

**Rochester Board of Education
Finance Committee
January 21, 2010
5:30 p.m.**

MINUTES

Attendance: Commissioner Powell (Chair) and Commissioner Cruz; Commissioner White absent. Parent Representative: Felix Jacobs. District Staff: John Scanlan, Joyce Martelli, Jerome Underwood, Tom Keysa, Annmarie Lehner, Gary Smith, Vern Connors. Board Staff: D. Flanagan

Commissioner Powell convened the meeting at 5:32 p.m.

I. Questions and Answers

Commissioner Powell explained that the purpose of this portion of the agenda is to discuss changes in financial conditions, particularly in State aid. She requested that Joyce Martelli, Chief Financial Officer, explain the implications of Governor's proposed budget for the District. Ms. Martelli stated that the Governor's proposed budget indicates a \$19m reduction in Foundation Aid, from \$459m in FY2009-10 to \$440m in FY2010-11. Ms. Martelli emphasized that these figures are certainly subject to change, but reflect the "best case scenario" in terms of reductions expected from the State. She noted an estimated deficit of \$45-50m for RCSD due to reductions in State aid and rising costs. With this deficit, programs and/or personnel will have to be cut. Ms. Martelli stated that the budgets have been presented to the schools and program evaluations will be determining the efficacy of specific programs to aid in decision-making regarding reductions in funding.

Commissioner Powell inquired as to the impact of the \$19-20m cut in State funding on Contract for Excellence (C4E) programs. Ms. Martelli replied that this will primarily involve changes within the C4E programs rather than outright program cuts. Commissioner Powell pointed out that these are State-mandated programs without State funding to support them, and essentially constitutes breach of contract by the State.

II. Approve December 15, 2009 Finance Committee Meeting Minutes

Motion by Commissioner Cruz to approve the minutes of the December 15, 2009 Finance Committee meeting. **Adopted 2-0**, with concurrence of parent representative.

III. Receive and Review December 2009 Monthly Financial Report

Motion by Commissioner Cruz to accept the December 2009 Financial Report. **Adopted 2-0**, with concurrence of parent representative.

IV. Change Order Policy Proposal

Commissioner Powell explained that the current process regarding capital improvement projects is to conduct a competitive bidding process, select contractors and award bids and changes often occur during construction. A 10% contingency is added to the project budget for strategic reapportionment, but at times there is a need for additional work that was unforeseen. All changes to the original contract are contained in change orders, which are not presented to the Board until final payment. The Board's oversight of these change orders was cited as a concern in the State Comptroller's audit. This policy proposal is intended to address these concerns by requiring that a quarterly report of all change orders be submitted to the Board.

Tom Keysa explained that the quarterly report is provided to the Board currently for information purposes, and contains every contract for every Capital Improvement Project approved for the year. Although not required by Wick's law for contracts under \$50K, Mr. Keysa stated that his department breaks down the project for each prime contractor (e.g. general contractor, electrical, roofing, etc.) to prevent the general contractor from obtaining markups on each aspect of the project. He explained that the report currently indicates all change order activity during the quarter for each contract. Mr. Keysa described the approval process involved for required and discretionary change orders.

Commissioner Cruz asked whether the 10% threshold in the approval process is based on the aggregate of all change orders for the project. Mr. Keysa replied that it is for each contract; the 10% threshold is due to the 10% contingency included in the project budget, so anything above that amount would require additional approval.

Commissioner Powell pointed out that the Board already receives the quarterly Change Order Report, but does not act on it. She stated that the policy proposal enables the Board to review and approve change orders and the final contract value to meet the requirements of the State Comptroller, while using the existing process and report. She informed the Committee that she plans to present the policy proposal also in the January 26th Policy Committee meeting.

Mr. Jacobs asked whether technological means could be used to reduce paper and staff time in duplicating these voluminous reports, as well as to facilitate data analysis. Mr. Keysa responded that he is considering putting the Change Order Reports on Sharepoint.

Commissioner Cruz inquired as to the way in which other districts manage and review change orders. Mr. Keysa stated that from conversations with his counterparts in Buffalo and Syracuse, the same types of internal processes are used for review and approval of change orders. He reported that Buffalo uses a 20% threshold for approval before reporting to the Board of Education. He noted that neither Buffalo nor Syracuse provide quarterly Change Order Reports to their Boards or have a formal policy regarding change orders.

Commissioner Cruz expressed concern that RCSD is being unnecessarily stringent in its review of change orders, particularly when the practice is essentially the same as in other districts. He noted that RCSD is already monitoring change orders more closely than other districts in which the Board does not receive any report and the approval threshold is at 20%

rather than 10%. He cautioned that the Board will have to accept responsibility for any item for which it approves, and emphasized the importance of focusing on more significant priorities.

