**

**Attendance:** Commissioner Cruz (Chair); Commissioners Evans and White; Commissioner Powell absent due to a scheduling conflict.

District Staff: Superintendent Vargas; Bill Ansbro, Chief Financial Officer; Everton Sewell, Budget Director; Annmarie Lehner, Director of Information Management & Technology; Chris Hoch, Human Capital Initiatives.

Parent Representative: Giancarlo Giannini absent due to a scheduling conflict.

Board Staff: Debra Flanagan.

Commissioner Cruz convened the meeting at 6:27PM, requesting a motion to change the order of items on the agenda to first address the proposed agreement with IBM to conduct an organizational design study of the Student Placement and Information Management & Technology departments (Resolution No. 2015-16: 149).

**Motion** by Commissioner Evans to change the order of the agenda; seconded by Commissioner White. **Adopted 3-0.**

**I. Discuss Resolution No. 2015-16: 149 regarding Proposed Agreement with IBM to Conduct an Organizational Design Study of the Student Placement and Information Management & Technology Departments**

**1. International Business Machines Corporation – agreement to perform a comprehensive organization design study of the Student Equity and Placement unit and the Information Management & Technology function – Resolution No. 2015-16: 149**

Superintendent Vargas noted that this is not the first time that a proposal has been discussed to generate efficiencies/cost savings to bring additional resources into the classroom. He asserted that the need is even more imperative at this time, with ten schools required to demonstrate considerable improvement in the next two years to avoid being placed under external receivership. Dr. Vargas explained that NYS funding was provided to assist the schools at risk for external receivership in one year, but not for schools that have two years to improve. He referred to the proposed agreement with IBM as an opportunity to have a renowned firm identify cost savings opportunities and recommendations, which would be presented to the Board when the study has been completed.

Bill Ansbro added that the study would be funded through the NYS Management Efficiency Grant. Dr. Vargas stated that these grant funds are to be used specifically for generating cost efficiencies so that additional resources can be provided to schools, and the District was determined to be qualified for the grant because greater resources have been shifted to schools over the last several years.

Commissioner Cruz questioned whether this is the only possible use of the NYS Management Efficiency Grant funds, and the source of funding for implementing the recommendations from the study. The Superintendent replied that the efficiencies identified by the study would cover implementation costs.

Commissioner White raised concerns regarding the Administration presenting a resolution to the Finance Committee and to the Board, which the Board had tabled earlier this year (January 22, 2015 Business Meeting – Resolution No. 2014-15: 441). He asked about examining cost efficiencies in other departments that are closer to the schools, such as Transportation or Food Services.

Superintendent Vargas asserted that his assessment indicates that the Student Placement and Information Management & Technology departments have the greatest potential for generating cost efficiencies. He stated that all Central Office departments/functions could be examined, but this would lead to radical changes. Dr. Vargas discussed the fact that the Rochester City School District has had too many administrators and bureaucratic layers, compared to the other large urban districts in New York and across the nation.

Commissioner White commented that he would be amenable to conducting a comprehensive study of all Central Office departments/functions, as he has repeatedly heard reports of redundancy and waste throughout the organization at this level. He objected to confining the scope of the study to two departments, questioning the potential value and cost savings that could result.

Commissioner Evans questioned the need to contract with an outside firm to identify potential efficiencies and cost savings, noting that the District has a great deal of expertise internally to conduct this study (e.g. the Finance Department). He pointed out that an internal study would also enable the District to act quickly to implement recommendations and realize cost savings. Commissioner Evans also expressed concern about limiting the scope of the study to two departments, noting that assumptions cannot be made that all other departments are operating efficiently. He asked how the Student Placement and IM&T departments were chosen to be the subjects of the proposed study.

The Superintendent stated that the Student Placement and IM&T departments were chosen for the organizational design study based on the District's internal assessment and information from other districts that cost savings have been attained in these two areas. He emphasized the importance of having a neutral third-party conduct the review of these departments, particularly since IBM has the expertise and funding is available under the NYS Management Efficiency grant.

