

Rochester Board of Education

Finance Committee

November 8, 2005 at 5:30 p.m.

Present: Commissioners Powell, Garcia and Evans, Ms. Dunsmoor, Ms. Tripi, Mr. Greene, Dr. Cliby,

Commissioner Powell convened the meeting at 5:27 p.m.

Commissioner Powell requested a motion to approve the agenda. Made by Commissioner Garcia, Seconded by Commissioner Powell. Adopted 2-0 with Commissioner Evans absent.

I. Receive and Review Monthly Financial Reports

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

Commissioner Garcia had a concern with the Cash Capital line on page two of the Available Funds Report. He was concerned that we have already used 100% of the cash capital.

Ms. Tripi explained that Cash Capital gets moved to the capital fund (H Fund) early in the fiscal year and then gets expended over time out of the capital fund. On page two of the report is the movement of the capital out of the general expenditure section of the P&L to the capital fund.

Commissioner Garcia asked about textbooks. He stated we have set aside \$3.1 million for textbooks and to date have only spent \$700,000. It would seem that if we budgeted for textbooks this school year, orders would be placed before school starts, supplies would be received, and payments would be made. But in this case over 75% of the money is still unspent.

Ms. Tripi explained that there was a large increase in the budget this year for textbooks compared to last year due to the textbook initiative and the biggest portion of the unspent money is \$1,200,000 for the textbook adoption budget and \$1,800,000 for the textbook initiative. Portions of these monies \$454,000 (adoption) and \$446,000 (initiative) are still unspent. There are major projects happening over the course of this year in terms of new adoptions and the textbook initiative.

Commissioner Garcia asked if the books were going to be selected this year for the next school year.

Ms. Tripi answered yes, in terms of the adoption. There also are unspent dollars in terms of the Charter School Textbook budget. Their monies haven't

been completely spent as well as the private schools. Although private schools are only \$79,000.

Commissioner Garcia asked do we buy the Charter School books.

Ms. Tripi stated yes. However, they have not charged us for their portion of the textbook dollars.

Commissioner Powell summarized the topic by stating that much of the textbook monies budgeted were anticipating an earlier order and purchase process than in previous years. So that once the textbooks were selected, we could make the purchases this year rather than waiting until the next fiscal year, which has been done now for a couple of years to help ensure timely delivery for start of school.

Ms. Tripi stated that in this case it was the new textbook initiative and adoption, the fact that monies allocated to these two areas are a lot larger this year than last year, and the dollars haven't been completely spent. Upon review of the numbers in January you will see how much is ultimately spent for this fiscal year.

Commissioner Garcia moved onto utilities. His concern with this line item is that according to the report, we have spent \$8million out of \$11million and we haven't started the winter season yet.

Ms. Tripi stated that we have encumbered that much. Because we know that the money will be spent through RG&E and our contractors.

Commissioner Garcia wanted to know when do you decide to encumber. The way he understands an encumbrance is that you either sign a contract for a specific amount or you get a bill that you decide to pay later and you encumber the money. It's committed to making those payments, correct?

Ms. Tripi explained that encumbrance is part of the purchase order process. When the purchase order is issued, it is at that point and time that the funds are encumbered.

Commissioner Garcia wanted to know how do we know what the charges are going to be.

Ms. Tripi explained that in terms of utilities it is simply based on history. We know what we paid last year in terms of RG&E. Payments are not made until we've had an opportunity to validate utilization. But the purchase order can be issued. It is not a commitment to buy, rather an authorization to spend.

Commissioner Garcia asked if that meant we would have \$1,200,000 left over in the budget.

Ms. Tripi replied, absolutely not.

Commissioner Garcia asked her to explain that to him.

Ms. Tripi informed him that we have encumbered enough funds to cover a certain portion of our utilities and not all has been encumbered at this time.

Commissioner Garcia wanted to know why not?

