

**Rochester Board of Education  
Finance Committee  
November 9, 2006 at 6:00 p.m.**

**Attendance:** Commissioners Powell, Evans and Brennan; Mr. Coney; Mr. Smith; Mr. Keysa; Mr. Connors; Mr. Greene; Ms. Lee; and Ms. Wilson

Commissioner Powell convened the meeting at 6:05 p.m.

**Motion** to approve the agenda made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

**I. Approve October Finance Committee Meeting Minutes**

**Motion** to approve the October minutes made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

**II. Receive and Review Monthly Financial Reports**

**Commissioner Powell:** On the Available Funds Reports, Cash Capital Outlays, Equipment Buses – there is a significant variance between last year and this year. Can you please explain?

**Mr. Connors:** Orders for the full year have already been placed (about a month earlier than last year). In next month's report the prior year will be pretty much 100% committed. It is more of a timing issue.

**Commissioner Powell:** The variance from year to year will level out next month.

**Mr. Connors:** That is correct. Typically, this is one category where the money is spent pretty much in its entirety early on in the year.

**Commissioner Evans:** Please explain the variance under Auto Supplies.

**Mr. Connors:** The transportation department, which buys a majority of the auto supplies, placed their orders earlier this year. This was due in large part to the fact that this year's budget was available to be utilized earlier. The budget opened the end of May and as a result transportation began placing orders in a quicker. This was addressed in the August package. Mr. Coney and I discussed going forward that when these things carry over month to month we would carry the explanations forward as well. That way you have everything in front of you when you receive your package.

**Motion** to accept the monthly financial reports. Recommended acceptance to the Board made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

**III. Review of Proposed Resolutions for November 2006 Board Business Meeting**

**a. SchoolPro**

**Mr. Greene:** This is an annual license fee. SchoolPro is an attendance taking package that is used exclusively for our after-school programs. I anticipate this will be the last year we will pay for this license. We have a plan in place to implement within Chancery the capabilities of the SchoolPro function. This is one of the functions we decided not to rush and implement for this year.

**Commissioner Powell:** So this is a transition year?

**Mr. Greene:** Yes.

**Commissioner Evans:** There is a discrepancy in dates on the executive summary and the resolution. Which one is correct? Does the resolution date supersede the executive summary?

**Mr. Greene:** November 20<sup>th</sup> is the correct date.

**Commissioner Evans:** SchoolPro will rollup into Chancery?

**Mr. Greene:** Yes. Chancery has the capabilities, but we have to do some work within Chancery to make it accommodate our after school programs and we choose not to do that in our busy schedule of implementing Chancery across the District.

**Commissioner Evans:** SchoolPro is going to be used for one year?

**Mr. Greene:** It's been in use for a number of years, but this will be the last year.

**Action:** The SchoolPro resolution start date to be amended to read November 20, 2006.

**Motion** to advance the amended SchoolPro resolution to the Board for consideration made by Commissioner Evans. Seconded by Commissioner Evans. Adopted 3-0.

#### **b. Microsoft Corporation**

**Mr. Greene:** Much to my dismay, I discovered that the District did not have a maintenance agreement with Microsoft for the entire Microsoft component that we depend on within the school district. What we have been doing previously was kind of ala carte (on an as needed basis). The standard maintenance agreement encompasses not only defect support and the ability to call their hotline, but the following as well:

1. They assign a technical account manager who will visit us at least twice a month for the 12 month period to make sure we are operating properly
2. Upfront, they will do an exhaustive audit of all our Microsoft products and their use. They will give us a report with recommendations relative to things we can do to make them more stable, secure and enduring

**Commissioner Powell:** Is there anything wrong with the stability right now?

**Mr. Greene:** No. We had a few glitches where we've had to call Microsoft at 5pm on a Friday and that gets very expensive. This is a much more cost effective way of acquiring that type of support.

**Commissioner Evans:** Did we look at other vendors other than Microsoft?

**Mr. Greene:** There really aren't any other vendors. Microsoft warranting Microsoft products.

**Commissioner Evans:** Is this going to be an annual commitment?

**Mr. Greene:** It doesn't have to be. This is for one year. Next year I will do an analysis and if it turns out that ala carte is more cost effective, then I will modify this agreement. But this is only for one year and I will continue to inspect to make sure it is the most cost effective way of acquiring support.

