

Rochester Board of Education

Finance Committee Meeting of the Whole

April 4, 2006
5:30 p.m.

Minutes

Present: Commissioners Garcia, Brennan, Evans, Thompson, Powell and Henley; Dr. Rivera; Mr. Connors; Ms. Tripi; Ms. Carlisle; Ms. Giuffrida; Mr. Robinson; Ms. Dyce-Faucette; Ms. Dunsmoor, Ms. Wilson.

Absent: Commissioner Elliott

Commissioner Powell called the meeting to order at 5:35 p.m.

Commissioner Powell recommended the Board cover revenue aspects of the budget first because everything else is predicated on that; she asked Dr. Rivera to provide the Board with a revenue update.

Dr. Rivera thanked Commissioners Garcia, Evans and Henley for their lobbying efforts. He said this was one year when lobbying efforts really paid off. It wasn't just by circumstance that we were showing up at people's doors; we thought very strategically about how we would approach this and it was really a team effort. Adam Urbanski and John Pavone worked with us as well and in the end our legislative delegation delivered in an unprecedented way. I can't remember the last time we saw such an infusion, close to a 10% increase, in revenue from the State. This presents a huge opportunity for us. In addition, Commissioners Powell, Brennan and Elliott went to Albany as well supporting this effort. I can't tell you how wonderfully surprising and exciting it was to get those final numbers and it was only in the last 24-36 hours that the dean of our delegation, David Gantt, played a critical role in driving home an additional \$4M for us. It was a terrific legislative delegation here and at the Senate: Joe Robach, Jim Alessi, Assemblyman David Gantt, Joe Morelle, Susan John and David Coon were all terrific.

Commissioner Powell asked Dr. Rivera if there were still discussions at the Federal level regarding the \$7 billion nationwide education aid.

Dr. Rivera stated yes. I know there is an amendment that is being voted on. However, we do not know what it would yield in terms of additional Federal dollars for us. I have shared a summary of what is happening to the District with Louise Slaughter and Hillary Clinton. What's interesting is that we have been denied close to \$28M in Federal resources for different grants we submitted over the past 3 years and we have seen a \$13M decline in terms of actual Federal dollars that we have in our budget. I provided them with a list of the grants we were applying for and told them we need your help now. Other districts have been able to benefit from funds such as Homeland Security. They have been able to invest these funds into their own security and Rochester receives none of that. Our proposal was rejected. We are hoping to draw more Federal dollars. If the amendment goes through it could mean more through Title I.

The total of the NY State formula aid is \$340M. The Governor's proposal included only \$1.6M for nurses and we were able to drive \$6.3M to Rochester in the final numbers. The big surprise and something that would help us tremendously is the \$4M in additional magnet funds that we will receive. When I think about some of the new initiatives I had advanced to you -- that magnet funding could well be used to help support some of those

initiatives. We are not going to have a problem, given our efforts in choice and what we are trying to do in each zone and some of the new partnerships we are trying to advance. This magnet funding source will fill that void.

Good news on the Universal Pre-K front where we hadn't seen an increase in years. We are receiving \$732K. Universal Pre-K will be fully funded and there is an opportunity for potential expansion. As you know, we are currently using \$300-\$400K of our K-12 funds (local funds) to support the Universal Pre-K program. This will allow us to fully fund Universal Pre-K and we will make certain that if there is an opportunity for expansion we go after it.

The total aid for 2006-07 is \$351M. In my budget I had recommended \$353M, which was \$35M over the Governor's budget. These numbers in terms of State Aid increases still show a \$1.748M gap. However, I want to talk about the bottom line. There is a huge infusion of capital funds that New York City was looking to garner for major capital improvements to school facilities in New York City. Initially 92% of the funding source would have gone to New York City and a relatively small amount to other cities. That changed in the process and it ended up that New York City actually received about 66% and the remaining third of that capital source was distributed to high needs districts and some rural districts. We benefited to the tune of \$26.5M of capital and while we were lobbying and meeting with staff from the Assembly and Senate we asked for greater flexibility in the actual language that drives how funding is used. In other words, language that

- 1) Would allow us to fund current projects, not just projects going forward July 1
- 2) Would allow us to cover other capital requirements such as special technology projects and other kinds of initiatives

They did that; they built in language that gives us a great deal of flexibility. Now we are going through an exercise where we are looking at and analyzing some of our current cash capital requests and other operating recommendations that could fit the guidelines for this funding source. We don't know what the amount is. It could be anywhere from \$2M to \$4M to \$5M but the flexibility in the language is very well known. It has been discussed in the Senate and the Assembly and is specifically intended to provide some of the Big 4 Districts with some added flexibility. We believe that once we complete the analysis, the \$1.7M gap could get blown away. This also presents us with another opportunity to do some other things.

