

Red Clay Community Financial Review Committee

Monday, March 31, 2008

Our Meeting Minutes:

The Community Financial Review Committee met on Monday, March 31, 2008, at 6:30 P.M. in the Skyline Middle School library.

Members in Attendance:

Paul Lloyd – Committee Chair
John Allison – Recording Secretary
Jane Rattenni – Chair of the Organizational Subcommittee
Michael Bank – Red Clay Education Association Representative
Jill Floore – Red Clay Finance Director
Jack Buckley – Red Clay School Board Member
Gary Linarducci – Red Clay School Board Member

Members Absent:

None

Public Attendance:

There were four members of the community in attendance.

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

I. Introduction and Opening Comments:

The meeting was called to order at 6:40 P.M. Committee Chair Paul Lloyd outlined the meeting agenda, and handouts were distributed to everyone in attendance.

II. Meeting Minutes Approval:

Committee member Michael Bank noted that his last name on page 4 should not have an “s” on the end. Also, under Section III, Bylaws, the word “verbiage” should be replaced with the word “language.” The March 3, 2008 meeting minutes were approved with the noted corrections.

III. Old Business:

Paul Lloyd indicated that the Bylaws will be discussed next month. He then suggested that the Report Subcommittee lock in a date for their next meeting, and it was scheduled for Thursday, April 10, 2008, at 5:10 p.m. in the first floor conference room of the Linden Park building.

IV. New Business:

Finance Director Jill Floore distributed a “Glossary of Terms” that she hopes will help to make the financial reports easier to understand when they are posted on the web. It was suggested that the Glossary of Terms shown in the FY 2008 Preliminary Budget report should also be incorporated into this list, as it describes additional terms, such as “Tuition Tax,” “IBU,” and “MBU.” Paul Lloyd suggested that a “Frequently Asked Questions” section should also be posted on the website.

Committee Member Jack Buckley asked how the revenue figure could have dropped from \$154.8 million in the Board approved budget to \$153.7 million shown in the March 2008 Expenditure Report. Finance Director Jill Floore explained that the difference is in the tuition programs. Last month there was a request to break out the revenues and show more detail, so Jill has done that on the Division 32 report. There is an asterisk beside “Total Revenue,” which references the figures for Unique

Alternative (\$415,030), LEP (\$394,936) and First State School (\$314,500). Added together these tuition-based programs make up the \$1.1 million difference. Jill presented a spreadsheet on those programs and explained the multiple funding sources – Local, State and Federal. The reason the revenues didn't match is because she was showing them separately on a breakout that included tuition charges. The Board approved the LEPs separately under Federal programs, under State programs, and under Tuition programs, so they were approved in three different pots. Jill indicated that when the FY'09 budget is presented, this will still be shown in Division 32 because that's where the revenue comes into. There will always be a slight disconnect. Paul Lloyd stated that this report would be a good topic for the Report Subcommittee to discuss.

Paul Lloyd asked Jill where she gets the information to compile her reports, and she stated that the data are pulled from a Data Service Center FY 2008 IBU Expenditure Summary report, which is the same report used by every district that uses DSC. That report is populated from DFMS (Delaware Financial Management System) by budget year. Jill explained that we have multiple appropriations that do not expire on June 30th, so funds from a prior fiscal year can be spent in FY 2008. However, if the expenditures are against a prior fiscal year's appropriation, they are not included in this report. Major Cap is an example of this, as it is a multi-year project and those appropriations go back to FY 2004. We are now at 96.21% of local revenue.

"Tuition Payments to Other Agencies" was questioned. Jill reported that those payments are to other districts or to the Consortium. This year the fiscal agent for the Consortium is New Castle County VoTech, but last year Red Clay was the Consortium fiscal agent. As a result, all of the expenses for the Consortium showed up under Red Clay, which was inaccurate because they weren't our expenses, we were just the fiscal agent for them. For Unique Alternatives, there is typically a 70/30 split with the State paying 70% and Red Clay paying 30%. For the Consortium, it is a tuition based program for our students who are expelled and referred to Kingswood or Parkway Academy. Jack Buckley stated that the ultimate goal of listing the tuition programs separately is to show that those programs are self-sufficient.

Paul Lloyd asked if indirect costs are charged to other districts. Jill stated that we do not charge anyone for indirect costs. We bill the other districts based on expenses per pupil. Indirect is the operating cost overhead; it is what we charge to any federal program. There are no district administrative costs charged to tuition.

