

# Red Clay Community Financial Review Committee

## Monday, May 5, 2008

### **Our Meeting Minutes:**

The Community Financial Review Committee met on Monday, May 5, 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 was one member of the community in attendance.

The purpose of this meeting was to review the April 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. Mr. Lloyd introduced Taylor Green, who has agreed to record the meeting minutes beginning with the June meeting.

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

A motion was made and seconded to accept the March 31, 2008 minutes as written.

### **III. Old Business:**

#### Bylaws

Committee member Jane Rattenni reviewed a draft of the Bylaws.

- Under Article II – Organization Year, she removed “The administrative and fiscal year shall commence on July 1 and shall end on June 30” and replaced it with “The organization year shall commence on September 1 and shall end on August 31.”
- Under Article III – Purpose, Jane listed four main points.
- Under Article IV – Membership, a new Section entitled “Terms” was added. Each member appointed by the Board and the RCEA member will serve a 3-year term with a limit of two three-year terms. The remaining two community representatives will serve a two-year term and be eligible for a second three-year term.

Committee member Jack Buckley suggested that instead of the word “second” in Article IV, the word “successive” should be used. Committee member Gary Linarducci pointed out that there are two Sections 4, and Jane will correct the numbering. Jack Buckley asked if there should be an attachment to the Bylaws that shows member names and the expiration date of their term. Jane agreed that she would prepare an attachment listing the members and their terms as voted upon at the second committee meeting.

At this point in the meeting, Tim Reis, a member of the community, arrived. Since Mr. Reis tape recorded the last Community Financial Review Committee meeting and put that recording on a website without notifying the committee in advance, there was some discussion around the purpose of his actions. Mr. Reis stated that it was a means to provide a rebroadcast, without editorials, to those people in the community who are unable to attend the meetings. The committee requested that Mr. Reis extend the courtesy of notifying them at the beginning of each meeting if he is going to record it.

The committee then returned to discussion of the Bylaws.

The position formerly held by Mr. Shopa should be shown as a vacant position, and the person who fills that term will only fill what remains of Mr. Shopa's term. Jack Buckley stated that with the current membership, a 2/3 quorum would consist of four committee members, which would change as membership changes. Gary Linarducci asked if we are going to get more members. Finance Director Jill Floore stated that she will be making a recommendation to the Board this month, and the person she would recommend would be an at-large committee member. Michael Bank would like to see another Red Clay employee on the Board, beginning with the start of the next school year. Jack Buckley feels that other roles should be filled by August 30<sup>th</sup>. Committee member Gary Linarducci stated that this committee should recommend to the Board how many members the committee should have and where they should come from. It was also agreed that community members should be people who reside within the Red Clay School District. Jill Floore would welcome recommendations. Jack Buckley asked if it should be listed under "Eligibility" that members should reside within Red Clay, and Jane said that she would change that wording to reflect this requirement. Michael Bank suggested that the wording should include "all committee members must reside in 'or work in' the district." He also stated that RCEA only represents professional staff, not administrators and other groups, and that perhaps where the Bylaws say "RCEA representatives," they should say "Red Clay employee representatives" instead. Mr. Buckley stated that if another Red Clay employee shows interest, the Bylaws could be revised.

- Under Article V – Officers, Section 2, the verbiage was changed to reflect "Chair" and "Vice Chair" instead of "President and Vice President." In the paragraph pertaining to "Secretary," Jane removed the language referring to legal designations and keeping physical books, etc. In Section 4 – Vote, the transfer of responsibilities was changed to August instead of June.
- Under Article VI – Committees, it was suggested that "submit annual reports" should be changed to "submit reports as necessary."

Committee member John Allison had questions about the reports available for verifying financial information and transparency for the community. Jill Floore stated that she gets Division of Accounting reports from the mainframe file but would like to get to the point where that information is available in a Data Service Center (DSC) report. John asked that the report be scanned and emailed to allow full transparency to the community. Jill said there are multiple reports available and that the most useful report is the Object Code by Appropriation report, which details where the money is spent within the money received. Jill cautioned that the Object of Expenditure report is not a verification, and the two reports can't be compared. Paul Lloyd said there is a Glossary of Terms and a list of IBU's on the website and that perhaps at the next meeting we could have some sample reports available for the subcommittee to discuss. John Allison stated that the district isn't against transparency, it's just a struggle to get there, but we're headed in the right direction.