John Scanlan and Jerome Underwood recommended modifying the language of the policy proposal to state that the Board will accept the quarterly Change Order Report rather than approve it, as staff already approve the change orders.

Commissioner Powell stated that the proposal is not simply to accept the report, but also to approve the final contract value. She noted that this policy proposal was developed not only in response to the State Comptroller's audit, but also to address continued concern by certain Board members.

Commissioner Cruz emphasized that there is no purpose in having the Board approve all change orders, noting that some contained in the quarterly report only amounted to a few hundred dollars. At this point, he asserted that this is a waste of time for District staff and Board members unless costs exceed a specified threshold. He proposed continuing review and discussion of the Change Order policy proposal at the next Finance Committee meeting in February, which would allow Board members an opportunity to respond and note any objections.

V. Review of Proposed Resolutions for January 28, 2010 Board Business Meeting

PROCUREMENT:

1. Eltrex Industries, Inc. (Resolution 2009-10: 550)

Gary Smith explained that this contract award is for outside bulk mailing when RCSD in-house capacity has been exceeded. Mr. Smith reported that Eltrex was the lowest responsible bidder and the District has been quite satisfied with their performance over the last three years.

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

INFORMATION MANAGEMENT & TECHNOLOGY

1. ICS Telecom (Resolution 2009-10: 556)

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

FACILITIES:

Final Payments:

- 1. Kuitems Construction Inc. – renovations to School #6 (Resolution 2009-10: 551)**
- 2. Kuitems Construction Inc. – renovations to School #28 (Resolution 2009-10: 552)**
- 3. Steve General Contractor, Inc. – renovations to Frederick Douglass campus (Resolution 2009-10: 553)**
- 4. WYCO Mechanical, LLC – renovations to Franklin educational campus (Resolution 2009-10: 554)**

Motion by Commissioner Cruz to consider all above final payment resolutions as a group. **Adopted 2-0**, with concurrence of parent representative.

Commissioner Powell noted that all of the above final payment resolutions contain change orders, but the amounts are rather small.

Motion by Commissioner Cruz to approve all above final payment resolutions. **Adopted 2-0**, with concurrence of parent representative.

Other:

- 5. Clark Patterson Lee – conduct mandatory building condition survey (Resolution 2009-10: 555)**

Jerome Underwood noted that all of the costs incurred under this agreement in conducting the building condition survey are reimbursable by the New York State Education Department.

Motion by Commissioner Cruz to approve agreement with Clark Patterson Lee to perform the building condition survey. **Adopted 2-0**, with concurrence of parent representative.

OTHER:

- 1. Schoolwires, Inc. (Resolution 2009-10: 557)**
- 2. M&T Bank (Resolution 2009-10: 558)**
- 3. Auctions International, Inc. (Resolution 2009-10: 559) - Withdrawn**

With regard to the Schoolwires, Inc. resolution, Joyce Martelli explained that the purpose is to improve the searchability of the RCSD website with a PDF Crawler, which would allow searches by keywords.

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

Gary Smith explained that the P-Card contract is being changed from Chase Bank due to poor service, lack of software upgrades, and very low rebates. He described the RFP process yielding four potential vendors: PNC, Bank of American, M&T Bank, and Wells Fargo Bank. The selection committee was comprised of staff from accounting, IT, accounts payable, and purchasing, and chose M&T Bank. Mr. Smith stated that the rebate program with M&T Bank is excellent and escalates with the volume of transactions; upgraded software provides better internal controls with email reminders and scanned receipts linked to purchase orders; and enhanced support since this is a local company. Mr. Smith noted that the State Comptroller reported an estimated \$30m available to school districts in NY by using purchase cards for small, high-volume purchases and this was also recommended by the Council of Great City Schools.

Mr. Smith stated that 18,000 transactions were processed in the District last year for a total of \$2.6m. He anticipates that transaction volume will increase significantly with the use of a travel card and card for accounts payable, which will also increase the percentage rate of the rebate (e.g. 1.05% for \$3m of transactions, 1.15% for \$10m, 1.25% for \$20m).

Joyce Martelli clarified that the travel card would be managed by the District and would not be issued to individual employees.

Commissioner Cruz noted that the Board President, Malik Evans, is Vice President of M&T Bank and asked whether this had any influence on the selection process. Ms. Martelli and Mr. Smith emphasized that the selection was based on extensive check of references and performance by an independent committee. Commissioner Powell noted that Mr. Evans will have to abstain from voting on this resolution in the Board Business meeting due to this obvious conflict of interest.

Motion by Commissioner Cruz to approve M&T Bank as the vendor for RCSD P-Cards. **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 6:32 p.m.

Next Meeting: February 18th at 5:30 p.m.