What hasn't been discussed is the fact that our budget still includes a \$2.5M increase from the City, which is something we are going to have to revisit. Last week it was agreed that we would meet with the City to review both parties' revenue situations and then discuss what needed to be done moving forward. This meeting has not taken place yet.

Technically, there is a \$1.7M gap and we are going through an exercise that I believe will erase that and then the question becomes one of how big is that erasure and is the \$2.5M from the City an absolute requirement. As we go through deliberations, I will need to come back to you, probably before the April recess, with an adjusted recommended budget that accounts for these gaps and anything we shift from cash capital to this funding source. You will know exactly what these items are -- what projects we want to put back on the table and whether we have other adjustments we need to make.

Commissioner Garcia stated that he had spoken with the Mayor last Friday and he thought something had already been set up for this week. We need to call him to setup a meeting as soon as possible.

Action item: Superintendent's office to setup a meeting with the Mayor's Office as soon as possible.
Action item: Dr. Rivera will provide the Board with an amended recommended budget.

Mr. Looby updated the Board on the Harkins amendment. Unfortunately, the news is not good. The Harkins amendment is for the Federal 2007 budget. The Senate's proposal would put an additional \$7 billion dollars back into the education budget nationally. Congressman DeLaura of Connecticut proposed an identical amendment to the House of Representatives last week. Congressman Castle of Delaware proposed an additional amendment; as of today the House Rules Committee has said that it should exercise the house rule and permit only pre-approved amendments of the entire house bill and not supplemental things. So they will not entertain Congressman Castle's amendment. When I came up here I was in the process of preparing a letter to the 3 members of our congressional delegation encouraging them to oppose that rule and to support the Castle amendment or a similar amendment along amendment line.

Revenue Summary – Section Two - Commissioner Questions

Commissioner Thompson

Q. How many students are affected by local share deduction?

A. Mr. Connors said the local share deduction for certain students is about \$3.4K per student for District residents who are in programs outside the district (i.e. students in correctional facilities and students in State schools such as Batavia School for the Blind). The student count is about 40 and basically the State deducts that from our State Aid each year.

Q. Why is there zero revenue showing for Educationally Related Support Services, Extraordinary Needs Aid, Limited English Proficiency Aid and Summer School Aid?

A. Mr. Connors stated a few years ago the Governor combined all categories into the first the first line on the report, Comprehensive Operating Aid (COA). The ones listed with zero revenue used to be known as formula aids. They would run independently on different formulas based on districts actual needs. What the Governor did was:

- 1) Combine what we call Flex Aid into COA
- 2) Flatted them out
- 3) Provided an incremental increase on the categories instead of them running by formulas

Thereby he controls the growth of the aids.

Q. There is no narrative for Universal Pre-K.

A. Mr. Connors said the narrative is shown under Section 2 on page 13

Q. Under Special Education - Public and Private Excess Cost Aid, how many students are we talking about?

A. Mr. Connors stated we are still working on the analysis. These aids are driven more by expenses rather than FTEs or student counts. Basically public excess cost aid is dollars over a certain threshold and the aid reports don't really break out the number of students so we have to go back into our system to figure out which students to include. With private excess cost, the aid is driven based on expenses we incur rather than student count. There is no ready report and we are working on getting the numbers.

Q. How do we arrive at the number of students served? Do we use a formula?

A. Mr. Connors said no. The students are served based on decisions made by the Committee on Special Education (CSE) and what they do is based on the student's need. The CSE designates the types of supports

students will get. From that process a stack form is created -- a cost profile -- for each student that is then sent to the State. The State rolls all these things together to arrive at how much aid we'll get based on the formula for the two types of student placements, private and public.

Q. Can it vary from student to student or is there a standard amount per student?

A. Mr. Connors stated it varies widely. With the public placements it is dollars over a certain threshold. Over about \$13k per student. For the private placements it is from the first dollars. And the aid ratios on the two differ as well. The private ratio is in excess of 90% where the public ratio is somewhat less.

