

## **Report: RCSD budget inaccurate, inefficient**

### **RCSD**

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Rochester Democrat and Chronicle USA TODAY NETWORK

The Rochester City School District budgeting process is opaque, inaccurate and riddled with inefficiencies, according to a recently released consultant study.

The report, by former Erie-2 BOCES Superintendent Rick Timbs and former Spencerport Superintendent Michael Crumb, shows a pervasive failure to plan ahead and a general lack of frugality in the district.

Most significantly, the district makes constant changes to its budget throughout the year for sums small and large. More than half of its budget codes were increased at least once during the school year, and even then the district under-spent the original allocation in dozens of cases. Some codes were increased by half a million dollars then reduced by \$1.5 million, or vice versa. Dozens of other codes were not used at all.

Special education spending had especially large disparities, in part because student evaluations are often not completed in time. Changes are driven by administrators who have become accustomed to making unbudgeted requests throughout the year.

Most fundamentally, the consultants found: “There is a prevailing belief among some of the leaders that funding will always be available, budgeted or unbudgeted, for initiatives or enhanced levels of staffing. ... It cannot be overstated that (district employees) must begin to realize that the funding for the district is not unlimited.”

**Embarrassing episode** This was illustrated in an embarrassing episode last month when General Counsel Karl Kristoff and Director of Human Capital Initiatives Harry Kennedy admitted they had disbursed \$38,000 in “equity raises” to six highranking employees after ending up with extra money left over in their budgets; some of those employees then received regularly scheduled raises several days later.

For one thing, the board needs to approve raises over 3 percent for that class of employee. Board member Beatriz Le-Bron said she was “completely outraged” at the unapproved raises.

“I have bilingual students at Edison Tech who do not have bilingual books and materials,” she said. “When we have a district with a deficit, and our students have deficits in the classroom, that money should have gone back to the general fund and back to our schools.”

Superintendent Barbara Dean-Williams said Friday that the report contains useful recommendations. The board eventually approved those unauthorized raises retroactively rather than trying to reclaim the money from the employees.

#### **Frantic shuffling**

The consultants said that the frantic shuffling of money “demonstrates a lack of planning” and needlessly occupies a great deal of staff time throughout the year. It also prevents the district from gleaning meaningful historical data for future spending plans and obscures its true fiscal fitness.

For instance, the report revealed that the district on several occasions had to seek short-term loans from the city of Rochester to pay its bills.

The district follows the unusual practice of placing negative allocations in its budget; it assumes that somewhere in the district an employee earning \$150,000 a year will retire and be replaced with one earning \$100,000, so it allocates that money ahead of time with a budget expenditure of - \$50,000.

“Within the decades of our experience in school finance, we have never seen original allocations with negative numbers,” the consultants wrote. “Budget codes ... are not intended to hold funds for future transfers to cover accounts that were not budgeted thoughtfully.”

They also recommended that the district purchase the most updated version of the budgeting software it uses. Several years ago it stopped paying for regular upgrades and instead pays a vendor to program new features on its own and create “workarounds” when the software fails. As a result, it is very difficult to generate reports without asking the IT department for help.

The Timbs report echoes many of the findings of a budget review earlier this year by The Children’s Agenda.

“Department heads have almost complete autonomy in how they move money around,” the author of that report, Eamonn Scanlon, said. “They hold

See RCSD, Page [4A](#)



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Continued from Page 2A

money in a couple of accounts and distribute it as need be; it makes it very hard to hold anyone accountable because there’s no set standard for how much you’ll spend on printing or personnel or whatever.” The Timbs report was initially made last December but not publicly released until last month. It follows a tumultuous budget season this summer, when City Council momentarily balked at passing the district’s \$915 million spending plan.

School board member Beatriz LeBron had encouraged City Council to look more closely, saying she thought the district was spending irresponsibly and heading toward bankruptcy. The Timbs report does not go quite that far but nonetheless points to serious structural deficiencies in the district’s budgeting process.

In April 2017, the state comptroller said the district's payroll process was broken nearly beyond repair, with more problematic transactions than proper ones. There have also been repeated instances of financial mismanagement related to the Facilities Modernization Program managed jointly by the city and district.

The district's financial operation is expected to be a point of emphasis in the forthcoming report by the distinguished educator, Jaime Aquino.

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