

# **Red Clay Community Financial Review Committee**

## **Monday, March 3, 2008**

### **Our Meeting Minutes:**

The Community Financial Review Committee met on Monday, March 3, 2008 at 6:30 P.M. in the Skyline Middle School library.

### **Members in Attendance:**

Paul Lloyd – Committee Chair  
Jane Rattenni – Chair of the Organizational Subcommittee  
Michael Bank – Red Clay Education Association Representative  
Jill Floore – Red Clay Finance Director  
James Buckley – Red Clay School Board Member  
Emily Falcon – Delaware Office of Management and Budget

### **Members Absent:**

John Allison, Recording Secretary  
Gary Linarducci, Red Clay Board of Education

### **Public Attendance:**

There were seven community members in attendance, including Red Clay School Board President Irwin Becnel and his wife, Mary Lou.

The purpose of the meeting was to review the February 2008 monthly financial reports.

### **I. Introduction and Opening Comments:**

The meeting was called to order at 6:40 P.M. Chairperson Paul Lloyd called the meeting to order and stated that beginning this evening the meeting format would become more formal with community questions, comments and discussion at the end of the meeting rather than interjected throughout the meeting. Mr. Lloyd outlined the meeting agenda and introduced Committee members to the community.

### **II. Meeting Minutes Approval:**

Committee Member Jill Floore suggested that under Section VI, Public Comment, of the February 4, 2008 minutes, the wording should be changed to “FY 2008 Budget Reductions, Preliminary Estimate vs. Actual” and “Percentage Increase in Referendum Tax Rates.” She also felt that the minutes should state that those items were discussed, not just questioned. The minutes were approved with the requested corrections.

### **III. Bylaws:**

Committee Member Michael Bank commented that the language should be kept consistent throughout the bylaws document. Committee Member Jack Buckley had a question about Section 3, Term. Since the Committee started mid-season, does the term of office run for the school year or calendar year? Committee Member Jane Rattenni stated that we are operating under the fiscal year dates, so terms would run from July 1 to June 30. There was considerable discussion regarding the two-year terms of officers of the Committee and the staggered terms of office for school board members.

Jill Floore asked for clarification of where the bylaws and book of minutes should be kept. John Allison, Recording Secretary, will keep the official documents, but copies of the bylaws and minutes will also be kept in the Business Office.

Michael Bank questioned if wording should be added to Article III regarding the historical aspects of district finances, as discussed at last month's meeting. Jack Buckley said that "comparison of budget" might be more appropriate wording, but he didn't feel it needed to be shown in the bylaws.

Paul Lloyd noted that the Report Subcommittee language had been pulled out of the bylaws. Jane Rattenni stated that she thought this subcommittee was created to establish the CFRC and that there was no reason to keep it active as long as things are being recorded, but it could still go forward if needed.

Michael Bank referred to Article IV, Membership, Section 1, and suggested that when referring to "representative" and "members," plurals should be used consistently so the bylaws won't have to be changed if the committee membership is expanded in the future.

Jane Rattenni stated that under Article VI, Committees, Section 3, the word "President" should be replaced with "Chair."

Michael Bank questioned whether there should be some language added under Article IV, Membership, stating when terms begin and if there should be some overlap of terms to provide a smooth transition. It was decided to stay with fiscal-year terms for consistency.

Jane Rattenni referred to Article V, Officers, Section 4, and noted that voting for the new slate of officers should be held in June, not May, and that the transfer of responsibilities should take place at the August meeting. She will change the wording under Section 3, Term, to make it clearer.

The bylaws will circulate again with suggested changes before a vote is taken on them.

#### **IV. Old Business:**

The Report Subcommittee did not meet but will attempt to schedule another meeting prior to next month's meeting.

#### **V. New Business:**

Jill Floore reviewed the Preliminary February 2008 Monthly Financial Report and other handouts provided. Copies of all reports and handouts were distributed to community members in attendance. Whether the monthly report is preliminary or final depends on how early in the month the Committee meetings are held and whether or not there has been sufficient time for everything to close out.

Jill reported that 95.61% of local revenues and 97.84% of tax receipts have been received. The State's share of revenues will be at 100% by the end of the year. We are 66.7% through the budget year. Individual IBU expenditures were presented and discussed. Paul Lloyd questioned the consolidation of revenues. On her next report, Jill will break out interest income and Choice income separately. It appears that we are running a deficit in Division 32 tuition program revenues, but we are not. Division 32 houses tuition-based programs which have multiple funding sources. Jill would like to revisit this next month and focus on the tuition breakout. With minor exceptions, expenditures are tracking in line with the budget.

