

Rochester Board of Education

Finance Committee

February 9, 2006 at 5:30 p.m.

Present: Commissioners Powell, Brennan and Evans, Ms. Rohring, Mr. Greene, and Mr. Connors

Commissioner Powell convened the meeting at 5:35 p.m.

Commissioner Powell requested a motion to approve the modified agenda. Made by Commissioner Brennan. Seconded by Commissioner Evans. Adopted 3-0.

I. Receive and Review Monthly Financial Reports

Commissioner Powell opened the floor for questions regarding the financial reports.

Commissioner Evans wanted to know why are we \$3.2M over the original budget amount for Substitute Teacher Cost?

Commissioner Powell asked Commissioner Evans if he was talking about the Available Funds Report with the Hourly Teachers. He stated yes. She then stated that Hourly Teachers had been covered in the December amended budget. However, she could not remember why it went up from \$7.5M to \$10.5M. She asked Mr. Connors to explain.

Mr. Connors stated that there were a few drivers. Mainly, as we do additional professional development. The categories of the types of things that hit that line are:

- Extended Day Program when teachers work over and beyond the regular school program. The total program budget is roughly \$1.6M of which, \$1M is teaching expenses. When the budget first started these items were not housed in this category. As the program is identified dollars are allocated to the different schools where the programs are housed along with the different expense categories. Extended day is the largest driver.
- Additional Grants – the Teacher Hourly line is also impacted when additional grants come on line. A lot of the grants go to fund professional development activities and when we do this, it tends to increase this line item.

Commissioner Powell stated in the context of December's budget amendment the increase was almost completely the result of grant funds or extended day and Saturday school.

Mr. Connors stated that would be a fair assessment and he would need to do a grant by grant analysis in order to confirm.

Commissioner Powell asked Mr. Connors to prepare the analysis and send it to all committee members.

Mr. Connors recommended preparing the analysis, then forwarding it to Ms. Rohring for distribution to the appropriate parties.

Commissioner Powell stated in the case of this budget amendment, you are asking for an additional \$244k. In this particular case is it a matter of increased grant monies or is it managing some other function?

Mr. Connors stated that it is driven almost entirely by new activities and it is made up of different things (i.e. new grants, Small Learning Community Grant, Title II grant, additional funds and things of that nature). The additional funds are comprised of \$11k in the general fund and \$233k in the grant fund.

ACTION:

Mr. Connors will prepare a grant by grant analysis that shows the change from the original budget to December 2006 in one column and from December 2006 to the current proposed amendment in another. The analysis will be sent to Ms. Rohring for distribution.

Commissioner Powell wanted to know if the non-grant portion represented a change to the budget to ensure we can get to the end of the year with substitutes and so on.

Mr. Connors wanted to know if we were moving to Substitute Teacher Cost or were we still on Hourly Teachers?

Commissioner Powell clarified that we were still on Hourly Teachers.

Mr. Connors explained that the only change in the general fund in the February piece is about \$11k which is only 1/10 of 1% of a \$10M line item. And this is typical movement in these types of line items.

Commissioner Powell asked Mr. Connors to explain the increase of \$125k on the Substitute Teacher Cost line.

Mr. Connors stated this could be driven by different programs. The original budget was \$10.1M and the current budget is \$10.3M. For the year this particular line item has gone up less than 2%. And these are not changes to cover projected cost. They are more in line with grants coming online and teachers getting professional development. They also fund the subs to cover their time while they are out of the classroom. Again, I can provide you with detailed information on this item.

ACTION:

Mr. Connors will prepare an analysis on the Substitute Teacher Cost and forward to Ms. Rohring for distribution.

Commissioner Brennan wanted to know what is driving Overtime Non-Instructional Salaries and Contract Transportation. Overtime Non-Instructional

Salaries is up 10% since December and Contract Transportation is up \$2.7M from the original budget.

Mr. Connors explained that we have seen a lot of growth for two reasons in the Contract Transportation area:

- Increase in students being transported (27,700 vs. 26, 226) which is not a proportional increase.
- New managed choice process where we have to take more kids in more directions which has an impact on the number of bus runs we have to provide. The decision was made this year to fund the transportation costs associated with the Extended Day Program out of the local budget to take advantage of the 90% NYS Transportation Aid ratio. Had we funded them out of the grant fund we would not have generated additional revenue.

Commissioner Powell asked Mr. Connors if Extended Day Programs qualified for the NYS Transportation Aid.