**Motion** to advance the Microsoft Corporation resolution to the Board for consideration made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

#### **c. Chancery Software, LTD**

**Commissioner Evans:** This is not something new or additional. It is the annual maintenance fee.

**Mr. Greene:** Yes.

**Motion** to advance the Chancery Software, LTD. resolution to the Board for consideration made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

#### **d. Centris Group, LLC**

**Mr. Greene:** This is similar to Chancery. Centris Group provides the software for our new special education system. We have high hopes that this will enable us to do more discrete accounting for the services we provide to our special education students. Hopefully the result will be an increase in revenue flow because we can reliably and with credibility report to the State the services we are providing to our special education population. This is an annual maintenance agreement.

**Commissioner Evans:** This will be an annual maintenance fee on a yearly basis or this is just for one year.

**Mr. Greene:** No. This will be an annual maintenance agreement.

**Commissioner Evans:** We can expect to see this every year around this time.

**Mr. Greene:** Yes.

**Commissioner Evans:** Talk to us about Medicaid Direct.

**Mr. Greene:** This system allows us to do more discrete accounting for the services we provide to our special education student body. From a cash flow standpoint it will automatically and electronically transmit our claims to the State. It will dramatically improve the turnaround time for getting reimbursements. It is electronically connected to the State and it will automatically do the reporting.

**Commissioner Evans:** These are all different programs. IEP Direct is one program and Medicaid Direct is another?

**Mr. Greene:** Medicaid Direct is one of the elements of IEP Direct.

**Motion** to advance the Centris Group, LLC. resolution to the Board for consideration made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

**e. Western New York Regional Information Center (WNYRIC)**

**Mr. Greene:** Although this is new, we can't expect to see it every year. As you are aware this was the first year during our testing season whereby the State Education Department mandated we use a data warehouse provided by and funded by the State. All standardized tests whether ELA, Math or regents will be scanned but we have to send the raw data to the data warehouse that is housed at the Erie BOCES of the WNYRIC. The State then grades the standardized tests whereas before we got keys and we could do local grading.

**Commissioner Powell:** This represents unfunded mandate. We don't get a second pocket of aid that reimburses us for this cost. What are the consequences if we say no?

**Mr. Greene:** We would probably be in violation of some statute if we didn't cooperate. I did evaluate another alternative. The software that the State uses to manage their data warehouse is commercially available however; I recommend and endorse us not attempting to bring that in-house because the initial installation fee was \$1M.

**Commissioner Evans:** This is the most cost effective way?

**Mr. Greene:** Yes.

**Motion** to advance the Western New York Regional Information Center. resolution to the Board for consideration made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

**f. City of Rochester – Bond Letter**

**Mr. Coney:** The request before you represents our needs for this coming fiscal year which is approximately \$16M. Once approved by the Finance Committee and the Board it will go to the City then to City Council for approval. After that it gets rolled into a bond, as we need money we call the City and we can withdraw money up to six months at a time.

**Commissioner Powell:** We (Board of Education) need to build bridges individually with City Council members that we feel comfortable with. I certainly want to reach out to Bill Pritchard who has been an outspoken critic of our CIP to see if there are things we can provide that will put his mind at ease.

**Commissioner Evans:** We can always tell an outspoken critic to go talk to the parents when the bricks fall down. We have been very good stewards of our buildings. Our major concern will come to a head in five to ten years when we start pushing up against the debt limit. These are really the conversations we need to start having with the City.

**Commissioner Powell:** I make the case that we enter into both conversations with the City. First and foremost because as we come into the next budget year and the same individuals that are arguing we don't provide appropriate level of oversight are the ones that are voting down our annual budgets. Now is the time to build relationships, not May. May is too late.

**Mr. Coney:** We have another issue that you may want to include in your conversations.

**Mr. Keysa:** City Council has a policy about only borrowing what you are able to repay down on debt on an annual basis, which is already impacting us. This year we were able to borrow an additional \$1.3M (limited by the policy to borrow more).

**Commissioner Powell:** And the policy fails to reflect the change in the State reimbursement schedule, which has been in place for how long?

**Mr. Connors:** About three years.

**Commissioner Powell:** What we need to be advocating for at a minimum is the highest of 3.5% (borrowing capacity) and a repayment schedule the higher of the two. This is the very least we should be able to ask for. I would like to ask you, the Committee, for authorization to speak with the Mayor and members of City Council about this.

**Commissioner Evans:** Mr. Hannon has sent a letter to the City addressing this issue and I know conversations have taken place. Mr. Hannon is kind of the point person on this with us. I think it is something we should revisit sooner rather than later. Perhaps we need to loopback with Mr. Hannon to get an update on the status.