Ms. Tripi stated that we may not have locked in contracts. Utilities also cover telephone costs, water bills, and transportation (i.e. gas for our buses). A lot of factors play into the utilities line and not every single dollar was encumbered up front. There are just too many variances that could happen over the course

of the year or instances where we are not exactly sure which vendor or contractor we may be using to make purchases.

Commissioner Powell summarized by stating that we're not talking about the household RG&E bill where you get the invoice for one month's usage and you encumber for that one month, which converts from encumbered to paid. We're talking about something that's going to cover multiple months.

Commissioner Powell wanted to know if we did some purchasing earlier this year.

Ms. Tripi explained that the reason why more is encumbered this year is because it was a hot summer. We ended up having higher utility bills, which is the biggest reason.

Commissioner Powell indicated that we also had our kids in our schools and Ms. Tripi added that we had more kids in summer school than the prior year. So it was an increase in cost although not as significant a factor with electricity over the summer as it is with our current situation.

Commissioner Garcia wanted to know in regards to Computer Software Instructional on the Available Funds Report, we budgeted \$781,000 and have only used \$32,000.

Commissioner Powell commented that this will pretty much double with Fast ForWord and some of the other contracts.

Dr. Cliby stated that there are programs starting up Fast ForWord which is a \$330,000 expenditure and licensing for Benchmark Assessment which is also included at \$200,000.

Commissioner Garcia asked if that means we have programs that we may or may not purchase.

Dr. Cliby answered yes.

Commissioner Powell was concerned with the fact that we are up to 60% usage on Overtime Instructional Salaries. She wanted to know if we would have enough to get us through the rest of the year.

Ms. Tripi stated that the main factor is because of the summer school additional budget. When we get to the November amended budget you will probably see additional funding put onto some of these lines, because so much money did get utilized over the summer months that had not been anticipated. Commissioner Powell noted the same scenario with hourly teachers and realize that it's probably connected to the summer school activity. It's 42% vs. 27% last year.

Commissioner Powell suggested that it would be helpful to see the amended budget for the prior year as a column on the financial reports. This would allow the committee to see the actual dollar difference and why percentages are not getting spent down as fast or getting spent down quicker.

Ms. Tripi asked, so you would like to see the amended budget as of this time last year?

Commissioner Powell stated the actual amended budget, because it's the totals. For instance, if we had allotted significantly more non-instructional salaries

this year over last year and we saw how much more was appropriated this year over last I probably wouldn't even ask the question. It would become obvious, because we put more money there.

Commissioner Garcia stated that he is a little reluctant to ask for things like that, because it may not be as easy as we think to put it on. But if it can be done, he didn't see any reason why they shouldn't have it.

Ms. Tripi stated that she would certainly look into it and if it turns out to be a large ordeal the request can be discussed further.

Commissioner Powell stated she was not committed to the idea, but felt that the committee did ask a lot of questions regarding differentials.

Commissioner Garcia indicated that Professional and Technical Services is just the opposite. We don't seem to be spending enough when we have budgeted so much. Why not? We budgeted \$16 million and have only spent about \$500,000. We still have some \$15 million to go. The expense ratio just doesn't seem right.

Ms. Tripi stated that a lot of the expenditures happen during the school year versus during the summer in terms of professional and technical services. She was not sure of the details. However, I can say we are in line with the prior year.

Commissioner Garcia wanted to know what we consider to be professional and technical services.

Ms. Tripi stated technology consultants flow through to this line.

Mr. Connors also indicated that there are two codes and basically any contractual services flow through this line and certain grant monies that have to be passed onto various organizations and agencies. Many of the program expenditures hit during the school year.

Commissioner Garcia stated that if we have budgeted \$16million for a line item I would expect that we use reasonable amounts throughout the months and throughout the year so by the end of the budget year we have used whatever we're going use for that line item.

Mr. Connors stated that we can not make assumptions on any particular line item that spending will be at one twelfth per month. There are many variances in expenditures that need to be taken into consideration.

Commissioner Garcia asked did you say professional technical services included consultants including those that are software related?

Ms. Tripi stated yes, although some are funded through the capital fund. Ms. Tripi offered to prepare an analysis on the professional and technical services.

