

# Rochester Board of Education

## Finance Committee

### April 18, 2013

**Attendance:** Commissioner Powell (Chair); Commissioners White, Cruz, Adams and Campos. Parent Representative: Giancarlo Giannini. District Staff: Bill Ansbro, Chief Financial Officer; Vern Connors, Budget Director; Gary Smith, Purchasing Officer; Tom Keysa, Director of Educational Facilities. Board Staff: Debra Flanagan.

Commissioner Powell convened the meeting at 6:38PM.

#### I. Question & Answer Session

Bill Ansbro gave a presentation on the final pension smoothing plan for the Teachers' Retirement System and Employees' Retirement System.

Highlights:

Teachers' Retirement System (TRS):

- The District's contribution rate would be stabilized for seven years, with the rate initially set at 14% and a maximum of 18%.
- In the 6<sup>th</sup> year, the District would have to begin paying the difference between the stabilized rate and the required rate in addition to their contribution for that year.
- Projections indicate:

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Required Rate:	16.25%	20%	19%	18%	17%	16%
Stabilized Rate:	14%	14%	16%	16%	16%	16%

Employees' Retirement System (ERS):

- The District has the option of borrowing the difference between the graded rate and the normal rate, which would amount to \$6.2M for 2013-14.
- The debt would have to be paid back with interest over a twelve-year period, in addition to the graded contribution for each year
- Projections indicate:

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Normal Rate:	20.5%	21.1%	17.6%	15.9%	15.6%	15.4%	15.4%	15.4%	15.3%
Graded Rate:	12%	12%	12.5%	13%	13.5%	14%	14.5%	15%	15.3%

Mr. Ansbrow discussed the importance of weighing the costs and benefits of deferring pension plan payments in light of interest costs and payments due in future years, risk to the District's credit rating if there are problems in meeting interest payments in future years, and increased fiscal impact on the District if the economy and stock market do not improve in future years. He noted that cuts would be needed to the proposed 2013-14 RCSD budget if the District does not borrow the full amount allowed for the ERS pension smoothing plan.

Commissioner Cruz asked about the dollar difference between 12% and 20.5% under the ERS pension smoothing plan. Mr. Ansbrow replied that the percentage rates are based on the aggregate paid by the District in staff salaries, and an analysis of the fiscal impact of the TRS and ERS pension smoothing plans will be presented to the Board. He stated that the difference between the 12% and 20.5% rate under ERS pension smoothing is \$6.2M, which is considerably less than the difference between the 14% and 16.25% rate for TRS because the District has many more teachers than other types of employees.

## **II. Report on Community-Based PreK Providers**

Gary Smith described the process for selecting community-based preK providers for 2013-14, noting that 20 providers were recommended out of those that responded to the RFP. He stated that the committee responsible with selecting the providers was composed of three staff members from the Early Childhood Department, two staff members from the Purchasing Department, a policy analyst from The Children's Agenda, caseworker from the Monroe County Department of Social Services, a community early childhood advocate, and two parent representatives.

Mr. Smith stated that the number of seats awarded to community-based preK providers will be determined by the number of seats needed in each zone. He reported that 1038 students attended community-based preK in 2011-12, and the NYS Education Department will provide funding for a maximum of 1915 students in 2012-13. Mr. Smith stated that District in-house preK programs have capacity for 1088 preK children, and 945 students are expected to attend community-based preK programs in 2012-13.

Commissioner Powell asked about the current number of community-based preK providers. Mr. Smith responded that there are currently nineteen community-based providers, all of whom were ranked by cost and quality of services. He reported that all twenty of the providers selected for 2013-14 stated that they could offer full-day preK if the funding is available.