**Action:** Board members will reach out to City officials regarding the debt limit and other revenue concerns.

**Action:** Mr. Coney will provide the Committee with an update on the status of the debt limit letter sent by Mr. Hannon.

**Motion** to advance the City of Rochester – Bond Letter Request resolution to the Board for consideration made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

#### **IV. Review Draft 2007-08 Budget Calendar**

**Commissioner Powell:** Included in this month's packet is a calendar that essential starts this month, dates not specific. It follows the general pattern of last year's schedule and we thought last year's process worked fairly well.

**Commissioner Evans:** I thought we did a great job last year. The only question I have pertains to the December 12<sup>th</sup> independent audit report presentation. I know we had conversations before that the presentation would be given to the Audit Committee, unless it's going to be given to both.

**Mr. Connors:** That would certainly be the Boards prerogative. When we put the budget calendar together we pretty much mirrored last years. In a brief meeting with Commissioner Powell we discussed the appropriate place for the independent audit report. Historically it was presented to the Finance Committee because there wasn't another venue for it to be heard.

**Commissioner Powell:** Nevertheless, there still needs to be activity in that timeframe, presentation of budget priorities needs to remain.

**Commissioner Evans:** I agree and the independent audit report should be on the agenda for the December Audit Committee Meeting.

**Commissioner Powell:** I am OK with amending the calendar.

**Commissioner Powell:** Last year we had three hearings. We divided the budget book into three segments. The Quality Assurance (QA) chair managed the meeting where those portions of the budget were directly representative of different programs. Because there was lack of clarity over the scope of the conversation it was somewhat confusing. Perhaps the chair felt we were actually going to dove into evaluating these programs or felt that we needed to. In an effort to avoid confusion, do we want the Finance Committee to manage all the sessions or do we do it the same way, but bring clarity to the portion of the budget that is to be managed by the QA chair?

**Commissioner Evans:** It really doesn't matter to me. Most of the meetings are committee meetings of the whole and members will come with questions regardless of the venue. I feel it is only a technicality in terms of what committee is managing what session because the same effect will come out regardless of manages what hearing.

**Commissioner Powell:** It's a question of keeping the meeting orderly.

**Commissioner Evans:** I think that is a matter of setting clear lines of delineation on what exactly we are going to be looking at or discussing.

**Commissioner Powell:** If you are comfortable with doing it the same way and if I am the Finance chair next year, I will make it a point to sit with the QA chair to make sure they understand the expectation of running that meeting.

**Commissioner Brennan:** What was the source of the confusion?

**Commissioner Powell:** Just the fact that we did break out portions of the budget that had program impact. Some people thought they were going to be able to ask questions about program evaluation and tie that directly to the amount of money we were asking to spend for the upcoming year. Keep in mind, last year was the first year we passed a program-based budgeting element in our budget and we are still in the year that has matrix for evaluation. This spring when it is time to pass the budget we won't have a full year of metrics to compare. Even if we wanted to tie an evaluation to our budget process, there isn't anything to do an actual evaluation on. The time to do the metric review is at the end of the school year or at the end of the fiscal year not as we are planning the next budget.

**Commissioner Evans:** I do think that is a conversation you can have with your fellow committee chairs. It is really a committee meeting of the whole, we just break it out. I would recommend that you or the incoming Finance chair have a conversation with the QA chair. I thought it went well last year in terms of budget. I felt orderly, I did not feel rush even though every year we are always under financial restraints. I think it moved smoothly.

**Dr. Rivera:** We established this year's budget calendar in great detail. The strategic planning process that we are going through was viewed as a very important piece by the Board and as I come to you on December 12<sup>th</sup> with Cabinet priorities my desire is to share with you what I believe the strategic planning priority should be. The strategic plan is going to be transmitted to you next month and it is my desire to have the major strategies guide and help with the budget. The second thing is a year ago there was some criticism about the different revenue forecast we had used. I would like to make sure we are in lock step with the Board in both February and March so I can receive the committee endorsement of our revenue forecast. We don't know what our Governor's going to do, what his recommended budget is going to look like or whether there is a CFE solution. I think it is going to be important that we create, whether it's one, two, or three case scenarios that reflect the revenues through all three situations.

**Commissioner Powell:** At this stage your Chiefs are compiling the wish lists irrespective of what the dollar values we can plan on?