ACTION: Provide analysis of Professional/Technical Services line item.

Commissioner Garcia's next question was in regards to BOCES services. So far we have spent \$81,000 on a \$5million line item.

Ms. Tripi indicated that this money is spent during the school year versus during the summer months and it depends on when we get the invoices from BOCES.

Commissioner Powell asked if this was for school nurses?
Mr. Connors answered yes, it is for nurses.

Commissioner Garcia commented even though there are differences, we are in line with the budget. We have spent 30% of the total budget and that's okay, at least you're not overspending.

Commissioner Powell asked about the FTE and enrollment report and stated that the committee is still waiting for the report.
Ms. Tripi stated that she had a preliminary review of the analysis this week and that she hoped to have the details wrapped up by end of next week. If the report is ready before the next committee meeting, it can be shared in advance.

Commissioner Powell stated that since it was suppose to be on this month's agenda, she would like a commitment that it will be on the agenda for the December meeting.

ACTION: FTE and enrollment report complete and on the agenda for the December Finance Committee Meeting.

Motion to accept the monthly financial reports made by Commissioner Garcia, Seconded by Commissioner Powell. Adopted 2-0 with Commissioner Evans absent.

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

a. Benchmark Assessment

Dr. Cliby stated that in terms of prior coordination on the benchmarks, if you look at page five, we took the model we had originally proposed to the Finance committee a couple of months ago and placed it in Commissioner Powell's recommended template that includes a matrix which makes things a little clearer than the first model.

Dr. Cliby proceeded with a review of the assessment presentation.

Commissioner Evans arrived at 5:47 p.m.

Commissioner Powell asked Dr. Cliby to speak briefly about why the Tungsten program is so much more than the others.

Dr. Cliby stated that the primary factors are licensing, the rigorous exercises, the professional development person who is dedicated throughout the course of the implementation and the fact that Tungsten requires a server in every school solely to serve their application.

Commissioner Garcia asked if we needed the professional development person during implementation?

Dr. Cliby stated that it's not that we don't need it, but that it would be viewed as a competing resource with all the other initiatives we have and time is also against us. We are looking for something with a professional development curve, but not one as steep as the Tungsten curve. And CTB provides that. So, the conclusions are the same as they were prior.

Commissioner Powell stated that slide 25 summarizes the CTB McGraw Hill program:

1. It has no disadvantages using an average of the three vendor scores as the benchmark
2. It has equal scoring in the area of implementation (Tungsten)
3. It out-scored both Scantron and Tungsten in reporting, resource requirements and costs

Commissioner Powell thanked Dr. Cliby for his presentation and for responding to her insistence on the model. She feels that it allows the committee to move very quickly through the decision making process.

Motion to recommend adoption of CTB McGraw Hill resolution to the Board made by Commissioner Garcia, Seconded by Commissioner Evans. Adopted 3-0.

ACTION: Dr. Cliby to update final three slides and circulate to the committee by Thursday, November 10.

b. Fast ForWord

Commissioner Powell stated she received an email indicating Fast ForWord would not be advanced this month. She wanted to know if the reason for the delay had anything to do with the request from the committee to see the data by referral type.

Ms Tripi indicated that the Chiefs of School Development and Operations wanted time to review the data in more detail before forwarding to the Board.

Commissioner Powell stated that the data from Andy McGowan was very hopeful in the sense that she saw a lot of positive numbers, but for the committee to actually act on what was there would be setting too low a standard for what constitutes a review of a program.

Commissioner Garcia stated the statistics don't justify the expense that we are contemplating incurring in terms of moving this program forward. According to Commissioner Garcia, the numbers don't prove anything and he's glad we are not doing it yet.

Ms. Tripi indicated that we are not forwarding the resolution this month. However, if the results of the analysis are favorable it will be brought forth again.