Commissioner Powell pointed out that to the extent that community agencies are already providing wrap-around services and day care in addition to preK programs, shifting to a full-day program will not necessarily increase enrollment. She discussed capacity limitations for providing preK within the District because of the current half-day structure; switching to a full-day program within the District would require doubling the number of preK classrooms and teachers. Commissioner Powell emphasized the importance of crafting the proposal to ensure that services are offered to additional children, rather than simply expanding services to children who are already enrolled in preK programs. She also underscored the importance of examining ways to draw more children into preK programs and determining the best mix between in-house and community-based providers.

**Action Item: Mr. Smith will provide a breakdown of the current community-based preK programs to the members of the Finance Committee, with information as to the amount of funding provided per student for the current year and the amount projected for 2013-14.**

### **III. Review and Approve Minutes of March 19, 2013 Finance Committee Meeting**

**Motion** by Commissioner Cruz to approve the minutes of the March 19, 2013 Finance Committee meeting. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

### **IV. Review and Approve March 2013 Financial Report and Budget Amendments**

#### **A. Budget Amendments:**

- 1. Amend General Fund Budget to \$610,480,014 to reflect increases in NYS Aid and Local Other Revenue – Resolution No. 2012-13: 595**
- 2. Amend Special Aid Grant Fund Budget to \$113,165,565 to reflect increases in NYS, federal and local grant revenue – Resolution No. 2012-13: 596**
- 3. Amend total RCSD budget to \$741,835,579 to reflect increases in the General Fund budget and Special Aid Grant Fund Budget – Resolution No. 2012-13: 597**

Vern Connors gave a presentation regarding the budget amendments presented for consideration in this meeting, the highlights of which are presented below:

- The budget amendments account for a 1.79% increase to the total FY2012-13 RCSD budget, with the majority of the increase due to increases in the General Fund
- The General Fund increased by \$12.4M, primarily due to increases in local revenue (\$9.4M) and in NYS Aid. Most of the additional Aid was due to Public/Private Excess Cost Aid, which covers the cost of placements for students with disabilities. In this case, the actual placement costs were higher than projected for the year.

The increase in local revenue is due to: 1) interest rates on bonds that are higher than actual rates to encourage investors, which has led to borrowing more than the District needs at this point; 2) the Rochester Joint Schools Construction Board (RJSCB) using some of borrowed funds to pay interest on the debt for Phase I of the FMP.

Mr. Connors explained that the excess funds generated from higher interest rates on bonds will be restricted to pay the debt service in future years.

He also noted that the District cautioned the RJSCB against using borrowed funds to pay interest on debt.

- Expenditures increased overall by \$13M for FY2012-13, although costs for staff salaries declined by \$1.71M. Mr. Connors stated that the reduced costs result from turnover and vacancies during the year, while the budget is based on each position being filled for the entire year.  
Other salary and compensation increased by \$1.1M for overtime for teachers as a result of extended day programs and grant programs, as well as for substitute teachers.
- Of the increased expenditures, the greatest were for debt service for the FMP (\$4.9M), restricting use of excess funds borrowed for future debt service, and BOCES tuition for students with disabilities.
- The budget amendments also reflect a reduction of 12.0FTE, primarily in Civil Service positions.

**Motion** by Commissioner Cruz to address all above budget amendments as a group. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

**Motion** by Commissioner Cruz to approve all above budget amendments. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

**Motion** by Commissioner Cruz to approve March 2013 Financial Report. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

**Action Item: Debra Flanagan will forward the presentation materials regarding the budget amendments and the pension smoothing plan to the Board Clerk to include in the materials for the April 25<sup>th</sup> Board Business meeting.**

#### **V. Review and Accept Quarterly Change Order Report**

**Motion** by Commissioner Cruz to approve Quarterly Change Order Report. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

#### **IV. Review of Resolutions for April 25, 2013 Board Business Meeting**

##### **A. PLACE FUNDS IN RESTRICTED FUND BALANCE**

- 1. Request to restrict funds in the amount of \$4,733,764 for District debt service – Resolution No. 2012-13: 598**

**Motion** by Commissioner White to approve above resolution to restrict funds for payment of District future debt service costs. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of parent representative.**

