

**Rochester Board of Education
Finance Committee
June 11, 2015**

Attendance: Commissioner Cruz (Chair); Commissioners Evans (via skype) and Powell (arrived 5:41PM).

District Staff: Bill Ansbro; Chief Financial Officer; Everton Sewell, Budget Director; Michael Schmidt, Chief of School Operations; and John Burke, Purchasing Department.

Community Members: Dr. Steven Uebbing, Warner School of Education, University of Rochester; Scott Adair, CEO of Rochester Greater Regional Transit System.

Board Staff: Debra Flanagan.

Commissioner Cruz convened the meeting at 5:34PM.

I. Review and Approve Minutes of May 20, 2015 Finance Committee Meeting

Motion by Commissioner Evans to approve the minutes of the May 20, 2015 Finance Committee meeting. **Adopted 2-0.**

II. Review Proposed Amendments to 2014-15 RCSD Budget and May 2015 Financial Report

- a. Amend 2014-15 General Fund Budget to \$657,951,758, an increase of \$2,510,443 which is primarily due to increased Public High Cost Aid (+\$1,894,977); NYS Aid for School Health Services (+\$1,200,000); and a reduction of \$533,109 for Special Education Private Excess Cost Aid – Resolution No. 2014-15: 741**
- b. Amend 2014-15 Special Aid Grant Fund Budget to \$118,756,563, an increase of \$120,221 that is mainly due to an increase in federal sources funding (+\$530,589); other grant sources (+\$677,757); and a decrease of \$1,088,125 in state source grant funds – Resolution No. 2014-15: 742.**
- c. 2014-15 School Lunch Fund Budget – no change; remains at \$20,242,000 – Resolution No. 2014-15: 743.**
- d. Amend 2014-15 RCSD Budget to \$796,950,321 to reflect the above changes to the General Fund budget and Special Aid Grant Fund budget – Resolution No. 2014-15: 744.**

Everton Sewell provided a general overview of the proposed changes to the 2014-15 RCSD budget, noting that total revenue increased by \$2.6M. He reported that the bulk of the additional revenue is due to net increases to the General Fund (\$2.5M), specifically \$1.89M in Special Education Public High Cost Aid for the cost of services to students with disabilities and \$1.2M for Additional School Health Service Aid. Mr. Sewell pointed out that the \$1.2M for Additional

School Health Service Aid is actually a shift in funds between the Special Aid Grant Fund and the General Fund, rather than an actual increase in revenue.

Commissioner Cruz inquired about the impact on expenditures, since the \$1.2M in Additional School Health Service Aid does not represent additional revenue to the District. Mr. Ansbrow replied that expenditures under this Aid had been included in the budget, and have simply been reclassified to reflect that the funding will be taken from the General Fund rather than the Special Aid Grant Fund.

Mr. Sewell discussed a number of grants awarded to the District since the last budget amendment in April 2015:

- Smart Scholars grant: for Rochester Early College High School
- Federal Race To The Top and Race To The Top Replication grant: the replication grant is awarded to study transformation models in other districts and schools
- Title III Immigration grant (\$236K): for refugees
- Wallace Foundation grant (\$678K): new revenue for the Summer School program at the School of the Arts and a longitudinal study of students participating in this program

Ms. Flanagan asked about the basis for the award of the Title III Immigration grant for refugees, and whether these new federal funds are being provided because of an anticipated increase in the number of refugee families in Rochester.

Action Item: Mr. Sewell will obtain information about the basis for the award of new revenue to the District under the Title III Immigration grant, and report back to the members of the Finance Committee.

Ms. Flanagan also inquired about the new funds awarded to the District by the Wallace Foundation, and whether there are plans to expand the Summer School program.

Action Item: Mr. Sewell will gather further information and report to the Finance Committee regarding the funding awarded by the Wallace Foundation.

Mr. Sewell reviewed the expenditures in the May 2015 Financial Report that had greater than 10% variation from this time period last year. He explained that a greater percentage of the budget for health services for students outside of the District has been used this year than last year because this year's budget is significantly less than the previous year. Mr. Sewell noted that the District pays for health services for students residing in the Rochester City School District who attend charter schools, parochial and private schools.

Mr. Sewell pointed out that expenditures for equipment other than buses have been greater this year because of additional equipment needed for hybrid kitchens, refrigerated delivery trucks, central kitchen food processing equipment, and sports equipment for the Athletic Department.

Mr. Sewell explained that expenditures for non-instructional computer hardware exceeded the amount budgeted by \$293K (568.9%), but the PeopleSoft budgeting system will require this amount to be offset by cost reductions in other line items to ensure that the total budget is not exceeded.