**Dr. Rivera:** Right now, there are given initiatives that we want to continue, we are actually in the second year of some two year objectives. The strategic plan is starting to take shape with some broad strategies and this month we are going to be getting more precise about (i.e. what we need, what we are going to do, what we would like to do and what is the impact).

**Commissioner Powell:** I would like to recommend an approval of the budget calendar absent page five. Page five was added as a proposition to solve issues that the other board members had. I don't think these issues are resolvable in the budget approval conversation and perhaps if another committee wants to take the initiative they should on their own. It's not something we've done in the past.

**Commissioner Brennan:** What is the nature of the concerns?

**Commissioner Powell:** This goes back to the question that Commissioner Thompson specifically raised about budgeting things that have not been evaluated and that sort of thing. It is goes back to the timing of program-based budgeting and I am asking that we remove this page.

**Mr. Connors:** I would like to point out that this is a draft timeline. It's going to the full Board for their review and they will have an opportunity next month to accept it. This is typical and it is reflected on the calendar. There is time to modify the calendar based on feedback that other Board members may have.

**Action:** Mr. Connors will remove the Independent Audit report presentation and page five from the 2007-08 Internal Budget Timeline.

**Action:** Ms. Lee will make sure the Independent Audit report presentation is on the agenda for the December Audit Committee Meeting.

**Motion** to advance the modified/draft 2007-08 Internal Budget Timeline to the Board for consideration made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

## **V. P-Card Overview**

**Mr. Coney:** I would like to table this presentation until next month. We do have some p-card related challenges and I have not been able to get into all the different challenges. Delaying this will give me a chance to really take a look at the p-card operation and come back to you perhaps next month. I have a pretty strong background in p-card activities.

**Commissioner Evans:** Is this a presentation that could be sent in written form?

**Mr. Smith:** Yes.

**Commissioner Powell:** You are asking for something more than what's already presented.

**Commissioner Evans:** Yes. Then I will take the presentation next month, but I would rather have something given to me in narrative form. Something that I can read or have Ms. Lee read then come back with questions.

**Commissioner Powell:** So you don't really feel comfortable that some of our basic questions could be answered tonight?

**Mr. Coney:** I could probably answer all of your questions. However, it may not be with the correct remedy. For example philosophically I disagree with the concept of a p-card operation that has the front end in one unit, Purchasing, and the back end in Accounts Payable. The emphasis in Accounts Payable is volume and speed. We have to be very careful with a p-card operation because for whatever reason there is a strong romance around the country with p-card operations and the media. A p-card operation by definition is a tremendous potential savings in an organization (I would say anywhere from 60 to 70 to 80% of our purchases could fit within the definition of a p-card). Now think about what that savings, means to make a simple purchase for \$10 dollars you would have to go through a process that may pass through 10 or 15 different stations before the purchase is complete and the payment is made. With the p-card it passes through one or two hands and everything is immediate.

**Commissioner Powell:** But people could be buying things that shouldn't be approved.

**Mr. Coney:** We have to be careful and we have to have procedures in place that when p-card holders make purchases and the documentation flows back into the office here we have to be able to review it immediately and give people feedback in terms of what is wrong or what they did not do correctly. And I want to be comfortable that when I come to you we are doing all those things. We do have a backlog in accounts payable. We do perhaps have some resistance with certain groups that could potentially become p-card holders and I am not comfortable to say this is great.

**Commissioner Powell:** Clearly there is not a resolution before us nor is there a recommendation. Because we are not that far. I am happy to take this home and use it as a primer to become a little bit more literate about what we are talking about and what would fall under p-card administration.

**Mr. Coney:** Yes. You can take the presentation home, but it will not make the best reading material. Perhaps next week we can get you something to complement this.

**Commissioner Evans:** One of the things off the top of my head would be controls that are in place to monitor p-card and who would be responsible for it.

**Action:** Mr. Coney will provide the Committee with a narrative summarizing the p-card program.

**Motion** to table the P-Card presentation until the December Finance Committee Meeting made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0.

**Commissioner Powell:** I will not be at the November 16<sup>th</sup> Board meeting. Would someone volunteer to give the Finance Committee report?

**Commissioner Evans:** I'll do it.

**VI. Next Meeting – December 12, 2006 at 6:00 p.m.**

**Adjournment:** Motion to adjourn made by Commissioner Evans. Seconded by Commissioner Brennan. Adopted 3-0 at 6:57 p.m.

DRAFT NOT APPROVED BY COMMITTEE