

April 29, 2002

I. CALL TO ORDER

Vice Chairperson, Katrina K. Murray, call the Finance and Facilities Committee of the Whole Meeting of the School Committee to order in the conference room at 181 Washington Street at 7:05 p.m., to discuss the FY03 budget, the city's Capital Improvement Plan Calendar and the Technology Action Plan.

II. ROLL CALL

Present were Ms. Cardoso, Ms. Murray, Mayor Gay, Ms. Bauer, Ms. Harris, Ms. Taylor, Alderman White, and Chairman Sullivan.

Mary Jo Rossetti was absent.

Also present were Superintendent of Schools, Dr. Albert F. Argenziano, Ms. Marie B. Ferrari, Assistant Superintendent for Finance and Administration, Mr. Thomas Hedderick, Chief Financial Officer for the city, Mr. Patrick J. McCormick, Chief Information Officer for the city, Mr. Tim Egan, Information Systems and Database Administrator, Mr. Bron Abucewicz, Network Manager, and Mr. Joseph A. Mastrocola, Coordinator of Instructional Technology and approximately seven members of the audience were also present.

III. CITY POLICY REGARDING USING BONDS FOR PURCHASE OF PC'S:

Mr. Thomas Hedderick, Chief Financial Officer for the city, presented the school committee with the following letter. Mr. Hedderick reviewed the letter with the committee.

Dear School Committee Members:

I have been asked to provide the rationale behind the City's policy of not using bonds for the purchase of PC's. First, I will point to Mass. Gen. Laws Ch 44, sec. 2. It states in part "but this section shall not be construed as prohibiting any city, town or district from placing additional restrictions, consistent with this chapter, upon the manner of incurring debt." This permits the city to set policies that match the realities inherent in changing times. Second, Mass. Gen. Laws Ch 44 sec. 7 (28) notes "For the development, design, purchase and installation of computer hardware, other data processing equipment and computer assisted integrated financial management and accounting systems; ten years." The clear intent here was to find mainframes and in today's world network servers and cabling, not thousand dollar PC's.

Currently, the City of Somerville faces an infrastructure crisis of millions of dollars in deferred maintenance on infrastructure and buildings. I need go no further than the Public Safety Building and the Schools themselves. Years of overlooking these needs have created a backlog of facilities requiring costly repair, rehabilitation, or replacement.

Furthermore, current industry standards point to the fact that PC's have a useful life of only three years in order to stay reasonably current with software

III. CITY POLICY REGARDING USING BONDS FOR PURCHASE OF PC'S (cont.)

advances and performance requirements before obsolescence. Obsolescence, rather than depreciation, is more relevant for judging the decline in value of capital investment. Purchasing PC's and bonding for longer than their useful life would serve as a disincentive to replacing these machines. PC purchases in the School Department should be apart of the current operating budget considerations as there are currently budgeted in the City's IT department.

We have also presented our policies to the rating agencies that oversee our issuance of debt. Among these was our policy not to bond for items that have a useful life of less than five years and/or cost less than \$10,000. Due to our policies we achieved an increase in our rating and saved the taxpayers thousands of dollars in debt issuance and service costs on the Edgerly School and other major projects.

The federal government currently has legislation before it that would treat the purchase of PC's as a current expense under IRS rules. Also, bond-rating agencies would not look favorably on a city/town borrowing for period of time longer than the useful life of the item. It could be looked at as a way of deferring current costs, which is not good financial management.

As Treasurer, I have sworn a fiduciary oath to protect the City of Somerville and institute policies that are fair, equitable, and provide accountability. By accessing information from the International City Management Associations (ICMA), which is the leading professional and educational organization for local governments and other local Massachusetts governments as well as our financial advisors at First Southwest, the city developed these capital policies.

*Respectfully submitted,
Thomas G. Hedderick*

Discussion took place among members. Mayor Gay suggested that there be a line item for Technology in the budget beginning next year, have the superintendent come up with a figure, and the city would match these funds. Dr. Argenziano advised that all monies have been spent and the school department is still waiting for \$218,000 from the city.

IV. TECHNOLOGY ACTION PLAN

Mr. Timothy Egan, Information Systems and Database Administrator and Mr. Joseph A. Mastrocola, Coordinator of Instructional Technology conducted a slide presentation of the Somerville Public Schools *Technology Action Plan* created by themselves and Mr. Bron Abucewicz, Network Manager (could not be present this evening).

Lengthy discussion took place among members and Alderman White suggested that the school department have a cost benefit analyses done by an outside agency.

V. CAPITAL IMPROVEMENT PLANNING

Ms. Marie B. Ferrari, Assistant Superintendent for Finance and Administration, handed out a Capital Improvements List (Revised) April-May 2002 for school committee members to read and complete and have ready for the Finance and Facilities Committee of the Whole meeting on Monday, May 6, 2002 for fiscal years 2003, 2004, 2005, 2006 and 2007.

V. ADJOURNMENT

The meeting was adjourned at 8:45 p.m., by voice vote.

Dr. Albert F. Argenziano
Secretary