

**Rochester Board of Education**  
**Finance Committee**  
**May 15, 2012**

**Attendance:** Commissioner Powell (Chair) Commissioners White and Cruz (arrived 5:57PM). Parent Representative: Giancarlo Giannini. District Staff: Vernon Connors, Chief Financial Officer; Chuck Johnson, General Counsel; John Burke, Purchasing Department; Jerome Underwood, Senior Director of Operations; Tom Renauto, Director of the Rochester Joint School Construction Board.

Commissioner Powell convened the meeting at 5:34PM.

**I. Question – Answer Session**

Vern Connors reported that the Superintendent is working to obtain funds from the State to support extended day and/or extended year programs in the District.

**II. Review and Approval of Minutes of April 24, 2012 Finance Committee Meeting**

**Motion** by Commissioner White to approve the minutes of the April 24<sup>th</sup> Finance Committee meeting. **Adopted 2-0, with concurrence of parent representative.**

**III. Review April Financial Report and Quarterly Student Activity Fund Report**

**Motion** by Commissioner White to approve the April Financial Report. **Adopted 2-0, with concurrence of parent representative.**

**Motion** by Commissioner White to approve the Quarterly Student Activity Fund Report. **Adopted 2-0, with concurrence of parent representative.**

**IV. Review of Resolution No. 2011-12: 713 regarding Bond Issuance for Phase I of the Facilities Modernization Project (FMP)**

Commissioner Powell noted that this resolution was tabled in the April 26<sup>th</sup> Board meeting, and referred to the Finance Committee for further review. She explained that the Board is seeking the Committee's recommendation regarding this resolution in the upcoming May 22<sup>nd</sup> Board meeting.

Mr. Connors reported that Mayor Richards did not want to renew or issue new short-term Bond Anticipation Notes (BANs) to finance Phase I of the FMP. He stated that the Mayor is concerned about approaching the debt limit, and about the unresolved Maintenance of Effort (MOE) issue. For these reasons, Mr. Connors proposed that the original bond of \$138M be increased to \$150M to support Phase I of the FMP.

Jerome Underwood stated that the unresolved MOE issue has led to the City's reluctance to assume any more debt on behalf of the District, out of concern that the increased debt will also

lead the City to be obligated for increased MOE payments to the District. Mr. Underwood reported that the City's Bond Counsel has allowed RCSD to pay off the entire BAN obligation, which enables the District to increase the amount of the original bond to support Phase I of the FMP. Since BANs involve short-term debt and bonds are for a lengthier time period, the City favors the use of bonds to allow time for the MOE issue to be resolved. Mr. Underwood reported that legislation clarifying the MOE issue has passed the NYS Senate and awaits approval by the NYS Assembly. He pointed out that City Council will require this legislation to be in place before approving any new or additional borrowing on the part of the District.

Tom Renauto reported that the Rochester Joint School Construction Board (RJSCB) has been working with City Council to approve the resolution to authorize the bonds for Phase I of the FMP, as soon as the MOE issue has been resolved.

Commissioner Powell asked about the rationale for the bonds to be issued by the County of Monroe Industrial Development Agency (COMIDA) rather than by the NYS Dormitory Authority, as has been customary with these types of projects. Mr. Renauto replied that COMIDA provided a much more competitive offer than the Dormitory Authority for managing this financing. He pointed out that COMIDA waived some of its fees to gain a competitive edge in financing this phase of the project.

Commissioner Powell commented that as a local entity, COMIDA has a much greater investment in the success of the FMP than the NYS Dormitory Authority.

Commissioner White inquired about the basis for COMIDA receiving a \$750K fee for their services. Mr. Connors replied that RJSCB has limited options for financing: the City, NYS Dormitory Authority, and COMIDA.

Mr. Renauto explained that COMIDA issues the debt, prepares the offering, and sells bonds to support the project. He stated that the fee is charged to administer bond issuance, ensure that bondholders receive interest payments, and to cover their debt liability.

Commissioner Powell asked whether the mortgage on the property is used against the profits that COMIDA receives. Chuck Johnson replied that COMIDA must have an interest in the property to issue the bonds, so the City leases the property to them.

Mr. Connors emphasized that all parties are assuming some risk in the FMP project:

- The City in leasing the property to COMIDA
- RCSD in losing facilities/school buildings
- COMIDA in losing funds by being liable for the debt

**Motion** by Commissioner White to approve Resolution No. 2011-12: 713 to advance to the Board with recommendation in the May 22<sup>nd</sup> meeting. **Adopted 3-0, with concurrence of parent representative.**

**V. Review of Resolutions for the May 22, 2012 Board Business Meeting**

**A. PROCUREMENT & SUPPLY**

- 1. Best Plumbing Specialties, Inc.; Buckpitt & Company Inc.; The K.L. Group (dba Johnstone Supply of Rochester); V. J. Stanley – contract extension to purchase various plumbing and HVAC equipment to maintain and repair District buildings – Resolution No. 2011-12: 754**

