

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

**Attendance:** Commissioner Powell (Chair) and Commissioner Cruz. Commissioner White absent due to scheduling conflict. Parent Representative: Giancarlo Giannini. District Staff: Vernon Connors, Chief Financial Officer; Gary Smith, Purchasing Officer; Jerome Underwood, Senior Director of Operations. Board Staff: Debra Flanagan.

Commissioner Powell convened the meeting at 5:31PM.

**I. Review Minutes of February 9, 2012 Finance Committee Meeting**

**Motion** by Commissioner Cruz to approve the minutes of the February 9, 2012 Finance Committee meeting. **Adopted 2-0, with concurrence of parent representative.**

**II. Question – Answer Session**

Vern Connors reported that the NYS Assembly and Senate have each proposed their own version of the 2012-13 budget. He reviewed the key elements of these proposals for RCSD:

- Reduction of the \$250m proposed by the Governor in competitive grants to school districts to \$50m
- Use \$200m of Governor's proposed competitive grants to restore aid to schools
- Increase funding to school districts by a minimum of 1% above the Governor's proposal for Foundation Aid
- Use funds to reduce the GAP elimination amount for the Big Four districts
- Funding for RCSD based on the NYS legislature's proposals is estimated to be \$5-7m above the amount proposed by the Governor

Giancarlo Giannini, Parent Representative, inquired whether the estimated \$5-7m would be in addition to the \$13m increase expected in NYS funding for the District in 2012-13. Mr. Connors confirmed that this would be a further increase, and stated that Interim Superintendent Vargas would like to use additional funding to reduce the amount withdrawn from the Fund Balance to cover the anticipated deficit.

Commissioner Powell asked whether RCSD is eligible to borrow against the NYS pension fund. Mr. Connors replied that he will have to obtain this information, but he would not advise the District to take this action because it is likely to inflate pension costs in the future.

**Action Item: Mr. Connors will obtain information as to whether RCSD is eligible to borrow from the NYS pension fund, and report back to the Finance Committee.**

Commissioner Cruz contended that it is unwise to borrow to pay for operational expenses.

Commissioner Powell commented that the District has used retirement incentives, and these are essentially borrowed funds. Mr. Connors stated that next year will be the third year of paying back the retirement incentive funds at a cost of approximately \$3.7m per year over a total of five years.

Commissioner Powell inquired about the impact of the new Tier VI of the pension system that was recently approved by the legislature and the governor. Mr. Connors replied that the impact of the new tier will grow in the future as new employees are hired.

Mr. Giannini requested an overview of the changes under the new Tier VI portion of the pension plan. Mr. Connors explained that Tier VI involves a defined contribution into the pension fund, whereas the other tiers provide a defined payout of benefits. He noted that payments into the pension fund by school districts and local government have depended on investment performance, which has led payments to fluctuate considerably. With the new Tier VI and a defined contribution amount, Mr. Connors stated that pension contribution payments will be smoothed out over the years and enable municipalities and school districts to plan and budget for these costs much better in the future.

Commissioner Powell asked whether information has been received from the State about charging districts for certain costs, such as administering NYS assessments. Mr. Connors replied that he has not received any information about this.

### **III. Review of February 2012 Financial Report**

Mr. Giannini expressed concern that approximately 50% of NYS Aid has not yet been provided to the District with only three months remaining in the fiscal year, and asked whether this is customary. Mr. Connors stated that RCSD has received the usual scheduled payments from the State, although the amount fluctuates during the year. He explained that reduction or delay in NYS Aid is typically a concern only when mid-year cuts have been proposed or enacted. He also clarified that the cash flow from the State has been moving toward the end of their fiscal year (March 31<sup>st</sup>) to assist in balancing their budget.

**Motion** by Commissioner Cruz to approve the February 2012 Financial Report. **Adopted 2-0, with concurrence of parent representative.**

### **IV. Review of Resolutions for the March 22, 2012 Board Business Meeting**

#### **A. Procurement**

- 1. Lightspeed Technologies, Inc.; Oticon Inc.; Phonak Hearing Systems; Equipment Inc. – contract extension to purchase audiology equipment for hearing-impaired students – Resolution No. 2011-12: 623**

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

## B. Facilities

### Final Payments:

1. **Concord Electric Corp. – electrical work for renovations of School No. 20 – Resolution No. 2011-12: 624**
2. **Kaplan-Schmidt Electric, Inc. – electrical work for renovations of School No. 52 – Resolution No. 2011-12: 625**
3. **Lloyd Mechanical Co., LLC – plumbing work for renovations of School No. 19 – Resolution No. 2011-12: 626**
4. **Pipitone Enterprises, LLC – mechanical work for renovations of School No. 52 – Resolution No. 2011-12: 627**

**Motion** by Commissioner Cruz to address all above final payment resolutions for Facilities as a group.

Commissioner Powell requested that Resolutions 2011-12: 628 through 631 be addressed separately.

