

**Finance Committee Meeting
August 9, 2004 5:00 p.m.**

Present: Commissioners Bowers, Brown, Garcia and Powell, Mr. Marini. Ms. Tripi

Invited Guests: Chuck Bowen, Executive Director of the Gay Alliance of the Genesee Valley; Ted Orr (The Pike Company); Ron Behan, Executive Director UNICON; Frank Wirt, President, Rochester Building and Construction Trade Council, AFL-CIO; Ken Warner (Rochester Building and Construction Trade Council AFL-CIO); Gary Squires (Manning, Squires and Henning, Inc.) and Lyle Corey (LeChase Construction)

Commissioner Bowers convened the meeting at 5:10 p.m.

Discussion:

Commissioner Bowers tended to several administrative items:

- He noted the committee received a written report regarding changes that will be incorporated into the monthly financial reporting format, as a follow up to an action item from the June 7, 2004 meeting.
- **Action Item:** He requested that Mr. Marini and Mr. Connors, in consultation with Ms. Rohring, prepare a draft 2005-06 budget process timeline for committee consideration at its September 13, 2004 meeting.
- He noted the committee received a written statement from Mr. Marini regarding the anticipated completion date of the 2003-04 independent audit.

Commissioner Bowers asked for a motion to reorder the agenda. Motion made by Commissioner Garcia. Commissioner Bowers seconded.
Adopted 2-0 with Commissioner Powell absent.

I. Review and Consideration of proposed resolutions for the August 19, 2004 Business Meeting – (10 minutes)

a. RAN – Mr. Marini noted that the District is asking for authorization to be able to borrow up to \$50 M. Last year, the authorization was for \$45 M. District staff made the request at this level to obviate the need for further requests this year. He assured the committee that he would not come back and ask for more.

Commissioner Garcia motioned to recommend the resolution for approval by the full Board. Seconded by Commissioner Bowers.

Adopted 2-0 with Commissioner Powell absent.

b. Deferred Compensation Plan

Mr. Marini explained that the law now allows the District to offer an additional retirement program for employees which is entirely employee

driven. The District does not have to fund it. There is no match. Just like the 403(b), the 457 (b) is another tax deferred option for employees to save for retirement. The District may save a small amount on FICA.

Commissioner Powell joined the meeting at 5:15 p.m.

Commissioner Bowers asked from where the idea had come. Mr. Marini said that he noted it was not available when he joined the district. There is no cost to the District and it might be a good vehicle for dual income families to save for retirement.

Commissioner Garcia asked if it would be classified as a liability on the books.

Mr. Marini said it would not be a liability for the District. Deferred Compensation plans are not classified that way by any municipality, but pension plans would be so classified.

Commissioner Bowers asked how long it had been part of the law. Mr. Marini responded it had been part of the law for two years.

Commissioner Bowers expressed concern that this program would be utilized primarily by employees with six-figure incomes.

Mr. Marini indicated he felt that statement to be discriminatory because Commissioner Bowers assumes that someone making only \$50,000 wouldn't use the program.

Commissioner Bowers noted that the employee needs to have discretionary income to participate in this program. He would like to see what level of employees will actually participate.

Action Item: Commissioner Bowers requested a follow up report post implementation providing information on the composition of participants.

Commissioner Powell agrees that if you look at how most Americans consume their earnings it doesn't seem likely that lower income employees will participate. But in her experience, lower income people do very well at saving for retirement and this gives employees another option.

Chief of Human Resources Joanne Giuffrida explained that the District has many teachers nearing retirement to whom this will appeal. This provides a wider range of choices and is a positive benefit for employees who may choose this option. It doesn't take anything away from other employees who don't choose it.

Commissioner Powell asked if an employee could set aside money in his/her spouse's name. Mr. Marini noted that it would defer salary and that the employee could name the spouse as beneficiary.

Commissioner Garcia motioned to recommend this resolution to the full board for approval. Seconded by Commissioner Powell. Adopted 2-0. Commissioner Bowers abstained.

Commissioner Bowers asked for a motion to return to the published order of the agenda. Motion made by Commissioner Garcia and seconded by Commissioner Powell. Adopted 3-0.

II. Follow up on Domestic Partners – (20 minutes)

Commissioner Bowers noted that the policy has been drafted based on the input the committee received at the July 20 meeting. He noted that counsel needs to review the policy to be certain that the District doesn't run afoul of collective bargaining law. He also noted that Dr. Rivera supports the policy.

Commissioner Garcia asked whether or not a financial analysis has been done as to the annual cost impact on the District.

