

Rochester Board of Education
Finance Committee
December 11, 2014

Attendance: Commissioner Powell (Chair); Commissioners Adams, Evans, Cruz (arrived 5:38PM), and White (arrived 6:15PM). Parent Representative: Giancarlo Giannini (arrived 5:41PM). District Staff: Bill Ansbro, Chief Financial Officer; Everton Sewell, Budget Director; Michael Schmidt, Chief of Operations; and Gary Smith, Purchasing Officer.
Board Staff: Debra Flanagan

Commissioner Powell convened the meeting at 5:31PM.

I. Review and Approve Minutes of November 13, 2014 Finance Committee Meeting

Motion by Commissioner Evans to approve the minutes of the November 13, 2014 Finance Committee meeting. **Adopted 2-0, with concurrence of Parent Representative.**

II. Questions & Answers

Bill Ansbro reported that the NYS legislature has approved the bill in support of Phase 2 of the Facilities Modernization Program (FMP), and it now awaits the Governor's signature. He noted that two projects remain to be completed as part of Phase 1, specifically improvements to School No. 12 and to Monroe High School. Mr. Ansbro explained that the District has partnered with the City for renovations to School No. 12, but City Council approved the funding through a resolution rather than a bond issuance. He stated that this technicality will require City Council to vote again to approve the bond issuance, but this cannot be done until the Board has approved the funding request. Mr. Ansbro clarified that this is the reason that the Board has been requested to vote on a resolution regarding funding for these remaining Phase 1 projects in a Special Meeting this evening.

III. Presentation regarding Proposed 2014-15 RCSD Budget Amendments

- 1. Amend 2014-15 General Fund Budget to \$656,018,865 to reflect increases of: \$10,791 in Foundation Aid and \$541,632 in Charter School Transitional Aid, and reductions of: \$4,434,533 in Special Services Aid, \$569,569 in Transportation Aid, \$5,560 in Computer Hardware Aid, \$3,667 in Textbook Aid, \$1,257 in Software Aid, \$525 in Library Aid, and \$5,377 in Share Deduction for certain students – Resolution No. 2014-15: 355**
- 2. Amend 2014-15 Special Aid Grant Fund Budget to \$112,553,572 to reflect an increase of \$580,993 in NYS grants, \$1,735,096 in federal grants, and \$335,026 in local grants – Resolution No. 2014-15: 356**
- 3. Amend the 2014-15 School Food Service Fund Budget to \$20,242,000, which contains no changes – Resolution No. 2014-15: 357**
- 4. Amend the total 2014-15 RCSD Budget to reflect changes to the General Fund (\$656,018,865), Special Aid Grant Fund (\$112,553,572), and the**

**current School Food Service Fund (\$20,242,000) for a total of \$788,814,437–
Resolution No. 2014-15: 358**

Everton Sewell provided a presentation to the members of the Finance Committee to explain changes in revenue, expenditures, and staffing proposed in the 2014-15 RCSD budget amendments.

The major highlights of his presentation include:

- Overall 2014-15 RCSD budget reduction of \$1.8M, primarily due to decrease in General Fund revenue
- Reduction of \$4.47M in General Fund revenue due to 40% drop in student enrollment in Career & Technical Education (CTE) programs in 2013-14 (-\$4.4M) and decrease in NYS Transportation Aid (-\$570K)
- Increase of \$2.65M in Special Aid Grant Fund, largely due to award of one-time federal competitive grants (\$970K) and existing federal grants to be rolled over into the next grant year (\$1.2M)
- Overall expenditure reduction of \$1.8M, primarily from Employee Benefits (-\$2.24M)
- Increased expenditures for Facilities (\$1.75M) due to publicizing UPK programs
- Net increase of 9.9FTE in 2014-15 RCSD Budget: Staffing supported by the General Fund reduced by 18.1FTE, while staffing supported through the Special Aid Grant Fund increased by 28.2FTE.

Commissioner Powell inquired about the reason for NYS Transportation Aid revenue being below projections. Mr. Sewell replied that he will report back to the Committee with this information.

Action Item: Mr. Sewell will report to the members of the Finance Committee the reason for NYS Transportation Aid being below revenue projections.

Commissioner Powell asked about the NYS School District Performance Improvement Grant for the Arts. Mr. Sewell explained that \$1.5M was awarded to the District through this grant, which is in the third of three years.

