

Rochester Board of Education
Finance Committee Meeting of the Whole
April 7, 2011
6:00PM

MINUTES

Attendance: Commissioner Powell (Chair) and Commissioners Williams, Elliott, Cruz, and Evans. Commissioner White (joined at 6:23PM via skype). Commissioner Campos absent on maternity leave.

District Staff: Superintendent Brizard, John Scanlan, Joyce Martelli, Vern Connors, Beth Mascitti-Miller, Mary Doyle, Jerome Underwood, Shirley Green, and Gladys Pedraza Burgos.

Board Staff: Debra Flanagan

Commissioner Powell convened the meeting at 6:09 p.m. She noted that all sections of the proposed 2011-12 RCSD Budget are to be reviewed at this point except for Section 4 – School Profiles and Budgets, and Section 5 – Program Profiles and Budgets.

Commissioner Powell asked for an overview as to the way in which the proposed 2011-12 RCSD is affected by the recent passage of the New York State budget. Joyce Martelli replied that the proposed budget was based on projections made in February of New York State Aid to be provided (estimated \$440m). She explained that the adopted NYS budget provided \$437m to the District in Aid. Ms. Martelli noted that the cumulative effect of the NYS budget changes added \$3.4m to the proposed RCSD budget, primarily through the legislature restoring \$3.3m in Aid.

Commissioner Powell pointed out that despite the restoration of \$3.4m to the proposed 2011-12 RCSD budget, it is still \$600K less than the amount of NYS Aid for the current year (FY2010-11). She inquired as to plans for the use of the \$3.4m. John Scanlan responded that the following risk areas have been identified, and funding will be added in these areas:

- Substitute teachers – current proposed allocations are insufficient to cover the historic average cost, so an additional \$1.4m is proposed to be allocated to schools for substitute teacher costs on a per pupil basis.
- Additional allocations (total of \$1 – 1.2m) on a per pupil basis to schools proposed to have large funding reductions (i.e. 20+%)
- An additional \$500K for programs that are centrally controlled and underfunded (e.g. mobile security unit)

Mr. Scanlan noted that these proposed budget changes will be documented and presented to the Board at the end of the month.

Commissioner Williams inquired as to the budget development process and the extent to which this was driven by top-level management or at the school level. Mr. Scanlan replied that the schools were given guidance in developing their budgets, which were reviewed by Central Office.

Section 3: District-wide Summary Budget

Commissioner Elliott asked about the process for suggesting adjustments or amendments to the proposed budget. Commissioner Powell requested Board members compile a complete list of budget suggestions, indicating their priorities, and submit these suggestions in writing.

Commissioner Williams inquired as to the reason for the revenue reduction from Capital Investments from \$11.1m in 2009-10 to \$300K in 2010-11 and \$300K in 2011-12. Ms. Martelli explained that interest rates have fallen substantially since 2009-10, and a change was also made in 2010 in the way that the City calculates investment revenue.

Commissioner Williams questioned the basis for the drop in E-rate revenue from 2009-10 to the present. Ms. Martelli replied that the E-rate revenue was significantly greater in 2009-10 because of reimbursement received for special projects that had been completed (i.e. the VOIP system).

Commissioner Elliott asked about the \$17m difference between revenue and expenditures in 2009-10, and the way in which this apparent surplus was used. Ms. Martelli replied that these funds were added to the Fund Balance in FY2009-10, but \$25m was taken from the Fund Balance in FY2010-11 to help cover the deficit.

Commissioner Cruz inquired about the impact of budget changes at the federal level on the proposed 2011-12 RCSD budget. Ms. Martelli stated that federal budget changes could affect grant revenue, but the proposed RCSD budget includes only grants already awarded.

Commissioner Powell questioned the basis for the \$500K estimate of federal Medicaid reimbursement for the District. She noted that while \$1.675m was provided in 2009-10, no reimbursements have been provided since then because of changes in NYS regulations that were retroactive. Ms. Martelli stated that there has not been any information regarding Medicaid reimbursements, but the projected \$500K is a conservative estimate based on history and current regulations. She pointed out that a recent audit of the RCSD Medicaid program yielded excellent results, and there is a possibility of increased reimbursement in the future.

Commissioner Evans asked for an explanation of charter school revenue and expenditures, as this has been a source of confusion. Ms. Martelli explained that the NYS legislature did not renew the freeze on charter school payments, so these tuition rates have increased for the current year and for FY2011-12. She stated that the District is required by law to provide NYS funding on a per pupil basis to children living in the District who attend charter schools. In addition, she reported that RCSD is required to pay for special education, computer hardware, textbooks, and library aides for children in the District attending charter schools. Ms. Martelli noted that the NYS Transition Aid does not fully cover these costs, so the District is required to pay approximately \$1700 per student to cover the remainder. She stated that charter school tuition has increased from \$14.7m in 2009-10 to \$22m in 2010-11 to \$28.3m in 2011-12, due to tuition rate increases and an additional 457 students attending charter schools next year.