Commissioner Bowers and Mr. Marini agreed that based on the statistics obtained from the City and how the proposal is structured; the District can anticipate that 26 employees will participate at a cost of \$91,000 annually.

Commissioner Garcia asked if this item has come up for discussion with the unions.

Mr. Marini said one union has brought it to the table but the District rejected the proposal due to the way it was structured. It would have cost the District nearly \$1M annually.

Commissioner Powell noted that the union had proposed including all domestic partners.

Commissioner Bowers mentioned that the RTA has been actively interested in this proposal. He noted that in the minutes of the July 20 meeting, Ed Cavalier, executive director of ASAR, stated the next logical step for the Union would be to explore benefits for domestic partners, although there is not a significant number in ASAR memberships who would benefit.

Commissioner Bowers then provided a brief overview of the proposal. Effective January 2006, the District will change the eligibility requirement for certain benefits. The District proposal balances equal rights with the responsible

execution of those rights. Under the proposed policy, the District will require that domestic partners who have been in a committed relationship for eighteen months or more will be eligible for the full range of benefits the District can provide under the law.

Commissioner Garcia asked how the staff arrived at the expected number.

Chief of Human Resources Joanne Giuffrida explained that the City had identified the number in its program and we doubled it, as their workforce is approximately one-half the District's. They cover same sex and opposite sex domestic partnerships.

Commissioner Brown joined the meeting at 5:31 p.m.

Commissioner Garcia asked what the financial implications are for the same sex assumptions.

Commissioner Bowers explained that the language is neutral to avoid an equal protection argument.

Commissioner Powell noted that the proposal stipulates that it will be available to domestic partners who cannot legally marry, which limits it to same sex domestic partners, since heterosexual couples may legally marry in the City of Rochester.

Commissioner Powell motioned to recommend that the proposal go to the full Board for consideration.

Commissioner Garcia seconded. Adopted 3-0.

Commissioner Powell noted that there is a three step process to adopt new policies. This proposal must now be sent out as an information item to the Board. It can be discussed at the August board meeting and may be adopted by a vote at the September board meeting.

Action Item: Forward the proposed Domestic Partner Policy to the full Board as an information item on August 13, 2004 with a cover memo from Commissioner Bowers as Chair.

III. Discussion regarding authorizing use of NYS apprenticeship program as condition of award for certain contracts that RCSD awards – Invited Guests - (20 minutes)

Commissioner Bowers invited the guests from the skilled trades industry to be seated at the table. He indicated that an apprenticeship program is clearly logical for the District, particularly one with skilled trades in the schools.

Ken Warner then gave a brief overview of the history on the apprenticeship program in the District. He noted that approximately 15-20 years ago, there was a program in place which became the subject matter of a landmark decision that deemed the program illegal.

Mr. Cory questioned whether the program would extend to subcontractors.

Mr. Orr, from the Pike Company, joined the meeting at 5:45 p.m.

Mr. Marini asked for clarification on how the program will impact the Business Services organization and the jobs in RCSD buildings.

Mr. Cory of the LeChase Construction Company asked that the District set a reasonable goal. Many subcontractors don't have an apprenticeship program which would present a problem on a typical contract where 80% of the jobs are subcontracted.

Commissioner Powell said that we have the option for the Board policy to set the requirements. We follow City policy and we are seeking minority and women owned businesses.

Mr. Wirt explained it is the goal of the trade union to put the community back to work and to teach the trade at a living wage. It will be important to include minorities, women and the disadvantaged.

Mr. Behan said the Board should understand this is not a union issue.

Commissioner Brown mentioned that the apprenticeship program would enhance the training at Edison Tech. He stated the Board feels strongly that those in skilled trades need to have apprenticeships.

Commissioner Bowers asked if the policy would address the fact that minority firms provide employees and what percentage of a large contract ought to go to non-apprentice programs? What particular size?

Mr. Warner referenced the RIT policy in the packet.

Mr. Wirt pointed out that often specialty contractors come from out of town and would not always have apprenticeship programs.

Commissioner Garcia mentioned that he had had a bad experience with an apprenticeship program when he returned from military service in 1965. He applied to be an apprentice electrician and was denied because of his status as a minority. Commissioner Garcia wanted to know how the tradesmen will guarantee minorities will have an opportunity.

Mr. Squires mentioned legislation that provides the rules and regulations under which an apprenticeship program must operate. According to Mr. Warner, there is a firm commitment to expand minority opportunities to ensure that 25% on every job are minorities.

Commissioner Brown mentioned that the Board wants to see District students employed. The apprenticeship program could improve training at Edison and the District could help students get jobs. He cited two examples: the Firefighters in training at East High in which successful completion results in employment with the Rochester Fire Department; and the Teaching/Learning Institute that guarantees any graduate of the District who becomes certified to teach to become a teacher in the District. Apprenticeship programs are fundamentally educational programs which can help break the cycle of poverty. The program is good for the trades, for contractors and for the community.