Commissioner Powell questioned why this revenue had not been incorporated into the 2014-15 RCSD budget, since this is the final year of the grant award and the revenue could have been anticipated. Mr. Sewell replied that RCSD did not act on this grant in the first two years that it was available, so this is essentially the first year that the District has been awarded these grant funds.

Commissioner Adams pointed out that the proposed budget amendments reduce employee benefits by \$2.2M, but this is not a real cost reduction because these benefits will have to be paid in the future. Mr. Ansbrow responded that the decline in CTE revenue was twice as large as anticipated because one of the revenue line items had not been examined in developing these revenue projections. He stated that the result is that the District is receiving \$4.4M less in CTE revenue, rather than the original estimate of \$2.2M. Mr. Ansbrow noted that current budget contingency funds will only cover half of this revenue shortfall, and another source had to be identified to cover the remaining \$2.2M. He stated that the employee benefits do not have to be

paid right away, and can be replenished when the District receives approval to roll over federal grants in January.

Mr. Sewell added that efforts are being made to reduce the number of staff supported by the General Fund to reduce ongoing costs. He reported that the Position Control Committee has been reviewing and eliminating any unneeded positions to help close the budget gap.

Commissioner Evans observed that there is an increase of 28.2FTE supported by grant funds, and asked about the period of time for which the grant funding is available.

Action Item: Mr. Sewell will report to the Finance Committee the actual number of employees represented by the 28.2FTE increase in staffing supported by grant funding.

Commissioner Adams inquired whether the 28.2FTE represent all grant-funded positions, or net of all staffing changes under existing grants. Mr. Ansbrow reported that the 28.2FTE increase is a net figure that accounts for overall staffing increases supported by grant funds since the last amendment to the 2014-15 RCSD budget in September 2014. He clarified that the 28.2FTE does not reflect all grant-funded positions in the District.

Action Item: Mr. Ansbrow will provide detailed information to Finance Committee members of current grant-funded positions in the District, and identify those related to expanded learning.

Commissioner Adams expressed concern about the sustainability of expanded learning programs, particularly in light of the fact that financial support is provided through unstable grant funding.

Commissioner Powell added that this concern is further justified by the fact that grant revenue that was anticipated and incorporated into the 2014-15 RCSD budget was not awarded (i.e. \$1.35M in NYS funding for an Expanded Learning Grant).

Parent Representative Giancarlo Giannini noted that one of the priorities in previous years was to reduce the number of Teachers on Assignment, and to return them to the classroom. He pointed out that the proposed 2014-15 RCSD budget amendments include an additional 7.0FTE for Teachers on Assignment, and asked for information about their roles and responsibilities.

Action Item: Mr. Ansbrow will provide information to the members of the Finance Committee regarding the roles and responsibilities of the additional 7.0FTE for Teachers on Assignment, as proposed in the 2014-15 RCSD budget amendments.

Commissioner Cruz observed that the proposed budget amendments include ~\$514K for Science textbook replacements, and inquired about the inventory system used to monitor textbooks. Mr. Ansbrow replied that the District uses the Destiny system for textbook inventory management. He explained that a review of textbook inventory was planned for January 2014, so that decisions could be made about the need for purchases. Mr. Ansbrow stated that a decision about the Science textbooks was not made until June 2014, which was after the 2014-15 RCSD budget had been adopted. He reported that an additional 300 textbooks were purchased, but these were not necessarily aligned to the needs at different grade levels. Mr. Ansbrow noted that additional textbooks were needed in English *and* Spanish for ELL students.

Commissioner Cruz asked about actions that have been taken to prevent these problems from recurring. Mr. Ansbrow replied that efforts have been made to impress upon school staff the importance of tracking textbooks, and a staff member in each school has been designated “Textbook Captain” to monitor textbook inventory. He stated that the School Chiefs are also able to follow up with school staff using an automated system.

Commissioner Cruz inquired about the controls in place to coordinate between a school’s monitoring of textbook inventory and submission of purchasing requests for textbook replacements. He also asked about the average cost of a textbook in the District. Gary Smith responded that the average cost for textbooks in the District is \$60-100.

Commissioner Cruz asked about the possibility of the District using tablets instead of textbooks in the future. Mr. Ansbrow replied that he has served on a committee to evaluate the feasibility of using tablets, which was piloted this year but still being considered to identify the most productive uses.

Commissioner Cruz inquired about an appeals process for decisions made by the Position Control Committee, noting that the decision to eliminate a position may have implications of which the Committee members are unaware. Mr. Ansbrow replied that an appeals process is in place, and the reviews conducted by the Position Control Committee are being used to develop the 2015-16 RCSD budget.