III. Update on Program Based Budgeting (PPB)

Ms. Tripi indicated that updates on PPB have been included in the January and February Finance committee agendas. She asked if there was any feedback on the model presented to the committee last month in terms of the programs we are looking to start with this year. If the committee is okay with what was presented last month, we will assume those are the programs to begin with. An example of the proposed PPB template is included with the Fast ForWord information.

Commissioner Evans wanted to know if measurable gains would be defined (i.e. quantify gains made).

Ms. Tripi indicated that each program could have different goals. One goal might be to serve more students while others could be to serve students effectively or gain scoring increases. Each program is different. Commissioner Evans agreed that of course all programs would have different objectives, but would the measures be clear and quantifiable? Ms. Tripi indicated yes.

Motion to accept the timeline insertions by Commissioner Evans. Seconded by Commissioner Garcia. Adopted 3-0.

ACTION: Amend proposed program measures for Fast ForWord to more specific quantifiable measures of the program's impact. This should be the standard for other programs going forward.

IV. Update on PeopleSoft Program

Ms. Tripi informed the committee that PeopleSoft was a joint effort between herself and Mr. Greene, Interim CIO, and that he was in charge of the project moving forward now that the CIO position has been established.

Commissioner Garcia wanted to know if Mr. Greene was following the schedule that was approved by the Board.

Mr. Greene stated that he intended to modify the schedule. Commissioner Evans asked if they were talking about the timeline from December 2003? Commissioner Garcia stated he was referring to the timeline originally presented by Mr. Marini.

Ms. Tripi and Mr. Greene walked the committee through the presentation. Ms. Tripi focused on what has been done thus far and Mr. Greene focused on plans moving forward.

Commissioner Garcia wanted to know if PeopleSoft could track contracts, payments and implementations.

Ms. Tripi indicated that there is a contract module which we have not implemented in terms of tracking contracts, but it is on the agenda going forward and Mr. Greene will speak to that.

Commissioner Powell asked for clarity on asset management in regards to depreciatable items like laptops (that can easily walk away).

Mr. Greene indicated he has initiated tracking fixed assets. Not only would we inventory the assets you mentioned, but bar coding them as well.

Commissioner Powell asked if all employees have to log on to a computer to do an electronic timecard?

Ms Tripi indicted that there is exception reporting. Salaried employees log on when they have an exception (i.e. vacation, sick, etc.). Whereas positive reporters (hourly employees) have to log on every two weeks to input their time in order to get paid.

Commissioner Garcia asked for an example of strategic reporting.

Ms. Tripi explained that strategic reporting is a dashboard type of analysis in terms of the multi-year planning model. This module is currently being reviewed as to whether to implement.

Commissioner Powell wanted to know why the HR functions listed did not have delivery dates. They all say TBD.

Ms. Tripi stated a cross functional team looked at the HR module and found that it would involve a massive amount of rework of the existing position management system and it was determined that the benefit from the module wasn't nearly going to cover the cost of the module.

Commissioner Powell indicated that Ms. Tripi was unable to give the committee the FTE report which is basically position budgeting and now she's saying the new module can't deliver results. Commissioner Powell indicated that we're not getting results without it. Is that true?

Ms. Tripi stated the results that we are not getting is not a function of the modules but a function of process. We have a group of individuals that we want to get together to determine how we can improve our internal process when it comes to large volume transactions in a short period of time. I think we learned a lot this past hiring season and we need to modify our systems in order to update underlying systems sooner.

Commissioner Garcia wanted to know who determines what modules are needed.

Ms. Tripi stated it is a joint decision between the CIO and the functional team in terms of the functional users.

Commissioner Garcia was concerned that the superintendent was not involved in the decision.

Ms. Tripi stated modules are aligned with the superintendent's goals for the year. She assured the committee that when priorities change, the

superintendent is updated immediately as to why a deliverable may not have the same priority as a new need or a new assessment.

Commissioner Garcia wanted to know how many people are we using for the implementation and how many are outsiders that the District is supporting to do the work.

Mr. Greene stated that we currently have 13 people in the PeopleSoft group and they are capable of implementing some of the smaller modules solely in house and are also capable of managing external resources that are required for the larger implementations such as E-Procurement.