Q. At what point will we have the number of students?

A. Mr. Connors indicated we should be able to provide that information in a few days.

Q. We had lines related to EPE (Employment Preparation Education) and I understand that there may not be any EPE revenue but I thought there might be an expense. Are we still waiting for the whole EPE question to be resolved in terms of penalties?

A. Mr. Looby informed the Board that our case is with the Appellate division and is scheduled for the middle of May. Right now we are pretty much in a holding pattern.

Q. We are showing a \$200k decrease in Earnings Capital Fund Investments. What strategies are in place to increase these earnings?

A. Mr. Connors stated NY State law limits the types of investments we can engage in. They are very conservative -- interest bearing accounts, bonds, certificates of deposit and public entities. There is a further restriction in our ability to generate interest income because in this case those types of things are handled by the City. In the case of the Capital Fund decline that is related to the fact that we have less money (unused cash) in the Capital Fund this year and next from what the City is projecting for us. Rates have been favorable and increasing, but because of the reduced cash balances we are projecting declines in the Capital Fund Investments. We are seeing favorability in the General Funds because our cash balances have been maintained and we are seeing increased interest rates and returns on the investments we are allowed to partake in.

Q. Earnings in the General Fund Investments are up. Are we expecting that to continue to grow?

A. Mr. Connors said the new budget amendments adjust this year's budget. We based next year's projections on these numbers and we are looking to maintain those levels next year.

Action: Mr. Connors will provide the Board with the number of students served under Special Education – Public and Private Excess Cost Aid.

Commissioner Garcia

Q. Regarding E-rate reimbursements:

- 1) Where do you account for E-rate reimbursement?
- 2) How far are we behind in collecting E-Rate reimbursement?
- 3) How much money are we talking about?

A. Mr. Connors said E-Rate reimbursements are included in the Revenue Section (Section 2 on page 4) under “Local Other.” About halfway down that group there is a category called “Prior Year Refunds” and that references E-Rate. We have to use that category per the NY State Comptrollers’ Office. Because E-Rate is a reimbursement of prior expenditures we have to treat it as a prior year refund.

Mr. Robinson informed the committee that we are working with a consultant and he would rather provide the Board with an exact schedule in writing.

Action: Mr. Robinson will provide the Board with a E-Rate reimbursement schedule.

Commissioner Powell

Q. Nursing Services Aid comes with an additional burden of having our variance or waiver removed so it will cost us more for nursing. Do I understand that correctly?

A. Ms. Carlisle said we are currently evaluating, but right now between what we have budgeted and what the State is providing there is a \$700k difference. There are some things we will need to cut to keep the BOCES contract down. We no longer have the freedom from the mandates that we’ve had for a number of years. We are analyzing what additional staffing costs we would need to incur in order to provide stepped-up hearing screening and a number of other things. I have a summary that shows:

- 1) What the New York State mandates are
- 2) What we are currently doing
- 3) What that looks like in comparison to what we will have to do

Q. Did I hear a \$700k gap?

A. Ms. Carlisle stated approximately. There were a couple of things that we cut in order to keep the BOCES cost down -- such as Audio Techs. We would have to because there would be increased hearing screening, clerical and with the mandates there are increased reporting requirements and then specific staffing in terms of nurses in buildings. Another piece that could facilitate this is we do not have electronic medical records. That was not budgeted at all. We withheld doing that but I think again looking at what maybe included in capital expenditures and other places is something we have to look at over the next week.

I. Expenditure Summary and Analysis – Section III

Commissioner Henley

Q. How are our salary compensation percentage increases in comparison with the other Big 5 Districts? Are we in line with them?

A. Ms. Giuffrida said that neither Yonkers, Syracuse nor Buffalo have settled agreements for next year, so there is no information available from the Big 5 as far as salary increases are concerned. However, when we set our salary percentages and negotiations we go through a formula that is set out in the Collective Bargaining Agreement called a salary benchmarking formula. This is intended to measure us against salaries in the Monroe County area. I have a handout that may be familiar to some who have been here for a while, but it is good information. It will tell you what the average salary is in each school district and you will see that Rochester falls somewhere in the middle of the pack. And for those districts that have known settlements for next year it lists what those settlements percentages are.

Q. Due to the mild winter, the District was able to save money (less salting, plowing and lower heat cost). Will we be able to use some of those savings to close the gap?