Commissioner White asked whether legislation has been introduced to eliminate the Maintenance of Effort (MOE) payment the District receives from the City, and the potential impact on the proposed RCSD 2011-12 budget. Ms. Martelli replied that a bill has been presented in both houses of the NYS legislature regarding Maintenance of Effort payments by cities to city school districts.

Superintendent Brizard elaborated that the issue is between the City and NYS Department of Education regarding interpretation of MOE law and calculation of the payment. He stated that if the legislature passes this bill, the City will have the flexibility to determine the amount of funding to provide to the District.

Commissioner Elliott inquired about the impact of a federal government shutdown on the proposed budget. Ms. Martelli acknowledged that this would affect grant payments and cash flow in the current year.

Commissioner Elliott asked about the implications of significant reductions in the Fund Balance, to the point where there are not enough funds to cover payroll for one pay period. Superintendent Brizard pointed out that payment of NYS Aid is received throughout the year, and these payments are sometimes delayed. He explained that the District needs to be able to cover expenses during these periods of time. The Superintendent expressed concern that the current undesignated portion of the Fund Balance is approximately \$12.8m, which is insufficient to cover the \$14m in payroll expenses for one pay period.

Commissioner Elliott questioned the amount that should be in the Fund Balance. Superintendent Brizard replied that there is no requirement in New York State as to the amount that school districts are to have in reserve, but other states such as California require a minimum of 2% of total expenditures to be held in reserve.

Commissioner Elliott inquired as to the amount in the Fund Balance at the beginning of FY2010-11, and the way in which these funds have been used. Ms. Martelli stated that the undesignated portion is estimated at \$12.7m at the end of FY2010-11, and another \$33m has been set aside for designated and anticipated expenses for the year. She clarified that the \$33m in designated funds is to be used for: insurance for retirees (\$14m); Workers' compensation (\$10m); expenses carried over from previous years (\$4m); insurance claims (\$3m); and EPE payment (\$2m).

Commissioner Elliott asked how the District would cover expenses if subject to a lawsuit. Ms. Martelli replied that the funds would be taken from a number of sources: a portion of the designated Fund Balance for insurance claims; a small amount budgeted in reserve; and some costs would be covered by insurance.

Commissioner Cruz inquired as to the amount of potential cost savings from a pay freeze for all employees. Ms. Martelli estimated that \$11m could be saved by keeping salaries constant at current levels, but the Triborough amendment would enable employees of collective bargaining units to have a pay increase even without a contract. Commissioner Cruz asked the amount of projected savings if pay increased by an average of 2% under the Triborough amendment. Vern Connors estimated that this would reduce the potential cost savings to \$6-7m. Superintendent Brizard clarified that the Triborough amendment allows pay increases in the absence of a contract between 1-4%, depending on the bargaining unit.

Commissioner Powell inquired whether Race to the Top funds have been included in the proposed 2011-12 RCSD budget. The Superintendent responded that these funds have been included, and amount to approximately \$8.2m over four years and \$1.2m for 2011-12. Mary Doyle explained that the funds are expected in the current fiscal year, and that hiring is planned as soon as possible to begin this initiative.

Commissioner Evans asked about the estimated amount the District typically receives in grant funding after the budget has been approved. Ms. Martelli replied that this figure can be obtained by comparing the original approved budget to the amended budget because most of the changes are due to grants. She stated that this amounted to approximately \$14m in 2010-11 (from \$694m to \$708m).

Commissioner White asked when the grant funding will be received to prevent layoffs. Ms. Martelli responded that grant revenue cannot be included in the budget until the funds have actually been awarded and received. She stated that information is not yet available regarding the specific grants awarded or the expenditures allowed under each grant. Superintendent Brizard explained that the timelines for grants differ and do not correspond to the District's fiscal year.

Commissioner Williams questioned why cost reductions in employee benefits are not in proportion to reduced costs for salaries. Ms. Martelli replied that staffing reductions do not decrease benefit costs as much because the District still has to pay for health insurance and unemployment insurance. She noted that other employee benefit costs include increases in the pension rates for the Teachers' Retirement System and Employee Retirement System, and payment of the retirement incentive offered last year.

Commissioner Elliott questioned the rationale for the proposed reductions in staffing for Paraprofessionals and Teaching Assistants, since these positions are closest to students and affect the quality of education. She asked about the possibility of eliminating the cost for substitute teachers and for overtime. Superintendent Brizard responded that substitute teacher costs are exorbitant and absentee rates for teachers are being monitored. Nevertheless, he noted that these costs cannot be eliminated because students need a teacher in the classroom at all times.