**Motion** by Commissioner White to approve above Procurement resolution to purchase plumbing and HVAC equipment. **Adopted 3-0, with concurrence of parent representative.**

**B. FACILITIES**

**Contracts:**

- 1. Withdrawal of bid by McMullen-Bishop Inc. and contract with Steve General Contractor, Inc. – general construction; Lloyd Mechanical Co., LLC - plumbing work; Leo J. Roth Corporation – HVAC work; Eastcoast Electric LLC – electrical work – renovations to School No. 46 – Resolution No. 2011-12: 755**
- 2. Steve General Contractor, Inc. – general construction work; Leo J. Roth Corporation – mechanical work; Lloyd Mechanical Co., LLC – plumbing work; Kaplan-Schmidt Electric, Inc. – electrical work – renovations to Dr. Freddie Thomas High School – Resolution No. 2011-12: 756**
- 3. Manel Excavating Corporation – contract extension for snowplowing and removal – Resolution No. 2011-12: 757**
- 4. Rochester Snowplowing & Sealcoating Inc. – contract extension for snowplowing and removal – Resolution No. 2011-12: 758**
- 5. Archie Donoughe Sanding, Inc. – contract extension for wood floor refinishing at schools – Resolution No. 2011-12: 759**
- 6. Pro Carpet Inc. – contract extension for carpet cleaning at schools – Resolution No. 2011-12: 760**
- 7. Rotolite-Elliott Corporation – contract extension for large format copying – Resolution No. 2011-12: 761**
- 8. Rotolite-Elliott Corporation – contract extension for printing – Resolution No. 2011-12: 762**

**9. West Lake Conservators, Ltd. – contract to complete restoration of mural at Wilson Foundation Academy – Resolution No. 2011-12: 768**

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

Commissioner White inquired about the bid withdrawal by McMullen-Bishop, Inc. for general construction work in renovating School No. 46 and the budgetary implications. Mr. Underwood replied that his staff researched General Municipal Law and found that the District is obligated to return the bid.

**Action Item: Mr. Underwood will provide a copy of the General Municipal Law to the Finance Committee that pertains to allowing vendors to withdraw their bids.**

Commissioner White asked whether there is evidence of a pattern of bid withdrawal by this vendor. Mr. Underwood stated that no such evidence exists, but the cost differential was compared between McMullen-Bishop Inc. and the other bidders. On this basis, he reported that it was evident that an error had been made in calculating their costs.

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

**Final Payments:**

- 10. Eastcoast Electric LLC – final payment for electrical work for renovations to School No. 12 and South Avenue Recreation Center – Resolution No. 2011-12: 763**
- 11. F.W. Construction Corporation – final payment for general construction work for renovations at Edison Educational Campus – Resolution No. 2011-12: 764**
- 12. Mastro Enterprises, Inc. – final payment for general construction work for renovations to School No. 23 – Resolution No. 2011-12: 765**
- 13. Pipitone Enterprises, LLC – final payment for HVAC work for renovations to School No. 12 and South Avenue Recreation Center – Resolution No. 2011-12: 766**

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

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

**Leases:**

**14. The Cathedral Community Church of Rochester – extend lease agreement to house Flower City School No. 54 – Resolution No. 2011-12: 767**

Commissioner White asked when School No. 54 will be moved to a permanent home. Mr. Underwood replied that that School No. 54 and Montessori are planned to move to the Dr. Freddie Thomas campus in 2013-14.

Commissioner Powell inquired about capacity issues from having two K-8 schools on the same campus. Mr. Connors responded that the Montessori program has limited capacity because of difficulty in filling positions with staff that have been trained in Montessori and families not tending to keep their children in the program beyond the early years.

Commissioner Powell asked about the possibility of integrating Montessori with the Young Mothers program because this would be of mutual benefit and assist these children in early childhood. She expressed concern that having two K-8 schools on the Dr. Freddie Thomas campus is a waste of resources because Dr. Freddie Thomas was originally built as a middle school and has to be adapted for elementary school students. She asserted that the school will have to be adapted again to serve upper grades in the near future. Commissioner Powell asked whether these facility changes have been included in the School Portfolio Plan, and noted that these changes have not been properly vetted. She objected to expending FMP funds on moving K-8 models to schools that were not designed for students at these grade levels.

Commissioner Cruz suggested including this issue in the agenda for the next Board Retreat on June 30<sup>th</sup>.

Mr. Underwood stated that the District is currently developing a Master Plan which considers projected student enrollment, instructional needs, current facilities and capacity to guide decisions in allocating resources.

Commissioner White pointed out that the problem is that the plans have changed with each Superintendent: former Superintendent Rivera supported a K-6, middle school, and high school model; former Superintendent Brizard supported a K-8 and high school model; and now these plans and models are being re-examined. Mr. Connors responded that Superintendent Vargas has considered the fiscal situation to be of paramount importance because of projected deficits in the future.