A. Ms. Tripi stated we are looking at estimating our utility cost for the rest of this year. We are running those numbers now and even though we had a relatively mild winter we had an abnormally hot summer, which to some degree offsets the savings from the winter.

Commissioner Evans

Q. Are the 250 additional new Charter School students in addition to the students currently being served?

A. Ms. Tripi stated yes.

Q. So the ones that are there now are being accounted for elsewhere in the budget.

A. Ms. Tripi stated yes.

Dr. Rivera informed the Board that there may be some adjustments in this area. We received a letter last week indicating a Charter School that had been tentatively approved was put on hold by the Commissioners' Office. We need to get final details on this. It was a Charter School that was looking to serve a couple hundred students.

Ms. Tripi stated in addition we got word that the tuition rates for next year are higher than what we had forecast. While there is a savings from one school not starting there is an extra cost because tuition is higher than what we estimated. Commissioner Evans, I want to make sure I answered your question correctly. The Charter School line is all Charter School students. One of the assumptions in building the model is that in each future year there will be 250 additional students. This is part of the reason for the growth in the Charter School number over time.

Q. Additional students correct?

A. Ms. Tripi stated additional students are the cause of the growth. That line represents the total cost for all Charter School students.

Commissioner Garcia stated Dr. Rivera you do not have to provide an answer now, but I would like to know what portion of the budget in terms of dollar amounts each of you control.

Action: Superintendent's Office to provide Board with a breakdown of the budget in dollar amounts indicating which portion/dollar amount is controlled by whom.

II. Office of the Superintendent – Section Five

Commissioner Thompson

Q. In what department is the Hillside Work Scholarship?

A. Ms. Carlisle stated it is in the Office of Strategic Planning, the Technical and Professional line. It does not show up as a named line item. It shows up as Technical and Professional Contracts.

Commissioner Evans

Q. Budget Technician and Gates Foundation?

A. Dr. Rivera told the Board that there will be an adjustment in this area. There are a couple of things going on here. The funding does not actually come to the District, it goes to the Rochester Area Community Foundation (RACF) and they have fiduciary responsibility. We send them invoices and we needed someone on our side to pay attention to the finances associated with that. In addition, this particular individual has been working directly with Mr. Robinson and supporting the whole staffing process for the District. Right now that person sits in my budget but in a revised version we will clean that up.

Ms. Carlisle stated there is a misconception that is included in that same question. The reference in that question was saying \$1M goes to the RACF and we don't see any of that. In fact, the fee for RACF is only \$200k. There are a number of consultant contracts and other expenditures that go through RACF and we are required by the Gates Foundation to have a separate fiscal intermediary. We can not accept those funds directly.

III. Office of Chief of Staff – Section Seven

Auditor General:

Commissioner Garcia stated since the other committee is still working on the staffing structure and we haven't reached final conclusions, I don't see much point in discussing this now. However, I do see a lot of relevance in discussing it the next time we get together.

Commissioner Powell indicated that it would not be the next meeting, but the April 25th meeting.

Commissioner Evans

Q. Is professional development driven by a grant?

A. Mr. Connors answered it is the Title I supplemental Educational Services. We are required to set a side a total of up to 20% of Title I for tutoring services and transportation in order to be compliant with the No Child Left Behind regulations. We put all those funds for the tutoring services under the Professional and Technical Services line and we are required to keep them there until we have demonstrated to the NYS Education Department that we have met student demands for these services. And toward the end of the year, once we have demonstrated that the needs have been met, they will allow us to release the unused funds for other purposes. Today is April 4th and the State has not given us permission for this year.

Dr. Rivera stated in regard to SES funds a couple of years ago we had 15 schools that were in such needs of improvement that they qualified for this special allocation. Today there are 10 -- meaning we are doing a better job. There were some 12k students a couple of years ago eligible for SES services and it is down to 8k plus now. And we are now seeing a higher percentage of eligible students than we did a couple of years ago. This means as we do a better job we put the SES service providers out of business and we in turn can use those resources as we have been. When we carry them over, that's what we typically use to fund our Elementary summer school grades 4 through 6 and additional funding we have set aside for extended day. We would like to

have an enhanced extended day program. We are probably one of the few districts in the country that is having fewer students eligible for SES because of some the improvements we are making.

