

**Rochester Board of Education
Finance Committee**

**November 8, 2004 6:00 P.M.
Minutes**

Present: Commissioners Bowers, Garcia and Powell; Mr. Marini, Mr. Connors, Dr. Cliby, Ms. Rohring.

Commissioner Bowers called the meeting to order at 6:02 p.m.

Commissioner Bowers offered congratulations to Commissioner Garcia for winning election to the School Board.

I. Receive and Review Monthly Financial Reports

Commissioner Bowers asked Mr. Marini to comment on the monthly financial reports.

Mr. Marini said these are standard, non-amended budget reports reflecting the first quarter.

Commissioner Garcia asked if it reflected any second quarter activity.

Mr. Marini noted it shows activity only through the month of October.

Commissioner Garcia inquired about one part of the availability of funds. He noted that contract transportation showed 93% used already.

Mr. Marini explained that staff encumbered funds for Laidlaw. If you look under Column D, "Encumbrances", we have set aside a certain amount for specific purposes. To date we have only expended \$3.3M. We do it that way every year.

Commissioner Garcia agreed it was consistent with prior year practice.

There being no further questions, Commissioner Bowers asked for a motion to recommend the financial reports to the Board for acceptance. Motion by Commissioner Garcia, Second by Commissioner Bowers. Adopted 2-0 with Commissioner Powell absent.

II. Receive and Review Resolutions for Nov. Business Meeting

Commissioner Bowers stated that he had reviewed two resolutions from the finance and technology departments.

Mr. Marini agreed there were two, one related to e-rate and another on benchmark assessments.

Mr. Marini explained that the District is stepping up the process on e-rate. Traditionally, we have had an 87% reimbursable rate. If we can generate \$10M from e-rate, we will get \$7M in Federal funds. We think we can get to 90% reimbursable rate with CELT. The District has not done well with e-rate in the past. Staff plans to use this as the foundation to build our technology plan and build bandwidth for SIS, benchmark reporting and assessment.

Dr. Cliby concurred with Mr. Marini. He stated we are trying to be aggressive to capitalize on e-rate as other big cities have in the past five years, in order to run applications and get infrastructure we need.

Mr. Marini expressed the fact that there is good news and bad. Bad news is that this is year 8 of e-rate and the District has not maximized the potential in the past. The good news is we will be able to avail ourselves of the most current technology for implementing our technology plan.

Commissioner Bowers asked how it compares to what we have spent in the past.

Mr. Marini said the District has paid nothing in the past. We have focused strictly on compliance, so we have had \$10,000 per year contract for reporting and applications for general infrastructure for telephones, Internet access, etc.

Commissioner Bowers asked what is source of funds?

Mr. Marini said it would come from cash capital. No additional operating. We are comfortable with this firm. We looked at two others. This firm is highly regarded by other districts – Detroit and Broward County. The potential is that it could generate a much higher reimbursable rate, so the return will be measured in millions.

There being no further questions on this resolution Commissioner Bowers asked for a motion to recommend to the full Board for adoption. Motion made by Commissioner Garcia, Seconded by Commissioner Bowers. Adopted 2-0 with Commissioner Powell absent.

Benchmark Assessment resolution:

Mr. Marini stated that it is preferable to go through an RFP process. We have an interest to continue with Scantron and Tungsten pilots.

Commissioner Bowers noted that the resolution only extends to Tungsten, so he inquired about the status of Scantron.

Dr. Cliby commented that we are talking with them, but we aren't there yet for dollar amount for an extended pilot. We expect that by the end of November, we will have a similar proposal for Scantron. They are interested in continuing with us, but we haven't identified schools.

Commissioner Bowers asked if we renewed, why would we use the pilot at different schools. Are all current participants still eligible?

Dr. Cliby noted that there are a couple of schools where they are strapped for resources, and it may not be a good fit for them.

Commissioner Bowers wanted to know how many schools will be on the Tungsten pilot.

Dr. Cliby indicated there are ten. Some different than in the original pilot because of the same case, it's about resources. They require that the benchmark be on a computer. If there is a computer lab that is manned, it is easier to implement.

There being no further questions Commissioner Bowers asked for a motion to recommend to the full Board for adoption. Motion made by Commissioner Garcia, seconded by Commissioner Bowers. Adopted 2-0 with Commissioner Powell absent.

III. Policy Addition – Contract Authorization and Approval Process 6745 – Policy Amendment – Financial Reports and Resolutions, 6630

Commissioner Bowers commented that last month's meeting was quite an interesting meeting. One of the clauses, the 4th paragraph, did imply that every resolution would have to come through this committee. If I had checked with everyone, I would have known you are on top of that. A clarification has been made to stipulate that budget, finance, and information technology resolutions will be reviewed by the committee.

