

**Rochester Board of Education
Finance Committee
December 15, 2009
5:00 p.m.**

MINUTES

Attendance: Commissioner Powell (Chair) and Commissioners Elliott and White (arrived 5:41PM). Parent Representative: Felix Jacobs. District Staff: John Scanlan, Joyce Martelli, Jerome Underwood, Annmarie Lehner, Gary Smith, Vern Connors, and Nancy Palozzi. Board Staff: D. Flanagan

Commissioner Powell convened the meeting at 5:20 p.m.

I. Questions and Answers

Commissioner Powell requested that Joyce Martelli, Chief Financial Officer, explain the Governor's planned reductions in local assistance payments to be made in December. Ms. Martelli stated that the Governor had proposed 10% reduction in local assistance payments in December, which includes payments to school districts. She asserted that 90% of the State aid due for December would be provided tomorrow, and the budget will be revised to reflect these changes. Ms. Martelli stated that the Governor has issued warnings that payments could be reduced over the next few months, and various groups are currently filing suit against the Governor for these actions. She described current cash flow as good, particularly since RCSD has received advance payment from the City of Rochester.

Commissioner Powell noted that the 10% reduction in State payments across the board is substantially different from the Governor's initial proposal, which would have caused particular hardship for urban school districts. Ms. Martelli responded that the initial proposal was not to provide any State aid in December, so that a 90% payment is quite an improvement at this point.

Commissioner Elliott inquired as to the potential impact of the 10% reduction in State aid if the City of Rochester had not provided advance payment to the District. Ms. Martelli replied that the possibilities included increased borrowing and restricting payment to vendors where possible, extending payment from 30 to 45 days. She explained that the District would have had to rely on RAN borrowing, a costly debt option.

Felix Jacobs, Parent Representative, asked about the effects of State aid reductions on the District's ability to meet payroll costs. Ms. Martelli stated that these costs amount to \$40-45m and if no funds had been provided by the State in December, there would have been significant reductions in payments to charter schools which would have affected their ability to make payroll.

II. Review and Approve Minutes of November 17, 2009 Finance Committee Meeting

Motion by Commissioner Elliott to approve the minutes of the November 17, 2009 Finance Committee meeting. **Adopted 2-0**, with concurrence of parent representative.

III. Receive and Review November Monthly Financial Report

Commissioner Powell noted that this report is the same format as used for the October Financial Report, with more user-friendly descriptions of variances.

Motion by Commissioner Elliott to approve the November 2009 Financial Report. **Adopted 2-0**, with concurrence of parent representative.

IV. Review and Approve 2010-11 Budget Calendar

Commissioner Powell suggested adding several meetings to the draft 2010-11 Budget Calendar to allow the Board to gather community input prior to any Committee or Board meetings or deliberations to allow community concerns to be addressed during the process. She described conducting a “Listening Tour” and reaching out to a number of community groups concerned about educational issues, such as CAFEE, AQE, and Flower City Parents. Commissioner Powell noted that the 2010-11 budget is to be presented on March 18th and the first public hearing to be conducted on March 29th, which would only allow a total of six business days to conduct these community meetings.

Commissioner Elliott stated that she would like to conduct a minimum of two community meetings, particularly since all those concerned may not be able to attend on one particular date. She also suggested preparing an editorial in the local newspaper to explain the purpose of these meetings.

Action Item: Mr. Jacobs will collaborate with Board staff to schedule community meetings between March 18 and 29, 2010 to gather input regarding the proposed 2010-11 RCSD budget.

V. Review of Proposed Resolutions for December 17, 2009 Board Business Meeting

PROCUREMENT:

1. **XPEDX: Fine Papers (Resolution 2009-10: 476)**
2. **Anixter, Inc.: Telephone Equipment & Parts (Resolution 2009-10: 477)**
3. **Corr Distributors: Floor Scrubbing Machines (Resolution 2009-10: 478)**
4. **Flower City Glass: Glass for Glazing (Resolution 2009-10: 479)**

Motion by Commissioner Elliott to consider all procurement resolutions as a group.

Gary Smith explained that the XPEDX resolution is for fine papers and the District can charge back the costs to the particular department ordering this paper. He also stated that XPEDX was selected for being the lowest responsible bidder.