Paul Lloyd asked if the committee wanted to vote on the Bylaws this evening with the suggested changes. A motion was made and seconded to accept the Bylaws with noted corrections. Jane will revise the document, and it will be presented to the Board of Education at the May 21, 2008 meeting.

#### Subcommittee Report

Paul Lloyd has received some feedback on the monthly financial reports. Some people want to see more detail in reporting, while others complain that the reports are too complicated and difficult to understand. The subcommittee is trying to create a user-friendly report and has looked at reports from other districts to get ideas to incorporate into Red Clay's reports. They would like to get more feedback from the community and are still brainstorming this issue.

The subcommittee would also like to create a calendar of happenings in the district that need their attention. Jack Buckley suggested that the calendar should show which months certain things are going to be discussed. Regarding budget issues, Jill Floore stated that this year is unique and the district won't be presenting a preliminary budget until after June 30 when state financial information is finalized. Paul Lloyd stated that he just wants to get a discussion going on what the committee should be looking at and when. He expressed concern that we only have two hours a month to do this job and it doesn't seem like enough time.

Paul Lloyd stated that the subcommittee needs to schedule another meeting date, and that will be done by email after everyone checks their availability.

#### **IV. New Business:**

Finance Director Jill Floore stated that there was substantial change in revenues because the State loaded the rest of the Division I money. We are now at 98.89 % of estimated revenue. The biggest difference in categories is with Choice income, which isn't in yet. Bills have gone out, and the money should be received soon. The same is true of tuition. Paul Lloyd asked if both tuition and Choice would be paid by the end of the fiscal year, and Jill said she believed it would. We are also still due a small portion of Senior Tax Rebate from the State.

Jack Buckley asked if the approved budget has changed for Local Revenue Funds (now \$154,839,897). Jill stated that "Income from Fees" now has its own line and that this report is correct to the budget. We are at about half of our Indirect Costs, which is what we charge to the Federal grant. It is typically charged quarterly or twice a year, and the next \$391,000 will be charged in June. A "Tuition Receivables" category was added to this report, and it was extracted from Local Revenue. Jill stated that someone asked that if we had been tracking right on target in April 2007, how would we have known there was a problem with the budget? She stated that on the revenue side last year, there was a fundamental structural problem in the budget on State salaries. For IBU 28, Division I Salaries, Title 14, the Board-approved budget was \$85 million, but we only received \$74 million in revenue. There was State revenue that was double counted, and that was an error. That's why the revenue side is so important and just doing the expenditure report is not enough. The 2008 preliminary report shows that we received slightly more than \$74 million in State Division I money. This means that we are tracking a real number, so when you go to IBU 28 and we're tracking against the \$74 million, being at 80% of budget is right on track. This also shows why we were at 68% at this time last year and only 60% this year. Because of the structural problem with the budget last year, where that money should have been coded as local money because it was State discretionary money, it ended up being counted twice.

The circumstances are all the same for IBU 23 (Adult Education), IBU 45 (Summer School), and IBU 73 (State Minigrants). Tuition is charged for the Adult Continuing Community Education Program (ACCEP), and \$128,524 has been collected, so it is not in the negative. "Income from Fees" is money from facilities use and ticket receipts. The same is true for Summer School, IBU 45, \$125,000 in expenditures. DSTP is mandatory summer school that we pay for with Extra Time, and they also have a tuition-based program which is self-sustaining. We collected \$118,125 last summer for summer school. There are also State Minigrants that can't be predicted. When we get a grant from the State, we spend it out of this line. These are additional revenues received throughout the fiscal year.

Maintenance is at 99.3% expended and encumbered. Maintenance has switched over to doing 100% Minor Cap work now, and that has very specific guidelines and a State match.

Utilities is hanging in there because of the encumbrances. An analysis of utilities has been prepared, and Jill will send that out to committee members.

Paul Lloyd stated that IBU 39 – CSCRP (Children's Services Cost Recovery Project) is a situation similar to State Minigrants in that it is showing a profit on the revenue side. He asked how that works. Jill stated that this one doesn't have a Board-approved budget. CSCRP money is what we get for Medicaid-eligible services that we provide. Billing is based on the services that are Medicaid eligible. That money is budgeted as local revenue, and it is discretionary. The service has already been provided.

