

Rochester Board of Education
Audit Committee Meeting
October 8, 2019

Attendance: President White, Commissioner LeBron (Chair), Vice President Elliott, Commissioners Davis, Hallmark, Powell, Sheppard, Commissioner-Elect Adams and Maloy, Superintendent Dade, and Chief of Staff Lehner. Board Staff: Ms. Henry-Wheeler and Mr. Brown from Office of Auditor General, General Counsel Kristoff, BOE Executive Assistant Lopez.

Commissioner Elliott convened the meeting at 5:37 PM.

- I. Call to Order:** Vice President Elliott called the meeting to order and communicated that the Board will go into Executive session after the meeting to discuss resignation of a particular employee. Vice President Elliott then turned the meeting over to Commissioner Lebron, Audit Chairperson at 5:38 PM.

- II. Rules of Conduct:** Commissioner Lebron asked that individuals attending the meeting to not be disruptive to speakers. In addition, she clarified; if rules are broken, Security will be asked to escort any offenders out. She acknowledged that the meeting topic is heavy and intense, so it is important that we are all respectful of people speaking.

- III. Superintendent Budget Deficit Presentation & Next Steps:** Superintendent Dade's presentation included a summary of how we got to where we are and what immediate short term, and long term actions are required for the district. Due to time constraints, Superintendent Dade communicated that his team is still performing analysis; however, the District's financial stability has been in question for some years. The use of fund balance, combined with under budgeting led to overspending, this resulted in our fund balance being depleted. The immediate need for RCSD at this point is cost avoidance and for cost reductions of \$30.1M by June 2020.

There has been a gradual decline in enrollment at RCSD, in the last four years we have seen an increase of 1,064 staff members. In the past four years, 632 teachers were added, 183 paraprofessionals, 142 civil service staff, 74 teaching assistants, and 33 administrators. He also communicated the district has under budgeted over the past few years. While some of the reduction to fund balance was planned, some of it was unplanned because we did not budget correctly in some very key areas. In 2018-19, there was a plan to use \$20M in fund balance, but a total of \$42.2M was used. We also planned to use \$8M in 2019-20, however, due to overspending in 2018-19, the District's fund balance was depleted, so those funds are not available. Areas of under-budgeting and overspending included: Employee Benefits, Substitutes, Tuition, Retirement benefits, Contract Transportation, and BOCES. The target fund balance by June 2020 is \$29.3M. The Superintendent also expressed concern that if we've under budgeted in the past, what does that say about the 2019-20 budget? We need to review the 2019-20 budget to see how we budgeted this year.

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Superintendent Dade shared there are folks coming in that are offering support. The NYS Comptroller's Office will be starting an audit later this month. In addition, experts from across the state have already reached out for some pro bono who want to help and support. This is going to be an ongoing process, so in the spirit of transparency, I would like to report on an ongoing basis where we are. I'm proposing to the Board the next time we come with a full update be November 12 at our Finance Committee meeting. Please know that this won't be Terry Dade working in isolation. To come up with solutions, I need everyone around this table and I'm going to be engaging as many folks as I can in the process moving forward.

- IV. Question and Answer Session:** Various questions were asked by the Board and answered by the Superintendent including: Commissioners LeBron & Davis inquired why the problem was not caught sooner and how it could have been prevented; Commissioner LeBron also requested that the Board receive actual June financial statements. Commissioner Powell requested that the Superintendent provide information on the target fund balance; Commissioner Sheppard inquired why the numbers did not appear consistent in the slides and stated the information is confusing; Vice President Elliott inquired how we can be under budget and no system is in place to stop the over spending? What is the plan to address this and why would the District present the Board with a budget that is under the needs of the District? Why wasn't there the mechanisms in place to prevent the over spending? Superintendent Dade stated it troubles him as well. Vice President Elliott added that she hoped this is a wakeup call for us because we are not going to be able to go to the state for any money until we are responsible for the funding we have. We cannot expect the state or anybody else to provide us with funding if we are not being the stewards of the finances we have been entrusted with. We have got to do a better job if we want the state and other funding sources be able to help us.
- V. Auditor General Update:** Auditor General Henry-Wheeler provided an update. Office of Auditor General verified the preliminary numbers to the assessment performed by the Superintendent's team to reach the \$30M. We have not had an opportunity to review today's presentation. I want to ensure the Board is aware that Freed Maxick is completing our annual audit for the year ended June 30, 2019 and we met with the state Comptroller's office for an opening meeting on October 4. Commissioner LeBron communicated the Board may need to have an additional audit meeting for other business. In particular, the CAFR is coming soon, but we should really deep dive into the CAFR and then come prepared with questions to the External Auditors who audited it.

President White asked if it made sense for everyone to provide the Superintendent suggestions, and feedback be provided to Marisol by Friday the 11th to be forwarded to Superintendent Dade for discussion on October 15th.

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VI. Adjournment: Commissioner Lebron took a motion from Commissioner Elliott and was seconded by Commissioner Hallmark to close the meeting. All approved and the meeting was adjourned at 8:45 PM.

VII. Other Business: Commissioner White stated he received a letter from City Hall and City Council asking a series of questions. He requested the Board take the time to respond to Marisol. The meeting is on the 10th. Commissioner Powell requested time to talk about a particular service contract in Executive Session.

President White requested a motion to go into Executive Session to discuss a particular person and getting legal advice regarding a service contract. Motion was made by Commissioner Elliott and seconded by Commissioner Hallmark. All approved and no one dissented.