

Rochester Board of Education

Finance Committee

October 18, 2012

Attendance: Commissioner Powell (Chair); Commissioners Cruz and White. Parent Representative: Giancarlo Giannini. District Staff: Bill Ansbrow, Chief Financial Officer; Vern Connors, Budget Director; Andy Wheatcraft, Facilities Planner; John Burke, Purchasing. Board Staff: Debra Flanagan.

Commissioner Powell convened the meeting at 6:43PM.

I. Question & Answer Session

Bill Ansbrow reported that City officials had contacted him to discuss refinancing outstanding debt, which would save the City approximately \$1.4M and the District \$582K. He noted that the average interest rate on outstanding debt would be reduced from 4% to 2.3%, although the District's savings would be offset by reductions in NYS Building Aid. Mr. Ansbrow stated that the net savings to RCSD would be the reduced interest on the local share of the debt for financing capital projects.

II. Review and Approve Minutes of September 13, 2012 Finance Committee Meeting

Motion by Commissioner Cruz to approve the minutes of the September 13, 2012 Finance Committee meeting. **Adopted 2-0, with concurrence of parent representative.**
(Commissioner Powell stepped out of the meeting from 6:51-6:56PM)

III. Review and Approve September 2012 Financial Reports

Vern Connors stated that the September Financial Report does not contain any major changes. He indicated that budget amendments will be forthcoming in December due to differences between projected and actual receipt of NYS Aid. Mr. Connors explained that NYS revenue projections are developed in November, and this is the basis for the Governor's proposed budget. He noted that additional budgetary changes are also needed due to receipt of competitive grants and grants to support the Core Curriculum.

Commissioner White inquired why the District does not have a surplus from grant funds, since these are in addition to revenue anticipated in the approved budget. Mr. Connors replied that grants do not generate a surplus because of requirements that the funds be expended in a specific way and for specific purposes. He stated that if the grant funds are not completely expended, the remainder must be returned.

Mr. Connors clarified that the budget typically includes formula grants (i.e. Title I and IDEA) and competitive grants that have already been awarded at the time the budget is developed. He stated that grants are used to support particular initiatives or programs (e.g. APPR, Core

Curriculum) and the District tries not to add staff to support a grant because of the uncertainty of these funds continuing in the future.

Commissioner Powell expressed concern that the Board has no opportunity for input in the grants process to ensure that the specific purposes under the grant are aligned with District priorities. She inquired whether the Board could be apprised of grant applications before they are submitted. Mr. Connors responded that the Grants Office follows a process of seeking grants that support the District's current or future mission. He noted that staff from the Grants Office meet regularly with the Superintendent to ensure that the grant opportunities being sought correspond with the District's mission and goals.

Mr. Ansbrow reported that he is currently evaluating the grants process and the way in which expenditures have been tracked against grant revenue. He stated that he would like to develop a spending plan regarding the uses of grant funds, which could be shared with the Board.

Commissioner Powell suggested providing a report during the budget process that indicates the specific grant opportunities being pursued and the fiscal impact of grants. She recommended that a follow-up report be provided during the year to reflect grant awards and progress under these grants.

Commissioner Cruz asserted that some grants allow funds to be used to enable the District to save NYS Foundation Aid. Mr. Connors replied that the Grants Office seeks these types of opportunities, but requirements have become increasingly restrictive over the years and no longer allow items to be charged to the grant without a great deal of documentation. He stated that funders focus on expanding programs or services, rather than on enabling the District to generate savings.

Commissioner Cruz asked about the percentage of grant funds received by the District that are not based on federal or state revenue. Mr. Connors responded that these types of grants represent approximately 3% of total grant funds.

Commissioner White contended that there is waste in the grant process because RCSD employees could perform many of the required functions under grants and thereby generate cost savings. He stated that grant requirements lead to the development of silos that are not tied to the other functions of the District, and emphasized the need to examine existing opportunities to realize cost savings. Mr. Ansbrow concurred, although cautioned that these types of opportunities be found in the right way with the right funders.

Commissioner Powell stated that many programs have been initiated in the past through grant funding, but were retained even when the funding expired. Mr. Connors replied that the District attempts to retain successful programs, but acknowledged that data systems must be developed to improve evaluation of program effectiveness.