Going back to Division 32, a line was added for "Previous Budget Year Expenditures." Those are all expenditures that happened in this fiscal year that are charged to prior budget year appropriations. For instance, Major Cap appropriations go all the way back to fiscal year 2004, the year the funds were authorized. If we have an appropriation for fiscal year 2008 and we encumber funds in June and don't get the invoice until July, it is not paid until the next fiscal year, but it goes to that prior budget year.

Regarding Federals, the current year percentages are low because we are still spending last year's money, which happens every year. One program is high at 65%, and that's because we are spending Federal money first. The majority of this is IDEA B money. We get money through the consolidated grants that we must pass through private schools. We don't know all of the parameters yet around funding next year for Federals.

Regarding Tuition, both pages can't match the Board-approved budget because of the way they're set up. ELL takes the Board-approved budget and subtracts out the State's funding source of \$847,864 in IBU 20. That revenue can't be counted twice. Jill asked if this is the way committee members want to see it shown, and the answer was "yes." The tuition-based program page adds revenues all together. The other page only shows the State.

Under Revenues, Actual, the Board-approved budget contemplated billing \$500,000. When we tallied all of our bills, they came to \$637,000, so we are billing more than we estimated. Bills have gone out and have been certified by DOE, but the money hasn't been received yet.

For IBU's 54 and 58, there is nothing of note for 54, except for Extra Time where there isn't a Board-approved budget. Hugh Broomall takes his salaries in Extra Time and breaks them out. He doesn't get an appropriation of Extra Time money. This should really be counted in IBU 96 in the next budget.

Committee member Michael Bank referred to IBU 28, Division I Salaries, and asked why the percentage is so different from area to area. Jill replied that Division I money is in and out. Whatever the percentage is, the State has to cover it. IBU 96 (Local) is what we should look at.

Jane Rattenni asked Jill if the district has to budget for severances. Jill said that we do budget local funds. Jill would need to review the union contract, but she doesn't believe there is a severance component. Jane asked if the Division I salaries are a concern with the pending cuts from the State, and Jill said they are not a concern.

Michael Bank stated that Central is still at 120%, and Jill reminded him that there is a surplus in A Friend of the Family. It is really at 102-103%.

Jill stated that IBU 97 – Unbudgeted is like CSCRP in that there is no budget for it. We have a \$100,000 contingency and nearly \$1.3 million left in local salaries to cover expenditures. Items spent in Unbudgeted likely have a funding source in Division 32, so we are trying to align both budgets or see places where they aren't aligned.

Jill noted that Division 32 is covering maintenance for the entire district instead of the cost being divided.

Paul Lloyd asked why the IBU 77 budget figures for Divisions 54 and 58 were the same numbers (\$901,296) for Transportation. Jill explained that it is an educated guess. Meadowood is on track. The majority of these runs are done by Red Clay drivers as opposed to contracted services, and Paras have to ride on some of those buses.

Jill furnished a breakout of IBU 97. She also supplied the March 31, 2008 Financial Position Report in two different formats. The data on these reports are being populated by DOE with DFMS data, and Jill projects how much local revenue we anticipate. Choice and Indirect are the two main pots of money that we still anticipate. Total projected income consists of unencumbered balance, encumbered balance, and additional income. Salary projections are calculated based on real data. For non-salary projections, Jill assumes that everyone will spend 100% of their budgets for the purpose of the report. The balance is the worst case because anyone who comes in under budget would add to that. This report indicates that based on where we are with payroll and based on everyone being at 100% of budget, we will have a \$786,000 balance to carry forward. Jack Buckley asked about those who are already over budget. Jill believes this will average out with those budgets that are under spent. Jack Buckley asked how we went from \$400,000 to this new figure. Jill replied that it has to do with salaries. There is currently no incentive for schools not to spend their budgets. Everyone was recently permitted to go to 95% of budget. We have been carefully looking at long-term substitutes, and we're maximizing State dollars as best we can. Every budget projection is based on worst-case scenarios, and Jill indicated that this number may go up. This report has been sent to DOE, and it will go to the Board of Education in May. We know that we won't make it until October without a float from the State, but we are in much better shape ending this year than we were last year.