Commissioner Bowers set this item aside because he did not want to act until Commissioner Powell arrived.

With the consent of Commissioner Garcia, the committee next considered proposed renovations at CO.

IV. Discussion on proposed CO Renovation – acquisition of Bevier building.

Commissioner Bowers sees that staff is recommending we purchase another building. This agenda item was added for another colleague so that we could have a public discussion. Your document answers most of the questions.

Commissioner Garcia noted that this matter had been approved a while back, so he doesn't really see any need to interfere with something that has been approved and planned for a while. He had no questions.

Commissioner Bowers stated he didn't think the committee has to take formal action. The problem is public perception for purchasing additional buildings at a time when we are closing schools. He had one clarifying question – even though the money had been set aside for CO, the actual purchase of the building will still need to come before the board, correct?

Mr. Marini said he would have a resolution ready for the November packet for approval. The board previously approved the CIP to purchase the building; the final step still must be approved by the full board.

Commissioner Bowers sought clarification from counsel as to whether a public or executive session was necessary to approve a building acquisition. It is his understanding that executive sessions pretty much extend only to personnel matters and he is concerned about the perception of buying in secret.

Ms. Jaryzniecki interjected that a property acquisition is an executive session discussion item when parties are negotiating.

Ms. Rohring confirmed that a vote to purchase must be at public session.

V. Discussion on Lessons Learned from 23004-05 Budget development process

Commissioner Bowers referred to two sets of lessons learned. One from the committee's perspective drawn up by Ms. Rohring and our discussions. And the second one prepared by Mr. Marini and his staff.

In reading the two documents, Commissioner Bowers stated that his own perceptions are that we have common concern over communication and sharing of information and things lost in '03-'04 process that we didn't do sufficiently in '04-'05 process.

Any key points anyone wants to note?

Mr. Connors discussed the major points he took from his first experience at the District.

Commissioner Powell joined the meeting in progress at 6:29 P.M.

Commissioner Bowers stated that in the '03-'04 process there were ongoing 2 on 2's throughout the process so that each board member knew what the Superintendent intended to propose. Commissioner Bowers encouraged the Superintendent, Mr. Marini and staff to use 2 on 2s again.

ACTION ITEM: Ms. Rohring to work with Mr. Marini and his staff to prepare concrete recommendations on lessons learned.

Commissioner Bowers also noted that the Board's budget policy requires program-based budgeting. This policy was unanimously adopted by the Board and developed with staff's full knowledge and input. This is the direction the Board wants to go in. Given lessons learned and communication problems, it is his view that program-based budgeting may reduce the volume of questions and matters may be clearer. It may help Board and staff move away from communications problems. Goals and objectives will be clearly stated. There are clear measurement standards, costs for programs, FTEs and dollar amounts, will all be set forth. The additional information could offset a vast number of Board questions and would allow the Board to understand how its own priorities are acted upon.

Commissioner Powell stated too many policies are not being honored right now. This is a huge problem in the district. We write good policies but don't live by them. If there is an insurmountable challenge here, let's be upfront about it and amend the policy. If not, it needs to be implemented.

Commissioner Garcia agreed that if the Board establishes policies, but they are not followed by staff, the Board cannot allow policies to be violated. The Board must ask the Superintendent to take action against violators or scrap the policy.

Commissioner Powell argued that the future is now. The Board and the District must get down to business with more realistic expectations.

Commissioner Bowers stated we must get program people to take ownership of developing objectives and measurements. It cannot be a task for finance personnel. It is program/performance based budgeting.

Commissioner Powell agreed that given the way the budget developed last year, requiring clear justification by every department head for their requests, should have charted a course that would be taken a step further to identify program measures and capture the necessary data.

Mr. Connors explained that he and Ms. Rohring have had discussions. Our systems will not support program-based budgeting yet. The way our financial systems are structured we would have to have a program field. The primary way the system is designed is to facilitate state reporting and maximize state aid. As we institute the grants module and project module that would create the internal structure to track program based budgeting because the field now used to track grants would be moved to the other module freeing up that field for tracking programs.

Commissioner Bowers noted this policy pre-existed and so we need to work around the technical issue. He suggested we start with 3 of us sitting down, and I will report back to committee.

Mr. Marini stated that the project and grants module to be implemented over next 18 months will be set up for grants and could be set up for programs.

