

**Rochester Board of Education
Finance Committee**

**September 13, 2004 5:00 P.M.
Minutes**

Present: Commissioners Bowers and Powell, Mr. Marini, Mr. Connors, Ms. Tripi, Ms. Rohring

Absent: Commissioner Garcia

Commissioner Bowers convened the meeting as a Study Session at 5:19 p.m.

Discussion:

Commissioner Bowers asked for a breakdown of what has been cut from the budget and what is now frozen based upon authority the Board of Education granted to the Superintendent.

Mr. Marini asked Mr. Connors to explain the numbers. Mr. Connors explained the list of cuts totaling \$6.4M as authorized by the Board on June 22.

Commissioner Bowers asked about an article in the paper which indicated that the superintendent had sent out layoff notices to project workers. He wanted clarification because he is getting different things from different sources.

The grand total on bottom is \$6.4 million except \$500K for project workers which has not yet been approved by the BOE by resolution. Mr. Marini noted that \$5.9 M will come out of the budget when we amend it in December, unless BOE approval of \$500K, and we will adjust revenue as well at that time. Commissioner Bowers clarified that all of the authority the Board granted in June was used.

Mr. Connors explained another working document which shows reductions proposed and also gives whether there are FTE's involved and which bargaining unit they are part of. We have eliminated another \$6.3 M. in reductions for a rough total of \$12.2 M in cuts since June.

Commissioner Bowers asked what has been frozen.

Mr. Connors indicated that the situation is more fluid and sensitive because it may involve certain filled positions. Mr. Connors indicated it is in the ballpark of another \$2.3 M. With the budget cuts cabinet agreed on, more than vacancies are affected. To the extent it affects existing

positions, discussions haven't been had with those staff members yet. This still could result in layoffs.

Commissioner Bowers noted that the total comes to \$14.5 million, not the \$19.6 million in authority granted to Superintendent. He asked if there was a plan to address the remaining \$5.1 million.

Mr. Marini noted there was \$1.6 million in revenue enhancements. Mr. Connors stipulated that \$500K was from the sale by RGE of a nuclear power plant.

Commissioner Bowers asked about the remaining \$3.5 million. Staff was not able to provide a response.

Action Item: Committee chair needs to talk with superintendent to get information on items that have been frozen and the remaining \$3.5 million.

Mr. Marini reminded Commissioner Bowers that there is still a \$20 M umbrella loan out there which the District expects to receive.

Action Item: Staff to provide brief written explanation of all cuts, revenue enhancements and freezes so committee can understand where we are.

I. Receive and Review Monthly Financial Reports

Commissioner Bowers said that since there is still not a quorum, he would keep the meeting as a work-study session as of 5:35 p.m. He will receive the financial reports and recommend the full board accept them.

Mr. Marini noted that it is difficult to put these financial reports together with only 2 months of information. Staff has added a comparison with '03-'04 and '04-'05 as requested by Commissioner Powell.

Commissioner Bowers asked if the freeze impacts on the ability to report.

Mr. Marini explained that no cuts will be taken out of the budget until they do an amendment. Because the budget shows \$5.9 M more than approved, there are more available funds shown on the report than what are actually there. The report reads as if we hadn't made any cuts, and is more of an activity report. Therefore, it doesn't have a lot of meaning.

Commissioner Bowers said that the encumbrances in some areas seem a little high.

Mr. Marini noted that we are using the purchasing system more than in the past. We are trying to encumber all known obligations upfront as a safeguard.

Mr. Marini said that this was one of the recommendations from Deloitte & Touche. When you compare this report to one from the prior year, it will be different. It shows that the available budget is spoken for, so that department heads can't see more money than there is.

Ms. Tripi said that the encumbrance reflects the amount expected to be spent for the whole year, but it hasn't been spent yet.

Commissioner Powell joined the meeting in progress at 5:40 p.m.

Commissioner Bowers officially convened the Finance Committee meeting.

Mr. Marini referred to the available funds report pages 2 and 3. The District has tried to move to one vendor for copiers. Service contract and equipment repair for those copiers necessitate a lot be encumbered to cover those contracts in the system. The report shows 3% encumbered last year, 38.9% last year.

Commissioner Bowers reiterated that Deloitte & Touche asked us to do this.

Mr. Marini explained that encumbrances create extra work – for instance, the Kelly Services contract and the Blue Cross Blue Shield contracts each must be encumbered for several million dollars.

Commissioner Bowers just wanted to clarify that this is a good thing. He asked if Commissioner Powell had any questions.

She asked about the new column for prior years with the trend data and wonders what it will tell us.

Commissioner Powell noted that 38% has been encumbered for a total of \$982K. She asked if the percent used is based on the amount encumbered and expended.

Mr. Marini said we did not encumber or expend last year at this time. Mr. Connors suggested the columns will be more meaningful later in the year. This reflects July and August activity. There will be other changes in programs taking place.

Mr. Connors noted that you can see on page 3 the amount encumbered for judgments and claims – you can see last year there were settlements there – keep that in mind. You don't want to be encumbering there.

Mr. Marini said we expended significant money in July on judgments and claims for a settlement with the RTA last year as well. Commissioner Powell expressed concern that as we become technologically able to pay out money sooner, we may have more cash flow problems.

Ms. Smouse said we are currently paying bills net 30 days.

Mr. Marini explained that when he started at the District, the practice was to pay immediately. Now we are net 30. As we requisition faster, we will take things faster, but we plan to stay net 30 days.

Mr. Marini also said we are trying to get a disciplined approach from schools and are making improvements to the system.

II. Receive and Review DRAFT 2005-06 Budget Process Timeline

The Budget Timeline as presented is in draft form and has not yet been shared with the Superintendent. Basically, it mirrors last year's process.

Commissioner Bowers said the Committee will probably have some changes, particularly for agendas which will affect what we do. Regarding the last budget cycle, a lot seemed ragged. We need to learn from our lessons; informal part of the process, making sure everybody gets information on same table. Information sharing did not work well.

Commissioner Powell said if you start with the assumption that the state will have a budget, the formal process works. We started second guessing what the state would do. The Superintendent didn't react right away all the time. We are going to have to develop a plan based on the idea that we don't or can't know what the state will give us.

Commissioner Bowers remarked about one of the things that worked a year prior to Commissioner Powell's joining the Board. The Board received more information through 2 on 2 and 3 on 3 meetings. We need to assess where in the cycle we need more informal discussion that needs to happen in private.

Action Item: We need to schedule a lessons learned meeting. The committee and finance staff should each compile a list of lessons learned – what did or did not work well. May share informally v a meeting.

Mr. Marini discussed what was ragged about the budget process last year from a Finance staff perspective.

- 1 – Accelerated date of April 1;
- 2 – Installation of the new budget module;
- 3 – Installation of the position management system.

There were a lot of new processes. Kimberly helped in the training with principals, as well as others. Hopefully we won't have a lot of budget transfers now that principals have ownership of their budgets.

Mr. Connors noted that principals have been given targets to stay within certain allocations.

Action Item: Committee will talk with Ms. Rohring re DRAFT 2005-06 budget process timeline and staff should meet prior to October committee meeting.

III. Next Meeting – October 12, 2004

Adjournment:

Commissioner Bowers asked for a motion to adjourn. Motion made by Commissioner Powell, Seconded by Commissioner Bowers. Adopted 2-0 with Commissioner Garcia absent at 5:55 p.m.