Mr. Connors explained that eligible transportation is bringing the student to school in the beginning of the day and taking them home at the end of the day. Commissioner Powell stated whenever the end is.

Mr. Connors stated that is correct and in this case when you run an extended day program at a given school and not all the students are attending, you often run double runs. You run the ones at the end of the traditional school day for the students leaving and you have a second run for the students participating in the Extended Day Program. Extended Day Programs on non-school days (Saturdays or holidays) are not eligible for transportation aid and are charged to the grant fund.

Commissioner Powell stated so when we have two bus runs in the evening, we are reimbursed the cost of the run regardless of the number of students on the bus.

Mr. Connors stated that is correct.

Commissioner Powell wanted to know if the volume of students transported through the Choice program was underestimated in May.

Mr. Connors indicated that he believed so. He informed the committee that they are still trying to untangle how much is related to extended day versus Managed Choice versus additional students. This is a very complicated task. We are working on a base which can be used for comparative purposes going forward.

Mr. Connors indicated that he would have to do an analysis in regards to Overtime Non-Instructional Salaries. He did not have the detailed information with him.

ACTION:

Mr. Connors will prepare an analysis on the Overtime-Non Instructional Salaries item and forward to Ms. Rohring for distribution.

Commissioner Brennan wanted to know how much of the Computer Software Instructional line item is aidable?

Mr. Connors explained that we budget the general fund to the level of state aid which is approximately \$630k. This is a pretty straight forward formula at \$14.98 per student. The student count is a weighted number; it is not population multiplied by \$14.98. We also get aid for students in private schools, Charter schools and other things which we then have to pass along. The differential in the budget is often programs funded out of grants. Basically we try to build the budget in certain instructional aid categories, computer software to that level and then we try to manage those budgets on a level basis so that some years we aren't under running and other years over running and short changing ourselves on aid in the process.

Commissioner Powell summarized by stating when you build the budget, without knowing what we are going to buy or anything, you decide how much money we are able to get. Set that as a threshold for the District, then add on whatever we must pass through for parochial, private, and charter schools; then if the District's needs change, we seek to supplement with grant funds. Mr. Connors stated that is correct. Commissioner Powell then stated so when we are adding \$250k it is because we have new grant money here.

Mr. Connors stated that he would need to run the detail on this line item in order to confirm this statement.

Commissioner Powell asked if we have already figured in the additional unexpected number of students that were enrolled this year?

Mr. Connors stated yes. So I would hazard to guess that this category is driven almost entirely by grants.

ACTION:

Mr. Connors will prepare a detailed analysis on the Computer Software Instructional line item and forward to Ms. Rohring for distribution.

Commissioner Evans indicated that Office Supplies seem to be increasing faster than he would like to see and wanted to know what was going on.

Mr. Connors stated he will need to provide the committee with an analysis.

Commissioner Evans stated that Office Supplies is one area where if we could save \$10k that would be good. He feels it is worth mentioning to Dr. Rivera.

Commissioner Powell wanted to know if we had a storehouse for office supplies.

Mr. Connors indicated that office supplies are being ordered through Staples.

All of the schools and departments are able to order directly.

Commissioner Evans stated that the orders are approved centrally online.

Mr. Connors explained yes and asked Mr. Smith to further explain.

Mr. Smith explained the step-by-step online ordering process.

Commissioner Powell asked if the new process was more efficient. Is it cheaper than running a storehouse?

Mr. Smith explained that we would need to do an analysis to see if the online system is more efficient than running a storehouse. However, what I can tell you today is that online ordering:

1. Does not tie up the District's cash (users are buying on demand)
2. We are not warehousing supplies which become outdated

3. Not incurring shipping charges
4. No lapse in delivery time; Staples offers next day delivery rather than up to two weeks it took to receive shipment from storehouse.
5. Part of County contract, so excellent discount (56-65%)

Commissioner Evans stated it is a good idea that people are ordering things when they need them; that way we do not have an overabundance of supplies on hand that people don't use.

Commissioner Brennan wanted to know if the increase in Computer Hardware Instructional was aidable.

Mr. Connors explained that this formula is a little more complex and that Computer Hardware Instructional is aidable and again when we build the budget we try to build them to that level and the general fund is supplemented by grant funds if needed.

Commissioner Brennan asked Mr. Connors to explain why Utilities were up 17%.