Commissioner Adams requested clarification about the proposed 2014-15 RCSD budget amendments, specifically in reducing employee benefits by \$2.2M. She questioned the rationale for this practice and for not balancing the budget by reducing expenditures in the areas in which cost savings are expected.

Commissioner Powell pointed out that revenue is anticipated in January with the approval of federal grant rollovers, and this will cover the current budget shortfall.

Commissioner Adams objected to shifting funding from areas that do not reflect the actual fiscal status of the District at this point, stating that accounting practices should be clear and open. Mr. Ansbrow replied that the District is required by law to have a balanced budget, and reducing expenditures from other areas would affect the District’s credit rating. He suggested the option of including revenue anticipated from the federal grant rollovers in January as another way to balance the budget.

Commissioner Powell inquired whether the budget shortfall will be resolved in January, with approval of the federal grant rollovers. She asked whether there would be a benefit to postponing the budget amendments for one month. Commissioner Powell pointed out that postponing the budget amendments until January would prevent having to shift funds from employee benefits and then replace them when the grants are received.

Commissioner Adams asked about the grant funding expected in January. Mr. Ansbrow explained that the federal IDEA and Title I and II grants are to be rolled over in January because federal grants are awarded on a different cycle than the District’s fiscal year. He added that the District has to obtain approval from the NYS Education Department to carry grant funds over from one grant year to the next.

Mr. Giannini inquired whether the practice of removing funds from employee benefits to cover a revenue shortfall and then replacing these funds when grants are received would be considered outside of generally accepted accounting practices, if reviewed by an outside accounting firm. Mr. Ansbrow replied that this issue arises because of providing greater transparency to increase awareness of the allocation of resources in the District, but essentially this is a timing issue.

Commissioner White asked whether such a significant amount of funds has had to be shifted in the past to cover budget shortfalls. Mr. Ansbrow stated that he has only been with the District for two years, and there has not been such a sizeable revenue shortfall during that time. He noted that CTE revenue has been stable for many years, but there was a significant change in CTE programs in 2013-14.

Commissioner White acknowledged that the District must have a balanced budget and that other sources must be used to cover the revenue shortfall. He asked specifically whether an outside auditing firm would approve of the practices being used to resolve this problem. Mr. Ansbrow replied that calling out these timing and revenue issues is a strength, and promotes deeper knowledge of fiscal issues.

Commissioner White stated that he recognizes that auditors would prefer a proactive and transparent process, but expressed concern regarding the way in which the revenue shortfall is being resolved. He asked whether the proposed shift of funds out of employee benefits to cover the shortfall until grants are received would be considered within generally accepted accounting practices. Mr. Ansbrow replied that it would definitely be considered compliant with generally accepted accounting practices. He gave an example from his tenure as the Budget Director for the City of Rochester, in which an increase in NYS Aid was anticipated. Mr. Ansbrow reported that the anticipated NYS Aid revenue was not provided after 9/11, and budget adjustments had to be made over the course of several months to address this revenue shortfall.

Motion by Commissioner Evans to approve above amendments to the 2014-15 RCSD budget. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of Parent Representative.**

IV. Review and Discuss November 2014 Financial Report

Motion by Commissioner Evans to approve the November 2014 Financial Report. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of Parent Representative.**

V. Review of Resolutions in Preparation for December 18th Board Business Meeting

A. PROCUREMENT & SUPPLY

- 5. Guitar Center, Inc. (dba, "Music & Arts Center"); Sam Ash Music Corporation; Shar Products Company; Steve Weiss Music Inc.; Washington Music Sales Center Inc. (dba, "Washington Music Center") – new contract for purchase of musical instruments and accessories – Resolution No. 2014-15: 359**

Motion by Commissioner Evans to approve above Procurement resolution. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of Parent Representative.**

B. EDUCATIONAL FACILITIES

Final Payments:

- 1. Concord Electric Corporation – final payment for electrical work for renovations to the Douglass Campus – Resolution No. 2014-15: 360**
- 2. Eastcoast Electric, LLC – final payment for electrical work for district-wide security upgrades – Phase III – Resolution No. 2014-15: 361**

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

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

Contracts:

