

Rochester Board of Education
Finance Committee
September 13, 2012

Attendance: Commissioner Powell (Chair) and Commissioner White. Commissioner Cruz absent. Parent Representative: Giancarlo Giannini. District Staff: Gary Smith, Purchasing Officer; Vern Connors, Budget Director; Bill Ansbro, Chief Financial Officer; Jerome Underwood, Senior Director of Operations; Anita Murphy, Deputy Superintendent of Administration. Board Staff: Debra Flanagan

Commissioner Powell convened the meeting at 5:36PM, and began by introducing the new Chief Financial Officer, Bill Ansbro, to the members of the Finance Committee.

I. Question & Answer Session

Anita Murphy reported that Superintendent Vargas recently gave a presentation at the New York State School Finance Symposium regarding restructuring school finance during times of economic distress. Ms. Murphy stated that members of the NYS Senate and Assembly were in attendance, and the Superintendent focused on efforts made by RCSD to streamline by reducing top-level administration and focusing on services to students. She noted that Rochester was the only city asked to participate in the Symposium. Bill Ansbro noted that he had mistakenly thought as an outsider to the District that NYS Aid was tied to the growth in personal income, so that RCSD would receive a 4% increase in funding every year. He stated that he was surprised to discover that funding for education is quite volatile, and that the increase in NYS Aid for the upcoming year is only 3.5%. Ms. Murphy stated that this could be reduced if the economic recovery lags. She described an initiative to establish a minimum floor of 4% in annual increases for education funding (rather than the current 4% ceiling) to enable school districts to rely on a certain minimum level of support from the State, particularly during difficult economic times.

Commissioner Powell noted that the volatility in State funding for education began with 9/11, then the Campaign for Fiscal Equity was successful in obtaining additional funding for school districts for two years. Since that time (2009), she stated that there have been substantial reductions in State funding for education.

Ms. Murphy offered to give Board members a copy of the presentation that the State had presented during the Symposium, which reported a recent study indicating slow, steady growth in Medicaid funding and quite variable funding for education.

Vern Connors discussed development of the plan for the Contract for Excellence, which is not yet ready because of the lack of student measures to use in weighting funding allocations to ensure that greater resources are allocated to high-need schools. Since the New York State Education Department has not created these measures, the District is working to develop them in compliance with the law. As soon as this has been done, he stated that the plan will be posted on the District website.

II. Review and Approve Minutes of August 16, 2012 Finance Committee Meeting

Motion by Commissioner White to approve the minutes of the August 16, 2012 Finance Committee meeting. **Adopted 2-0, with concurrence of parent representative.**

III. Review and Approve Financial Reports:

A. 4th Quarter Student Activity Funds Report for 2011-12

B. Unaudited July and August Financial Reports

Motion by Commissioner White to approve the 4th Quarter Student Activity Funds Report for 2011-12. **Adopted 2-0, with concurrence of parent representative.**

Parent Representative Giancarlo Giannini asked whether the unaudited July and August 2012-13 Financial Reports contain any changes outside of expectations. Mr. Connors replied that these reports do not contain any significant unexpected changes, but simply reflect volatility in terms of timing differences from one year to the next.

Commissioner Powell noted that there was a significant increase in the amount of staff overtime expenses during July and August. Mr. Connors explained that overtime ramped up due to summer school and programs, which required overtime particularly for clerical and security staff.

Commissioner Powell asked whether the increased expenditure for hourly teachers was due to the expansion in summer school. Mr. Connors responded that much of this added expense was due to the increase in pre-K for 2012-13.

Motion by Commissioner White to approve unaudited July and August Financial Reports. **Adopted 2-0, with concurrence of parent representative.**

IV. Update regarding All-City High School Fiscal Impact

In response to a request made in the August 16th Finance Committee meeting, Mr. Connors provided a handout to each of the Committee members with information regarding expenses and the fiscal impact of the All-City High School. He noted that there were frequent changes right up until the start of school.

Mr. Connors explained that the figures in the original 2012-13 budget were based on the assumption that all of the former schools would remain. He pointed out that fewer staff were needed than originally planned due to only retaining 8th grade in Dr. Freddie Thomas High School, 12th grade on the Edison campus, and the Rochester International Academy. As a result of these changes from the original plan, the cost is almost \$2M less than originally anticipated.

Mr. Giannini asked about the outcome for the almost 35 FTE that were not needed as a result of these changes. Mr. Connors clarified that the District has not had to use 35 FTE because of the changes from the original plan.