Mr. Connors explained that utilities were adjusted for the December budget amendment. You will see very little change from December to February and not much change for the remainder of the year. We were partners with Monroe County in a buying consortium, and it was often hard to get consensus on when to move forward and lock in rates. Historically the prices had bottomed out in early September and the plan was to buy in early September which was a couple of weeks after Katrina hit which really spiked the prices. We have since switched consortiums and are in the BOCES consortium and there are some added benefits, because they buy for the whole year. So we will probably be locking into our energy prices this summer the entire 06-07 year.

Mr. Smith informed the committee that we actually locked into our final numbers today for next year. So, we can budget our natural gas purchases just about exact for next year. We are partnering with BOCES II who has about 17 other school districts within Monroe County. We locked in on three different levels in the last month and a half. There was a committee that made the decision with a consultant that BOCES hired. So, we are all in the same boat. We locked in about $\frac{1}{4}$ of our natural gas purchases for next fiscal year today and we locked in about $\frac{1}{2}$ two weeks ago. We are set and this process will enhance the budget planning process. In years past, we had one individual who was making the decision on when to purchase and this placed a lot of pressure on that one individual.

Mr. Connors stated that there are always two components to budget; one is volume and one is rate. We have to keep in mind that we had a mild January and our peak months are January and February. When we build the budget for next year we will have to take into consideration that we probably won't have another January like we had this year and factor that in.

Commissioner Brennan asked Mr. Connors to explain the Agency Clerical line. It is up significantly in the amended budget.

Mr. Connors stated yes, paraprofessional substitutes were moved to the paraprofessional salary line earlier in the fiscal year when the District determined it would handle this function rather than the temporary agency. He directed the committee to the third page of the Available Funds Financial Analysis handout. In the December report we indicated this would happen. If you look at the Agency Clerical budget for the year, it has been reduced from \$3.4M to \$2.5M. The reason for the decrease is that after the budget was built a decision was made to (last year all of the paraprofessional subs were handled through the agency) bring that function in house and manage it through Human Resources with RCSD employees. So we had to estimate what the impact would be. We reduced the budget in the first amendment by \$1.2M. Once we had a trend on how much of the agency clerical budget was agency clerical versus paraprofessional subs we adjusted it back by approximately \$400k. The net change was moving about \$800k out of this budget into the paraprofessional salary line to fund the paraprofessional subs that are now District employees. Commissioner Brennan wanted to know how we determine how much we should be relying on this type of service. What controls are in place?

Mr. Connors stated that it is driven largely by events in the school and it is difficult for the schools to function on a day-to-day basis without their staff. The schools are responsible out of their TAPU budgets (their allocations) for short term staffing. If they can get by a day or two without agency services, they have financial incentive to do so. The District however pays for long term leaves. Long term would be anything over one week (five days). All of these costs are in the budget it's whether the schools are responsible or central budget is responsible.

Commissioner Brennan asked what if it was somewhere in between for instance 10 days.

Mr. Connors stated it is almost automatic that someone will be brought in with the schools level of responsibility that is needed to address the needs of parents, students, staff, etc.

Commissioner Brennan stated he would be concerned with the efficacy of someone coming in for the short term (learning curves, etc.).

Commissioner Evans asked Mr. Connors to explain Benefits and the 2006 billing process.

Mr. Connors indicated that we have an open enrollment in November for our employees to make decisions about health care services. In years past employees had to make this decision without knowing what the rates would be. Going into calendar year 2005 we (healthcare is billed on calendar year, not a fiscal year) worked with Excellus Blue Cross Blues Shield (BCBS) to give our employees information to make informed decisions. Excellus guaranteed a 9% "billing" rate increase for calendar year 2005 to facilitate the RCSD open enrollment process. However, the actual rate increase for calendar year 2005

was over 13%. Based on the original agreement they only billed us for the 9% and the intention was to bill the District in January 2006 for the difference and we had planned for that. However, Excellus has chosen to recover the retroactive by adding the rate increase into the 2006 calendar invoices, which has the effect of moving at least ½ of these costs into the 2006-07 fiscal year. Thereby reducing fiscal 2005-06 costs.

Commissioner Powell stated that from a cash flow prospective it was a good thing. However, it may not have the same cash flow implications if we don't get aid from the state. If we have a gap it could be painful.

Mr. Connors agreed that it could exacerbate it. However it did enable the District to cover much of the increase in transportation costs this year.

