

Rochester Board of Education
Finance Committee Meeting of the Whole
April 25, 2011

MINUTES

Attendance: Commissioner Powell (Chair) and Commissioners Cruz and White. Commissioners Campos, Evans, Williams and Elliott absent. District Staff: Jerome Underwood, Joyce Martelli, Tom Keysa, Andy Wheatcraft, and Vern Connors. Board Staff: Debra Flanagan

Commissioner Powell convened the meeting at 6:27 p.m.

Review and Discussion of Draft Capital Improvement Plan

Jerome Underwood stated that development of the Capital Improvement Plan (CIP) was complicated this year by the City's refusal to issue bonds to finance District projects because of their concerns regarding interpretation of Maintenance of Effort (MOE) law and calculation of these payments to the District.

Commissioner Cruz requested an update as to the status of resolving the MOE and financing issues with the City. Joyce Martelli replied that notice was just received that the State has approved the MOE and deemed the City to be in compliance with these payments to the District. She stated that the bonding issue is still outstanding, and the City wants to charge the District \$40K to issue bonds on its behalf. She stated that the District is preparing a response to the letter from the State, and will clarify the specific items included in bonding.

Mr. Underwood announced that if these bonding issues are not resolved within the next two weeks, the District will have to abandon all of the capital improvement projects scheduled for this summer. He stated that a contingency plan has been developed with a "shopping list" that itemizes the detailed tasks to be performed using funds remaining from previous projects. Mr. Underwood explained that bonding funds are sometimes remaining after completion of a project because actual costs were less than anticipated. He reported a total of approximately \$6m of these funds, which would be used to address the most critical needs and to support design of capital projects for summer 2012. Mr. Underwood stated that the City has objected to the District using these remaining funds unless used for the exact same purpose as the original project. He noted that standard practice has been to use these remaining funds to support other improvements, but the City is now opposing this use of funds.

Commissioner White asked about the amount of the local share for the CIP that is included in the proposed 2011-12 budget. Tom Keysa replied that the local share of costs is reported as "Cash Capital" in the CIP (total of \$2,259,748 for FY2011-12), and remaining costs will be supported through bonds.

Andy Wheatcraft gave a presentation of the draft Capital Improvement Plan, with the following highlights:

- Trends in student enrollment, noting that declining enrollment has leveled off in the last few years.
- The District still has more schools than necessary, but needs flexibility to move students between buildings with the Facilities Modernization Plan and persistently low-achieving schools.
- Overall 87% utilization rate for school buildings
- Charter schools will have the largest impact on enrollment in the future

He stated that the five-year draft CIP proposes a total of \$14.1m in new borrowing to support long-term facilities improvements, and a breakdown is provided of the specific improvements planned for each school.

Commissioner White inquired about the extent to which capital improvements are due to the shift to the K-8 model in schools. Mr. Underwood replied that the cost is approximately \$250K per school and involves eight schools. Commissioner White asked about the possibility of scaling back these plans to realize some cost savings, particularly with the departure of the Superintendent. Mr. Underwood replied that these projects are scheduled for summer 2012, so there is time to re-evaluate these plans. He noted that the majority of the work to shift schools to K-8 is being performed under the Facilities Modernization Plan.

Commissioner Cruz questioned the basis for cash capital expenses, pointing out that these figures vary from a small percentage to 100% of total project costs. Mr. Keysa stated that cash capital is based on the age, square footage, and special needs of the school. He explained that schools are scheduled for capital improvements every three years, or sooner if there are more urgent structural needs. Mr. Keysa clarified that debt is incurred only to support long-term improvements, and NYS Building Aid is provided on this basis.

Commissioner Cruz asked for clarification as to the specific items included in "Cash Capital". Vern Connors referred to Section 3, p. 20 of the Budget Book, which lists the categories of expenses included under "Cash Capital" (e.g. textbooks, buses, library books, computer hardware and software).

Mr. Underwood explained that the Capital Improvement Plan is developed according to facilities needs anticipated over the next five years, which will require an estimated \$87.065m in borrowing and approximately \$50.1m in Cash Capital.

Commissioner Powell pointed out that the Commissioners only received the draft CIP this afternoon and have not had an opportunity for review. She asked her colleagues to submit questions in writing regarding the CIP in preparation for the next budget deliberation meeting.

Motion by Commissioner Cruz to adjourn the meeting. Seconded by Commissioner White. **Adopted 3-0.**

Meeting adjourned at 6:56PM.

Next Finance Committee Meeting of the Whole: Thursday, April 28th from 6:00-6:30PM