

Red Clay Community Financial Review Committee
Monday, September 8, 2008

Our Meeting Minutes:

The Community Financial Review Committee met on Monday, September 8, 2008 at 6:30 PM in the Baltz Elementary School cafeteria.

Members in Attendance:

Paul Lloyd – Committee Chair
Doug Suiter – Vice Chair, Secretary Protem
Jack Buckley – Red Clay School Board Member
Jill Floore – Red Clay Chief Financial Officer
Larry Miller – Community Member
Ken Woods – Red Clay School Board Member

Presenters:

None

Public Attendance:

There were 2 members of the community in attendance: Leah Davis, Board of Education member and Tim Reis. Mr. Reis recorded the meeting.

I. Introduction and Opening Comments:

Mr. Lloyd informed the Committee that Mr. Bank and Ms. Rattenni would be absent tonight. We welcomed Ken Woods, our new Board of Education Committee Member. Mr. Lloyd reviewed the agenda which centered on the FY 09 preliminary budget. The Committee was to set an Audit Committee meeting date which was postponed due to Ms. Rattenni's absence. Ms. Floore will set it up via email. Mr. Suiter asked that the meeting be set for a day session and possibly be given several dates to choose from.

Mr. Lloyd asked the Committee to take a few minutes to go over the minutes from the August meeting. Mr. Miller moved to accept the minutes and Mr. Suiter seconded. The August 4, 2008 minutes were accepted.

II. Old business

At the last meeting, Mr. Suiter volunteered to talk to Yvonne Johnson regarding PTAs and PTOs to get more exposure of our Committee and feedback from the community. The decision was made by Mr. Suiter and Ms. Johnson to wait until October before meeting with them so as to give the schools a chance to get up and running, and after the Back-to-School parent nights. The Committee asked Mr. Suiter to place the Committee's presentations on the early part of the PTA/PTO agendas so members won't be there throughout the school portions of the meetings. Mr. Suiter will provide a schedule.

Mr. Lloyd spoke with Pati Nash regarding an article to be submitted about the Committee in the Red Clay Record. He asked for volunteers. Mr. Buckley volunteered to write the article. Mr. Suiter asked for the article to be emailed to the Committee members prior to submission for their comments and additions.

III. New Business:

The August 31 Financial Position Report was presented by Ms. Floore. This report is required by DE DOE four times a year and is an estimate on the estimated cash on hand for October. It depicts how a district will do through the receipt of their taxes in late October. The district receives a portion in September with the vast majority coming in late October. This is the district's local revenues for the year. The district does receive late payments throughout the year.

The March 31st report looks at how the district will be through the end of the fiscal year in June. The current report reflects that as of 10/15, and the district estimates it will be close to making all payments and require no float loan from the state. The final number will be known after the September 12 payroll is charged. This report is provided on 8/31 to DOE and goes to the next board meeting for their approval. It was also sent to the Financial Recovery Team.

Mr. Buckley referred to a larger spreadsheet presented to the Board rolled up into this format and asked about the estimates. Ms. Floore discussed the report format and stated the report brings in the projected income and projected expenditures (salary and non-salary) through October as well as actuals at the time the report is prepared. Mr. Lloyd asked what is an example of a non-salary expense? Examples were given of spring sports and their associated transportation costs. Mr. Buckley requested the longer spreadsheet for the Board meeting and asked for a regular district reporting. They agreed the next one would be prepared at the end of November for the December meeting. Then the next financial Position Report would be in February and the district would prepare monthly from that point forward.

Ms. Floore also discussed cash flow and the allocation of budget percentages. She estimates schools will be given a greater percentage of their allocation earlier this year. It would be after the receipt of taxes in October, but rather than parsed out in quarters like last year as cash flow was monitored strictly, they would get up to 80% of the budgets in November so they had the opportunity to spend during the current year.

The next report Ms. Floore presented was FY09 Preliminary Budget and Power Point Presentation. She walked through the presentation referencing the preliminary budget detail. She discussed the format and noted there were few changes in structure as the State is undergoing development of the new ERP financial system. Any time in IBU or MBU is changed, the State has to be notified in order to have the new process identified.

Ms. Floore reviewed FY08 compared to FY07. For FY08, the presentation also includes a breakdown of local funds salaries by category as well as a reconciliation of actual savings versus the savings plan presented to the Board.