Commissioner Evans stated that the District has hired a number of consultants in the past to identify efficiencies and expended a great deal on these types of studies, one of the largest and most costly being the study conducted by McKinsey & Company, Inc. from August 2013 through October 2014. He asked about the report and recommendations generated from this study.

Mr. Ansbrow replied that the intent with the McKinsey & Company, Inc. study was to build capacity, identify priorities to boost student achievement, and reduce the structural budget gap.

Commissioner Evans again requested information regarding the recommendations from the study performed by McKinsey & Company, Inc. Superintendent Vargas replied that their recommendations enabled the District to implement strategies for adding Reading, Art, and Music Teachers while closing the budget gap.

Commissioner Evans contended that McKinsey & Company, Inc. and other consultants have been used to produce the same recommendations as those supported by the Superintendent. He stated that the Superintendent should simply present his ideas for generating efficiencies, rather than paying a third party to justify this for him.

Commissioner White focused on parliamentary procedure and presenting the same or similar resolution to the Board, after the resolution has been tabled. He stated that he does not know that there is adequate support for the resolution at this point among Board members, and advised the Superintendent to revise the resolution to include an evaluation of all departments/functions in the Central Office.

Superintendent Vargas stated that he would be happy to review the entire Central Office organization, particularly to fund priorities in educating children in the District. He noted that a more comprehensive evaluation of the entire Central Office would also be more even-handed than focusing on two departments.

Commissioner Cruz questioned whether the bidding process would have to be done again in light of the substantial change in the scope of work. Superintendent Vargas stated that he is uncertain about reissuing the RFI and conducting another bidding process because of the urgency of the need in receivership schools.

Commissioner White contended that a review of the entire Central Office organization is a substantial change from the original RFI, and he would not want this to be incorporated into the contract with IBM as an “add on” because the more comprehensive evaluation will require a fundamentally different skill set. He stated that selecting IBM made sense with the more limited study of IM&T functions, but not with such a substantial expansion in the scope to all Central Office functions.

Commissioner Cruz concurred, noting that review of all Central Office departments/functions involves different types of expertise and therefore the proposal to conduct a comprehensive study should be re-bid.

The Superintendent reported that the funds from the NYS Management Efficiency Grant must be spent by October 2015, which could be accomplished with the Board’s support.

Commissioner White contended that a thorough evaluation of all Central Office functions cannot be performed in one month. He acknowledged the sense of urgency in finding additional resources to support schools that have two years to realize substantial improvement, and asked about conducting this review using the talent of in-house staff.

The Superintendent disagreed that a study of Central Office could not be done in one month, pointing out the cost savings generated from identifying individuals ineligible for health insurance coverage within a period of two weeks. He pointed out that a third party needed to perform this work to justify the recommendations to the collective bargaining units. Superintendent Vargas stated that he would normally support a review of Central Office to identify potential cost savings in a more gradual way, but there is a sense of urgency with the receivership schools.

Commissioner Cruz concurred with Superintendent Vargas regarding the value of having an independent third party conduct a review of Central Office operations, noting that this type of review would be of greater value than simply focusing on two departments.

**Action Item: Committee members advised Superintendent Vargas to revise the proposed resolution (Resolution No. 2015-16: 149) to encompass review of all Central Office departments and functions to identify potential efficiencies and cost savings. Committee members also advised re-bidding for this contract to ensure that a firm is selected with the expertise to perform the more comprehensive review.**

## **II. Review and Discuss Minutes of July 16, 2015 Finance Committee Meeting**

**Motion** by Commissioner Evans to approve the minutes of the July 16<sup>th</sup> Finance Committee meeting. Seconded by Commissioner White. **Adopted 3-0.**

## **III. Review and Discuss June 2015 Financial Report and Proposed Amendments to 2014-15 RCSD Budget**

- 1. Amend 2014-15 General Fund Budget – Resolution No. 2015-16: 134**
- 2. Amend 2014-15 Special Aid Grant Fund Budget – Resolution No. 2015-16: 135**
- 3. Amend 2014-15 School Food Service Fund Budget – Resolution No. 2015-16: 136**
- 4. Amend 2014-15 RCSD Budget – Resolution No. 2015-16: 137**

Everton Sewell provided a handout regarding the major factors leading to the proposed amendments to the 2014-15 RCSD budget. He noted that the amendments are needed to close out the 2014-15 fiscal year, which will be completed by the end of August in preparation for review by external auditors in September.