IV. Office of Chief of Standards and Accountability – Section Seventeen

Commissioner Brennan

Q. I didn't entirely understand the answer to the written question I had. I understand that agency clerical represents temporary agency staff. I'm not sure I understand the reason for the increase or its role in clerical support of 3-8 testing requirements. What I think I am hearing is that there is a heavy concentration of need to attend to that.

A. Ms. Silver explained that we went from testing 6k students to testing 16k. Testing occurs between February and March and even though the amount of paperwork that goes with this process increased, the State still gives us a 4-6 week period in which to report. Because the workload has tripled we need more clerical help to get information to the State accurately and on time. This causes us to have to hire additional Kelly Temps. We just delivered ELA and Math is going on now with 4 weeks to deliver to the State.

Commissioner Henley

Q. What do you mean by bumping rights?

A. Mr. Connors explained that when we eliminate a position the salary does not necessarily go away. The teacher has tenure rights so they can return to the classroom and rather than eliminating, they would in effect bump out a first-year teacher. So the budget adjustment looks unusual in the book. The dollar amount of the first-year starting salary is used rather than the actual salary. What we would do is take that dollar differential and put it in the school's budget.

Commissioner Thompson

Q. When do we draw the line and refuse to respond to a State deadline? We were only getting 4-6 weeks to return results on testing of 6k students and now we are required to complete paperwork for 16k. Did we have too much time to begin with or do we just continue to meet the deadlines regardless of what they are?

A. Ms. Silver explained that the State wants to narrow the deadlines not because they are trying to burden the districts, but because they are trying to report back to the districts what schools are in trouble or what schools are included and right now just with those deadlines, they are not able to get back to us until August. I think, as they keep telling us, if we are late one week that could prevent the whole State from receiving pertinent information in a timely fashion. Bottom line, we need to adhere to the deadlines.

Q. Is there anything we could do differently that would give us a little buffer?

A. Ms. Silver said this is the first run and I think because they went from 1.1M to the 3.3M, deadlines are in place to avoid any kind of backup. We are utilizing a new data warehouse so the whole process is brand new. This year there is a huge need to meet all the deadlines. As we get more comfortable with the process there may be other options we could discuss.

Dr. Rivera stated I heard something implied in your questions and it relates to the many mandates and requirements we've had through NCLB. I want to talk about one real example that could be confronting us in another 30-60 days. Over the past year we have been cooperating fully, in fact we have assumed a lead role in working with our ELA audit, to make a curriculum audit as a District and corrective action along with six other districts. The final recommendations are supposed to be binding on the District. Yet, at the same time, we are here developing a balanced budget that will be submitted to City Council by May 15th. My belief is that if the State imposes specific recommendations that carry resource implications above and beyond what we have allocated, they should be willing to provide us with those resources. Or are we going to have to take a position and say we have a balanced budget here and we are not going to drop X to do Y. I think it is going to be something we are going to have to confront as this thing unfolds.

Commissioner Powell in regard to the ELA audit, the report back is due imminently?

Ms. Cianca explained the process started last May with RFP and we began the audit last summer. We gathered information in the fall and we are now developing an action plan with specific strategies on how to implement based on the recommendations. We are also looking at tying resources to those recommendations. Our plan is to present findings to Quality Assurance sometime May or June and once they've seen the report and made comments, it will be forwarded to the State.

Q. Are resource requirements in this budget?

Ms. Cianca explained that there are some areas where we have already initiated pieces that fit into the audit but there are other areas as well

Commissioner Garcia wanted to know if an implementation plan would be recommended along with the final report. It seems to me that if the implication is whatever recommendations come out of this report are going to cost money and the State expects us to comply with the recommendations of the report that we would submit to them an implementation plan that details exactly when we will begin implementing those recommendations so that we can control the impact on the budget.

Commissioner Powell added including delaying the first stage of the implementation until the next budget year.

Commissioner Thompson asked if part of the cost is going to be delayed or are we saying that we will only implement the recommendations that we can afford with the balanced budget we are presenting to City? Or are we saying there is going to be a gap between what we are planning to do and what we are expected to do?

Dr. Rivera stated part of my caution is that we are not sure what the recommendations are going to be. Commissioner Garcia made a good point, as this comes to conclusion, our relationship with the State has to be solid enough to say to them, here is a reasonable implementation plan that we can control with our existing resources or what needs to be dealt with in the future. If they require additional resources I would hope the State would be willing to help us secure those needed resources.

