

**Rochester Board of Education
Finance Committee
March 19, 2009**

MINUTES

Attendance: Commissioner Powell (Chair) and Commissioners White and Elliott; District Staff: Shanai Lee, Joyce Martelli, Jim Fenton, Jerome Underwood; Board Staff: D. Flanagan

Commissioner Powell convened the meeting at 5:42 p.m.

I. Question / Answer Session

Commissioner Powell stated that this is an opportunity to inquire as to state budget changes and the impact on the District; she asked Joyce Martelli and Jim Fenton if any new information was available regarding changes to the state budget at this point.

Joyce Martelli explained that the budget process is just being finalized and is based on the same assumptions regarding state aid as anticipated in January because no new information is available. She noted a \$10.3 million reduction in the current year budget from last year. Ms. Martelli also explained that \$17.1 million of the federal stimulus package was to be used for Title I and IDEA funding, but there has not been any new information regarding these funds. She emphasized that federal stimulus funds are only to be provided over a two-year period, estimated at a total of approximately \$30 million for RCSD for two years. The time-limited period for providing these funds signifies that they cannot be relied upon as a permanent source for reducing budget deficits.

Commissioner Elliott inquired as to the specific dollar estimate of the District's deficit. Ms. Martelli replied that the initial deficit was approximately \$50 million at the beginning of the budget process, even with the federal stimulus funding. She noted that this budget gap has been cut in half at this point, leaving approximately \$25 million in deficit that must be addressed.

Commissioner Elliott requested examples of ways in which budget deficits have been eliminated in the past. Ms. Martelli described a number of possible measures, such as some staffing cuts across the board, reducing reimbursement for travel and meals, publication/membership fees, transportation, elimination of ineffective programs or those not serving many students, and employee health insurance costs. She explained that programs had been evaluated in terms of their efficacy and extent to which they address one of the Superintendent's goals: improving math and ELA, raising graduation rates, and enhancing school safety. Ms. Martelli cited a potential cost savings of \$5 million from switching from a one-tier to a two-tier transportation system for students, which would reduce the number of buses required. She also stated that a projected \$5 million in cost savings could be realized by using an experience rating for health insurance rather than the current community rating for deriving insurance premium costs.

Commissioner Powell pointed out that this discussion is offering a preview of the budget that will be presented to the full Board on March 30th. She asserted that the capital portion of the federal stimulus package had been eliminated and that the same funds were included in the Ombudsman Budget bill, which would be moving forward through the state. Commissioner Powell inquired as to whether this would assist the District in carrying out the Facilities Modernization Project.

Jim Fenton stated that some of these funds are slated for upgrade of the Central Kitchen, but that he did not have much more information to share at this point.

II. Review January 15, 2009 and February 19, 2009 Finance Committee Meeting Minutes

Motion was made by Commissioner White to approve the minutes of the January 15th Finance Committee meeting. **Adopted 2-0**

Motion made by Commissioner Elliott to approve the minutes of the February 19th Finance Committee meeting. **Adopted 3-0**

III. Budget Process Update

Commissioner Powell noted that the Question & Answer session had already addressed the budget process, and inquired as to whether there were any further questions or information to be provided.

Ms. Martelli noted that the *City* newspaper this week contained an article regarding the shift to school-based budgeting. She explained that the new budget will provide a much greater focus on schools, demographics, graduation rates, and achievement rates by grade level. Ms. Martelli stated that the new budget offers much greater transparency and understanding of the resources available to each school, also improving accountability in terms of the effective use of resources.

Commissioner Elliott inquired as to the readiness of all of the schools to manage their own budgets. Ms. Martelli explained that the schools will be prepared over the multi-year process of this transition, as the funds at their discretion are gradually increased.

Parent Representative Felix Jacobs noted that most of the items in the budget are mandated by state or federal government, and inquired as to the percentage of discretionary funds over which principals would have control. Ms. Martelli offered to look into this and report to Mr. Jacobs.

Mr. Jacobs also asked about Medicaid reimbursement for special education and the extent to which this revenue is provided to schools or retained by the Central Office. Ms. Martelli stated that Medicaid reimbursement would have to be issued to the schools because that is where the cost was incurred. She explained that Medicaid reimbursement is held as revenue in a special fund against which expenses are incurred. She stated that these processes will need to be clearly defined and determined as greater management of funds is passed to school administrators.