**Motion** by Commissioner Cruz to address Resolution No. 2011-12: 624 through 627 as a group. **Adopted 2-0, with concurrence of parent representative.**

**Motion** by Commissioner Cruz to approve Resolution No. 2011-12: 624 through 627. **Adopted 2-0, with concurrence of parent representative.**

5. **Placeholder – contracts for renovation of School No. 2 – Resolution No. 2011-12: 628**

Commissioner Powell questioned the funding source for renovations to School No. 2, since the City will not issue bonds on behalf of the District until the Maintenance of Effort (MOE) issue has been resolved by the State. Jerome Underwood replied that this capital project will be funded through cash capital, rather than borrowing for financing.

Commissioner Powell noted that the City requires the District to budget at least \$10m in cash capital each year. Mr. Connors responded that the cash capital portion of the budget is used for items such as textbooks, buses, and hardware and a minimum of \$10m is to be set aside in the budget for these types of expenses.

**Motion** by Commissioner Cruz to approve Resolution No. 2011-12: 628 for renovations to School No. 2. **Adopted 2-0, with concurrence of parent representative.**

Commissioner Powell asked about the status of the MOE issue. Mr. Underwood replied that he and his team monitor this on a regular basis, and the Superintendent has had meetings with the Mayor on this issue. He noted that this was the purpose for developing a contingency plan to prioritize the capital improvements to be performed

in summer 2012 and to use accumulated savings from capital project costs coming in under budget over a number of years.

**6. Placeholder – contracts for renovation of School No. 3 – Resolution No. 2011-12: 629**

Commissioner Powell asked about funding for renovations to School No. 3. Mr. Underwood replied that the Finance Committee and the Board approved the use of approximately \$7.5m in accumulated savings over the years from projects coming in under budget. He stated that a portion of these funds will be used to cover the costs for this project.

**Motion** by Commissioner Cruz to approve above Resolution No. 2011-12: 629 for renovations to School No. 3. **Adopted 2-0, with concurrence of parent representative.**

**7. Placeholder – contracts for renovation of East High School – Resolution No. 2011-12: 630**

Commissioner Powell inquired about the funding source for renovations to East High School. Mr. Underwood stated that unlike the previous two capital projects, this project is dependent upon the City issuing bonds for financing and resolution of the MOE issue.

Mr. Giannini requested an explanation as to the way in which cash capital is accounted in the budget. Mr. Connors replied that the cash capital section of the budget consists of two main budget lines: 1) for Facilities to perform work on capital improvement projects, and 2) for IT infrastructure improvements. Mr. Underwood replied that capital improvement projects have two funding sources: cash capital and bonds (borrowing).

**Motion** by Commissioner Cruz to approve Resolution No. 2011-12: 630 for renovations to East High School. **Adopted 2-0, with concurrence of parent representative.**

**8. A.M. Stern, Inc. – general construction work; TES Environmental Corp. – air monitoring work – renovations to Franklin High School – Resolution No. 2011-12: 631**

**Motion** by Commissioner Cruz to approve Resolution No. 2011-12: 631 for renovations to Franklin High School. **Adopted 2-0, with concurrence of parent representative.**

**Other:**

**9. Final Building Projects Report (FBPR); Request for Revision of Financial Information (FP-FI) – final report to NYS on completed capital improvement projects and request for reimbursement from NYS Building Aid based on final project cost (School No. 4, 5, 12, 22, 29, 50, East High School, Jefferson High School, Edison Educational Campus, and Service Center) – Resolution No. 2011-12: 632**

Mr. Underwood explained that the FBPR report is to provide the State with the final cost of each capital project, and the FPFPI report is to request reimbursement based on these final costs.

**Motion** by Commissioner Cruz to approve Resolution No. 2011-12: 632 to submit the FBPR and FPFPI reports to the State. **Adopted 2-0, with concurrence of parent representative.**

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

Meeting adjourned at 6:13PM.

**Next regular Finance Committee meeting: April 19<sup>th</sup> at 5:30PM**

**April 3<sup>rd</sup>: Superintendent presents proposed 2012-13 RCSD Budget to the Board**

**April 12<sup>th</sup>: First Budget Deliberation Session (Finance Committee Meeting of the Whole)**

**April 24<sup>th</sup>: Second Budget Deliberation Session (Finance Committee Meeting of the Whole)**