Jill summarized the Expenditure Report, Division 32 Other Tuition Programs, by stating that \$17 million was budgeted for revenue. \$16.5 million was directly from the tuition tax, and \$500,000 was what we billed to other districts for sending their students to Meadowood, First State School and the like. We actually billed \$637,000, so we came in higher. We currently have \$15.8 million or 95% of projected revenue for those programs.

Jill announced that Dover is in the middle of the ERP (Enterprise Resource Production) project, which is a PeopleSoft-based software system, and the DFMS financial system will be replaced by July 2009. Appropriation and IBU numbers will change, report formats will probably change, and object codes will be renamed "commodity codes."

Paul Lloyd asked if we have more students coming in from other districts than we send out. Jill said that is not the case. Tuition is for special needs students, such as the deaf and the autistic. Over 90% of the children in our tuition programs are Red Clay students. Michael Bank stated that there is not one student at Richardson Park Learning Center or Central School from out of district. Jill stated that the

largest percentage of out-of-district students is the First State School, which is in the hospital, as it has children from all over the State. Paul asked if the other districts cover the cost 100% or if we pick up the costs involved. Jill replied that with tuition we bill directly for the expenses and we catch up the next year after the estimated expenses for the balance of the year are trued-up to the correct amounts. Jill explained that Choice works differently. We get the sending district's local per student cost, so if the sending district has a higher local per pupil, we only get the Red Clay amount, and the difference goes to the State, who divides it up and distributes it to all the districts.

There was no change in the Minor Capital Improvement report. Facilities and Maintenance are at 90%, but they've done the majority of their work at the beginning of the year, and they have now switched to Minor Cap work.

Jack Buckley asked if "Income from Fees" on the Division 32 report is for facilities use, and Jill confirmed that it is. \$160,000 was budgeted for the year, and we are now at \$134,706 expended. Jack asked if that money is then allocated in any way or if it goes into Division 32. Jill stated that when a custodian is needed to open a building, that money is used to pay the custodian's salary. The rest of that revenue could possibly be used for energy. Brian Moore, our Facilities Manager, and Jill will address this in late May and do an encumbrance for energy use out of the appropriation. Jack Buckley stated that fees were changed about 1-1/2 years ago. He asked if those fees are covering expenses. Jill indicated that we are covering the costs of overtime. We receive deposit receipts for facility rentals, which are \$135,236.50 taken in (as of March 31 preliminary report), and we've spent \$59,120. That is strictly custodial costs without any energy. It was suggested that we revisit this again in June to see how it's working out.

Michael Bank stated that in February, IBU 33 (Central School), Friend of the Family was separated out from the Central School budget. In the March report it is combined. Jill stated that it is because their contract was terminated earlier this year. Jill will break this out separately if that's preferred. Paul Lloyd asked who is replacing Friend of the Family. Jill stated that we hired positions in-house rather than having a contract. Paul Lloyd questioned why the contract prices for Community and Central Schools were much higher than the Board approved budgets and why they were closed out at six months and paid half of the contracted price, not half of the budgeted price. Jill answered that for Central School, the original budget was \$531,000 in the Preliminary Budget, but when the final budget was done, it was cut down to \$281,000. Since we didn't have enough money to pay for the entire contract, the contractor term ended mid-year. This \$281,000 got us through January, just over half of the school year. Because we had to have something left to pay the long-term subs, Friend of the Family didn't get the entire amount. The Board approved budget was a financial target number in order to make our budget. In order to end the year with a balance, we had to cut some things. Michael Bank suggested that an asterisk should be included next to the figure with a comment to indicate that the Friend of the Family contract was included.

Jill referred back to the Division 32 report. Some of the revenues are over, but the overall target is only at 87% because State Division I money hasn't been put in yet for the rest of the year. Jill reported that the contract for A Friend of the Family at Community School was cancelled March 31, but because it was not a convenient date when we ran out of money, the school has a \$38,000 deficit which will be covered out of Mary Norris' and Merv Daugherty's budgets. Indirect is Federal money that we charge twice a year, so being at about half is on target. Jack Buckley asked why the Division I revenue did not increase, and Jill replied that the State just hasn't loaded it yet. Federal works differently. You don't get an appropriation of money. You have a budget, and when you put in your expenses, the money is

moved in on a daily basis for approved expenditures. Jack Buckley also asked why our Transportation actual revenue dropped from February to March, and Jill explained that we received a letter from the Department of Education saying some of our expenses (approximately \$150,000) were not eligible reimbursable transportation expenses, so that money was reduced. Jill stated that this difference would be made up through a fuel adjustment and an OEC adjustment.

