

Rochester Board of Education
Finance Committee
June 14, 2012

Attendance: Commissioner Powell (Chair) and Commissioner White. Commissioner Cruz absent. Parent Representative: Giancarlo Giannini absent. District Staff: Vernon Connors, Chief Financial Officer; Gary Smith, Purchasing Officer; Jerome Underwood, Senior Director of Operations; Ramana Adibhatla, Manager of Business Enterprise Applications. Board Staff: Debra Flanagan.

Commissioner Powell convened the meeting at 6:36PM.

I. Question – Answer Session

Commissioner Powell noted that the legislation regarding the City's Maintenance of Effort (MOE) has been approved, and this resolves the issue of borrowing to finance the Facilities Modernization Project (FMP) by ensuring that this debt will not affect the amount that the City pays to the District on an annual basis.

Vern Connors noted that while the legislation resolves the issue of borrowing for the FMP, the City remains concerned about the District's existing debt and plans to borrow to finance upcoming capital projects. He stated that the District is still trying to obtain written confirmation from the NYS Education Department that debt incurred to support capital projects will not increase the City's MOE payment to the District. Mr. Connors reported that this process has been delayed due to the departure of one of the top level staff members in the Department.

Commissioner Powell questioned whether this would be an issue if borrowing for capital projects remains constant. Mr. Connors replied that projections from a recent analysis indicate that the local share of debt payments will decline until FY2018-19. He reported that NYS Building Aid will decrease in that year, resulting in a net increase in District costs of \$1.2M. Mr. Connors stated that the analysis reflects the fact that debt service payments are not perfectly aligned with receipt of NYS Building Aid. He reported that almost all of the \$1.2M net cost increase in FY2018-19 is due to existing debt, rather than debt proposed for planned capital projects (CIP). He stated that he plans to look into this further and collaborate with City staff to explore options such as adjusting the debt service schedule or re-purposing \$4.7M in borrowing that the District has not yet utilized.

Commissioner Powell asked whether the \$7.5M in accumulated savings from former capital projects is all the funding available at this point to support CIP projects. Mr. Connors responded that these are all the funds the District has available at this time to support these projects, until the MOE issue has been resolved and/or the City agrees to another option for financing.

Commissioner White pointed out that the City has issued debt to support the District's CIP projects in previous years, even when there was a dispute about the MOE payment. He asked what has changed to raise this issue at this time. Mr. Connors replied that the rules regarding the MOE payment were changed by the NYS Education Department in the last few years. He

explained that the amount of the MOE payment was initially based on the District's debt service. However, the City argued that increases in the District's debt service would be reimbursed largely through NYS Building Aid, while also increasing the MOE payment to the District. Mr. Connors reported that the NYS Education Department agreed with the City, and then tied the MOE payment to the amount of the District's local share of debt payment. He stated that tying the MOE to the local share then raised questions about the impact of borrowing to finance the FMP.

Jerome Underwood stated that borrowing for the FMP will increase the local share of debt payment substantially, and the City has been concerned that this will also lead to substantial increases in their MOE payment to the District. He explained that this became an issue last year, as RCSD prepared to begin the first phase of the FMP. Mr. Underwood stated that \$29M in short-term Bond Anticipation Notes (BANs) were authorized to finance Phase I of the FMP, and the District is now paying off these Notes to free up some funding. He reiterated that the newly enacted legislation resolves the MOE issue with regard to borrowing for FMP projects, but not for regular capital projects (CIP). Mr. Underwood added that the City has not yet received confirmation from the State about the amount of the MOE payment for FY2011-12. He stated that this has contributed to City Council's reluctance to approve additional RCSD borrowing until written clarification is provided by the State Education Department. He noted that the City has made significant concessions by allowing the District to utilize unused bond funds to support CIP projects. Mr. Underwood also pointed out that the District has continued to pay debt service on these unused bond funds.

Commissioner Powell asked whether use of the \$7.5M in accumulated savings will reduce CIP borrowing, thereby reducing MOE payments in the future. Mr. Underwood replied that use of these funds will not affect future MOE payments because these funds have already been borrowed. He clarified that the \$7.5M in funds are available because CIP projects have been completed for less than the original estimated cost over the years.