Commissioner Powell stated that we have the potential for a different way of managing healthcare with the help of the RTA and ASAR contract negotiations. Mr. Connors indicated that we have looked at several options. Basically we are the largest employer still in the community rating pool and what's happening is we are being offered an opportunity to go into experience rating. This is what the BOCES consortium did. But again, it depends on the experience of that pool because we did not join the pool immediately we would have to be voted in by all the members. That option may not be available to us. We are also talking to the insured about becoming experience rating ourselves and it might be advantageous now that Preferred Care has merged with a larger partner they are very much a consideration in the process whether it be Preferred Care or Blue Cross Blue Shield. Negotiations have indicated that they would offer attractive rates, but we are looking for the long term impact. We don't want to get a short sale this year then have it spike in future years. So we have to approach this with a good deal of caution. In addition because it does impact our negotiated benefits and all of our contracts we have to do this in concert with our union partners.

Commissioner Powell stated we have already started down this road.

Mr. Connors indicated that the earliest we would be seeing this would be calendar year 2007. The biggest impact would be ½ a year in the 06-07 budget in the short term.

Commissioner Powell stated that we could not build our budget around this. It would be the next budget amendment for 2006.

Mr. Connors indicated not unless we have an agreement in place in time to bring it forward to the Board in the 06-07 budget presentation.

Motion to accept the monthly financial reports and recommend their acceptance along with the Budget Amendment Resolutions to the Board made by Commissioner Brennan. Seconded by Commissioner Evans with the caveat that the Board receives answers to the action items prior to the February 16th Board meeting. Adopted 3-0.

Capital Improvement Plan (CIP)

Commissioner Powell informed the committee that the CIP had been removed from the agenda at Dr. Rivera's request. Questions need to be forward to Ms. Rohring.

ACTION:

Questions regarding the CIP are to be sent directly to Ms. Rohring for follow up.

II. Receive and Review Proposed Resolutions for November 2005 Board Business Meeting

a. Budget Amendment Resolutions

See above.

b. Mercer (Actuary for Post Retirement Benefits)

Commissioner Evans asked what is the value of conducting an actuarial study at various points in time. Also, the resolution notes a three-year agreement and the proposal actually covers more than a three year period, please explain. Mr. Connors stated that because of the nature of the GASB 45 finding and the requirement for employers to calculate and show on their financial statements the value or projected cost of post retirement benefits the District will have to do this analysis periodically. So it's not just simply a one-time report. It is ongoing.

Commissioner Powell stated so we don't have a choice and why does the resolution state three year agreement.

Mr. Connor indicated that we are doing this in conjunction with the City of Rochester in an effort to minimize the cost. The lowest bid was Mercer at \$78K and that will be split between the City and the District. The structure of the bid was set up to encompass that time period and the nature of the RFP was handled by the City of Rochester.

Mr. Connors stated that he was not able to meet with legal counsel to get an answer on whether the resolution should be three or five years. We will research and get back to the committee.

Commissioner Powell indicated that whatever the case we want our resolution to be consistent with the City Council's resolution.

Mr. Connors indicated we want it to be consistent and legal so when the Board does act on it the District can go forward and utilize it.

Ms. Smouse indicated that the resolution should be for five years and not three.

ACTION:

Mercer Actuary for Post Retirement Benefits resolution will be amended to reflect a five year period.

Motion to advance the amended Mercer resolution to the Board for consideration made by Commissioner Evans, Seconded by Commissioner Brennan. Adopted 3-0.

III. Budget Process Update

Commissioner Powell indicated that this is an update in regards to program based budgeting and site-based budgeting. She asked Mr. Connors how well we were progressing.

Mr. Connors indicated that he anticipated having (program based budgeting) the areas we discussed in the budget book. Some lend themselves more to the template than others for instance Parent Liaison. We are still working on the literacy programs. The committee is aware that funding has been eliminated for comprehensive school reform and the Reading First grant (\$1.8M) is in its last year of funding. Although we are applying for new funding next year it is competitive and we probably won't have an answer in time for the 06-07 budget. However if we get funding this summer or this fall it would be added at that time. A number of literacy programs have been proposed and discussions are still ongoing. The list has not been defined to date.

Commissioner Brennan wanted to know what is the glitch with the Parent Liaisons.

Mr. Connors indicated that the measures are hard to define and aren't being gathered at this point. Basically they serve as a group that interacts, located at each school for the parent to bring concerns and issues to the principals and staff. They also help parents and students navigate the educational system. By nature they tend to do these things on a day-by-day basis and no one is sitting down and saying well you did these 16 things today and no one has clearly defined these categories. That is what makes it difficult. In terms of figuring out the cost of the programs and defining what parent liaisons do, it is not that difficult, but really the goal of program based budgeting is to measure what are the impacts, the measures and the goals.