##### **B. PROCUREMENT & SUPPLY**

- 1. Flower City Glass, Inc.; Pleasant View Glass, Inc. – agreement to purchase glass for glazing purposes – Resolution No. 2012-13: 599**

2. **Jim Dalberth Sports (dba “Jim Dalberth Sporting Goods”); Laux Sporting Goods, Inc.; Riddell/All American Sports, Corp.; Toth’s Sports; V&V Vending (dba “Valenti Sports”); Varsity Spirit Fashion – agreement to purchase athletic uniforms – Resolution No. 2012-13: 600**

**Motion** by Commissioner Cruz to address above Procurement resolutions as a group. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

**Motion** by Commissioner Cruz to approve above Procurement resolutions. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

### **C. FACILITIES**

#### **Contracts:**

1. **Steve General Contractor, Inc. – general construction work – contract for renovation of School No. 22 - Resolution No. 2012-13: 601**
2. **Kuitems Construction, Inc. – general construction work; Pipitone Enterprises, LLC – HVAC work; Eastcoast Electric, LLC – electrical work; Envoy Environmental Consultants, Inc. – air monitoring work – contracts for renovation of School No. 42 – Resolution No. 2012-13: 602**
3. **Hewitt Young Electric, LLC – electrical work – contract for renovation of School No. 45 and Central Office – Resolution No.. 2012-13: 603**
4. **Testa Construction, Inc. – general construction work; DiFiore Construction, Inc. – site work – contracts for renovation of School No. 57 – Resolution No. 2012-13: 604**
5. **Steve General Contractor, Inc. – general construction work; Eastcoast Electric, LLC – electrical work – contracts for renovation of School Without Walls Foundation Academy – Resolution No. 2012-13: 605**

**Motion** by Commissioner White to address all above Facilities contracts as a group. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of parent representative.**

Commissioner Cruz inquired whether the concern about Steve General Contractor, Inc. being the single bidder for work on School #30 would affect any of the above Facilities contract resolutions (i.e. Resolution No. 2012-13: 601 and Resolution No. 2012-13: 605). Mr. Keysa replied that the concerns regarding the single bidder for School No. 30 would not apply to the above Facilities contracts involving Steve General Contractor, Inc.

**Motion** by Commissioner Cruz to approve all above Facilities contract resolutions. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

**Final Payments:**

6. **Pipitone Enterprises, LLC – final payment for HVAC work on renovation of School No. 29 – Resolution No. 2012-13: 606**
7. **Genesee Building Restoration, Inc. – final payment for general construction work for renovation of Wilson Foundation Academy – Resolution No. 2012-13: 607**
8. **Hewitt Young Electric, LLC – final payment for electrical work on renovation of School No. 2 – Resolution No. 2012-13: 608**
9. **Pipitone Enterprises, LLC – final payment for HVAC work on renovation of School No. 2 – Resolution No. 2012-13: 609**
10. **Kaplan-Schmidt Electric, Inc. – final payment for electrical work on renovation of Wilson Foundation Academy – Resolution No. 2012-13: 610**
11. **Lloyd Mechanical Co., LLC – final payment for plumbing work for renovation of School No. 4 – Resolution No. 2012-13: 611**

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

**Motion** by Commissioner White to approve all above Facilities final payment resolutions. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of parent representative.**

**Other:**

12. **Submission of Final Building Project Report (FBPR) and Request for Revision of Financial Information Form (FP-FI) to the State Education Department – Resolution No. 2012-13: 612**

**Motion** by Commissioner Cruz to approve resolution to submit FBPR and FP-FI to the NYS Education Department. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

13. **Amendment to Facilities Modernization Plan adopted by the Board in March 2013 – Resolution No. 2012-13: 613**

Commissioner Powell noted that the information in the resolution to amend the Facilities Modernization Plan is incomplete because it does not name the schools or programs proposed to be closed. Consequently, the members of the Finance Committee were unable to cast a vote on this resolution.