- 3. IBC Engineering, PC – contract extension for general engineering services on an as-needed basis and consultation services in areas that include asbestos, lead, structural integrity, feasibility studies, new program and/or project initiatives and small capital improvement projects – Resolution No. 2014-15: 362**
- 4. SWBR Architecture, Engineering & landscape Architecture, PC – contract extension for general engineering services on an as-needed basis and consultation services in areas that include asbestos, lead, structural integrity, feasibility studies, new program and/or project initiatives and small capital improvement projects – Resolution No. 2014-15: 363**
- 5. SWBR Architecture, Engineering & landscape Architecture, PC – contract extension for general engineering services on an as-needed basis and consultation services in areas that include asbestos, lead, structural integrity, feasibility studies, new program and/or project initiatives and small capital improvement projects – Resolution No. 2014-15: 364**
- 6. Lozier Environmental Consulting, Inc. – contract extension for general environmental consulting services on an as-needed basis, including asbestos testing and analysis, air monitoring testing and analysis, lead-based material inspection and testing, and hazardous materials testing – Resolution No. 2014-15: 365**

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

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

C. OTHER

1. **Lifetime Benefit Solutions, Inc. – agreement to provide third-party administrator services for active employees participating in the Flexible Spending Account plan and for ASAR retirees participating in the Health Reimbursement Account plan – Resolution No. 2014-15: 369**
2. **Lifetime Benefit Solutions, Inc. – agreement to provide third-party administrator services for billing of retiree medical insurance split billing for participating retirees – Resolution No. 2014-15: 370**

Motion by Commissioner Evans to address all above resolutions for third-party administrator services as a group. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of Parent Representative.**

Motion by Commissioner Evans to approve all above resolutions for third-party administrator services. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of Parent Representative.**

D. FACILITIES MODERNIZATION PROJECT

1. **Request for COMIDA to issue \$55M in bonds to finance Phase IC projects of the Facilities Modernization Project, which includes renovation of School No. 12 and Monroe High School and implementation of the district-wide security project at these sites – Resolution No. 2014-15: 379**

Motion by Commissioner Cruz to approve the above resolution to request issuance of bonds to finance Phase 1C FMP projects. Seconded by Commissioner Evans. **Adopted 3-0, with concurrence of Parent Representative.**

E. LATE SUBMISSION

1. **Lease agreement with Downstairs Cabaret Theater for parking for the World of Inquiry School No. 58 – Resolution No. 2014-15: 380**

Mike Schmidt reported that the cost for leasing 100 parking spaces would amount to \$4,000 per year, or \$40 per month for each parking space. He noted that this is below market cost, and the spaces would be available during the school day and for many events outside of these times.

Mr. Ansbro added that the District will lease the parking spaces for a few years, and then attempt to purchase the lot when the District's maximum cost allowance becomes available from the State. He reported that the District would incur 100% of the cost of purchasing the parking spaces at this point, but the State will cover 98% of the cost after the maximum cost allowance becomes available. Mr. Ansbro stated that discussions are being held with the City, as their cooperation will be needed to purchase the parking spaces.

Commissioner Cruz observed that Rural Metro also has a parking lot in that area, and asked about the possibility of using that space. Mr. Ansbrow replied that discussions have been held with Rural Metro over the last two years, and they chose to go with a better offer for the parking spaces. He stated that Rural Metro later approached District staff about this prospect, but insisted upon full payment up front and this would not be feasible with the District's funding and NYS reimbursement structure.

Motion by Commissioner Cruz to approve above resolution to lease parking spaces from Downstairs Cabaret Theater. Seconded by Commissioner Evans. **Adopted 3-0, with concurrence of Parent Representative.**

V. Follow-Up Items

1. Information regarding the status of grant funding for expeditionary learning programs

Mr. Giannini requested an update about the grant funding for expeditionary learning programs. Mr. Ansbrow reported that one of the grants has been received, which was used to pay approximately half of the costs under the contract with Expeditionary Learning. He stated that the other grant is forthcoming, and Expeditionary Learning is proceeding with work under the contract.

2. Information of the specific RTS routes with sparse student ridership

Mike Schmidt stated that he will provide data about student ridership on RTS routes by the January 15, 2015 Finance Committee meeting.

3. Responses received to RFB for student transportation in 2015-16 (due Nov. 19th)

Mr. Smith stated that he will report on the responses received to provide student transportation in 2015-16 in the January 15th Finance Committee meeting.

4. Update on plans for use of Smart Schools Technology Funds

Mr. Ansbrow reported that there is no new information about the use of Smart Schools Technology Funds, as the State has not yet issued specific guidelines.

Motion by Commissioner Evans to adjourn. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of Parent Representative.**

Meeting adjourned at 6:49PM.