V. Division of Business Services – Section Eight

Commissioner Brennan

Q. Has the Comptroller position been eliminated for the coming year?

A. Ms. Tripi said yes.

Q. Are the resources going from the Comptroller's Office to the CFO's Office? If yes, is it mission critical and who made that determination?

A. Ms. Tripi said the resources will be moving into the CFO's office and I made the decision that it was mission critical.

Commissioner Thompson

Q. I am not clear on Commissioner Brennan's question. What is mission critical?

A. Ms. Tripi stated that the Comptroller's job is now absorbed into the CFO's job and the two staff members who were in the Comptroller's budget have now moved into the CFO's office.

Commissioner Evans

Q. Is the book depository under Business Services and what is it for?

A. Ms. Tripi stated yes and it is for books we supply to parochial and private schools. We have off-setting State aid for that cost which is shown in separate line items.

Mr. Connors further explained that State law mandates we provide them to all the Charter Schools and all District residents that attend private and parochial schools. When we get our textbook aid as part of our State aid package those students counts are included in those accounts. We do get aid for those costs. It is not a voluntary thing, it is mandated.

VI. Debt Service – Section Nineteen

No questions.

VII. Non-Program Expenses – Section Twenty One

Commissioner Evans

Q. In regard to Charter School tuition, what assumptions are used to increase the enrollment in the tuition rate?

A. Ms. Tripi stated in terms of budget preparation we currently have 684 students that attend Charter Schools in the Rochester area. Our budget assumption for next year was 809 students. That was based on estimates we received from the existing Charter Schools and we estimated 78 students for the new True North Rochester Preparatory School (the one that did not receive charter). In terms of the tuition reimbursement rate the tuition rate this year was \$8,698 and our budget assumption was \$9,046 per student and again those rates just came out and we have to analyze where those are compared to our estimates but the rates are actually higher than what we had estimated.

Commissioner Thompson

Q. Did you say we have currently have 684 and we projected 250 additional?

A. Ms. Tripi stated the 250 is going forward after next year in the multi-year plan.

Commissioner Evans

Q. This could be a typo but Thursday's budget presentation said \$3.8M in the Fund Balance Reserve but I think the book says \$4.1M

A. Mr. Connors explained that there are two components to the Fund Balance Reserve. There is the \$3.8M that Dr. Rivera presented and that is related to the General Fund. The other \$300k is related to the Food Services program which Dr. Rivera did not speak about because the Food Services program is really a self-contained, self-sufficient financial program.

Q. What period of time do we consider as long-term illness and if you are out ill long term how long can you continue to draw a salary?

A. Ms. Giuffrida stated the District has exceedingly generous relief plans and income protection plans for its employees. In addition to annual sick leave that's earned, we have a variety of and additional categories of paid leave based on certain circumstances. It has to be documented by a doctor's statement. One could be on the payroll and get paid for more than a year in the event of very serious illness. But for the most generous leave plan before you can take the final benefit it has to be accompanied by a resignation or a retirement. It really is a terminal leave, when someone is really so ill they will never return to work. We have worker's compensation, assault pay, and a variety of leave categories.

Dr. Rivera informed the Board that some headway has been made in negotiations this past year. We were very adamant about including new language on what qualified for assault pay and in addition to that capping almost a lifetime entitlement for some people. We won't realize the savings this year, but next year it will be at least a \$500k to \$1M savings.

Ms. Giuffrida explained that with assault pay two things are going on:

- 1) We have capped and begun to reduce expenditures for people who have been out more than ten years
 - 2) We have been more aggressive about gatekeeping to get on the benefit program in the first place
- We are managing it from both ends.

Commissioner Thompson asked for clarification when you say we won't see savings this year, do you mean this coming year or the year we are currently in?

Dr. Rivera stated in this particular budget I was hoping we would be able to eliminate several individuals who are entitled to assault pay but in actuality if we look at their eligibility it's a year or two away. So it will be in next year's budget.

Commissioner Garcia

Q. What is an ideal fund balance for a district our size.

A. Mr. Connors informed the Board that by State law districts are limited to a 2% Unreserved Fund Balance on the General Fund budget. The District can have other reserves -- for instance we are facing the upcoming post-benefit retirement funding for medical and worker's compensation cases. Districts that are in good financial positions would want to fully fund these types of things. There are a couple of answers to your questions, but by law we are limited to 2% of the Unreserved Fund Balance, about \$10M.