Commissioner Cruz asked about the projected 100% increase in "Other Cafeteria Sales" from 2010-11 to 2011-12. Jerome Underwood stated that an increase in revenue is anticipated from the sale of school meals due to improvements in collection methods.

Commissioner Cruz commented on the significant variation from year to year in the amount of grant disallowances, estimated at \$1m for 2011-12. Mr. Connors clarified that this projection is based on the District receiving the maximum 80% reimbursement for the cost of providing pre-Kindergarten and summer Special Education programs. He stated that the remaining 20% of these costs appear in the budget as "grant disallowances".

Commissioner Powell questioned the basis for the Fund Balance reserve and for adding \$8.1m to the reserve. Mr. Scanlan explained that the operational reserves are to cover the cost of charter school tuition increases, strategic design, development of portfolio plans, and operational risks (i.e. changes in enrollment, ESF allocations, and staffing based on enrollment).

Commissioner Evans asked about the basis for estimating substitute teacher costs. Mr. Scanlan replied that historic analysis reveals that these costs average \$11m per year, and allocations will be increased by 35% to ensure the District's ability to cover the costs. Commissioner Evans inquired which schools have had the greatest number of days used for substitute teachers, as this provides an indication as to the way in which absenteeism is being managed at the school level.

Action Item: The Administration will provide the Board with a breakdown of the use of substitute teacher days by school for every school in the District.

Commissioner Evans inquired about the basis for the continued increases in expenses for “Agency Clerical” above 2009-10 levels.

Action Item: The Administration will provide the Board with information as to the basis for the estimated expenditures for “Agency Clerical” for 2009-10, 2010-11, and 2011-12.

Commissioner White questioned the basis for reducing staff if the cost of unemployment insurance is equal to the cost of employee benefits. Ms. Martelli replied that unemployment insurance is less costly than employee benefits and staffing reductions also decrease expenditures for salaries.

Commissioner White asked about the amount of projected expenditures for employee benefits for 2009-10, the actual expenditures for that year, and how any remaining funds were used. Mr. Scanlan responded that any remaining funds from cost savings are included in the undesignated Fund Balance for the following fiscal year. He noted that this is the primary mechanism for building up the Fund Balance, but actual expenditures have exceeded projections for the last two years and this has diminished the Fund Balance. Commissioner White requested documentation of the reconciliation between actual and projected costs to enable monitoring of any funds resulting from cost savings during the year. Ms. Martelli stated that this reconciliation is contained in the CAFR Report, and reviewed annually by external auditors for accuracy.

Commissioner Williams pointed out that 83% of the proposed staffing cuts are borne by schools and another 15% in indirect support (basic services), while there are practically no reductions in top-level management. He emphasized that the cuts should be made farthest from the classroom and that sacrifices cannot be asked of collective bargaining units when the Administration is not willing to make them. Superintendent Brizard replied that the Superintendent’s Employee Group (SEG) has not received a pay raise in three years, which has led many of the secretaries to look for positions covered by BENTE or ASAR.

Commissioner Elliott also called for staffing reductions in the SEG group, as well as among staff working for the Board. She emphasized the importance of protecting educational quality for students by making staff reductions farthest from the classroom. Superintendent Brizard responded that approximately 40-50FTE were cut in the SEG group (e.g. HCI) in FY2010-11 and that he himself accepted a \$10K pay cut last year. He noted that a pay freeze among the employees of the collective bargaining units would save approximately 200FTE in FY2011-12, but the unions have not been willing to consider this option.

Commissioner Powell urged the Administration to reject Race to the Top funds because 75% of these funds are mandated for overhead expenses (i.e. hiring administrators for nine Network Teams), which is not justifiable in the current economic climate. She asserted that RCSD can be more efficient without Race to the Top, particularly since Zone Improvement Teams are already collaborating to improve schools. Superintendent Brizard noted that the work under Race to the Top is required by New York State, whether or not the District has the funds. He also commented that the nine administrator positions needed under Race to the Top already exist in the District. Commissioner Powell replied that these are nine administrator positions that cannot be considered for staffing reductions.

Commissioner White objected to the Governor's apparent attempts to restrict pay for school superintendents or school administrators, emphasizing the importance of investing in staff to perform critical functions. He contended that guidance and support are needed at each level of the organization to be effective in attaining goals.

Section 6: School Support Profiles and Budgets

Commissioner Evans questioned the basis for the estimated \$8.6m in teacher salaries for the Teaching & Learning Division, particularly since these teachers are not in the classroom. Superintendent Brizard explained that this is an elite group of teachers collaborating with directors in the Teaching & Learning Division. Beth Mascitti-Miller noted that many of these teachers are involved in developing the Rochester Curriculum, and others are on assignment in Math and ELA. The Superintendent noted that many of these teachers are involved in staff development and have the potential to become assistant principals.