There was discussion on the comparisons between this year's and last year's IBU 97, District Wide Services, and IBUs 96 and 28 state and local salaries. Jill noted the exceptions and discussed them with the Committee.

Paul Lloyd asked if expenditures in the "Unbudgeted" categories in Divisions 54 and 58 get recoded. Jill feels that they shouldn't be recoded as yet because this helps to identify the problems so these expenditures can be put in the proper places in the future.

Jill stated that we are encumbering as much as we possibly can so there will be no surprises in fixed costs in June. There are no open POs, with the exception of utilities and vehicle parts.

The monthly financial reports were voted on and approved as submitted.

#### **VI. Budget Review Policy:**

Paul Lloyd introduced a "Potential Budget Review Policy," which would track FY Month, Ideal Budget Targets, and Percent Expended & Encumbered and indicate when an IBU is over budget and needs to be flagged for closer scrutiny. It was recommended that the chart should only show percent expended, not encumbered. Review points would be:

- At 20% – Committee flags item for closer scrutiny.
- At 40% – Finance Director would provide explanation for overrun.
- At 60% – Finance Director would provide a detailed list of expenditures related to the overrun.  
Finance Director would provide an explanation of corrective measures to be undertaken.
- At 100% (except June) – Committee conducts a Post Mortem (to understand what happened and how to prevent it from occurring again in the future).

This policy will be discussed further in the coming months. It was suggested that review should begin in November or December, or done on a quarterly basis.

#### **VII. Public Comment and Discussion:**

In follow-up to the IBU 28 state vs. local salary discussion, Irwin Becnel commented on what he thinks happened last year. He believes Division III dollars were incorrectly put in as state dollars and that beginning in FY'06 and definitely in FY'07, the budget was set up in a way that it didn't indicate that we needed to cut back on spending down the surplus. The \$37 million budget for local salaries was very misleading. In addition, \$2.8 million in Substitute costs were left out of the budget and there were \$5 million in unbudgeted IBU 97 expenses.

Jack Buckley asked if we would have a Financial Position Report next month, and Jill Floore replied that we would.

Yvonne Johnson is worried about how little is being spent in 247 money this year, 34.2% vs. 72.8% last year. Jill Floore stated that every dollar of 247 money is budgeted this year, and Jill will have those numbers for Yvonne at next month's meeting.

Jack Wells asked where in the approved budget the loan revenue is shown in the IBU budget total. Jill reported that the loan repayment is shown under IBU 97. There were discussions on revenues, and Jill reported the loan revenue was received in FY'07 and expended for tuition payments. It was paid back 90 days later in FY'08.

Jack Wells referred to the Community Financial Review Committee bylaws, under Purpose of Committee, and recommended that the wording should remain as approved by the Board and told to the public. He stated that Board action would be required to change the wording.

Jack Wells referred to the February 4, 2008 minutes that were approved with changes. In the paragraph beginning with "During this discussion," he believes Charles Cavanaugh also said we had line item accounting. He would like that inserted into the minutes. Paul Lloyd will check with Charles Cavanaugh to see if he recalls that statement and will include it in the minutes if verified.

Jack Wells referred to the school board members being required to obtain financial management training. It is his opinion that the current budget and expenditures should show who is spending money, not how it is being spent.

Tim Reis asked if some of the positive cost reductions could be posted on the website. Jill Floore said she would bring a list of the budget rules to the next meeting.

Irwin Becnel commented on the chart on trigger points not including encumbrances. He believes that if we have required payments coming up, they should be taken into account.

Michael Bank would like to see the referendum money tracked on a regular basis. Jill indicated that the FY'09 budget will break out the initiatives separately to track how the money is being used.

Jack Buckley asked when we would see the new tax rates and budget. Jill replied that the tax rates have to be certified in July, so it would be prior to then, in the May/June timeframe, but didn't have an exact date.

**VIII. Next Meeting:**

Monday, March 31, 2008, 6:30-8:30 P.M. in the Skyline Middle School library.

**IX. Adjournment:**

The meeting adjourned at 9:20 P.M.

Respectfully submitted,

Dorothy M. Beeson  
Administrative Secretary  
Red Clay Consolidated School District