

**Rochester Board of Education
Finance Committee**

**December 9, 2004 at 5:30 p.m.
Minutes**

Present: Commissioners Bowers, Garcia and Powell; Dr. Rivera, Ms. Rohring, Mr. Marini, Mr. Silver, Ms. Tripi, Mr. Connors, Ms. Smouse, Ms. Bates, Mr. Yansen, Mr. Stiles, Mr. D'Agostino of Deloitte & Touche, Mr. Davey of Empower.

Commissioner Bowers called the meeting to order at 5:33 p.m.

**I. Discussion on Budget Funding Priorities – present
Superintendent's for committee and Board response**

Dr. Rivera presented a list of 20 items which management cabinet believes to be necessary to provide quality educational services to the children of the District. The items are not ranked in any particular order. The Superintendent found it very helpful last year to have the Board rank his priorities.

Action Item: Commissioner Bowers requested that the Superintendent to refine the list of twenty; define mandated and non-mandated items so that the Board would know what must be funded in order to be in compliance with the law and what is discretionary; what are anticipated efficiencies; provide additional information as many are rather vague. He asked for a reasonable turnaround time so that Board members could rank the list and get the rankings to Cabinet before the January meeting.

At the request of Mr. Marini, Commissioner Bowers moved next to Item 4 on the Agenda to accommodate Ray D'Agostino of Deloitte & Touche.

II. Receive Independent Audit Report for FY 2003-04

Mr. Marini invited Mr. D'Agostino to address the Board. Mr. D'Agostino then reviewed the contents of the audit letter. He noted that the letter is dated as of the time that field work was substantially complete. He stated that the auditors had full and complete access and full cooperation of the District Staff.

Mr. D'Agostino assured Commissioner Garcia that the auditors would be able to give a full explanation of any accounting estimates and management judgments the Board might inquire into more specifically.

Adjustments of uncorrected misstatements were determined to be immaterial. He explained that the District recorded its payroll expense using an accounting method which is consistent with previous years but which overstated the accrual as of June 30, 2004. But he felt it was immaterial and it is certainly consistent with past practice.

Commissioner Bowers asked if Mr. D'Agostino would classify this as a "clean" audit.

Mr. D'Agostino concurred with that characterization. He then explained the contents of the Management Letter. The auditors had one recommendation which he noted was not critical but would improve the accuracy of the CAFR. The conversion process from fund level to GASB 34 could be streamlined and more efficient. This would require an investment from the District in auditing type software.

Mr. D'Agostino pointed out that there are two new GASB rules, No. 42 and No. 45, which Deloitte and Touche noted may have a significant impact on the District.

Commissioner Bowers and Commissioner Powell both agreed it might be wise to look further at the audit recommendations. They asked if there were plans to secure an actuary per audit recommendation regarding GASB rule No. 45.

Mr. Marini noted the District anticipates doing this, but not immediately. Implementation is 2008.

Commissioner Powell made a motion to recommend the Board accept the independent audit report. Commissioner Garcia seconded. **Adopted 3-0.**

III. Receive and Review Monthly Financial Reports – budget amendment

Commissioner Bowers invited Mr. Marini to speak on the financial reports. He noted that there were three corresponding resolutions attached.

Commissioner Bowers sought clarification about cash capital on available funds. It seems to indicate we have used all our cash capital at this point.

Mr. Marini said that cash capital funds are moved from the general fund into H fund. The column at the far right is comparable to last year.

Commissioner Bowers asked why we use H fund.

Mr. Marini explained we use cash capital for technology improvements, building improvements and other capital expenditures and that way we can track our projects.

Mr. Connors noted that the treatment is in accordance with the chart of accounts from the state comptroller's office. He stated that capital projects need to be accounted for in a cash capital fund.

There being no further questions, Commissioner Bowers asked for a motion to recommend the Board accept the monthly financial reports.

Commissioner Garcia made the motion. Commissioner Powell seconded. **Adopted 3-0.**

IV. Receive and Review Resolutions for December Business Meeting

The Finance Committee next considered item IV b. Budget Amendment Resolutions (3).

Mr. Marini noted that in accordance with our process, there are three resolutions; (1) to amend the total budget, (2) to amend the grant budget and (3) to amend the General Fund.

Commissioner Garcia moved to recommend the Board adopt these resolutions. Commissioner Powell seconded. **Adopted 3-0.**

a. Special Education Management Support System

Mr. Marini explained, as you can see, we followed our normal RFP process and completed a full evaluation. The color chart describes the criteria we used.

He invited Martin Stiles to speak to the committee. Mr. Stiles said that of the five vendors the District looked at, two came right to the top. The difference simply got down to cost. The second alternative was nearly twice as expensive as the first. With the rigorous process, we know we have chosen the correct solution.

Commissioner Bowers said he did review the materials. He asked if there were any follow up questions noting it had also been reviewed by the Quality Assurance committee.