Commissioner Evans inquired when the July and August 2015 Financial Reports will be provided to the Board. Mr. Sewell replied that these Financial Reports will be presented to the Finance Committee and to the full Board in September 2015.

Below are the highlights of Mr. Sewell's presentation regarding the proposed 2014-15 budget amendments:

- Anticipate ending the 2014-15 fiscal year with a \$3-4M surplus, which will be returned to the Fund Balance
- Overall revenue to the District increased by \$3.45M since the last budget amendment in June 2015

- General Fund revenue declined by approximately \$1.2M, due to reductions in Special Education Public High Cost Aid, Transportation Aid, and federal Medicaid reimbursements. The reduction in Medicaid reimbursement is due to services being provided to students before parental consent forms were signed. Mr. Sewell discussed the difficulties experienced by the District in obtaining parents' signatures on these forms.
- Special Aid Grant Revenue increased by almost \$4M, primarily as a result of federal Title I and Title IIA rollover grants and new local grants.
- School Food Services revenue increased by approximately \$665K due to additional students qualifying for free and reduced-price meals

Mr. Sewell also reported a reduction in staffing of 8.5 FTE, with 5.5FTE from Administrators and 3.0FTE from Civil Service positions. However, expenditures increased for salaries and benefits due to stipends for professional development, TIF incentives, summer school, and other summer work. Mr. Sewell also noted that expenditures increased for Facilities as a result of equipment purchases in Food Services for hybrid kitchens, refrigerated delivery trucks, and the Central Kitchen. In addition, there were higher expenditures for sports equipment throughout the District and equipment/supplies for the Optics program at East High School. He also reported that grant disallowances had increased under the NYS Strengthening Teacher Leader Effectiveness grant.

**Motion** by Commissioner Evans to approve June 2015 Financial Report and amendments to the 2014-15 RCSD budget. Seconded by Commissioner White. **Adopted 3-0.**

### **III. Review Resolutions in Preparation for August 27, 2015 Board Business Meeting**

#### **A. PROCUREMENT & SUPPLY**

1. **A. Daigger & Co. (dba "ETA hand2mind"); Fisher Scientific Company, LLC (Fisher Science Education Business Unit); Frey Scientific, a division of Delta Education, LLC, a School Specialty Co., Inc.; Aristotle Corporation (dba "Nasco"); VWR International, LLC (dba "Sargent Welch"); VWR International, LLC (dba "Ward's Science"); Vernier Software & Technology, LLC; Delta Education, LLC, a School Specialty Inc. Co. – contracts to purchase science equipment and supplies for various locations in the District – Resolution No. 2015-16: 138**
2. **D&H Distributing Company – contract extension to purchase graphic and science calculators for math and science instruction for various locations in the District – Resolution No. 2015-16: 139**
3. **A. Daigger & Co., Inc. (dba "ETA hand2mind"); Cascade School Supplies; Community Products, LLC (dba "Community Playthings"); Constructive Playthings; Follett Library Resources, Inc.; Kaplan Early Learning Company; Lakeshore Equipment Educational Systems, Inc.; Nasco; Really Good Stuff; School Specialty Corporation – contract extensions to purchase early childhood learning material, supplies and equipment for various locations in the District – Resolution No. 2015-16: 140**

**Motion** by Commissioner Evans to address all above Procurement resolutions as a group. Seconded by Commissioner White. **Adopted 3-0.**

**Motion** by Commissioner Evans to approve all above Procurement resolutions. Seconded by Commissioner White. **Adopted 3-0.**