Mr. Behan noted a problem in a previous program has been that students were unable to maintain a 70 or 75 grade point average after the first marking period so all but two of the 15 were disqualified. Mr. Warner explained that union rules require a high school diploma or a GED equivalent.

Commissioner Brown discussed a situation where a culinary expert became certified to teach in NYS and the apprenticeship program could possibly lead to a higher level of achievement so that licensed electricians could eventually be certified to teach in the Career Academy and the apprenticeship program.

Commissioner Powell indicated that the Board should take advantage of the fact that the law permits this and the District can pursue the Edison Tech venture.

Commissioner Bowers asked if there were any difficulties for the Pike Company.

Mr. Orr, a Pike company spokesperson, indicated it would not create a problem. He did indicate that they have an issue with the minority owned business because most specialty contractors would be excluded.

NOTE: This is a separate Board of Education Policy.

Commissioner Powell asked if the apprenticeship model is substantially less expensive to maintain.

Mr. Squires offered the solution that there might be an exemption from the MWBE requirement for subcontractor who employs state approved apprenticeship program.

Mr. Warner said the MBWE requirement has nothing to do with the apprenticeship proposal.

Commissioner Garcia said he had met with numerous minority contractors who can't get jobs and who believe themselves to be qualified yet remain unable to connect. Why can't they get construction work?

Commissioner Bowers recommended the committee establish a work group to further explore the policy on an apprenticeship program which could include those present plus a representative from the minority and women owned businesses.

Mr. Behan asked for a member of the Board. Commissioner Brown volunteered to serve; along with a representative from the Finance Committee. Commissioner Bowers will ask for someone from Business Services to sit on the committee as well. Mr. Cory mentioned someone from the RDDC and also suggested Michael Tyler from City Procurement office.

Commissioner Garcia talked about a program with RIT where students were trained to be tool and die makers and every single one got a job at the end of the apprenticeship.

Commissioner Bowers wants to be sure the Board does this right.

Commissioner Powell motioned to authorize the formation of a workgroup to develop the policy on apprenticeship program. Commissioner Garcia seconded. Adopted 3-0.

Commissioner Bowers asked for a short recess not to exceed five minutes before discussing the last agenda item. Commissioner Powell moved to recess. Commissioner Garcia seconded. Adopted 3-0 6:20 p.m.

Commissioner Bowers reconvened the meeting at 6:31 p.m.

III. c. Project Mgmt contract for PeopleSoft project

Commissioner Bowers asked Mr. Marini for an overview. Mr. Marini indicated that it had been included in the Board packet on Friday with an Executive summary. He told the committee that Ms. Tripi chaired the selection committee. Commissioner Bowers asked for her observations. Commissioner Powell rejoined the meeting at 6:34 p.m.

Ms. Tripi explained that the committee went through a rigorous process and that she felt comfortable with the recommendation.

Commissioner Garcia asked how the contract went from approximately \$500K to \$736K. The committee hoped that costs would go down given the shorter time period, 12 months v the 14 months in the March 2004 resolution.

Ms. Tripi indicated that the cost increase is reflective of the number of months in the projected contract. Originally, the contract would have been for 8-1/4 months. The current proposal is for 12 months.

Commissioner Powell asked why the length of the contract changed. The committee expected the RFP to be comparable to the original proposal.

Mr. Marini said that the committee looked at the implementations on the table and rather than interrupt the strategy, the selection committee felt it appropriate to extend the contract to one year.

Commissioner Powell asked then if Mr. Marini was saying that there would have been follow up contracts to be carried out beyond the 8 month timeframe? Mr. Marini replied yes.

Commissioner Bowers noted that the original resolution put forward in March 2004 was to cover a 14 month time period, but really only eight months of work.

Mr. Marini indicated that was true, but explained the original timeline for implementation provide in March 2004 extended through January 2005, but that the revised timeline provided to the committee today extends the timeline through January 2006.

Commissioner Garcia asked Mr. Marini to explain why the vendor's rate went up.

Mr. Marini indicated that the District took a risk when it went through the RFP process. He also stated that the District had not entered into negotiation with the vendor.

Commissioner Bowers stated that she seemed satisfied with the \$100 per hour rate in March of this year and now wants \$125 per hour. He expressed his opinion that it is not a risk of the RFP but of the arrogance of the vendor and he would like clarification on why the pricing went up so much.