V. Timeline for Master Facilities Plan

Jerome Underwood reported that a draft plan has been developed and will be presented to the Superintendent on September 17th, with a number of options for the use of space in the District. He stated that this plan will be critiqued by senior staff and then the community will provide input. Mr. Underwood stated that he expects the primary signatories to the cooperative agreement will be the Superintendent, Mayor of Rochester, City Council, the Board of Education, and the Rochester Joint School Construction Board.

Ms. Murphy stated that a planning meeting will be scheduled with the Board, noting that the Master Facilities Plan is very comprehensive and offers a number of options for consideration.

Mr. Giannini asked whether the timeline for the Master Facilities Plan includes a schedule for performing specific activities. Mr. Underwood replied that this will be developed after the meeting with Superintendent Vargas on September 17th.

Action Item: Ms. Flanagan will include development of the Master Facilities Plan on the agenda for the October 18th Finance Committee meeting.

VI. Goals for the Finance Committee for 2012-13

Mr. Giannini pointed out that metrics should be results-based, indicating a dollar amount or percentage target in terms of reducing operational costs over the course of the year. He offered to develop new metrics for the Finance Committee goals to ensure that there will be more effective, meaningful measurements to indicate progress toward goals.

Action Item: Mr. Giannini will create new metrics to indicate the extent to which the stated goals of the Finance Committee have been achieved.

Bill Ansbro expressed concern about ensuring that cost reduction is done in a targeted and effective way, without detriment to District operations

Commissioner Powell described the intent of the Committee in collaborating with the Administration in discussing cost-benefit analysis and decision-making. She clarified that the goal is to achieve better results with lower cost.

Mr. Connors asserted that he tries to ensure that actual revenue and expenditures come within 1% of the budgeted amount, preferably with revenue 1% greater and expenditures 1% lower than anticipated in the budget.

Action Item: Ms. Flanagan will include review of Finance Committee goals and metrics for 2012-13 in the agenda for the October 18th Finance Committee meeting.

VII. Budget Resolutions presented by Commissioner White

Commissioner White described two resolutions presented in the August 23rd Board Business meeting referred to the Finance Committee for consideration:

1. Public disclosure of the pay of each member of the Superintendent's Employee Group (SEG)

Commissioner White stated that the City already provides information in their budget regarding the pay of each staff person appointed by the Mayor, emphasizing the importance of providing this information for public accountability. He also noted that this would help make the budget process more transparent.

Mr. Ansbro clarified that the City provides this information in the budget by pay grade and range, but not by position. He offered to prepare a few examples to present to the Finance Committee to ensure that the intent is captured and that the information can be provided consistently.

Action Item: Ms. Flanagan will include discussion of budget information regarding staff pay in the agenda for the October 18th Finance Committee meeting.

Mr. Connors stated that this information was provided in the RCSD budget three years ago, but upgrade of the PeopleSoft system led to this information only being calculated according to average salaries. He stated that this information can be re-generated for all positions and not only for those in SEG.

Motion by Commissioner White to table discussion of resolution regarding disclosure of information about the pay of each SEG member. **Adopted 2-0, with concurrence of parent representative.**

2. Aligning the pay of each member of SEG to that of their counterparts in the other Big Four districts

With regard to the second resolution, Commissioner White stated that the Superintendent selects the members of their cabinet and their pay levels without review by the Board. He emphasized the importance of the Board's ability to review these pay levels to exercise fiscal oversight, as well as to ensure that the pay is commensurate with that of the Rochester community. Commissioner White pointed out that the Board had just reduced benefits and denied pay increases to existing members of SEG, only to have the Superintendent bring on new appointees at increased pay levels. He discussed this resolution as a way to reassert the Board's fiscal oversight authority, with proposed salary adjustments for specific SEG positions based on equity and consistency considerations.

Ms. Murphy declared that she chose to make greater contributions for her health insurance coverage to set an example and to emphasize that management cannot negotiate with teachers or other staff if unwilling to make the same concessions. She also asserted that the experience and previous pay level of SEG members must be considered in evaluating current pay. Ms. Murphy responded that she welcomes the opportunity to discuss her contract, just as each of the current

members of SEG have done. She pointed out that there are other options for restructuring SEG to promote stability than the two resolutions presented.