Commissioner Powell questioned how a department could have such a substantial expenditure over the budgeted amount without triggering internal control mechanisms. Mr. Ansbrow replied that the Finance Department is concerned about these types of cost overruns, and assured that the PeopleSoft system is structured to allow expenditures over budget for specific line items but not for an entire category (parent account) of expenses.

Commissioner Powell suggested developing a process flow diagram to illustrate the way in which cost overruns within a specific line item are managed in the PeopleSoft system. She stated that this information would be useful to Board members. Mr. Ansbrow replied that options are being explored to create additional internal controls in these situations.

Mr. Sewell announced that additional investigation and follow-up will be conducted to verify the negative expenditures under judgments and claims (\$18K above amount budgeted).

Mr. Sewell also noted additional expenditures for grant disallowances of \$221K, and stated that this is primarily due to expenses that were subsequently disallowed by NYS under the Strengthening Teacher Leader Effectiveness (STLE 2) grant. He stated that no further grant disallowances are anticipated.

Mr. Sewell reported a negative expense of \$516K above the amount budgeted for Interfund Expense Pre-School Special Education Subsidy. Ms. Flanagan asked whether a negative expense in this context actually indicates a refund or revenue received.

Action Item: Mr. Sewell will look into the negative expenses reported for the Interfund Expense Pre-School Special Education Subsidy, and inform members of the Finance Committee of the implications of negative expenditures in this category.

Mr. Sewell reviewed the expenditures and staffing changes in the proposed amendments to the 2014-15 RCSD budget. He reported a net increase in staffing of 9.5FTE: 3.5FTE Administrators; 5.3FTE Civil Service; 2.0FTE Paraprofessionals and Teaching Assistants; and 1.3FTE decrease for Teachers. Mr. Sewell stated that many of the staffing changes for Teachers are due to changes in grant funding.

In terms of limiting costs, Mr. Sewell described a number of actions currently being taken in the District:

- Not filling currently vacant positions
- Position Control Committee continuing to review non-school vacancies to identify positions not needed
- Review of all non-school operating budgets to identify cost saving opportunities

Mr. Sewell stated that the goal is to end the current fiscal year with a \$6M surplus, which will be rolled over into 2015-16.

Commissioner Powell commented that schools and departments are being discouraged from spending at this point even if funds are available in their budget, so that the District can obtain a

\$6M surplus. Mr. Ansbrow replied that the surplus will simply be rolled forward into the next fiscal year because at least \$6M in contingency funds are necessary with an \$800M budget.

Commissioner Powell pointed out that as schools and departments learn of this practice to restrict expenditures toward the end of the fiscal year, their response may be to begin spending more at the beginning of the year.

Motion by Commissioner Powell to table consideration of the May 2015 Financial Report until additional information is provided regarding the negative expenditures for Judgments and Claims and for the Interfund Expense Pre-School Special Education Subsidy. Seconded by Commissioner Evans. **Adopted 3-0.**

Action Item: Ms. Flanagan will schedule another Finance Committee meeting for 6:00PM on Thursday, June 18th, to discuss remaining questions regarding the May 2015 Financial Report.

Motion by Commissioner Powell to address all proposed amendments to the 2014-15 RCSD budget as a group. Seconded by Commissioner Evans. **Adopted 3-0.**

Motion by Commissioner Powell to approve all proposed amendments to the 2014-15 RCSD budget. Seconded by Commissioner Evans. **Adopted 3-0.**

III. Review Proposed Amendment to the 2015-16 RCSD Budget for the Educational Partnership (EPO) Agreement with the University of Rochester for East High School

Mr. Ansbrow explained that the staff at the University of Rochester mistakenly provided budget information to the District for the third year of the educational partnership agreement, rather than for the first year. As a result, the incorrect amount was included in the RCSD 2015-16 budget and an amendment is needed to rectify the situation. Mr. Ansbrow reported that the difference between the third year and first year budget is \$116,636, and this expense can be covered by the 2015-16 RCSD contingency fund or funds in the 2015-16 budget for East High School. He stated that the Board has the authority to determine which option to use to cover these additional expenditures.

Commissioner Powell suggested uploading documents to the Library section of BoardDocs to facilitate reference by more than one Board committee and/or in the future.

Action Item: Ms. Flanagan will upload documents (e.g. 2015-16 EPO Budget) to the Library section of BoardDocs to enable future reference by the Board.