With regard to the Anixter, Inc. resolution, Commissioner Powell inquired as to how this purchase differs from those for telephone services under Information Management & Technology. Mr. Smith replied that the Anixter, Inc. procurement is for specific pieces of telephone equipment such as modular telephone jacks, whereas the telecommunications resolutions presented under Information Management & Technology are for software.

Motion by Commissioner Elliott to approve all above-listed procurement resolutions. Seconded by Commissioner White. **Adopted 3-0**, with concurrence of parent representative.

INFORMATION MANAGEMENT & TECHNOLOGY

1. **Centris Group, LLC (Resolution 2009-10: 464)**
2. **FiberTech Networks (Resolution 2009-10: 466)**
3. **Frontier Communications of Rochester (Resolution 2009-10: 468)**
4. **ICS Telecom (Resolution 2009-10: 467)**
5. **Paetec Communication, Inc. (Resolution 2009-10: 465)**
6. **Oracle USA, Inc. (Resolution 2009-10: 469)**

Motion by Commissioner Elliott to consider all above Information Management & Technology (IM&T) resolutions as a group. Seconded by Commissioner White. **Adopted 3-0**, with concurrence of parent representative.

Commissioner Powell noted that there had been a change to the resolution regarding Oracle USA and asked District staff to explain this change. Annmarie Lehner explained that the initial resolution referenced the wrong contract and the contract period has been aligned to the RCSD fiscal year.

Commissioner White expressed concern that PeopleSoft may not be an adequate system, so that additional supports are needed to enhance its functionality; he pointed out that a number of current IM&T resolutions under consideration are to support the PeopleSoft system. Ms. Lehner stated that there are two premium systems currently on the market:

PeopleSoft and SAP. She assured Committee members that PeopleSoft is the best software in terms of fiscal management and ability to generate mandated reports to the State and federal government. She noted that annual maintenance with Oracle USA is quite costly, but explained the importance of continuing with this vendor while implementing upgrades to the system. Ms. Lehner stated that she plans to look into contracting with a third party for annual maintenance after the upgrades have been established, which would reduce costs in the future. She reported that most third party maintenance providers claim to reduce annual maintenance costs by 50%, but the District would realize an even greater cost savings by only maintaining the aspects of the system that are used. Ms. Lehner estimated that annual maintenance costs under these circumstances would be approximately 25% of the total currently paid to Oracle USA.

Motion by Commissioner White to approve all IM&T resolutions listed above. **Adopted 2-1, with Commissioner Elliott dissenting on Resolutions 2009-10: 465 through 469** and with approval of parent representative on all above-listed IM&T resolutions.

FACILITIES:

Contracts:

1. The Pike Company (Resolution 2009-10: 471)

Jerome Underwood explained that the purpose of this contract is to rectify poor design work performed by Stantec architects for construction projects at the Thomas Ryan Community Center and School #33. He stated that reimbursement will be pursued from Stantec to cover the additional costs incurred due to their poor performance.

Commissioner Elliott inquired as to the amount awarded under the contract with Stantec architects. Mr. Underwood replied that he would provide this information to the Finance Committee members.

Action Item: Mr. Underwood will provide information to members of the Finance Committee regarding the amount of the contract awarded to Stantec architects for construction projects at the Thomas Ryan Community Center and School #33.

Motion by Commissioner White to approve above-listed contract resolution. Seconded by Commissioner Elliott. **Adopted 3-0**, with concurrence of parent representative.

Final Payments:

2. **Jade Enterprises of Rochester, Inc. – renovations to School #30 (Resolution 2009-10: 472)**
3. **Kaplan-Schmidt Electric, Inc. – renovations to John Marshall High School (Resolution 2009-10: 473)**
4. **Leo J. Roth – renovations to School #2 (Resolution 2009-10: 474)**
5. **McMullen-Bishop, Inc. (Northeastern Electrical) – renovations to School #17 (Resolution 2009-10: 475)**

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

Commissioner Powell noted that each of the above final payment resolutions contains at least one change order, and these apparent cost overruns have been cited in the recently released State Comptroller's Audit Report. She stated that the Board is committed to formulating a policy addressing change orders directly, and that she had promised Board President Malik Evans that this would be considered in January. Commissioner Powell explained that she would like to have a policy in which the Board approves change orders as close as possible in time to the date the additional work is performed. She informed Committee members that she plans to bring a change order policy proposal to the Policy Committee in January and to the Board Business meeting in February 2010.