Commissioner White recalled the discussion by the Superintendent initially to require SEG members to contribute to health insurance premiums even before they had a chance to make a choice about the health plan in which they are enrolled. He noted that the final outcome was to have SEG members begin contributing toward health insurance premiums in January 2013, so that they would have an opportunity to weight these costs against the health plan they select. Commissioner White reported that the Board was instrumental in affecting this change to ensure equity for employees, but has less involvement in decisions involving SEG employees when the Superintendent establishes individual contracts. In this way, he pointed out that the Board has greater oversight with regard to some SEG members, but not for all.

Mr. Ansbro suggested that these issues be discussed with the Superintendent. In terms of his own appointment, he reported that he needed to be convinced to accept the Chief Financial Officer position because he was concerned about the frequent turnover in this position in the District. Mr. Ansbro stated that he had greater benefits and lower costs in his position with the City, but he understands the need to reduce benefits due to the fiscal conditions confronting the District. He stated that he agreed to a three-year contract because he recognizes the need for stability as the Chief Financial Officer of the District.

Commissioner Powell offered a historical perspective to help explain the Board members' concerns about SEG appointments. She stated that the turnover in the CFO position is the result of the Superintendent having individual employment contracts with SEG members (v. civil service). She explained that the Board had been able to exercise oversight directly through approving any new SEG positions and indirectly through approval of the pay levels contained in the budget. She stated that the Superintendent then began extending individual employment contracts to some SEG members, but not to all. Commissioner Powell stated that the Board questioned this practice based on equity and accountability concerns because the contract provisions were exceedingly generous for particular individuals. She described a change in practice resulting from the Board's concerns, so that the existing individual contracts were allowed to expire and no new contracts were created. Commissioner Powell expressed concern that this practice is resuming, and suggested eliminating the provision in the SEG regulation that allows the Superintendent to establish individual employment contracts. She noted that the concern arises from historic abuse of these practices.

Motion by Commissioner White to table the resolution regarding aligning each SEG member's pay with that of their counterparts in other districts. **Adopted 2-0, with concurrence of parent representative.**

Action Item: Ms. Flanagan will include review of the resolution regarding aligning the pay of each SEG member with their counterpart in other districts in the agenda for the October 18th Finance Committee meeting.

VIII. Review and Approve Resolutions in Preparation for August 23, 2012 Board Business Meeting

A. PROCUREMENT & SUPPLY

- 1. Bernadette, Inc. (dba Interstate All Battery Center); Cross Brothers Co.; D&W Diesel, Inc.; Fleet Pride; Frey The Wheelman, Inc. (dba Frey Heavy Duty); Matthews Buses, Inc.; Oil Filter Service, Inc.; Regional International Corp.; Tracey Road Equipment, Inc.; Uni-Select, Inc. – contract extension for auto, truck and bus parts – Resolution No. 2012-13: 191**

Motion by Commissioner White to approve above Procurement resolution. **Adopted 2-0, with concurrence of parent representative.**

B. FACILITIES

Contracts:

- 1. Summerhays and Company, LLC – new contract for boiler tube repair – Resolution No. 2012-13: 192**
- 2. Summerhays and Company, LLC – new contract for boiler refractory repair – Resolution No. 2012-13: 193**
- 3. Downey-Goodlein Elevator Corporation – new contract for elevator repair – Resolution No. 2012-13: 194**
- 4. Manel Excavating Corporation – new contract for paving and resurfacing – Resolution No. 2012-13: 195**
- 5. HELD FOR ROOF REPAIR CONTRACT – Resolution No. 2012-13: 196**
- 6. Power Team Maintenance Co. (dba All Seasons Window cleaning Co.) – new contract for window washing – Resolution No. 2012-13: 197**
- 7. Kuitems Construction, Inc. – contract extension for general carpentry – Resolution No. 2012-13: 198**
- 8. Manel Excavating Corporation – contract extension for snow plowing and removal – Resolution No. 2012-13: 199**
- 9. Power Team Maintenance Co. (dba All Seasons Window cleaning Co.) – contract extension for window washing – Resolution No. 2012-13: 200**
- 10. Exodus Exterminating, Inc. – contract extension for pest management – Resolution No. 2012-13: 201**
- 11. New York State Fence, Inc. – contract extension for fence repair – Resolution No. 2012-13: 202**
- 12. Heaster Building Restoration, Inc. – contract extension for masonry repair – Resolution No. 2012-13: 203**
- 13. Pipitone Enterprises, LLC – contract extension for refrigeration/equipment repair – Resolution No. 2012-13: 204**
- 14. Betlem Service Corporation – contract extension for air conditioning/air handling – Resolution No. 2012-13: 205**
- 15. Betlem Service Corporation – contract extension for boiler repair – Resolution No. 2012-13: 206**
- 16. DG Messmer Corporation – contract extension for sewer cleaning – Resolution No. 2012-13: 207**