Ms. Floore stated there are four separate tax categories, and each is listed and budgeted separately. The operating budget focuses on Current Expense. For expenditures, salaries are the largest by far. The next largest are district wide services, state services, and contingencies. IBU 28 is Division 1 State salaries. Mr. Suiter asked if the same salaries were shown in a tuition program as in Division 32. Ms. Floore answered yes, for those tuition programs in Division 32 which included First State School, ELL, and unique alternatives. For Division 54 and 58 which include Meadowood and the ILCs, they are completely separate budgets. Ms. Floore also explained that the state salary number included additional state salaries for Nutrition and ELL that were not charged to IBU 28 in the FY08 budget. She has moved the salaries for FY09 to be all tracked under IBU 28 to make tracking clearer. Also, for tuition programs, rather than like it was last year where the salaries were duplicated under the tuition budget and the Division 32 budget, this year it is shown in only one place, again for ease of tracking and reporting.

Mr. Buckley questioned the local share of salaries with tuition funds. If a school doesn't qualify for state funding (i.e., Lewis), where we are teaching dual language, there is money paid out from a tuition based program. Ms. Floore stated that is because of the federal requirements associated with tuition programs - the tuition funds are established in order to meet the mandates required by law. Mr. Miller added that the funds are spent where they are because those students required special services.

Ms. Floore next reviewed revenues for FY09. New revenues provide an additional \$7 million from the referendum. In 2007, the Tuition program could not meet all its obligations, so a loan was taken from Division 32 to be paid back over three years. Mr. Buckley asked that if after 3 years we will see a decline because the loan will be paid. Ms. Floore answered that we've seen a decline in Division 32 revenue but an increase in tuition since tuition would no longer have the outstanding obligation. She stated it was smoothed over 3 years in order that neither program would have dramatic spikes in revenue or expenses. Mr. Lloyd asked if the loan impacted any Division 32 programs at the time the loan was taken out. Ms. Floore explained yes it impacted the Division 32 programs as less revenue was available for expenditures. Ms. Floore does not see this happening again. Mr. Buckley asked if there was any more discussion as people not being able to pay their taxes due to economic conditions and foreclosures. Ms. Floore has not had that discussion recently with the County. There are delinquency rates built into the budget for 2.5%. The County historically has an aggressive collection process resulting in payments received throughout the year. Mr. Suiter asked if we get interest on those payments. Ms. Floore answered yes.

There was a discussion of charts listing salary and discretionary funds. It was noted the State reductions combined \$2 million in programs and cut them in half and distributed as School Success Block Grants. Districts now have more discretion on how to fund

programs. Ms. Floore said she is as pleased as possible under the circumstances since the cuts could have been worse and the district received funding for full day Kindergarten.

Ms. Floore explained how the referendum initiatives were detailed in the budget. She noted that IBUs can be pulled at any time to see exact expenses directly accounted for that was a priority in the referendum. Mr. Reis asked for clarification as to the \$6 million on the chart vs. the \$4 million in the referendum detail. Ms. Floore stated that all of the line items are included in the \$6 million figure, including those from the referendum and additional operating costs savings including utilities. Mr. Suiter said it appears some of the difference is ordinary growth in expenses and asked how we would track. Ms. Floore said we can show them via tracking through the monthly reports.

Ms. Floore also explained the larger than predicted FY08 ending balance. She stated that the budget was put together on a conservative estimate. We planned for the worst case scenarios so the district would not have to take out another loan. The state has a similar but different strategy and only appropriates 98% of revenues. The district came in with \$2.5 million balance due to not every worst case scenario happening. This was not a double digit percentage swing, but within a small percentage of budget.

Ms. Floore noted that the overall projection is to end the year with a greater balance than when we started. Ms. Davis asked how we determine how much each school gets? Ms. Floore explained that it is based on a formula of units and enrollment. Secondary schools also included the restoration of middle school athletics and transportation.

Ms. Floore then presented the tuition budget summary. She noted that even though the hope is to streamline the monthly reports, when there is a program that has federal, state and local funds, it will be a difficult procedure to show on one report. We need to track it as noted. The question was asked if we cut the funds from tuition based programs. Ms. Floore answered that no, there is no cut, but we are just showing them only on one report. In this case, it is Division I salaries that are included under the specific budgets for Meadowood and the ILCs.

In other reports, Ms. Floore discussed Debt service, Match Tax, and Minor Cap and Federal Programs. The Consolidated Grant presentation is scheduled for the October meeting. Dr. Merv Daugherty will give the presentation. The presentation scheduled for tonight was tabled for time purposes. Mr. Reis stated the federal money is flat. But Ms. Floore said there was a slight increase.