Commissioner White noted that the previous Superintendent emphasized the need to coddle children in 7<sup>th</sup> and 8<sup>th</sup> grade by including them with elementary students because these are the grades in which the District loses most students. He questioned whether this is no longer as important because the District cannot afford to provide this for students.

Commissioner Powell stated that Superintendent Vargas has agreed that the K-8 model is best from an academic and philosophical perspective.

Mr. Underwood asserted the importance of also examining cost effectiveness in the way in which the District utilizes resources and of ensuring affordability in the long term. He pointed out that certain items may tend to increase student motivation and attendance (e.g. athletics, turf fields), but these items are not eligible for reimbursement by NYS Aid. Mr. Underwood stated that the distribution of these types of resources in the District must be considered carefully for the future.

Parent Representative Giancarlo Giannini asked whether the FMP will include a transition plan for housing students from different schools while their school is being renovated. Mr. Underwood replied that the focus has been on development of the Facilities Master Plan, which will also provide a basis for developing a transition plan under the FMP in approximately 4-5 months. He stated that the FMP transition plan will have to be presented to the Board and community input obtained, presumably beginning in the fall. Mr. Underwood noted that once space/facilities have been consolidated as a result of the FMP and swing space is no longer needed, these facilities will be returned to the City to reduce District costs. Mr. Giannini requested a timeline of the Facilities planning process to be provided in the June Finance Committee meeting.

**Action Item: Mr. Underwood will provide a timeline of the planning process for the Facilities Master Plan and for transition plans under the FMP in the June Finance Committee meeting.**

Commissioner Cruz pointed out that all of these plans will have to be considered in terms of zones and the distribution of each model (e.g. K-6, K-8, K-12) in each zone or at least one model in each zone.

Commissioner Powell emphasized the importance of collaborating with Zone Improvement Teams to ensure equity among zones and schools. She cited an example of the NE Zone having many newer school buildings, and objections were raised about relatively few FMP projects planned for this zone. She underscored the importance of maintaining historical perspective in planning and decision-making.

Commissioner Cruz focused on the difficulty in trying to envision the District's situation in 15 years, suggesting that incorporating flexibility is the most critical

aspect of planning to enable the District to adapt to changing needs and models. In integrating flexibility into facilities planning, he cited the example of open classrooms with the capacity to install partitions as a way to accommodate different needs and models.

Commissioner Powell asked about the possibility of one or more Board members participating in the Task Force developing the Facilities Master Plan. As an alternative, she suggested that the Finance Committee request a monthly update on the Plan.

Commissioner White asserted that the Board does not simply want to be updated on the progress of the Facilities Master Plan, but has to have input in this process. He suggested addressing this issue in the upcoming Board Retreat on June 30<sup>th</sup>.

**Action Item: Debra Flanagan will ask the Board Clerk to include discussion of the protocol between the Superintendent and the Board on the agenda for the upcoming Board Retreat on June 30<sup>th</sup>. This protocol refers to Board members' participation in planning and development pertaining to important issues or initiatives.**

**Motion** by Commissioner White to approve above resolution for a lease of facilities to house School No. 54. **Adopted 3-0, with concurrence of parent representative.**

## **C. OTHER**

### **1. Commit funds to Fund Balance for Workers' Compensation, Other Post-Employment Benefits (retiree health insurance), and insurance claims – Resolution No. 2011-12: 785**

Commissioner Powell explained that Mr. Connors had requested approval of resolutions to create funds for Workers' Compensation, OPE, and insurance claims. She stated that this resolution is to commit money to these funds.

Mr. Connors stated that the Fund Balance policy was developed last year to conform to changes in the Government Accounting Standards Board rules. He noted that Workers' Compensation, OPE and insurance claim funds are committed, and therefore can only be set aside or expended by Board approval.

**Motion** by Commissioner White to approve above resolution to commit funds to the Fund Balance for Workers' Compensation, OPE and insurance claims. **Adopted 3-0, with concurrence of parent representative.**

Commissioner White requested regular reports to the Finance Committee regarding the status of the Fund Balance.

Commissioner Powell suggested that the Committee request information whenever budget amendments are presented as to whether funds have been added to the Fund Balance, held in reserve, or expended.

Mr. Connors replied that funds are not typically added to the Fund Balance until the end of the year, but the contingency fund changes throughout the year with each budget amendment.

Commissioner White requested a report of the status of contingency funds when the budget is amended, so that Finance Committee members can monitor the amount of funds in reserve to potentially offset future deficits.

**Action Item: Mr. Connors will discuss with the Superintendent providing a report as to the status of contingency funds whenever budget amendments are presented to the Finance Committee.**

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

Meeting adjourned at 6:54PM.

**Next regular Finance Committee meeting: June 14<sup>th</sup>, immediately following Policy Committee meeting**