17. **DG Messmer Corporation – contract extension for plumbing repair – Resolution No. 2012-13: 208**
18. **R.C. Shaheen Paint co. – contract extension for shade/blind repair – Resolution No. 2012-13: 209**
19. **P.D.H. contractors, Inc. – contract extension for curtain and stage drapery cleaning – Resolution No. 2012-13: 210**
20. **Home Guard Environmental Services, Inc. – contract extension for asbestos abatement – Resolution No. 2012-13: 211**
21. **TES Environmental Corporation – contract extension for testing laboratory services – Resolution No. 2012-13: 212**
22. **Kuitems Construction, Inc. – contract extension for miscellaneous millwright repair – Resolution No. 2012-13: 213**
23. **A.R. Pierrepont Co., Inc. – contract extension for painting – Resolution No. 2012-13: 214**
24. **Kircher Construction, Inc. – contract extension for demountable partition work – Resolution No. 2012-13: 215**
25. **Hewitt Young Electric, LLC – contract extension for electrical work – Resolution No. 2012-13: 216**

Motion by Commissioner White to address all above Facilities resolutions as a group. **Adopted 2-0, with concurrence of parent representative.**

Commissioner Powell inquired whether all of the companies for which contract extensions are being requested have a satisfactory history of performance with the District. Mr. Underwood confirmed this statement, and noted that the new contracts were awarded to the lowest bidder.

Motion by Commissioner White to approve all above Facilities resolutions. **Adopted 2-0, with concurrence of parent representative.**

26. **Request for Revision of Financial Information Form (FP-FI) – Resolution No. 2012-13: 217**

Mr. Underwood acknowledged that he had given Commissioner Campos an incorrect response to a question raised during the Board's Work Session. He stated that he will provide a corrected written response that can be shared with the Board.

Mr. Underwood stated that the reason for the increase in project costs was not due to air conditioning, but due to the application of Excel Aid (approx. \$16M) to reduce the cost of the Facilities Modernization Project (FMP). He explained that the NYS Education Department has to consider the maximum cost of the project and the maximum amount of Excel Aid that can be used, which is 2% of the maximum cost allowance. He pointed out that some of the District's projects exceeded the maximum cost allowance, while others were below this amount. Mr. Underwood stated that the FP-FI reflects these adjustments.

Mr. Underwood also noted that most of the changes in the FP-FI are due to the District-wide technology project, the cost of which is eligible for reimbursement under the E-Rate program. He clarified that the FP-FI reflects the total project costs, but not net of the E-Rate reimbursement.

Action Item: Mr. Underwood will provide a written response to Commissioner Powell as to the reasons for the project increases shown in the FP-FI.

Commissioner Powell pointed out a dramatic increase in costs for capital improvements to School #17. Mr. Underwood replied that the additional costs were due to the expanded scope of the project to enlarge the gym and to renovate the clinic to facilitate use by the community. He noted that these costs are not eligible for NYS Aid reimbursement.

Mr. Giannini asked whether the increased project costs reported in the FP-FI will increase the \$325M allocation for Phase I of the FMP. Mr. Underwood replied that the Phase I allocation will not increase because funds will be reallocated from other projects.

Mr. Giannini questioned the basis for budgeting for the new Facilities contracts (Resolution Nos. 2012-13: 192-194) at 130% of the labor rate. Mr. Underwood responded that this is to cover overhead and the cost of benefits under these contracts, which were awarded to the lowest qualified bidders.

Mr. Giannini asked the rationale for using a percentage rather than a flat rate for contracts. Gary Smith replied that the law requires school districts to use prevailing wage rates, which is the reason that the contracts specify a percentage rather than a flat rate. In this way, contracts do not have to be changed to accommodate changes in prevailing wage rates. Mr. Connors explained that the New York State Labor Department establishes prevailing wage rates for specific trades under federal guidelines.

Motion by Commissioner White to approve above Facilities resolution regarding submitting the FP-FI form to the State. **Adopted 2-0, with concurrence of the parent representative.**

Motion by Commissioner White to adjourn. **Adopted 2-0, with concurrence of parent representative.**

Meeting adjourned at 7:07PM.

**Next Finance Committee meeting: October 18th, immediately following the
Policy Committee meeting**