Motion by Commissioner Cruz to approve September 2012 Financial Report. Seconded by Commissioner White. **Adopted 3-0, with concurrence of parent representative.**

IV. Review and Approve Quarterly Change Order Report

Parent Representative Giancarlo Giannini asked whether the capital improvements for School No. 29 are in danger of exceeding the project budget. Andy Wheatcraft responded that the change orders for this project have amounted to \$62,404 (8% of the contract award) and 2% contingency remains to cover any unforeseen expenses. He stated that concern arises when the cost of change orders exceed the 10% contingency amount built into the project budget.

Commissioner Powell stated that the change orders for renovating School No. 29 involve health and safety issues, and it should have been known that these would have to be addressed. Mr. Wheatcraft replied that some of these health and safety issues were not apparent under the original bid, and were only discovered after the work had begun. He explained that this is the reason that a 10% contingency amount is added into the budget for each capital project.

Commissioner White expressed concern that there may be a tendency toward excessive spending because these funds have been added to the project budget. Mr. Wheatcraft reported that the District historically has remained within 2% of the budget for all capital projects, but the variance is greater for individual projects. He emphasized the importance of keeping total capital expenditures within budget, rather than focusing on variances for one individual project.

Commissioner White inquired about the use of savings if a capital project comes in under budget. Mr. Connors noted that a total of \$7.5M in capital savings accumulated over approximately 7-8 years, which was used to support priority projects when the City would not issue bonds for financing. He pointed out that cost savings from capital projects can only be used for capital expenditures.

Commissioner Powell noted that Requests for Proposal (RFP) include potential add-ons to the project, which are to be performed if the project comes in under budget. John Burke clarified that contracts contain bid alternates, stating that RCSD may want to perform certain additional work if the aggregate contingents are below budget.

Mr. Ansbro stated that he would like to develop a contingency plan to specify additional work to be performed if the capital projects contained in the Capital Improvement Plan come in under budget.

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

V. Timeline for Facilities Master Plan

Mr. Wheatcraft reported that the draft Facilities Master Plan was recently presented to the Superintendent, who did not recommend any major changes.

Action Item: Ms. Flanagan will include review of the timeline for the Facilities Master Plan in the agenda for the November Finance Committee meeting.

VI. Goals for the Finance Committee for 2012-13

Commissioner Powell asked Mr. Giannini about specific targets in reducing the amount or percentage of operating costs for FY2012-13 for the Finance Committee. Mr. Giannini replied that the targeted amount or percentage of cost savings should be discussed, particularly in light of new initiatives such as extended day and the Core Curriculum.

Commissioner Powell inquired as to the extent to which identifying specific targets for operational cost reductions would encroach on the Superintendent's jurisdiction.

Commissioner White asserted that the Board has to direct the Administration to identify ways to realize cost savings, and suggested requiring a report of the way in which these savings are to be generated and the fiscal impact on the District.

Mr. Giannini stated that identified opportunities for cost savings could be incorporated into the budget and the larger impact on student services and achievement could also be examined.

Commissioner Powell stated that the difficulty lies in determining effectiveness in terms of opportunity costs and ways in which funds could be better expended.

Mr. Connors reported that employment in the District has been reduced by approximately 400FTE from peak levels four to five years ago. He stated that the budget has been developed on the basis of comparing the impact of current funding levels to a 10-15% proposed targeted reduction in operational expenditures among departments (excluding schools). He also acknowledged that the District has not adequately documented the fiscal impact of cost-cutting measures.

Mr. Ansbrow stated that the District needs to improve monitoring of the fiscal impact of reductions in operational and staff expenditures. He stated that better monitoring would enable the District to document progress in terms of exercising greater fiscal restraint, establishing new goals, and communicating with the community. He emphasized the importance of focusing on efficiencies to provide the same level of service for a lower cost. Mr. Ansbrow also discussed the importance of maximizing revenue, citing an example of increasing revenue by \$1M by improving completion and accuracy of Medicaid forms.

Commissioner Powell suggested that Mr. Ansbrow consider the proposed FY2012-13 goals for the Finance Committee, and report back in the November meeting. She stated that the final goals must be acceptable to the Board and to the Administration.

Action Item: Mr. Ansbrow will review the FY2012-13 goals for the Finance Committee, and present recommendations to the Committee in the November meeting.