For IBU 38, Utilities, we have encumbered worst-case scenario for the rest of the year. There is a \$500,000 contingency built in, but the overage is really \$113,000. That overage is not an expense, it's only an encumbrance, so it can be reduced depending upon actual experience.

Committee member John Allison asked why summer school expenditures are already at 78% when we are not even into summer school yet. Jill said that is for last year's summer school expenditures which were incurred in July.

Jill reported that all the Federals are low. With IBU 21, Special Services, we have made a concerted effort this year to spend Federal money first, and that's IDEA B money. Local money is used last to maximize interest earnings. The Federals close in October, but we have until December 31 of the fiscal year to use the money. The budget year for Federals can always be tracked by the ending number on the appropriation (i.e., 1117 is FY'07, 1118 is FY'08).

The Division 54 expenditure report was questioned regarding an error in month. Jill stated she would send out corrected versions.

John Allison asked how much the district is required to carry over. Jill said it varies depending on how much you get from tax relief and equalization money. Ballpark figure is \$4-5 million to get you through payroll.

There was discussion at the last Board meeting regarding a possible surplus down the road and what to do with it. Jill said we only have an estimated balance of \$400,000, not a surplus, and it will be many years before we see a surplus. The carry forward balance is also not a surplus but is the money the district must have on hand at the beginning of the year in order to make payroll.

A motion was made to accept and approve the monthly financial reports as presented, but Jill pointed out that reports for Divisions 54 and 58 had to be sent out again after corrections were made. The other reports were approved and accepted.

V. Public Comment and Discussion:

Jack Buckley would like to get an idea of what everyone wants to see in object code reporting, particularly because there is a Subcommittee meeting coming up, and there was considerable discussion around what the report should look like. Based on the feedback, Jill will talk with the Data Service Center and work with them to develop some sample formats. Committee member Jane Rattenni expressed concern about becoming more comfortable with the current reports before changing the format.

At last month's meeting, there was a request for a Financial Position Report. Jill provided one with an estimated closing balance of \$409,776.

Tim Reis referred to the March 3, 2008 meeting minutes, page 4, paragraph 2, where Paul Lloyd was going to contact Charles Cavanaugh regarding his statement on line item accounting. Mr. Lloyd emailed Mr. Cavanaugh but didn't get a response. Mr. Reis also asked Jill about the information she sent out to the schools regarding suggestions on cost cutting. Jill will email those budget rules to Mr. Reis.

Jack Wells asked that the community consider reporting multiple year grants in the IBU reports. He also recommended that continuing appropriation revenue and expenditures be shown in the budget and monthly financial reports. He estimated that over \$5 million dollars in revenue available from these appropriations are not being documented on the district's reports to the community, Community Financial Review Committee, and to the School Board.

Jack Wells asked for clarification on IBU 21, Special Services.

Jack Wells noted that he is still concerned with the low percentages expended in some of the IBUs. Michael Bank stated that the effect on the students has been quite minimal and that teachers are seeing the impact of spending limits more than the students see it.

Tim Reis asked if there could be local money that has not been spent for Special Services by June 30 and who would make the decision to encumber those funds or carry them over to FY'09. Jill reminded everyone that these encumbrances are only estimates. If there is money left over at the end of the year, the money will be unencumbered to free it up. The budget has planned for worst-case scenarios.

John Allison stated that the last giveback was over \$900,000. If it happens again, have we planned for it? Jill stated that it is not budgeted for, but we've had to plan for this possibility.

Jane Rattenni stated that if we look at the bottom line, we are pretty much in line with where we should be at 63% encumbrances.

Doug Suiter asked if we try to use up a budget if we see that State and Federal funds haven't been spent. Jill said "yes," because it's a "use it or lose it" situation. There is currently no incentive for schools to carry over their money. Michael Bank stated that he reports at monthly teachers union meetings that they should look at what's left in their budgets and talk with their Principals to see what's planned for the rest of the year. Jill has met with Transportation, Technology and Facilities to begin planning for FY'09. Special Services doesn't end when school ends, so that number will fluctuate.

VI. Next Meeting:

Monday, May 5, 2008, 6:30-8:30 P.M. with the location to be determined.

VII. Adjournment:

The meeting adjourned at 9:05 P.M.

Respectfully submitted,

D. M. Beeson

Dorothy M. Beeson
Administrative Secretary
Red Clay Consolidated School District