Commissioner Elliott expressed concern that certain vendors are given preferential treatment when bids go out, in that they are informed of the lowest bid submitted and therefore are able to undercut the competition. She emphasized the need for policy to contain provisions to prevent this type of collusion and publicly inform prospective vendors that this practice will not be tolerated.

Motion by Commissioner Elliott to approve all above-listed final payments. Seconded by Commissioner White. **Adopted 3-0**, with concurrence of parent representative.

Other:

6. **IBC Engineering, PC (Resolution 2009-10: 487)**

Mr. Underwood explained that this agreement is to provide upgraded security equipment and monitoring of District property.

Motion by Commissioner White to approve agreement with IBC Engineering, PC. Seconded by Commissioner Elliott. **Adopted 3-0**, with concurrence of parent representative.

OTHER:

1. **Bond Volume Cap Allocation – 2009 QSCB (Resolution 2009-10: 470)**

Ms. Martelli explained that a portion of the federal stimulus funds was allocated for issuing qualified school construction bonds, but RCSD did not use their total allocation. To prevent loss of the remaining funds, RCSD has reached an agreement to reallocate these funds to the State to hold in trust and reissue to the District in the future for borrowing.

Mr. Scanlan stated that only 50 of 100 school districts have been allowed by the State to utilize the federal stimulus funds in this way. Since RCSD is not allowed to carry over these funds to the next year, the State will hold them in trust to prevent the District from losing them entirely. He reported that the federal law is currently in the process of revision to allow the District to use these funds at a later date.

Commissioner Powell asked whether these funds could be used later to help cover the local share of the Facilities Modernization Project (FMP), since the current economic climate makes implementation of FMP increasingly difficult. Mr. Scanlan stated that this is a possibility and that borrowing against these funds would not be subject to the City's cap on RCSD debt issuance. Another option would be to allocate a portion of the Capital Improvement Plan (CIP) funds to the Facilities Modernization Project, but this would also restrict the funding available for other capital projects.

Motion by Commissioner White to approve the Bond Volume Cap Allocation resolution. Seconded by Commissioner Elliott. **Adopted 3-0**, with concurrence of parent representative.

HUMAN CAPITAL INITIATIVES:

1. Excellus Health Plan, Inc. (Resolution 2009-10: 480)

Commissioner Powell stated that she has had concerns regarding this contract with Excellus, and she commended staff for their efforts to address her concerns since the meeting held last night. She presented an amendment to the resolution to allow opportunity for continued dialog between the District and Excellus regarding any future changes to laws or regulations affecting health care, and explained that the amendment has been reviewed by the Law Department and the division of Human Capital Initiatives. Commissioner Powell read the amendment into the record:

“Resolved that the Board of Education approves this contract provided that both parties to the contract adhere to applicable laws and legal mandates and that both parties work to resolve any and all issues that might emerge as a result of applicable laws and legal mandates or changes to the law or legal mandates.”

Motion by Commissioner White to approve amendment to resolution regarding contract with Excellus Health Plan, Inc. Seconded by Commissioner Elliott. **Adopted 3-0**, with concurrence of parent representative.

Commissioner White contended that the amendment is very timely given proposed changes in health care at the federal level and the need to protect women's rights regarding health insurance coverage.

Nancy Palozzi stated that she has consulted with General Counsel regarding the proposed amendment, stating that all are in support of it and that she has reached out to Excellus to obtain their interpretation of the legal mandates regarding health insurance. Ms. Palozzi noted that she has not yet received a response from Excellus, but this may be due to all of the changes being proposed at the national level at this point in time.

Action Item: Ms. Palozzi and Chuck Johnson will provide a clean copy of the resolution with the amendment to Board members as soon as possible, and ensure that this is provided in the package given to Board members at the Board Business meeting on December 17, 2009.

Motion by Commissioner White to approve amended resolution regarding contract with Excellus Health Plan. Seconded by Commissioner Elliott. **Adopted 3-0**, with concurrence of parent representative.

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

Meeting adjourned at 6:25 PM.

Nest Finance Committee Meeting: January 21, 2010 at 5:30PM