Commissioner White asked whether consideration has been given to referring to the policies supported by the use of specific funds in the budget. He expressed concern that Board policies are undermined to the extent that adequate funding is not provided. Commissioner White described initiating a policy to infuse an African American curriculum throughout the school system, yet only \$7,000 was provided in the operating budget to realize this goal. He emphasized that policies are meaningless without the funding to support them, and suggested creating a supplement to the budget to reflect the financial priorities given to policies.

Ms. Martelli emphasized that this is a dynamic process and that the increased transparency in the new budget will indicate the way in which funds are being utilized to fulfill District goals.

Commissioner Elliott inquired as to the right of the Board of Education to amend line items in the budget. Commissioner Powell replied that the Board is responsible for the overall budget, particularly in balancing increases and decreases in funding. She explained that through Board members' deliberations over the budget, specific concerns will arise and the Superintendent can determine which Board suggestions to incorporate into the final budget; he is then responsible for providing a rationale as to these determinations. Commissioner Powell stated that the Board has the final vote on approving the budget, but does not have the authority for a line item veto. She stated that it is theoretically possible for the Board to present a specific amendment for each item of concern at the meeting in which the budget is voted upon, but there is no precedent for doing so.

Commissioner Elliott noted that there may be some opportunity to negotiate with the Superintendent, particularly with regard to discretionary funds. She also expressed concern regarding adherence to policy and the Board's role as policymakers.

Commissioner White contended that there are other examples of policies that are not sufficiently funded. Commissioner Powell described an example of a Board policy that has been in place for over a decade which requires child care to be provided on-site for RCSD students who have children. She reported that the School Without Walls actually built a day care room in their school during renovations to comply with this policy, but the day care room has never been used. Commissioner Powell noted that students who bring a child to school have been advised, counseled, and exhorted to obtain community daycare. She emphasized the importance of providing services and supports to this at-risk population to ensure that they graduate, yet the policy remains unfunded and only on paper.

Ms. Martelli explained the difficulties in trying to attain a balanced budget in the current economic circumstances, emphasizing that this is only possible because of the federal stimulus package which will be provided only for two years. She highlighted the considerable uncertainty for the future and even in the current year, as the final State budget and allocations to the District have not yet been determined.

Commissioner Powell underscored the ongoing dilemma of needing significantly greater resources to fund effective schools (e.g. Montessori, expeditionary learning, inquiry-based learning), yet having to consider the number of students that must be served for these schools to be cost effective in terms of warranting additional resources. Essentially, she stated that the question comes down to what the District can afford to keep or to do without.

IV. February Finance Reports

Commissioner Elliott inquired as to the purpose and use of pre-encumbrances. Ms. Martelli explained that pre-encumbrances are for a requisition or request for services, which are essentially a promise to pay. Pre-encumbrances are used rather than encumbrances when the purchase order process involves additional time and an accurate estimate of available funds is needed.

Gary Smith stated that the PeopleSoft program enables greater comparison of costs between vendors and more accurate cost estimates.

Motion made by Commissioner Elliott to approve the February Finance Report; seconded by Commissioner White. **Adopted 3-0**

IV. Review of Proposed Resolutions for March 26, 2009 Board Business Meeting

INFORMATION MANAGEMENT & TECHNOLOGY

CELT Corporation:

Jerome Underwood explained that CELT has been assisting with RFPs to improve the E-rate of reimbursement. He reported that the return on this contract is exceptional in that \$400,000 was paid to CELT and the cost savings realized have amounted to approximately \$10 million.

Commissioner Elliott expressed concern that no local vendors were located to perform this work. Mr. Underwood stated that the District is currently looking into this.

Motion made by Commissioner Elliott to approve resolution; seconded by Commissioner White. **Adopted 3-0**

Commissioner White inquired as to the possibility for focusing specifically on locating vendors within the City of Rochester and asked whether this could be used as a criterion in the bidding process. Shanai Lee stated that a policy could be developed to encourage local business, but it is still a competitive bid process. Mr. Smith reported that New York Public Law 103 stipulates that any commodities over \$10,000 and public works over \$20,000 must be awarded to the lowest responsible bidder.

