

Rochester Board of Education Finance Committee

January 29, 2004 5:30 P.M.

Minutes

Attendance: Commissioners Bowers, Perez, and Powell
Commissioners Thompson, Evans and Porter also joined the meeting.
Commissioner Bowers convened the meeting at 5:37 p.m.

Discussion:

Discussion on Board Resolutions for February 2004

Mr. Marini provided copies of a memo and an executive summary about the PeopleSoft Program Integrator Selection. Mr. Marini noted that there was a rigorous on-site selection, and while the team recommended a change in vendor, there will be no additional capital expenditure in '03-'04 over and above the current budget.

Action Item:

➤ Commissioner Porter requested that Mr. Marini meet with the new members of the Board to review the PeopleSoft strategy approved at the December meeting. Commissioner Perez expressed an interest. A meeting will occur on February 3rd with Mr. Marini and Commissioner Powell.

Commissioner Powell arrived at 5:45 P.M. Dr. Bowers expressed gratitude for the fact that Commissioner Powell had agreed to serve as Vice Chair of the Finance Committee.

Commissioner Powell remarked that she had met with Mr. Marini prior to the meeting and had reviewed the proposal. She indicated that she is very impressed with the rigorous process, the weighting criteria and the relative value matrices utilized by the team and recommends that the District use this model in the future when selecting vendors. She applauded Mr. Marini for the thoroughness of the process.

Commissioner Powell motioned to accept the resolutions and advance them to the full Board. Seconded by Commissioner Bowers. Adopted 2-0 with 1 abstention (Commissioner Perez).

Discussion of Initial 2004-2005 Budget Gap projections based on Governor's Proposal

Mr. Marini presented an historical perspective on State Aid to the District and shared internal assumptions with the Committee relative to the Governor's proposed budget. Overall, the Governor proposes to increase in recurring State Aid to Rochester in the amount of \$2.77 million. However, when you take all factors into account, Mr. Marini expects a budget gap. Grants will be \$19 M less than in 2003-04. It will be mid- to late February before the District will be able to know more precisely what the gap will be after the District goes through a first budget process.

Commissioners Bowers and Porter would like more detail about flex aid and the categories which have been frozen in the Governor's proposed budget. In particular, they would like a definition of flex aid and what it includes.

Action Item:

➤ Provide information to Commissioners Bowers and Porter regarding flex aid proposal by Governor Pataki; what line items are being rolled into this single category and at what funding levels. Meeting with Mr. Marini and Commissioners Bowers and Porter to review this information and its potential implications for RCSD.

Commissioner Thompson asked for clarification about what options the Board has relative to STAR. The Board should explore all options, including legal options, available to it. The commissioners requested that the Superintendent arrange a presentation on how STAR is being used. Commissioner Porter indicated that the Intergovernmental Committee has a presentation which could be updated with current info by its next scheduled meeting on February 10, 2004.

Commissioner Bowers asked if the Committee would endorse the presentation on STAR money for the full Board. Commissioner Powell commented that it would be helpful to see what other cities are doing.

Action Item:

➤ The Superintendent agreed to arrange a presentation on how STAR is being used as a joint venture of the two committees, Intergovernmental Relations and Finance.

Commissioner Bowers recommended that the Committee direct the District to put no less than the current \$126.1 M in the budget so the City will be required to explain any further reduction.

Commissioner Powell motioned to direct the Superintendent to include \$126.1 M as the revenue estimate from the City. Commissioner Bowers seconded. Adopted unanimously, 3-0, with an advisory votes from Commissioners Porter and Thompson.

Commissioner Powell then asked Mr. Marini about the one-time grants. Sandra Burns explained that we are in the third year of funding for the Comprehensive School Reform grant. There are additional non-recurring grants amounting to approximately \$15 M, including one time grants and roll-over grants. Commissioner Powell expressed concern over other grants that will recur during 2004-05 but may have an end date in 2005-2006 or 2006-2007.

Dr. Rivera assured the Committee that because of the significant impact from loss of revenue in grants; the District will address that and make adjustments. Commissioner Powell asked what potential areas there are for grants or grants we are in the early stages of exploring that the Committee could begin to focus on. Commissioner Evans asked what percentage of grants are from private foundations. Mr. Marini indicated that it is not significant.

Commissioner Powell noted that the federal government closed the spending gap by taking back Medicaid monies. She asked if we are fearful that could happen to us. Chief Legal Counsel Michael Looby explained that the Board had approved for the District to join in a lawsuit with other districts around the nation and the Council of Great City Schools to overturn the federal government's position that would disallow 48% of Medicaid funding.

Commissioner Powell asked if it would be consistent with conservative fiscal policy to put together a contingency number that shows that there is a risk of losing a projected amount of

Medicaid revenue due to federal government take backs? She would like a risk pool for litigation losses as corporations have in their budget plans.

Action Item:

- Mr. Looby to provide risk pool for litigation losses.

Commissioner Thompson noted that this is something the District and the Board should pursue with Senator Schumer. Commissioner Porter agreed with Commissioner Thompson and mentioned that the Intergovernmental Relations committee will be receiving a proposed legislative agenda at its next meeting and anticipates it can include something on these issues.

Commissioner Bowers indicated that the federal government cannot impose unfunded mandates, under NCLB.

Commissioner Perez asked if there are any creative opportunities to streamline benefit costs. Mr. Marini said that Blue Cross is the primary health care provider in the District but that the employer share is mandated by union contracts. Commissioner Perez asked what percentage of District employees are Blue Cross and Blue Shield participants.

Action Item:

- Mr. Marini agreed to get that information to him. (percentage of District employees using Blue Cross). Ms. Giuffrida to provide.