VII. Review and Approve Resolutions in Preparation for October 25, 2012 Board Business Meeting

A. PROCUREMENT & SUPPLY

- 1. Standard Stationary Supply Co.; Buffalo Envelope Company – contract extension to purchase various types and sizes of envelopes for departments throughout the District – Resolution No. 2012-13: 267**

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

B. FACILITIES

Final Payments:

- 1. Battle Construction Co., Inc. – final payment for general construction work for renovations to School No. 20 – Resolution No. 2012-13: 268**

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

Contracts:

- 2. Manel Excavating Corp. – contract for snow plowing and removal – Resolution No. 2012-13: 269**
- 3. Rochester Snowplowing & Sealcoating Inc. – contract for snow plowing and removal – Resolution No. 2012-13: 270**
- 4. Manel Excavating Corp. – contract for snow plowing and removal – Resolution No. 2012-13: 271**

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

Other:

- 5. City of Rochester and Baden Street Settlement of Rochester, Inc. – cooperative agreement for students of School No. 9 to use Clinton Baden Community Center – Resolution No. 2012-13: 272**

Commissioner Cruz questioned continued cost increases under the contract with the Clinton Baden Community Center. Mr. Wheatcraft stated that the rate for this particular facility is slightly higher than for other recreation facilities used by the District and the City, and reported that annual rate increases are contained in the contract. He suggested re-examining the costs at the end of the contract term.

Commissioner Cruz emphasized the need to scrutinize every contract to ensure that there is a legitimate basis for the cost increases and because these types of escalating costs are not examined in terms of budget impact.

Commissioner Powell inquired whether the District pays rent to the City and a management fee to the Clinton Baden Community Center for use of this facility. Mr. Wheatcraft stated that the payment is all-inclusive and made to the Clinton Baden Community Center. He stated that the District can obtain NYS Building Aid for capital improvements to recreational facilities if used to improve an educational program.

Mr. Connors stated that all of the other recreational facilities are leased by the City to the Baden Street Settlement, which sub-leases to the District. He noted that the Clinton Baden Community Center is an exception to this arrangement.

Commissioner Powell stated that other non-profit organizations may be interested in managing or operating the facility if offered the opportunity to bid to provide these services. Mr. Wheatcraft replied that it is the City's prerogative to determine the specific leasing arrangements on these properties. He noted that the Clinton Baden Community Center is the largest City-owned recreational center and has the greatest number of amenities, which may account for the higher cost.

Action Item: Mr. Wheatcraft will inform the members of the Finance Committee of the cost and amenities of each of the recreational facilities in the City that are used by the District.

Motion by Commissioner White to approve the above resolution for the agreement for students in School No. 9 to use the Clinton Baden Community Center. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of parent representative.**

Late Submission:

- 1. District self-insuring for health care**
- 2. FPGI**

Commissioner Powell briefed the members of the Finance committee on the implications of having an insurer serve as an administrator of the District's health care plan, noting that the cost would be based on the health care needs of employees. She stated that using an experience rating for health insurance over the last several years enabled the District to establish a claims history, which can now be used to project health care costs through self-insurance.

Mr. Ansbrow explained that the District self-insuring for health care will not generate cost savings, but will slow the rate at which health costs increase over time.

Commissioner Cruz asked whether consideration has been given to increasing the number of employees covered by health insurance to realize a discount. Mr. Ansbrow replied that the cost of self-insurance is based on the claims submitted by employees, so a discount would not apply.

Commissioner Powell reported that the District obtained a grant several years ago to explore the option of consolidating coverage for City, County and District employees

to leverage health care costs. The result of this study was that RCSD would benefit to a greater extent by obtaining their own health insurance because District employees are generally healthier than those with the City or County.

Motion by Commissioner White to approve the above resolution for the District to self-insure for health care. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of parent representative.**

Motion by Commissioner White to approve the above resolution to submit the FPMI to the State, reflecting revised costs for capital projects. Seconded by Commissioner Cruz. **Adopted 3-0, with concurrence of parent representative.**

VIII. Options for Presenting Pay Levels for Position Titles in RCSD Budget

Mr. Connors provided a handout to illustrate the way in which information regarding pay levels for each position title will be presented in the FY2013-14 RCSD Budget Book. He reported that the FY2008-09 RCSD Budget Book contained a salary schedule with the number of FTE at each salary step. Mr. Connors stated that this level of detail was lost with the upgrade to the PeopleSoft EPM module. He explained that the budget is developed according to the average pay for each position title, but data is not available in the new system of the pay or number of FTE at each step level. Mr. Connors stated that he plans to explore ways to obtain this detail in the future, but this information can be provided for members of SEG because these positions do not involve step levels.

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

Meeting adjourned at 8:28PM.

Next Finance Committee meeting: November 8th at 5:30PM