Commissioner Garcia wanted to know if we have one contractor doing a lot of work.

Ms. Tripi answered not currently.

Commissioner Evans wanted to know how many external vendors are involved in PeopleSoft.

Mr. Greene answered currently none and Ms. Tripi agreed.

Commissioner Powell stated, but there is an expectation that very soon there will be.

Ms. Tripi stated that if we decided to implement E-Procurement, then Empower Solutions would most likely be the implementer.

Commissioner Garcia wanted to know when the timeline would be finalized.

Mr. Greene informed the committee that industry changes and recommendations regarding the upgrade path are only two of many reasons why the original schedule needs to be modified.

Commissioner Garcia wanted to know if PeopleSoft was forcing us to upgrade in order to continue serving us.

Mr. Greene stated that it is the prudent thing to do. All software companies have periodic upgrades and we have put ours off as long as we can. It would be ill advised to take a risk of not being supported by not doing the upgrade.

Commissioner Garcia wanted to know the cost of the upgrade.

Ms. Tripi stated we went out to RFP and the original plan was to upgrade to 8.8 and now we're questioning whether we should go with 8.9. If we used strictly outside consultants to do the upgrade it would cost the District \$556,000.

However, I doubt that would be the method we would use. We would probably use a mixed model of internal and external resources in an effort to bring the cost down. This needs to be negotiated with the vendor and right now, I don't know if the savings would be 50% of that number or 70%. I can't say exactly without more details.

Mr. Greene indicated that we have people who are competent and able to do the upgrade. However, the trade off is that we only have 13 people and many of them are doing other activities at the same time. We are currently analyzing how long it would take using internal resources versus the mixed model that Ms. Tripi spoke of.

Ms. Tripi stated that we will probably come to some compromise in the middle to use both internal and external resources.

Commissioner Garcia wanted to know if we are going to have a problem getting the budget numbers in because some modules are not operable.

Ms. Tripi stated no. This is a financial upgrade and the budget system is a separate system. She also stated that we would not upgrade the budget system during the budget season.

Commissioner Evans commented that he has been hearing about the PeopleSoft project on and off for years and wanted to know who is the main point person in terms of PeopleSoft.

Mr. Greene indicated that it is anticipated that he will take the lead. But all implementations are really team efforts with the end-user departments. For example IT would certainly team up with Finance on the E-Procurement module and if it's an HR function we would be teaming with HR.

Commissioner Powell stated slide 10 was a list of modules that have already been approved by the Board, are expected to be implemented and were funded in the approved budget. She wanted to know what the budget impact would be for items on the list that do not get implemented this year. But more importantly, she indicated that there was a healthy list of HR specific modules and what she shared with Mr. Greene privately, she would state publicly. Sources have told her that HR is very resistant to PeopleSoft and very resistant to seeing anything change from the way they do business now and she publicly asked for the following two things:

- (1) Make sure the HR systems are doing the right things in the right order and never mind how we are doing them today
- (2) We need to break through the resistance and get these projects done on the earliest feasible schedule.

She stated she understood what TBD meant. However, she would like an expeditious effort to be made in regards to decisions being reached along with the financial implications.

Mr. Greene stated that he would be glad to do so, and that PeopleSoft would be sending a 3-5 person team here the first week in December to assist with future planning and scheduling. Mr. Greene along with the PeopleSoft team will look at what is practical and reasonable. They will also drill down the timeline associated with the implementations.

On behalf of the committee, Commissioner Powell asked if a written report could be provided by the December meeting. It's not really an action item.

Ms. Tripi was concerned about the short turn around time.

Mr. Greene stated that every effort would be made to have the report ready by December 6.

Commissioner Garcia asked if it is possible to program PeopleSoft with diversity goals?

Mr. Greene stated that he would have to look into this.

Commissioner Garcia had one final question and wanted to know if we were we still on board with technology training.