Ms. Tripi explained that the pricing goes back to the RFP. The vendor is assessing her company's risk. The timelines required under the RFP are firmer. The committee did look at pricing and compared the vendor's rates to other vendors and confirmed that this vendor offered pricing comparable to the benchmarks. It is not aggressive pricing.

Commissioner Garcia stated that in summary, what is before us is a one year contract for \$736,000 now and next year we will be looking at another \$736,000?

Commissioner Bowers asked for clarification. The original resolution would allow an automatic extension of the contract whereas there is no provision for that under this resolution before us this evening.

Commissioner Garcia asked if we are spending \$1.5 to keep 4 people employed on this project.

Mr. Marini referred Board members to the December 2003 meeting where the Board approved a three year strategy. We don't want to get into a situation where we let the PeopleSoft modules sit on the shelf and become obsolete. We are trying to change the direction of the District.

Commissioner Bowers said there were some lingering cost issues associated with the implementation of People Soft.

Ms. Tripi said the program management function is critical to implementation. The Vendor provides a design team and program management.

Commissioner Bowers expressed concerns. There is a \$239K increase which was counter-intuitive to the direction of the committee.

Ms. Tripi reminded the committee that the contract time period is for 4 months longer. The vendor has to hire staff. It is harder to staff on a shorter term. The vendor has to assess its risks and rewards as well.

Commissioner Brown indicated perhaps it is not a buyer's market. There was only one response to the RFP which suggests we are not in charge of the price. The Selection committee has done the benchmarking and found it to be reasonable. We may be talking about a situation where there are more opportunities for the vendors. I'm concerned that the last time we neglected to upgrade PeopleSoft we dug a hole. We may get into another desperate situation if we misjudge the market. If we don't accept this, another vendor may want \$900K.

Commissioner Powell is conflicted. On the one hand, no market could have skyrocketed this much. Perhaps we should hire in-house.

Commissioner Brown does not believe we can get the same level of quality in house for a reasonable hourly rate.

Commissioner Powell asked what guarantees there are about the timeliness of the project. We need an assurance we'll get the kitchen sink. What can we do to ensure that level of commitment?

Ms. Tripi explained that we could add metrics to the contract. She also explained that bill rates are not an hourly rate – the rates include the cost of doing business for the vendor – benefits for the employees, FICA, etc.

Commissioner Bowers said he appreciates that we have gone through the process. Unfortunately, the result is opposite the committee's expectation.

Commissioner Bowers noted that the individual doesn't maintain an external office, she doesn't pay utilities, has no receptionist or location. The costs of doing business can't be that high for this vendor. Commissioner Bowers respects the effort.

Commissioner Garcia wanted to piggyback on Mr. Brown's comments. Do we know for a fact that there are no other experts? What other alternatives do we have?

Ms. Tripi stated we did not do an extensive search. Because the PeopleSoft implementation is limited in scope, it makes more sense and gives the District the most flexibility to outsource the program management function.

Commissioner Garcia asked how much time remains on the timeline?

Mr. Marini stated there are 2-1/2 years left on the 3 year strategy the Board approved.

Commissioner Brown noted that it is also a political issue. The Board is under constant pressure to reduce the number of employees at Central Office. We need to be sensitive to costs and take that into account. Because of the shortfall in the budget, we'll be under severe pressure to reduce programs and costs even further.

Commissioner Powell noted we are between a rock and a hard place because City Hall will say we never should have bought PeopleSoft.

Commissioner Bowers expressed lingering concerns about the resolution. He is not hearing strong support for the resolution.

Commissioner Bowers asked if the Committee would move to accept the PeopleSoft resolution as presented? Commissioner Garcia motioned to accept. Commissioner Bowers seconded. Rejected 2-0 with Commissioner Bowers abstaining.

Commissioner Bowers proposed that the committee recommend to the Board a resolution for Endeavour Enterprise Consulting that is 23 weeks in duration at a sum not to exceed \$317,160. In other words, for the balance of time and sum put forward in the original recommendation in March 2004, and that it be at the original rate.

Commissioner Powell moved to recommend the revised resolution to the full Board. Commissioner Bowers seconded. This will give District time to continue moving the project forward and allow the Board time to work out an acceptable solution.

Commissioner Garcia agreed that we need to talk more about this matter.

Mr. Marini clarified that this proposal would begin August 20, 2004 and continue for 23 weeks.

Adopted 2-0. Commissioner Garcia abstained.

IV. Next Meeting – September 13, 2004 at 5:00 p.m.

Adjournment:

Commissioner Bowers asked for a motion to adjourn. Motion made by Commissioner Powell, Seconded by Commissioner Garcia. Adopted 3-0 at 6:59 p.m.