#### **D. REVIEW OF ADDITIONAL RESOLUTIONS**

##### **1. Proposed Resolution regarding District-Charter Compact**

Commissioner Adams explained that former Superintendent Brizard had entered into the District-Charter Compact to cooperate with local charter schools, but had done so without Board review or approval. She stated that one of the main components of this Compact is to share facilities and other resources with charter schools, beyond those required by statute (e.g. tuition, transportation).

Commissioner Adams noted that there have been significant changes in leadership and direction since the departure of the former Superintendent, and the current focus is on implementing the Common Core curriculum and improving the instructional program in all RCSD schools. For these reasons, she stated that the resolution was proposed to terminate RCSD involvement in this Compact.

Commissioner Adams pointed out that termination of the Compact would not prevent the District from sharing best practices and replicating effective educational models with local charter schools, but would eliminate the District's commitment to sharing resources with them. She cited an example of a local charter school that is not a signatory to this Compact, yet collaborates with the RCSD school that her daughter attends. Commissioner Adams stated that she requested information regarding use of the \$100K grant awarded for implementing this Compact, but the response was not very illuminating.

Mr. Ansbro commented that the timing of terminating District participation in the Compact could be awkward because the District is in the process of applying for a Gates Foundation grant for financial planning and realizing efficiencies. He noted that there are opportunities for the District to realize a fiscal benefit from leasing space/facilities to charter schools.

Commissioner Powell remarked that charter schools would be able to lease space from RCSD without the District-Charter Compact.

Mr. Connors stated that charter schools are now recognized as local educational agencies ("LEAs"), so they receive Title I funds directly – rather than through the District. He pointed out that funds for instructional material aid, tuition, transportation, nursing services, and Special Education services (upon request) still flow through the District to charter schools.

Commissioner Adams responded that the proposed resolution to terminate the District-Charter Compact is to remove the previous offering of resources while

remaining in compliance with statutory requirements. She emphasized the importance of affirming the Board's responsibility to consider and approve financial outflows from the District.

Commissioner Cruz stated that he would be unable to support the proposed resolution because he would like input from staff regarding the impact on current and future relationships with charter schools. He also cited the provision in the proposed resolution requiring Board approval for "commitment of District resources of any kind", which would prove cumbersome and an impediment to developing relationships with any of the charter schools.

Commissioner Adams offered to modify the language in the proposed resolution, stating that she did not intend to create extra restrictions specifically for charter schools that would not apply to other organizations (e.g. church groups or community organizations). She also offered to add a provision defining cooperative relationships with charter schools. Commissioner Adams stated that she would also like to obtain additional information and input from staff regarding this Compact.

Commissioner White stated that he would not want to close off opportunities for RCSD to cooperate with charter schools.

**Motion** by Commissioner Cruz to table the resolution to terminate RCSD participation in the District-Charter Compact. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

## **2. Proposed Resolution regarding Center for Reinventing Public Education**

Commissioner Adams explained that she was conducting research to find out about the position held by an RCSD employee, and found the District's organization chart on the website of the Center for Reinventing Public Education. She stated that the Center for Reinventing Public Education promotes extreme privatization of education, and RCSD is listed as a partner/affiliate of this group. Commissioner Adams contended that this proposed resolution is linked to the previous resolution regarding the District-Charter Compact because of the District's identification as a partner with the Gates Foundation.

Commissioner Cruz noted that he would also like input from staff regarding the impact of this proposed resolution, and therefore suggested tabling it at this point.

Mr. Connors commented that he would have to research the Center for Reinventing Public Education and to learn how the District's affiliation with them was established.

Commissioner White concurred that additional background information is needed, and that staff should have an opportunity to respond to this proposed resolution.

**Motion** by Commissioner White to table the proposed resolution for the District to disaffiliate from the Center for Reinventing Public Education. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of parent representative.**

**Motion** by Commissioner Cruz to adjourn. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

Meeting adjourned at 7:54PM.