Commissioner Thompson asked what the \$600,000 increase for Charter Schools included. Mr. Marini explained that there were no new Charter Schools approved by the State which would have increased the budget gap by \$10-13 M. The increase in the Charter School expenditure reflects projected growth in student enrollment at existing charter schools.

Commissioner Powell questioned what savings the Zone concept might have on transportation if we restrict transportation to parochial and private schools, if that is even legal or feasible?? Commissioner Bowers observed that we are working on the premise that we are moving to Zones. He asked if there has been cost savings built into the proposed budget because of Zones?? Commissioner Powell noted that there are no near term savings in transportation until we grandfather out cross-zone activity.

Action Item:

- Mr. Looby to render opinion as to whether it is legally possible to restrict transportation for private and parochial school students.

Mr. Marini stated that the budget presentation represents a high-level overview of the anticipated impact of the Governor's proposed budget and no guess about what the City's contribution will be. Commissioner Porter asked if the \$65 Million represents the worst case scenario? Commissioner Bowers asked if the District adds in funding for the school nurses, would it be added to the \$49 M or to the hi-end projected gap of \$65 M? Mr. Marini said it is included in the low-end.

Commissioner Bowers commented that any action on the part of the City to do more than hold revenue flat, any reduction beyond where we are now will antagonize the gap. Mr. Marini agreed that while we are being conservative, there are too many unknowns at this time.

Discussion on update on facilities optimization

Dr. Rivera delivered a presentation on facilities optimization. The District realizes there is a serious fiscal problem and it is not crying wolf. In order to balance the budget within the next eight weeks, we have to make cuts and increase revenue. We don't want to cut personnel, increase class size or cut support staff. We want to be fiscally responsible, look at everything and be sure we efficiently use all our facilities, especially in light of projected declining enrollment.

Commissioner Evans left at 7:11 p.m.

Commissioner Powell asked Dr. Rivera what he meant when he spoke of enrollment decline? Dr. Rivera said the numbers in the presentation reflect actual projected decline in enrollment. Commissioner Powell also asked if the District had a ballpark figure of what it costs to maintain the average school and what utilities cost? Dr. Rivera said that the costs vary. Mr. Connors said the committee had identified costs associated with enrollment, program, utilities, maintenance and salaries. Because some resources will be reallocated to other sites, closing a school won't result in a 100% cost savings.

Commissioner Thompson asked if the costs weren't included in the GAP projections because the District hasn't figured out the cost savings yet from closing buildings. Dr. Rivera indicated that the committee has a spreadsheet with the potential cost savings. Commissioner Powell asked if the District had taken into consideration that the cost savings might not be effective until 2005-06. Dr. Rivera indicated that while the District has yet to make a determination or recommendation, the plan is to close up to four schools and begin to realize some cost savings in the 2004-05 fiscal year.

Commissioner Porter asked if the District had looked at parking contracts that may be impacted or that we might be obligated to pay on outstanding leases? Director of Facilities, Tom Keysa, explained that all the parking contracts and space leases are on a year-to-year basis.

Commissioner Porter asked if the definition of neighborhood schools changes with implementation of Zones? What impact will that have on the facilities optimization plan? Dr. Rivera answered that we are looking at existing enrollments, but that in formulating the recommendations the District will look at all options for students. Commissioner Porter also wanted to know if the District will be looking at those schools with business and community partnerships with an eye to retaining those programs?? Dr. Rivera responded that the District will look at those partnerships.

Commissioner Thompson asked if the Campaign for Fiscal Equity has been considered in formulating the plans as it requires more space for class rooms. Dr. Rivera said CFE is part of the next agenda item on budget priorities. Chief of Strategic Planning Carlisle said that the District assumes same class sizes as were adopted for this fiscal year. Commissioner Powell asked what the enrollment percentages were versus capacity, noting that we do not strive for 100% capacity.

Commissioner Perez asked what criteria will be considered and whether the District has established weighting criteria?

Action Item:

➤ Dr. Rivera agreed to put something in the packet for the Board next week about the factors being considered. He explained that the District will look at this carefully, with sensitivity, but that in the end, the recommendations will be based on his judgment and instinct, and he will defend any decision the District makes.

Commissioner Porter suggested that because this is a politically charged issue, before any announcements are made publicly, he asked that the Commissioners who are assigned to those schools be notified and that the District talk with all appropriate personnel and parent groups. Dr. Rivera agreed that the proposal will be detailed and will lay out all variables including a communication plan, which will include how we communicate to families.

Discussion about 2004-2005 funding priorities

Dr. Rivera presented an update on the budget priorities originally given to the Board in October of last year. He noted that input from the Board was very helpful in the 2003-04 budget development process and hopes to have similar input this year.

Commissioner Bowers encouraged the District to add benefits for domestic partners to the list. Commissioner Powell asked when the member votes to agree or disagree with the ranking if they are communicating the desire to maintain at current funding levels or greater financial backing than in the past?

Commissioner Bowers explained that the Board will be giving general guidelines so that when the District must reduce expenses, the priorities will be areas where they want to minimize reductions, for example, there should be no additional cuts to librarians. He also commented that the Committee could add priorities if they want, and are able to provide comments in the ranking column if they so choose.

Commissioner Porter asked why Arts and Music were grouped together and sports were listed separately when they normally would be grouped together? Mr. Robinson noted that historically we grouped Arts/Music/PE. Commissioner Thompson asked whether the District anticipates the ability to reallocate resources to realize savings through program evaluation?

Discussion ensued about various programs. Commissioner Porter asked that the priorities be circulated before the next Board meeting and that each Commissioner rank priorities and gap reduction measures.

Adjournment:

Commissioner Powell motioned to adjourn, seconded by Commissioner Bowers. Adopted 3-0 at 7:47 p.m.