Action Item: Ms. Mascitti-Miller will provide the Board with a breakdown of the estimated costs for teacher salaries in the Teaching & Learning Division budget for 2011-12.

Commissioner White expressed concern that the proposed staffing reductions will lead to increases in the student-teacher ratio, and asked about the risk of violating contractual agreements and the impact on teaching quality. Superintendent Brizard acknowledged that the proposed staffing reductions will increase the student-teacher ratio, but will not violate the terms of the contract and will continue to be the best in New York State.

Commissioner Williams questioned the rationale for the proposed 103% increase for the Deputy Superintendent of Teaching & Learning for 2011-12. Ms. Mascitti-Miller replied that this funding increase includes \$1.8m of Race to the Top funding, and a change in accounting for Careers in Teaching (CIT). She explained that funds for CIT have previously been reported in allocations to schools, but are reported centrally under Teaching & Learning this year.

Commissioner Williams asked about the use of the \$1.8m of Race to the Top funds. Ms. Mascitti-Miller stated that these funds will be used for Network Teams and professional development to align with the Rochester Curriculum. Superintendent Brizard explained that the Network Teams are to be comprised primarily of teachers, as they will be able to perform a great deal of the data analysis needed at the school level and to train school staff. He stated that Race to the Top requires that 75% of the funds be expended for Network Teams and the remaining 25% for developing performance appraisal systems. He noted that if there is no contract with the Rochester Teachers' Association by the time the law regarding performance evaluation systems becomes effective (July 1, 2011), the consequences are uncertain. Commissioner Williams inquired whether absence of a contract with RTA by July 1, 2011 will jeopardize 25% of Race to the Top funds or all of these funds. Ms. Doyle elaborated on other allowable expenses under Race to the Top: Inquiry Teams, and training staff in the schools designated as low-performing as part of implementing the turnaround reform approach. She noted that an agreement must be reached with RTA in order to use 25% of the funds.

Commissioner Powell pointed out that budget projections are based on average pay for each position title, but actual expenditures depend on the composition of the staff and their specific pay

bracket. She asked how these differences are addressed when a particular school happens to have a disproportionate number of senior teachers at higher pay grades. She expressed concern that some staff members may be classified in position titles that pay less than the actual work being performed (e.g. a certified science teacher classified as a registrar), and thus underpaid for the actual work performed. Mr. Scanlan replied that classification of position titles is being reviewed with school administrators to address this potential problem.

Commissioner Williams stated that he expected Special Education costs to increase because of the additional support needed for these students, but budget projections show a decrease in these costs. Shirley Green replied that this is due to some of the funds being “locked” at the central level to ensure that mandates are met, while the remaining “unlocked” funds are allocated to the schools to allow flexibility in meeting the needs of these students. She explained that overall costs in Special Education are projected to decline because of anticipated reductions in this student population. Superintendent Brizard remarked that restructuring Special Education has led to fewer students being classified in this population.

Commissioner Williams expressed concern that students with special needs are being denied services. The Superintendent responded that RCSD has had the largest percentage in New York State of students classified for Special Education (19%) until last year. He emphasized that this classification was often due to cultural issues, noting the gross over-identification of African American males as in need of Special Education.

Commissioner Williams asked about monitoring referrals and classification of students for Special Education. He questioned how the target rate for Special Education is determined without cutting off services to those in need. The Superintendent replied that the budget is based on the projected size of the Special Education population, which may have to be amended to the extent that the actual population differs from that projected. He reported that New York State establishes a target rate for Special Education based on the state-wide average of 10%, and the RCSD Special Education population is now at approximately 17% of the total student population.

Commissioner Williams inquired about the impact of the proposed \$2.5m reduction in expenditures for the Youth & Family Services Division for FY2011-12. Gladys Pedraza Burgos replied that staffing reductions (9.11FTE) will result in capacity issues for the Division, specifically in Placement and OACES.

Commissioner Powell asked Board members to submit questions in writing regarding Section 7 – Administration Profiles and Budgets; Section 4 – School Profiles and Budgets; and Section 5 – Program Profiles and Budgets. Ms. Martelli noted that the next round of budget questions is due tomorrow (April 8th) by 4PM and the responses will be provided on Tuesday, April 12th.

Motion by Commissioner Evans to adjourn. Seconded by Commissioner Elliott. **Adopted 5-0.**

Meeting adjourned at 10:02PM.

Next Budget Deliberation Meeting: Thursday, April 14th at 6:00PM