Commissioner Powell contended that use of the \$7.5M will affect future MOE payments because RCSD has been paying off this debt service, which will also reduce NYS Building Aid reimbursement. Mr. Connors replied that a recent analysis showed that the local share of debt is declining, but use of the \$7.5M will reduce the rate of decline until FY2018-19. He stated that the overall reduction in local share is estimated at \$400K per year, and use of the \$7.5M will increase local share by only \$40K per year until FY2018-19.

Commissioner Powell inquired whether the CIP funding cliff in FY2018-19 is due to the large amount of debt incurred in FY2009-10 to finance construction of Dr. Freddie Thomas High School, Wilson Foundation Academy campus, School of the Arts, School No. 45, and Madison High School. Mr. Connors stated that he has not gotten to this level of detail yet in the analysis, but this will be the next step.

Mr. Connors reported that City Council and RCSD staff met to review the District budget for the first time in approximately five years, and he expects a positive City Council vote on the budget next week. He also stated that the preliminary MOE payment for FY2012-13 will remain at \$119.1M and is due to be submitted in January 2013.

II. Review and Approve Minutes of May 3, 2012 Finance Committee Meeting of the Whole and May 15, 2012 Finance Committee Meeting

Motion by Commissioner White to approve the minutes of the May 3, 2012 Finance Committee Meeting of the Whole and of the May 15, 2012 Finance Committee meeting. **Adopted 2-0.**

III. Review and Approve May 2012 Financial Report

Mr. Connors stated that he expects to submit budget amendments to the Finance Committee some time during the summer to account for new grant awards.

With regard to the May 2012 Financial Report, Mr. Connors explained that expenditures in some categories appear to exceed the budget by more than 100%, which is largely due to a timing issue. He stated that schools and departments have been moving funds into these categories to place orders, but the budget has not been changed since approval of the budget amendments in April.

Commissioner Powell questioned whether the over 100% budgeted for computer hardware is due to receipt of a special grant or to E-rate reimbursement. Mr. Connors replied that this is not due to E-rate reimbursement, but he will have to look into this further.

Action Item: Mr. Connors will look into the source of additional funding for computer hardware, and report this to the Finance Committee.

Commissioner Powell requested that the Financial Reports be provided in two separate documents for ease in reviewing.

Action Item: Financial Reports will be provided to the Finance Committee in two separate files to allow for different page orientations.

Motion by Commissioner White to approve the May 2012 Financial Report. **Adopted 2-0.**

IV. Timeline for Facilities Master Plan

Mr. Underwood recalled that Parent Representative Giancarlo Giannini had requested information in the last Finance Committee meeting about the timeline for developing the Facilities Master Plan. Mr. Underwood reported that Superintendent Vargas has given him until September 15th to develop this timeline, which involves analysis of facility needs to execute academic programming.

Commissioner Powell urged that the Facilities Master Plan consider locating City-wide draw programs in under-selected schools to maximize overall capacity in the District. She provided an example of problems arising from housing a popular City-wide draw program such as HOLA at School No. 12, a school in high demand. Commissioner Powell explained that housing a popular

program in a highly sought-after school limits space available for both the program and the school. She recommended that City-wide draw programs be housed in schools that are under-selected to expand overall capacity.

Commissioner White suggested replicating HOLA in other schools, rather than removing or displacing these types of effective programs.

Commissioner Powell concurred with the idea of replicating effective programs, particularly since one of the zones currently does not have a two-way bilingual program such as HOLA. She noted that housing this program in an under-selected school would maximize overall capacity and enable more students to attend HOLA and School No. 12.

Commissioner White stressed the importance of equity in the programs offered in the schools in the District, such as HOLA and MAP. He pointed out that there is no reason that effective programs cannot be replicated in other schools throughout the District.

V. Review Proposed Resolutions for June 28, 2012 Board Business Meeting

A. PROCUREMENT & SUPPLY

- 1. Lewis General Tires, Inc. – contract extension to purchase new and repaired tires – Resolution No. 2011-12: 831**
- 2. Altec Industries Inc.; B.J.R. Auto Radiator Service; General Collision Inc.; George & Swede Sales & Service, Inc.; Hawk Frame & Axle Inc.; Kaiser-Wilcox Corporation; Milt & Ron’s Transmission; Penn D.D.A. LLC; Thru-Way Auto Spring Service, Inc. – contract extension for repair of District vehicles that cannot be performed by District mechanics – Resolution No. 2011-12: 832**
- 3. Water Wise of America Inc. – contract extension for water treatment chemicals and services to maintain air conditioning and boiler systems – Resolution No. 2011-12: 833**
- 4. Monroe 2 Orleans BOCES – authorize RCSD Purchasing Agent to enter into cooperative bidding ventures with Monroe 2 Orleans BOCES Resolution No. 2011-12: 834**