ACTION ITEM: Commissioner Bowers agreed to arrange a meeting with key players and keep his colleagues informed as we approach the '05-'06 budget process. This must be wrapped up in December at the latest.

III. Policy Addition – Contract Authorization and Approval Process, 6745 – Policy Amendment – Financial Reports and Resolutions, 6630

Commissioner Bowers stated that Mr. Marini and Ms. Rohring have jointly proposed clarifying language as it pertains to resolutions that will be reviewed by the Finance committee.

Mr. Marini said that he added information technology into the policy as it doesn't currently have a section in the resolution packet that goes to the Board.

Ms. Rohring noted that information technology was added to budget and finance because those types of resolutions are not governed by any legal process whereas others, such as facilities and purchasing are.

Commissioner Powell asked if IT contracts are governed by the RFP process, so there is some check and balance. These types of resolutions often reflect huge expenditures.

Mr. Marini noted that generally IT recommendations are put through an RFP process. He added that there are several recommendations coming up and agreed that it is prudent bring them before the committee because of the large expenditures associated with them.

Commissioner Bowers asked for a motion to recommend the policy amendment 6630 to the Board for approval. Motion made by Commissioner Powell, seconded by Commissioner Bowers. Adopted 2-1 with Commissioner Garcia dissenting.

Commissioner Bowers said he wanted to continue discussion on Draft policy 6745, which is a new policy. We have brought this back with a slight amendment that came up this afternoon. The language excludes contracts in educational facilities worksites.

Mr. Marini explained that is because the District is on the fast track with the State Education Department to get reimbursements. To do that, we must meet their timelines. We didn't want to impact state aid or our reimbursement.

Commissioner Powell agreed that since facilities are part of CIP, much of what comes up has been signed off on previously.

Commissioner Bowers said we are going to give this policy a sunset provision until June 30, 2006. It will be experimental for the remainder of this year and next.

Commissioner Powell's biggest concern is that we create policies that are ignored. We must enforce policies we create. Who will we hold accountable?

Commissioner Bowers noted that Board has oversight, but technically the Superintendent is responsible for implementation of board policies.

Commissioner Powell said that perhaps the Board should ask Mr. Marini about the process he's used in his shop with a fair amount of success. How do we get chiefs well versed in it?

Mr. Marini explained what he does – we go through requests for information and an RFP; we use a criteria matrix and evaluate all suppliers/vendors.

Commissioner Bowers said this policy covers contracts where negotiations are required.

Commissioner Garcia indicated that he is opposed to this policy and will not vote in favor. He thinks it is too cumbersome. He doesn't think we want to get involved with working with contracts under \$25,000.

Commissioner Bowers said that this is saying you need to get authorization to negotiate. Those would not be coming to us they would be going straight to the board. The only time a contract would come before the committee would be ones related to budget, finance or information technology.

Ms. Rohring pointed out that Staff will still have to live by 6630.

Commissioner Bowers noted that with a state approved vendor, where the rate is a fixed amount or price, no negotiation would take place, so they would not be subject to the process outlined in 6745.

Commissioner Powell again pointed to the process model Mr. Marini has used. She believes it is valuable and other departments need to follow the same process. A policy like this could essentially give Mr. Marini and his methods more standing. I'd like to see it pass and have people come to Henry to ask how he does it.

Commissioner Powell made a motion to have language developed with input from Mr. Marini and Ms. Rohring and forward to the Board for consideration, seconded by Commissioner Bowers. Adopted 2-1 with Commissioner Garcia dissenting.

Commissioner Bowers asked when the independent audit will be completed?

Mr. Marini stated that it had to be ready for the December 9th committee meeting.

Commissioner Bowers asked about the Comptroller's Audit?

Mr. Marini stated that the auditors were asking more detailed questions, beyond the scope of the audit. Many managerial, process and financial. systems questions. They keep trying to tie things together and they keep asking a lot of questions. We thought we had a defined scope. There is definite scope creep.

Commissioner Bowers asked if there is a way to get a periodic update.

Mr. Marini said he must ask Mr. Connors and Ms. Tripi. He asked the committee to understand that staff is under continued pressure with the state comptroller's audit, the blue ribbon panel, Altreya Consulting: they are getting a lot of questions. And we're trying to amend the budget again for next month and get ready for the '05-'06 budget.

Action Item: Mr. Marini will advise the committee as to whether the comptroller's audit is still expected to have a draft report by the end of December 2004.

VI. Next Meeting – December 9, 2004 at 5:30 p.m.

Motion to adjourn by Commissioner Powell, seconded by Commissioner Garcia. Adopted 3-0 at 7:02 p.m.