Commissioner Powell stated that some people think the measures are clearly defined and this needs to be discussed more in the appropriate contexts. Ms. Jarzyniecki did some careful work developing job descriptions and if the schools aren't measuring, then that is a problem. But there are some metrics that should be applied (i.e. does a PTA exist in the building, are customer satisfaction cards being filled out, what is the rating given, etc).

Mr. Connors stated that he appreciated that insight and believes that each year we will probably move towards better measures and better standards.

Commissioner Powell asked Mr. Connors to send whatever he did have for measurables to Ms. Jarzyniecki or whoever is managing the Parent Liaisons program.

Mr. Connors indicated that they are working with the Chiefs and will continue to do that.

Commissioner Powell wanted to know who is handling the program.

Mr. Connors indicated Ms. Carlisle.

ACTION:

Mr. Connors will continue to work with Ms. Carlisle to better define the measurables for the Parent Liaison Program.

IV. Informational Items

a. Update on IEP Direct Implementation

Mr. Greene explained that implementation had been delayed over the summer and with the help of a number of people we are back on track.

Commissioner Powell stated that we are expecting a payoff of considerably improved parent satisfaction from parents with special education children.

Mr. Greene indicated that by the end of the school year, all schools will not be on line, but they will be by September 2006. Mr. Greene informed the committee that Mr. Robinson had combined the Chancery team and the IEP Direct teams when it became apparent that it is all student data.

Commissioner Powell commented we wouldn't want to implement the programs separately, and then realize they couldn't talk to one another.

Mr. Greene indicated because of our focus we were not concerned with the communications between the two. It just made sense because of the commonalities between the teams and their responsibilities and the overlap that we would be better served by joining them together.

Commissioner Brennan wanted to know what was the cause of the delay.

Mr. Greene stated it was twofold in his estimation

- Conflicting priorities
- Critical human resources being unavailable

Commissioner Evans wanted to know if anything was operational in September 2005.

Mr. Greene indicated that nothing was operable in September 2005. He was not aware of the original schedule and three high schools (SOTA, SWW and East) and 14 elementary schools (No. 4, 6, 8, 15, 20, 23, 25, 33, 39, 45, 46, 50, 52 and 53) have begun using IEP Direct and will be able to do an annual review this spring. Again, all schools will be on line by September 2006.

b. Frontier Telephone Contract Resolution

Ms. Rohring explained that the Board acted on the resolution last month and the resolution went to the Board without a recommendation from the Finance Committee. It is listed as an informational item, so that Mr. Greene can explain why the resolution was necessary and why it did not come before the committee.

Commissioner Evans stated that he was hesitant to vote on the resolution last month. I understand we always have this discussion on what should or

shouldn't come to the Finance Committee, whether it has a budgetary impact or not and I would be very interested to hear why this did not come to the Finance Committee before going to the Board.

Mr. Greene indicated that he was not aware that there are or were firm rules being executed on what should or shouldn't go before the committee. I suspect as a result in the change of administration to a large extent. Also, I was advised by counsel that it did not have to go before the Finance Committee. Now having said that, Ms. Tripi, our Contract Attorney and several other principals are meeting on the 16th of this month to come up with a firm publishable set of guidelines as to what does or doesn't come before the committee.

Commissioner Powell informed the committee that Mr. Robinson had informed her that if the committee's needs were not resolved they would need to go into an Executive Session to discuss the matter in private. She also informed Mr. Greene that the committee would be willing to hear the recommendations or suggestions (publishable guidelines) this group wanted to bring forward, but the committee maintains the privilege to add to or subtract from them before advancing them to the Board for consideration.

The committee elected to discuss the matter in Executive Session.

Commissioner Powell recommended the Travel and Meals Procedure document be reviewed by the Policy Committee. Motion to refer this item to the Policy committee by Commissioner Brennan, Seconded by Commissioner Evans. Adopted 3-0.

Motion into Executive Session by Commissioner Brennan, Seconded by Commissioner Evans. Adopted 3-0 at 6:49 p.m.

V. Next Meeting – March 7, 2006

Adjournment: Motion to adjourn made by Commissioner Evans, Seconded by Commissioner Brennan. Adopted 3-0 at 6:56 p.m.