Commissioner Powell said she had nothing to add to the process. She gets delighted when she sees the comparative chart. She suggested that in the future when doing PowerPoint presentations, staff ought to do a

page that discusses the advantages and disadvantages between the choices, what's lost by the choice and other differentiators. That way the Board could see the priorities not just hear them in summary statement. Commissioner Powell made a motion to recommend the Board adopt the resolution on the Special Education Management Support System. Commissioner Garcia seconded. **Adopted 3-0.**

Mr. Marini thanked Mr. Silver, Ed Yansen, Marguerite Bates and Martin Stiles for their work on this project. The District is finally getting used to business processes. It works. The Special Ed recommendation is justifiable and no one can poke holes in the process.

Commissioner Bowers also expressed appreciation for those in attendance who supported the resolution even if the Committee doesn't hear from a staff member, the committee notes your willingness to attend and be available for questioning.

V. Additional Resolution

Mr. Marini asked the Committee to approve the annual bond request for five-year Capital Improvement Plan (CIP) the BOE approved this past spring during the 2004-2005 budget process and to recommend that the Board approve that resolution.

Commissioner Powell motioned to have the committee recommend Board approval of the bond request for CIP. Commissioner Garcia seconded. **Adopted 3-0.**

Mr. Marini passed out a fact sheet to the Committee members on the Procurement Card. He mentioned that there is a resolution in the Procurement section allowing the District to adopt a PCARD program. This fact sheet is for informational purposes only.

VI. Receive updated PeopleSoft Implementation Timeline

Regarding PeopleSoft, Mr. Marini will focus on a few pages of the presentation in the committee's packet, specifically on timeline and budget.

We did cut approximately \$780K out of '04-'05 budget, and he wanted to talk about impact of those cuts

If you look at Page 3, that is what we presented December 9, 2003. Page 4 shows what happened this year. The bottom left hand shows the key to the chart. We needed to add some modules or upgrades that

would enhance those modules we were already doing. Time and Labor will be a full implementation now. In discussions with the SDO's, they felt it will achieve a lot of efficiencies. Currently, everyone fills out time cards. It's a very paper intensive process. With the Time and Labor implementation we will have fully computerized data entry. It will be via kiosk for those who don't have computers. The presentation at cabinet last week was well received.

Ms. Tripi noted that Time and Labor will be a major undertaking for the District. It will affect all employees. Change is challenging in any environment. We expect resistance for multiple reasons. Some are not used to computers; some may be hesitant to automate. However, we can't have both a manual and an automated system at once. We expect great efficiencies will come.

Mr. Davey from Empower explained that to mitigate concern and risk, we are looking at a number of training approaches that won't interfere with the work day and that will help employees accept it as quickly as possible.

Mr. Marini noted that the budget is unfavorable, but noted a contingency fund that was established at the end of 2003-04 with unexpended funds. We had the feeling that we were on track. The discrepancy comes from the Time and Labor because it is now a full roll out versus pilot so we can gain optimal efficiencies. We also added additional enhancements to the Budget module and reduced the scope in Portal as result of budget cuts.

Commissioner Bowers asked about the source of some variances. Some don't look that high; \$170K, \$80K, what explains cost?

Ms. Tripi said she made a decision in late summer that had an \$80K impact. She asked the team to look at all processes and issues and it took an additional three months time. We decided to do a full roll out of Time and Labor where it was originally designed as a pilot, explaining another large unfavorable variance.

Ms. Tripi said that the bubble sheets are very labor intensive.

Commissioner Bowers asked if the variances are covered by a contingency fund. Do we have anything left?

Mr. Marini said there is about \$100K.

Commissioner Bowers queried whether we are anticipating not being able to complete the projects we have booked.

Mr. Marini and Ms. Tripi said no.

Commissioner Powell asked if all employees will take time off during regular duties to be trained.

Ms. Tripi said it will be a short three minute time to process time. For some employees, training will take more time than others because they take more time to learn new material.

Mr. Marini said we will disseminate a fact sheet and FAQ sheet relative to Time and Labor.

Mr. Davey reinforced there will be a cheat sheet for employees to refer to.

Commissioner Powell commented that it is extraordinary that educational institutions are so far back in the Stone Age. What can we do as the Board to drag them into 21st century?

Ms. Tripi agreed that as we talk about more technology for our students this will highlight areas where we aren't there with our own staff to bring employees up to speed with basic technology.

VII. Next Meeting – January 11, 2005 at 5:30 p.m.

Commissioner Bowers thanked everyone. He expressed appreciation to his colleagues and stated it was a pleasure to serve with both of them. He also expressed appreciation to Ms. Rohring; Mr. Marini and his staff.

Commissioner Bowers noted that the next meeting of the Finance Committee will be on January 11, 2005.

Commissioner Garcia made a motion to adjourn. Commissioner Powell seconded. **Adopted 3-0 at 6:43 p.m.**