IV. Review 3rd Quarter Student Activity Funds Report

Motion by Commissioner Powell to approve the 3rd Quarter Student Activity Funds Report. Seconded by Commissioner Evans. **Adopted 3-0.**

V. Review Proposed Resolutions for June 18, 2015 Board Business Meeting

A. FOOD SERVICES

1. Contract for Summer Food Services – TBD – Resolution No. 2014-15: 716

Mike Schmidt explained that the agreement to provide summer Food Services is currently being finalized, so the details were not yet available to include in the resolution. He stated that the complete resolution will be provided to Board members in the materials that are distributed tomorrow. Mr. Schmidt noted that the agreement is essentially the same as for Food Services in the summer of 2014, except that the vendor will be Chartwells instead of Aramark.

Mr. Schmidt stated that Food Services will be brought in-house as of September 2015, and this will necessitate hiring additional staff: 3.0FTE in the ASAR collective bargaining unit and 2.0FTE in the BENTE union. He noted that the BENTE requirements regarding the length of time for which open positions must be posted prevented including more detail in the proposed resolution.

Motion by Commissioner Powell to approve above Food Services resolution for summer programs, contingent upon additional detail being provided in the materials given to Board members tomorrow. Seconded by Commissioner Evans. **Adopted 3-0.**

B. PROCUREMENT & SUPPLY

1. Water Wise of America, Inc. – contract for water treatment chemicals and services for various locations throughout the District – Resolution No. 2014-15: 717

2. Frontline Advertising, Inc. and Mid-City Signs, Inc. – contract extension for purchasing informational, directional, overhead and other signs – Resolution No. 2014-15: 718

3. Best Plumbing Specialties, Inc.; Buckpitt & Company, Inc.; Crest/Good Manufacturing Co., Inc.; Interline Brankds, Inc. (dba “Sexauer”); and V.J. Stanley, Inc. – contract extensions for plumbing and HVAC equipment and supplies – Resolution No. 2014-15: 719

4. McCarthy Tire Service – contract extension for repair and replacement of tires on District vehicles – Resolution No. 2014-15: 720

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

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

C. FACILITIES

Final Payments:

1. **Thurston Dudek, LLC – final payment for plumbing work in renovating the Edison Educational Campus – Resolution No. 2014-15: 721**
2. **Concord Electric Corp. – final payment for electrical work in renovating the Edison Educational Campus – Resolution No. 2014-15: 722**
3. **Concord Electric Corp. – final payment for electrical work in renovating the Jefferson Educational Campus – Resolution No. 2014-15: 723**
4. **Kuitems Construction, Inc. – final payment for general construction work in renovating School No. 43 – Resolution No. 2014-15: 724**
5. **Concord Electric Corp. – final payment for electrical work in renovating School No. 19 – Resolution No. 2014-15: 725**
6. **Lloyd Mechanical Co., LLC – final payment for plumbing work in renovating School No. 43 – Resolution No. 2014-15: 726**
7. **Hewitt Young Electric, LLC – final payment for electrical work for renovating School No. 23 – Resolution No. 2014-15: 727**
8. **Hewitt Young Electric, LLC – final payment for electrical work in renovating School No. 43 – Resolution No. 2014-15: 728**
9. **State Environmental Quality Review Act (SEQRA) – submit environmental impact statements and plans to the NYS Education Department – Resolution No. 2014-15: 729**

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

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

D. OTHER

1. **DG&M Agency, Inc. – contract to serve as the Insurance Broker of Record for the District, provide advice on risk management, claims administration and loss control, and to procure property and casualty insurance for July 1, 2015 through June 30, 2016 – Resolution No. 2014-15: 730**

Motion by Commissioner Powell to approve above resolution for a contract with DG&M Agency, Inc. Seconded by Commissioner Evans. **Adopted 3-0.**

2. POMCO, Inc. – contract to administer the District’s self-funded Workers’ Compensation program – Resolution No. 2014-15: 736

Commissioner Powell noted that the District is self-insured, so the proposed contract is for POMCO, Inc. to provide advice and guidance. She asked whether the District has considered having PERMA administer the Workers’ Compensation program.

Mr. Ansbrow replied that the District conducted an RFP process, and will save \$20K over the current cost structure for Workers’ Compensation.

Commissioner Powell pointed out that there are several vendors on the State list, which would obviate the need for the District to conduct an RFP process. John Burke responded that a staff member in the Human Capital Initiatives (HCI) Department worked with the consultant and included all vendors in the RFP process, including those on the State list.

Commissioner Powell commented that she would be interested in learning how PERMA fared in the RFP process, given their relationship with the New York State School Boards Association.

Action Item: A summary report and review of the bids received to the Workers’ Compensation RFP will be provided in the July 16th Finance Committee meeting.