VIII. Employee Benefits - Section Twenty

Commissioner Henley

Q. What percentage of the overall budget falls under employee's benefits?

A. Mr. Connors stated 18.5%.

Q. Is that typical among Monroe County Schools?

A. Mr. Connors stated that basically it would be. If you look at school districts about 2/3 to 3/4 of their budgets are staff (70% level), and we all have the same benefit structure more or less. We all have social security, the same teacher retirement rates, we all have the same civil service and employee retirement rates. We are all facing the same cost with healthcare and worker's compensation rates. Basically we all use the programs whenever a district finds something that is successful all the other Districts usually emulate that. So you will see within a couple of tenths of a percentage that all districts would be similar.

Commissioner Powell

Q. We have 18 FTEs (employees) who provide benefit services? Is that commensurate in terms of other schools?

A. Ms. Giuffrida stated the 18 individuals listed are people who are out for long-term reasons and that includes the 6-8 people who are currently receiving long-term assault pay benefit, which is a benefit unique to the Rochester School District.

Q. Does that represent the number of employees who work in HR?

A. Ms. Giuffrida explained the benefits group is very much under-staffed and we do not have 18 people in HR.

Ms. Tripi added HR staff numbers are in the HR section of the budget book.

Commissioner Thompson

Q. In past years we have used the 80% mark as that portion of the budget that goes toward salaries and benefits. So does that tie in with the 2/3 going towards salaries and 18.5% going towards benefits to bring us to 80ish percent for benefits?

A. Mr. Connors stated no. We can come back to you with a couple of years of data. But our salary benefits cost would be in the 2/3 - 3/4 range, around 68-69%.

Action: Mr. Connors will provide salary benefits cost for the past two years.

Commissioner Evans

Q. Do we participate in a consortium with Districts that pool together to buy healthcare benefits?

A. Ms. Giuffrida said we are not participating in the Monroe County Health Insurance consortium, but we are looking at it very carefully. The group is coming up on its initial three years in the program and they are renegotiating their rates for the next period. They did achieve a savings in their first three years, but we are watching very carefully to what happens in their renegotiations. We are actively considering it and we have been working with a consultant for over a year to analyze our experience rating. The issue with the consortium is that they have gone from community rating to experience rating. We are actively looking at this and we will do what is best for the District.

Commissioner Garcia

Q. Same question for worker's compensation.

A. Ms. Giuffrida explained that we are self-insured for worker's compensation which means for every claim dollar that is incurred against us we pay it out dollar for dollar. We do employ a third-party administrator to manage our worker's compensation which is common amongst school districts. We went through a major proposal about two years ago to select a third party administrator and we try to actively manage that and work with our TPA as much as possible. It is an area that we can look at all the time.

Ms. Tripi stated that one of the questions we received was what is driving the increase in worker's compensation? One of the other drivers -- other than an increase in the number of claims -- is the fact that health insurance cost are going up. Obviously a component of worker's compensation is reimbursement for the healthcare cost for individuals out on worker's compensation.

Commissioner Thompson

Q. When you talk about options with the consortium, one of the issues is it has a detrimental impact on the general wider community and maybe I am confusing it with some of the educational institutions (higher education institutions) coming together and forming their own insurance group. Are we talking apples and oranges here when we talk about this consortium we are considering? If I recall correctly, while it may have been a good thing for the higher institutions it has a detrimental impact on the general community.

Ms. Giuffrida stated I think you are exactly right. And in our case we are talking about public school districts. In general the more employers that pull out of community rating the more expensive the rates become for those left behind in community rating. This has the effect of spreading the risk out over fewer people and to some degree it increases the overall cost of health insurance.

Wrap-up

Commissioner Powell said that if people wanted to see the April 25th meeting facilitated differently than tonight to let her know. We have more than enough time to consider a different process.

Commissioner Powell informed the Board that session two would be convened by Quality Assurance on Tuesday, April 11th at 6:00 p.m. and the following sections of the budget document would be discussed:

1. Division of Operations
2. Division of School Development and Academics
3. Department of Strategic Planning and Rochester Children's Zone
4. Department of Diversity and Leadership Development
- 5.

At the April 25th meeting we would be tying up some loose ends from tonight's meeting and taking alibi questions.

Adjournment: Motion to adjourn made by Commissioner Thompson, Seconded by Commissioner Evans. Adopted 6-0 at 6:52 p.m. with Commissioner Elliott absent.