Mr. Buckley questioned the amount received for choice students. Ms. Floore answered that for choice students the district receives the local and the state funds from the district they come from. If we get a choice student from Brandywine, we have to pay the state back as Brandywine has a higher local per pupil expenditure. If we get a choice student from Christina, we get the Christina rate plus some additional allocation from the DOE pot. This pot never brings you 100 percent, but it gets you closer. Until September 30th count, we won't know where we stand with choice revenue. Ms. Floore stated we are historically in importer and the FY09 budget includes \$2.2 in estimated choice revenue.

Ms. Floore then reviewed the expenditure report on what we've spent so far this year. She also gave the Committee members copies of a new report that shows expenditures by object code. She stated these are companion reports and show data broken out in a different way. These reports serve the purpose of showing by object code. Both reports are as of 6/30/08 and reflect the total FY08 fiscal year. There are two because one includes prior year budget (appropriations) and one does not. She stated this was a result of the work of the subcommittee's recommendations and planned to present monthly along with the expenditure report.

Mr. Lloyd raised the question of prior year expenditures and looked at IBU 49 information provided by Ms. Floore as an example. In comparing the reports he felt he understood it better. If you take all of FY08 from the state report, you will get what is on the IBU report. Adding up the appropriations gained in prior years but spent in the current year, you do have reconciliation.

Mr. Lloyd questioned prior year funds on the monthly expenditure report. Ms. Floore stated the report was designed for a strict purpose in monitoring local cash balances. In 2007 the district could not meet our local obligations. So the financial recovery team was formed. DOE put into law how districts should track to show how they will make it to the end of the year.

For federal funds, they cross different fiscal years. We are in the FY08 federal fiscal year which will end in December 08. We have requirements on how we spend the money and produce year end budget reports for all expenditures.

Mr. Miller suggested the confusion is that some funds had to be spent by June 30th and other fund could be carried over. He explained that at Del Tech, only tuition revenues and fees are reported as carry over. He also said they do show the carry forward budget, as the school districts do, so the summer expenses can be met. He stated Del Tech's finance Vice President has a fund report similar to what Ms. Floore has presented.

Mr. Buckley sees the budget as a Board document. His opinion is that some reports can show detail that is not in line with the Board's priorities. If we look at too many different tracking documents, they get blurred. Mr. Buckley stated that we have the tools and reports to show the highlights and red flags. Mr. Lloyd sees the report as a snapshot of what is happening current fiscal year. Ms. Floore reiterated that you cannot budget money twice and you must spend it how it was approved. Mr. Lloyd suggested that when there is the subcommittee meeting, it can be explained more thoroughly.

Mr. Suiter questioned appropriation expenditures \$25,000 that say FY04. Does that mean it was appropriated in FY04 but not spent until FY08 as allowed? If the State gave us money to buy something and gave us 60 months, we can spend it in one day or over the 60 months. Ms. Floore answered yes, that is exactly what it means. The report tells us where allocations are, what they are for, and when they expire to see where we are and how much we've spent. Mr. Suiter said that he understood it much more clearly.

Mr. Miller feels that the pieces are there to tell the public where their money is going. It's a process and building element. It's not a profit and loss statement as you'd see in private industry. The state accounting is like a regular check book with several hundred accounts and deposits and spending down against them.

IV. Other Issues

Mr. Lloyd has a question from Michael Bank. He had commented that the Charter School of Wilmington shares teachers with Cab Calloway and that The Delaware Military Academy uses part of Richardson Park Elementary for storage. He asked if they are paying Red Clay? Ms. Floore answered that DMA does not pay for the use of extra space at RP or Conrad (which they also use). The Red Clay Education Foundation has helped fund capital improvements at Conrad for DMA students. For Cab, she was not aware of any direct sharing of teachers. All of Charter's direct expenditures are charged back to the Charter School.

The Consolidated Grant will be at the next meeting. Federal has many IBUs so Ms. Floore will choose Title 1 as an example of detail budget expenditures.

Mr. Reis would like to speak with Pati Nash about a pod cast.

Our next meeting is on October 13th at Baltz. Mr. Lloyd asked for issues to be brought to the Board. There were none.

X. ADJOURNMENT

The meeting adjourned at 9:29 PM.

Respectfully Submitted,
Laura Palombo
Recording Secretary