Commissioner White questioned the purpose of tracking information as to local vendors and M/WBE participation, since this has no impact on contract awards and determining where funds go. Ms. Lee noted that not all resolutions are competitive

bids – some are RFPs and professional service agreements; she contended that this information is important also in raising community awareness as to the recipients of District funds and the way in which they are spent.

Mr. Smith explained that the process of tracking this information primarily arose through facilities and public works projects because the Board has established M/WBE goals for those contracts. He clarified that Ms. Lee has chosen to include this information for competitive bids for commodities and services over \$10,000 which must be awarded to the lowest responsible bidder. Mr. Smith stated that \$10,000 has been the threshold in New York State since 1958 and suggested that it be raised, particularly since it is cumulative for all of the commodities for the year. He emphasized that a higher threshold would provide much greater discretion and flexibility for the District in selecting M/WBE vendors within a competitive price range.

Commissioner Elliott requested that Ms. Lee and Mr. Smith notify Commissioner Campos to consider including the increase in contract thresholds in the legislative agenda.

PROCUREMENT

1. LDL Pools

Motion made by Commissioner Elliott to approve resolution; seconded by Commissioner White. **Adopted 3-0**

2. Audiology

Motion made by Commissioner Elliott to approve resolution; seconded by Commissioner White. **Adopted 3-0**

FACILITIES

Final Payments:

1. DG Messmer Corporation
2. Lozier Environmental Consulting Inc.
3. Lozier Environmental Consulting Inc.
4. Monroe Piping & Sheet Metal, LLC

Motion made by Commissioner Elliott to consider all Final Payment resolutions as a group; seconded by Commissioner White.

Motion made by Commissioner Elliott to approve all Final Payment resolutions; seconded by Commissioner White. **Adopted 3-0**

Contracts:

5. School No. 2 – Renovations
6. School No. 3 – Renovations
7. School No. 7 – Renovations
8. School No. 29 – Renovations
9. School No. 30 – Renovations
10. School No. 39, 46, & Dr. Freddie Thomas High School – Renovations
11. Charlotte High School – Renovations
12. Jefferson High School – Renovations

Motion made by Commissioner Elliott to consider all contracts as a group; seconded by Commissioner White.

Motion by Commissioner Elliott to approve all contract resolutions; seconded by Commissioner White. **Adopted 3-0**

COMPTROLLER

1. Non-Resident Tuition & Tutoring Rates

Commissioner Powell explained that out-of-district tuition rates have to be established each year; she asked Ms. Martelli to provide examples of the reasons RCSD students may attend school outside the District and non-resident students would attend RCSD schools.

Ms. Martelli stated that the non-resident tuition and tutoring rates are based on a complex state aid formula, and that the rates reflected in this resolution are the maximum allowed. These situations arise primarily from children being placed in foster care. Ms. Martelli noted that research of the Big 5 districts revealed that RCSD has one of the lowest rates, but this is non-negotiable.

Commissioner Elliott asked about the number of RCSD students in other districts and the number of non-resident students in RCSD schools. Ms. Martelli replied that she would explore this further and report her findings to the Commissioner.

Motion made by Commissioner Elliott to approve resolution; seconded by Commissioner White. **Adopted 3-0**

Commissioner Powell noted that there was not sufficient time to discuss the change order process, but that she has requested that Jim Fenton provide information as to the current state of change orders. Commissioner Powell stated that she wanted to ensure that this information is provided to all Board members prior to the Board business meeting next week. She stated that further understanding of this information will indicate policy changes needed, and reported that other districts have policies requiring Board approval for each change order.

Action Items:

- Ms. Martelli will identify the percentage of discretionary funding in the budget available to principals; this information will be provided to Parent Representative Felix Jacobs.
- Ms. Lee and Mr. Smith will report to Commissioner Campos about the issue of increasing the threshold for contract awards subject to State review from \$10,000 to \$50,000, and suggest that this issue be included in the legislative agenda
- Ms. Martelli will report to Commissioner Elliott the number of non-resident students attending RCSD schools, and the number of RCSD students attending school in other districts
- Ms. Flanagan will provide information regarding the Change Order process to each Board member in the packets to be mailed at the end of the week

Adjourn - Motion made by Commissioner Elliott; seconded by Commissioner White.

Meeting adjourned at 6:55 PM.

Next Finance Committee Meeting: April 23rd at 5:30 PM