Mr. Greene stated that Dr. Cliby has a proven model that he would like to adopt. He has been training teachers in technology competence starting with a self-assessment that uses a tailored curriculum followed by a host of assessments that shows their progress. Dr. Cliby and his team are all professional educators and they have great respect from the people they teach. They present the training in a way that people do not feel disrespected regardless of their level of competence. Mr. Greene thinks it is a great model to follow.

ACTION: Mr. Greene will provide the committee with an updated timeline and a copy of the report from PeopleSoft. Due by the December 6 meeting

V. Update on OPEB Compliance

Ms. Tripi explained that the Government Accounting Standards Board GASB 45 requires us to show any unfunded OPEB (post retirement benefits) on our financial statements as a liability.

Commissioner Garcia wanted to know what the figure would be.

Ms. Tripi explained that we are currently working with the City of Rochester to determine this information. Jointly with the City, we will go out to RFP to seek a company to perform the actuarial study.

Commissioner Garcia wanted to know how is the state going to react to the liability in terms of the overall budget.

Ms Tripi explained, that it actually doesn't have a budget impact. It is a financial footnote on the financial statement for the portion of the balance that is unfunded.

Commissioner Garcia asked if it would be deferred income.

Ms. Tripi indicated no.

Commissioner Evans wanted to know if we were implementing this year. Ms. Tripi stated that we were moving ahead.

Commissioner Evans stated that technical, we do not have to do this until 2008, so why are we doing it earlier?

Ms. Tripi indicated that we have to implement early because the District's financials roll-up through the City of Rochester and they are implementing this year.

Commissioner Powell asked if we have been funding without an actuarial study.

Ms. Tripi indicated that what we had on the books last year was approximately a one-year payment for medical benefits for our retirees. So we do have a portion funded on our financial statements. Commissioner Powell stated that we are on a pay as you go cycle. We budget enough to cover what we believe is going to be incurred that year.

VI. Update on Travel and Meals Procedure

Ms. Tripi noted the District is updating its travel and meal procedure and she wanted to make sure the finance committee was aware of the changes. She indicated that three reviews had been done and it was determined that our policy needed improvements. A draft procedure document is being reviewed by legal, accounting and the education team. We are looking at having the document finished by early December. Mr. Robinson and Ms. Tripi have been training staff within the District on key areas of non-compliance on procedural guidelines.

Commissioner Garcia wanted to know if any of the procedures were abused. Ms. Tripi stated no. But what can happen is that proper documentation is not submitted or guidelines are not being adhered to. An example would be you have a meal reimbursement, but don't clearly document the purpose of the meal.

Commissioner Evans asked if the committee could get a copy of the draft document. Ms. Tripi stated yes.

Commissioner Garcia wanted to know if an adjustment had been made for mileage reimbursement.

Ms Tripi informed the committee that the IRS increased mileage reimbursement to 48.5 cents in September and the District decided to raise its mileage reimbursement at that time as well.

ACTION: The committee will be provided with a copy of the travel and meals procedure document as soon as feedback is received from internal groups.

VII. Update on Energy Costs and Conservation Plans

Ms. Tripi told the committee that not all recommendations will be implemented. She told the committee that the cost of natural gas fell dramatically last week and that the \$1.9 million gap is now an estimated \$1million gap. It is important to note that as the cost of natural gas declines, so do the savings.

ACCEPTED

1. Adjust Occupancy Schedules
2. Optimization of Software Routines
3. Raise Temperatures in the Summer

REJECTED

4. Adjust Heating Temperature Set point
5. Pool Closure

6. 4-Day School Year

An internal correspondence will be sent reminding people not to use electric heaters and not to tamper with heating equipment. In total these strategies would have saved the District \$761,000 before the price fell.

Lessons Learned

Ms. Tripi indicated this document was an update from last month's request to include language regarding posting of the budget to the website. The budget will be posted earlier.

VIII. Next Meeting – December 6, 2005

Adjournment:

Motion to adjourn made by Commissioner Garcia, Seconded by Commissioner Evans. Adopted 3-0 at 6:45 p.m.