Motion by Commissioner Powell to approve above resolution to contract with POMCO, Inc. to administer the District’s self-funded Workers’ Compensation program. Seconded by Commissioner Evans. **Adopted 3-0.**

II. Follow-Up Items:

1. Analysis of Options for Minimizing RCSD Transportation Costs

Mr. Ansbrow reported that an agreement has been reached with the Rochester Transit System (RTS) to provide transportation in the 2015-16 school year to RCSD secondary students. He noted that the agreement involves reducing the number of students traveling downtown, and will lead to significant costs to the District.

Mr. Schmidt highlighted the changes in the proposed agreement with RTS:

- Substantial reduction in the number of students and transitions at the downtown Transit Center
- Approximately 40% reduction in the number of buses transporting students
- RCSD students will take a more elongated route to and from school that is farther from the downtown corridor
- The following groups of students will be transported on yellow buses:

- ❖ All students attending charter schools;
- ❖ All RCSD students enrolled in alternative programs (e.g. LynCx Academy, Young Mothers & Interim Health Academy, All City High School, etc.)
- ❖ East High School: all middle school students
- ❖ Wilson Commencement Academy: all students

Mr. Schmidt reported that all of these changes in student transportation will cost an additional \$11M for the upcoming school year, for a total of \$22M for yellow bus service in 2015-16.

Commissioner Powell inquired about the process for selecting specific schools (e.g. Wilson Commencement Academy) to receive yellow bus service next year. Scott Adair replied that Wilson Commencement Academy was chosen because of the school schedule and number of students being transported. He stated that these factors enabled RTS to limit to 70 the number of buses being used for RCSD student transportation. Mr. Schmidt added that Superintendent Vargas also thought that Wilson Commencement Academy was the best fit for yellow bus service from an instructional perspective.

Commissioner Powell pointed out that students from Rochester Early College High School have been routed through downtown because of the relatively small student population. She asked whether these students could also be transported on yellow buses with students from Wilson Commencement Academy, since the two schools are located in close proximity. Mr. Schmidt responded that options for reducing transportation costs are being examined, and Rochester Early College High School is on the same schedule as Wilson Commencement Academy. He stated that there may be opportunities for efficiencies in transporting these students together on yellow buses.

Commissioner Powell questioned whether other opportunities for transportation efficiencies have been explored, particularly for other schools in close geographic proximity. Mr. Schmidt replied that the current focus is on summer school transportation, but this is one of the variables that will be examined to identify potential efficiencies in the transportation structure for the 2015-16 school year.

Commissioner Powell noted that the District is obligated to treat students attending charter schools the same way as those attending RCSD schools. She discussed the Parent Preference/Managed Choice policy and expectation that the District will only provide transportation services for students attending a school within their zone. Commissioner Powell inquired whether the District can enforce this policy/practice to limit transportation services for charter school students.

Action Item: Mr. Ansbro will consult with attorneys in the Law Department regarding the District’s legal authority to limit transportation to charter school students to those attending a school within their zone.

Mr. Ansbrow reported that the District is seeking financial assistance from the State to help cover these additional transportation costs.

Commissioner Evans commented that the District must have a contingency plan for transportation if the State does not provide additional aid.

Commissioner Powell pointed out that the proposed transportation structure involves different issues: security at the downtown Transit Center, and reduction of the number of RTS buses providing student transportation. She asked why the District has to bear the burden and cost of fewer buses being used. Mr. Adair explained that the schedule for federal funding to replace buses and operational considerations have led RTS to reduce the number of buses available to transport RCSD students. He noted that buses must operate for more than 3 hours per day for maximum efficiency.

Commissioner Cruz inquired whether the new proposed transportation structure will effectively prevent RCSD students from traveling through the downtown Transit Center. Mr. Adair replied that students participating in the Urban-Suburban program, extracurricular activities, and those attending private or parochial schools will still travel through the Transit Center.

Commissioner Cruz contended that the District is essentially paying \$11M due to the actions of a few disruptive students, noting that these funds could be used to support 100 teachers. Mr. Schmidt responded that he is not advocating for this use of funds, but the proposed transportation structure is the best available under the parameters that have been given.

Commissioner Powell reported speaking to a number of City residents and receiving a number of complaints about the current number of yellow buses, which will only increase under the proposed transportation structure. She stated that many City residents advocate for neighborhood schools and increasing the number of students who walk to school.

Commissioner Cruz acknowledged that the proposed transportation structure is only a short-term solution, and the District has to find effective ways to hold students accountable for disruptive behaviors. He reported that the District began examining transportation issues and costs approximately two years ago, and this level of expenditure for student transportation (\$70M, or 1/9 of the total RCSD budget) is unsustainable.

Mr. Schmidt added that the new transportation structure also does not guarantee that there will be no more incidents at the downtown Transit Center.

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

Meeting adjourned at 7:05PM.