## **B. FACILITIES**

### **Final Payments:**

1. **Bell Mechanical Contractor, Inc. – final payment for HVAC work in renovating School No. 23 – Resolution No. 2015-16: 141**
2. **Bell Mechanical Contractor, Inc. – final payment for HVAC work in renovating School No. 8 – Resolution No. 2015-16: 142**
3. **Massa Construction, Inc. – final payment for general construction work in renovating School No. 19 – Resolution No. 2015-16: 143**
4. **Massa Construction, Inc. – final payment for general construction work in renovating School No. 30 – Resolution No. 2015-16: 144**
5. **Thurston Dudek, LLC – final payment for plumbing work in renovating East High School – Resolution No. 2015-16: 145**
6. **Pipitone Enterprises, LLC – final payment for HVAC work in renovating School No. 41 – Resolution No. 2015-16: 146**
7. **Pipitone Enterprises, LLC – final payment for HVAC work in renovating School No. 19 – Resolution No. 2015-16: 147**

**Motion** by Commissioner Evans to address all above Facilities final payment resolutions as a group. Seconded by Commissioner White. **Adopted 3-0.**

**Motion** by Commissioner Evans to approve all above Facilities final payment resolutions. Seconded by Commissioner White. **Adopted 3-0.**

### **Other:**

8. **University of Rochester, Memorial Art Gallery – agreement to use the grounds adjacent to the Memorial Art Gallery for physical education activities for students of the School of the Arts – Resolution No. 2015-16: 148**

**Motion** by Commissioner Evans to approve above resolution for an agreement with the Memorial Art Gallery to use the grounds for physical education for students of the School of the Arts. Seconded by Commissioner White. **Adopted 3-0.**

**Late Submission:**

- 9. Dewolff Epic, LLC – resolution to enter into exclusive negotiations with Dewolff Epic, LLC, as the firm recommended by the Rochester Joint School Construction Board Selection Committee to serve as the Program Manager for Phase 2 of the Facilities Modernization Program – Resolution No. 2015-16: 174.**

Mr. Ansbrow explained that a new Program Manager was required for Phase 2 of the Facilities Modernization Program, and Dewolff Epic, LLC was recommended by the Rochester Joint School Construction Board (RJSCB) Selection Committee. He noted that the resolution is to authorize the RJSCB Selection Committee to enter into exclusive negotiations with this firm, and a similar resolution will have to be approved by City Council and the full RJSCB. Mr. Ansbrow offered to share the references provided by Dewolff Epic, LLC, to perform this work.

Commissioner Cruz asked about the timeline for approving this resolution. Mr. Ansbrow replied that City Council did not receive the resolution in time to address it in their August meeting, and agreed to take up the resolution in their September meeting if the Board of Education approves it in the August Business meeting. He clarified that negotiations will begin after authorization has been obtained from the Board and from the City, and the proposed contract will be presented for approval after negotiations have concluded.

**Motion** by Commissioner Evans to approve above resolution to enter into exclusive negotiations with Dewolff Epic, LLC regarding serving as the Program Manager for Phase 2 of the Facilities Modernization Program. Seconded by Commissioner White. **Adopted 3-0.**

**IV. Follow-Up Items:**

- 1. Summary/Overview Report and Review of Bids Received to RFP for Workers' Compensation Program**

Chris Hoch described the RFP process and selection of a firm to serve as the District's third-party administrator for the Workers' Compensation program. He stated that the District worked with a consultant to create a different approach to the RFP process, and the information/criteria set forth in the RFP was developed by a cross-functional team. The team included representatives from Human Capital Initiatives, Facilities and the Purchasing Department.

Mr. Hoch reported that five responses were received to the RFP, and pre-conferences were conducted to provide more detailed information and to respond to questions. He stated that the proposals were evaluated based on a set of rubrics and interviews regarding the services to be provided, information technology of the vendor, and customer service. Mr. Hoch announced that POMCO, Inc. was selected out of the two finalists because of additional services offered in having an on-site adjuster and nurse case management for all Workers' Compensation cases to assist injured workers and facilitate their return to work. He added

that POMCO, Inc. has also provided 60 hours of loss prevention and risk control, including ergonomic assessments and safety audits to reduce the incidence of employee injuries. Mr. Hoch stated that the flat fee of \$284K paid under the current contract with POMCO, Inc. is significantly less than the District's annual cost for the last five years.