Motion by Commissioner White to address all above Procurement & Supply resolutions as a group. **Adopted 2-0.**

Motion by Commissioner White to approve all above Procurement & Supply resolutions. **Adopted 2-0.**

B. FACILITIES

Final Payments:

1. Envoy Environmental Consultants, Inc. – air monitoring work for renovations to School No. 43 – Resolution No. 2011-12: 835
2. Envoy Environmental Consultants, Inc. – air monitoring work for renovations to School No. 52 – Resolution No. 2011-12: 836
3. Leo J. Roth Corporation – plumbing work for renovations to John Marshall High School – Resolution No. 2011-12: 837
4. McMullen-Bishop, Inc. (dba NorthEastern Electrical) – electrical work for renovations to School No. 25 – Resolution No. 2011-12: 838
5. McMullen-Bishop, Inc. (dba NorthEastern Electrical) – electrical work for renovations to School Without Walls Foundation Academy – Resolution No. 2011-12: 839

Motion by Commissioner White to address all above Facilities final payment resolutions as a group. **Adopted 2-0.**

Motion by Commissioner White to approve all above Facilities final payment resolutions. **Adopted 2-0.**

Service Contract:

6. Manel Excavating Corporation – snow plowing and removal – Resolution No. 2011-12: 840
7. **Reject all bids for air monitoring work for renovations to School No. 46 – Resolution No. 2011-12: 841**

Commissioner Powell inquired as to the rationale for rejecting all of the bids for air monitoring work in renovating School No. 46. Mr. Underwood explained that the school has been deemed as a contributing building to the Browncroft historic district on the National Historic Register. He stated that the NYS Education Department has to review the application for this project within this context, so the specific requirements regarding the windows in the building have not yet been determined. Mr. Underwood clarified that installation of the windows will affect the air monitoring work, which is the reason that all of the bids have been rejected at this point.

Motion by Commissioner White to address all above service contract resolutions as a group. **Adopted 2-0.**

Motion by Commissioner White to approve all above service contract resolutions. **Adopted 2-0.**

Lease:

8. University of Rochester Memorial Art Gallery – agreement to use grounds for physical education for the School of the Arts – Resolution No. 2011-12: 842

Motion by Commissioner White to approve above resolution to lease grounds of the University of Rochester Memorial Art Gallery for physical education for the School of the Arts. **Adopted 2-0.**

Mr. Underwood reported that two additional resolutions are to be submitted late:

- 1) RTS services for summer school transportation – Mr. Underwood stated that negotiations led to the delay in submitting this resolution by the deadline, but the costs will be less than for last year (approximately \$350-360K)
- 2) Purchase of food via Aramark for summer District and City programs – Mr. Underwood reported that the District’s provision of food for City summer programs actually generates income (estimated cost of \$500K to provide food services).

Mr. Connors noted that these services need to be approved in time for the start of summer school, and that the District will lose NYS Aid if services are provided before being approved.

Commissioner Powell scheduled a Finance Committee meeting for 5:20PM on June 28th to review these two additional resolutions prior to the Board Business meeting at 6:30PM that evening.

C. INFORMATION MANAGEMENT & TECHNOLOGY

1. Rimini Street, Inc. – annual maintenance service on all District-owned PeopleSoft applications – Resolution No. 2011-12: 843

Mr. Connors explained that the District has moved away from using Oracle for maintenance of PeopleSoft applications, since major upgrades of these applications have been completed. He stated that the District has been using this third party vendor for annual maintenance of PeopleSoft applications to realize significant cost savings.

Ramana Adibhatla noted that RCSD was one of the first school districts to use Rimini Street, and will realize a savings of over \$580K per year for 10 years by switching from Oracle to this third party vendor.

Mr. Connors pointed out that this is an example of reductions in non-instructional operating costs, which led to staff reductions from automating processes that were previously handled manually.

Motion by Commissioner White to approve above IM&T resolution for annual maintenance with Rimini Street for all District-owned PeopleSoft applications.
Adopted 2-0.

Motion by Commissioner White to adjourn. **Adopted 2-0.**

Meeting adjourned at 7:42PM.