John Allison expressed concern that the community may not understand why we have to get a float from the State when we have a balance. They don't understand that we don't get the referendum money until next year. It was indicated months ago that we would need this float, so this isn't a surprise. Michael Bank stated that it might be good for the public to have a comparison report showing

last year when we were over \$4 million in the hole versus this year's balance. We are still under financial recovery with the State for at least another year, but they continue to monitor. We are still paying Frank Rishel on a quarterly basis to monitor the district's staffing. To date, we have paid him \$114,828.

Jack Buckley stated that we will need \$2 million and asked if our float changes. Jill stated that it does because it's a moving target. Seventy-five percent is front-loaded July 1<sup>st</sup>, and we have no indication that this will change. In July a cash flow report stating how much we anticipate will be needed will be sent to Valerie Woodruff, but it's a lot less this year than last. We do not foresee holding any vendor payments this year.

There were no other questions relating to the April 2008 financial reports. A motion was made and seconded to approve all financial reports that Jill Floore had submitted.

Jill stated that Bob Andrzejewski sent out two messages regarding the State's budget reduction plan. The State budget is built based on a DEFAC (Delaware Economic & Financial Advisory Council) number. DEFAC consists of a group of financial experts inside and outside government, and they meet in December and March. We went forward with our referendum in good faith and requested funding for full-day Kindergarten. There are two components to full day Kindergarten – State money and local money. We went forward with the belief that the State would fund it since it was a Governor's priority and a legislative mandate. March DEFAC was when the State's revenue predictions drastically fell. The State was originally asking public education for \$80 million in cuts. The first exercise we went through was what 10% would mean to Red Clay, which is a layoff of 100-150 people. The State then changed the public education target to \$30 million. We won't know what that means until June 30. There is a staffing meeting scheduled for May 14, but it won't mean massive cuts for Red Clay.

John Allison asked if it's correct that we will get our State funding for full-day Kindergarten. Jill said they haven't said no, and they haven't said yes. Bob's message to the community is that we are going to plan for it – we are not giving up. John Allison asked when the community would know and said he felt that Bob's message might give the public false hope. He stated that the district can't use the referendum money for something else. Jack Buckley said the Board of Education is making sure that the referendum money is spent exactly the way it was intended.

Michael Bank stated that because of the local problems, teachers, building staffs and supplies were cut to a bare minimum this year. He wants to see full-day Kindergarten implemented, but not at the sacrifice of existing programs. Jill stated that everything included in the referendum will be there, but we can't promise what the State will do. They could cut programs at the schools and at the same time fund full-day Kindergarten. Michael expressed an additional concern that people are worried about staffing and being kept in limbo by the State until June 30.

Due to the length of this meeting, Paul Lloyd announced that the committee would revisit the Proposed Budget Review Policy next month.

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

Tim Reis was the only community member in attendance. He stated that one of the metrics he will continue to look at is the fiscal year 2008 budget reduction of \$10.1 million and whether or not the district is doing what they said they'd be doing. Jill stated that this Financial Position report shows that we met our reduction plan target.

Mr. Reis asked if the Linden Park lease includes extra costs associated with the building, and Jill said “yes.” The budget reduction was contemplated for July 1<sup>st</sup>, so the final budget added money after the move of the Business Office was completed September 1<sup>st</sup>. We pay a fee to the management company for extra costs associated with the building lease.

Mr. Reis asked if there are any other budgeted savings that we will realize. Jill stated that savings predicted for substitute teachers will be on target. Since these are estimations, the question will be whether or not we predicted correctly. That \$10.1 million has always been a moving target. Mr. Reis said he can agree with some aspects of that. Jill stated that we are on track and on target for budget. We are living within our plan and within our means.

Jack Buckley said it was very clear from Jill that she wasn’t following that June plan exactly because she couldn’t. Cuts such as after-school programs had to be made.

Gary Linarducci pointed out that an additional unexpected expense was having to pay for Frank Rishel’s services. To date, Frank’s services have cost us \$114,828.

**VI. Next Meeting:**

Monday, June 2, 2008, 6:30-8:30 P.M. in the Skyline Middle School library. Beginning with the new fiscal year, the meeting locations will change to accommodate committee members who have a longer commute. The July meeting will be held at Baltz Elementary School.

**VII. Adjournment:**

The meeting adjourned at 9:25 P.M.

Respectfully submitted,

*D. M. Beeson*

Dorothy M. Beeson  
Administrative Secretary  
Red Clay Consolidated School District