Commissioner White commended District staff for conducting an analysis to identify preventive measures to reduce costs, improve worker safety, and decrease liability.

## **2. Guidelines and Plans for Use of NYS Smart Schools Bond Funding**

Annmarie Lehner reported that the District is eligible to receive over \$47M in funding through the NYS Smart Schools Bond program, and a number of levels of approval are required at the state and local level. She stated that the State will reimburse the District for eligible expenses under this program, and there is no time limit for using these funds.

A Planning Team has been convened, and held their first meeting last week. Ms. Lehner noted that the Team includes top-level District management, as well as principals, parents, students, and a representative from SUNY. She explained that the Planning Team will develop a Smart Schools Investment Plan, with input from stakeholders. After the Plan has been finalized, Ms. Lehner stated that approval will be needed from the Board of Education, NYS Education Department, and Smart School Review Board (comprised of the NYS Education Commissioner, SUNY Chancellor, and NYS Budget Director).

Ms. Lehner explained that the Superintendent has outlined the following guidelines for the District's Smart Schools Investment Plan:

- The Plan must be sustainable beyond the term of the Smart Schools Bond funding
- Pursue a reduction in the use of transportable PreK classrooms in buildings in which the District has made a long-term commitment, and after maximizing Building Aid
- Invest in instructional technology that will increase student achievement and support the District Action Plan
- Maximize leverage of outside resources

Ms. Lehner stated that the Planning Team intends to meet with various stakeholders throughout August and September, identify linkages with the Facilities Modernization Program, present the District's Smart Schools Investment Plan to the Board in November, and submit the Plan to the NYS Education Department for approval by December 1, 2015.

Ms. Lehner announced that the District is also considering submitting a grant application to the NYS Broadband Office to request funding to expand Internet access to all residents of the City of Rochester, with the possibility of using matching funds under the Smart Schools Investment Plan. She stated that this potential for matching funds under Smart Schools will require further examination.

Ms. Lehner explained that a Feasibility Study will be conducted to determine the most effective and efficient way to expand Internet access throughout the City, and an RFP has

been issued to solicit bids for conducting this study. The Feasibility Study will be performed in September and October 2015, and involve:

- Identifying all existing networks within the City;
- Gap analysis to indicate necessary upgrades and associated costs;
- Locating available funding sources to implement a City-wide network;
- Identifying revenue streams to sustain the expanded network; and
- A phased timeline for implementation

Ms. Lehner stated that the project will begin in early 2016, if it is pursued and pending approval from the NYS Education Department.

Commissioner Cruz inquired about cities that have already established community-wide Internet access. Ms. Lehner replied that a number of cities have already accomplished expansion of broadband access to their residents, and the Feasibility Study is to focus on the way in which this expansion can best be implemented in Rochester. She stated that there is no question about the ability to provide access to all Rochester residents, but simply of the best way to go about implementation.

Commissioner Evans asked about the response of Time Warner Cable Company and Frontier to the prospect of expanding existing networks to provide Internet access for all City residents. Ms. Lehner replied that these companies will contest this project, but the Governor has pledged not to allow this initiative to be blocked because this is part of his plan to provide Internet access to residents throughout New York State.

Commissioner White questioned potential tradeoffs from the network expansion, such as efficiency. Ms. Lehner reported that the network would be expanded to 10G, which should not lead to a reduction in the efficiency of Internet connectivity. She discussed the need to develop a plan for generating a stream of revenue to sustain the expanded network, such as offering advertising space and/or continuing to charge businesses a fee for Internet services. Ms. Lehner stated that one organization will need to be identified to manage the system, which should probably be the City of Rochester.

Commissioner Cruz cautioned that families' capacity to access the Internet must also be examined if this expansion is to be useful for District students. Ms. Lehner reported that this is one of the components of the Plan, and 7,000 Chrome books have already been provided to RCSD students.

**Motion** by Commissioner Evans to adjourn. Seconded by Commissioner White. **Adopted 3-0.**

Meeting adjourned at 8:01PM.