

Red Clay Community Financial Review Committee
Monday, January 12, 2009

Meeting Minutes:

The Community Financial Review Committee met on Monday, January 12, 2009 at 6:30 PM in the Baltz Elementary School cafeteria.

Members in Attendance:

Paul Lloyd – Committee Chair
Michael Bank – Teacher’s Union Representative
Jack Buckley – Red Clay School Board Member
Jill Floore– Red Clay Chief Financial Officer
Ken Woods – Red Clay School Board Member

Others in Attendance

Eric Loftus, Red Clay Financial Analyst.

Introduction and Opening Comments:

Mr. Lloyd opened the meeting. He noted that Larry Miller, Jane Rattenni, and Doug Suiter were unable to attend. Mr. Lloyd reviewed the agenda and introduced attendees.

II. Old business

The minutes of the December meeting were reviewed. Mr. Bank moved to accept the minutes as presented and Mr. Buckley seconded. The motion was carried.

The presentation of last month from Marcin Michalski will be sent to Mr. Lloyd to post on the web with the minutes.

Mr. Lloyd asked if the audit committee has a meeting date. Ms. Floore reported not at this time due to schedules, but she is continuing to attempt to schedule. She reported Barbacane, Thornton & Company has agreed to do the audit of Red Clay and Ms. Floore has met with them. Ms. Floore reported it is a financial statement audit similar to what the charter schools have done annually. It will take the June 30th cash basis to an accrual basis to show our standing to include any liability. To view any examples, the website of the State Auditor, Tom Wagner, lists every charter school audit. This is what Red Clay will have prepared. Mr. Bank asked why it was decided to be done at all. Ms. Floore answered it is something that was discussed by Mr. Becnel and the Board last year. Mr. Buckley said he’s not sure what information will be given, but he feels it will give an assurance to the community as to where Red Clay stands. He feels it will need to be done for a couple of years to see if it is a viable procedure for us to keep. Barbacane is looking at the former state-performed audits as history, but will not be performing that type. We have never produced our own financial statement audit. The audit will present statements that are not currently prepared by the district. Mr. Lloyd stated that it will be new format. Mr. Bank asked about the timeline. Due to tax season, Ms. Floore said it would not be

completed before April 30th, but that she expected completion by May and prior to the new Superintendent starting. It will be a review of Fiscal Year 2008 – July 1, 2007 to June 30, 2008. Mr. Buckley asked if it will give them a new set of documents to review. Ms. Floore said yes. She asked if they would like to see the Charter schools' versions. The committee indicated they would so Ms. Floore will send it out electronically. Mr. Lloyd asked if the cost of the audit is coming out of 2009 money as the formerly budgeted FRT money is not needed. Ms. Floore explained that \$50,000 was budgeted for FRT but the actual cost of the audit is \$61,000. The difference was budgeted in the final FY09 budget.

Mr. Suiter (via a prior telephone conversation) asked Ms. Floore questions regarding a capital referendum. He had also called and asked Mr. Lloyd if one was coming up. Mr. Lloyd asked if we have paid off the other capital referendum. Ms. Floore stated the bonds are 20 years, so no we have not on any that are younger than 20 years.

This week in Red Clay is back on the air and Mr. Buckley asked for volunteers. He stated that the show is taped Thursday, January 29th, at 2:00 PM. Mr. Lloyd asked if anyone else can attend. Ms. Floore agreed that she could attend. Mr. Bank is teaching but agreed if a substitute could be found for him. Mr. Buckley stated maybe something can be worked out. Mr. Suiter may attend for filming. Christine Miller of Red Clay puts together the format. Mr. Buckley will write up some questions ahead of time and will circulate the questions to the members. It will be held at the Comcast Studios on Lancaster Ave., Wilmington. Mr. Buckley will be the contact for this project.

Mr. Lloyd asked for any old business. There was none.

III. New Business:

The purpose of tonight's meeting is the FY 2009 budget. Ms. Floore will go through the monthly budget sheets first. Ms. Floore stated that the report still shows the Preliminary Budget because the Board has not yet approved the final budget.

In terms of budget targets, Ms. Floore stated that we are right on track. We are in receipt of 99% of local taxes. If collections are higher due to delinquency payments, we could possibly go above 100%. We also have choice income that will be reported next month. The money has come in and it will be listed in January's reports. The senior tax rebate is outstanding at this time. We did have some changes due to market performance- interest income specifically. The State Treasurer's office manages the interest-bearing accounts. CCRSP is down. We are expecting another billing in the spring. This is a rebate for special services we provide for a child who is Medicaid eligible. Children's Cost Recovery Services Program (CSCR) is the reimbursement to the district for those services. However, lately Medicaid has cut services that have long been eligible, i.e., transportation. The reimbursements are why the overall budget was reduced in the FY09 final.

The largest outstanding revenue listing is \$23 million, in Division I salaries. Same as

prior months, Ms. Floore explained the state funds this line as they need rather than a preload. Because these are state salaries, whatever Division 1 salaries are billed will get returned at the end of the year from the state so we will end at 100%. The state will earn the interest as long as possible before they move the money over. Mr. Bank thought this amount would go up as we have hired more employees. Ms. Floore stated that these are budgeted amounts that are based on estimated units on the average salary. What comes true is that more are hired, but they were part of the original plan. The budget presentation will show a decline in the actual salaries because now we know who our employees are and how much they cost. Mr. Loftus stated we use the base of Master's Degree plus 15 years to project a cost but some are hired with fewer years in experience. Mr. Lloyd asked how the negotiation of the teachers' contract will affect that. Ms. Floore stated that it depends on the negotiations and whether it affects this year's salaries or future years only. The state portion of the contract is set. The present negotiations are for the local portion only. What is seen as Division I salaries is the state portion only. Mr. Bank stated that everyone's contract is up for renewal, not just teachers.

On the expenditures, Ms. Floore stated there were few to point out. Mr. Lloyd said 50% is the target but 80% is his reach number. The Deputy Superintendent has larger encumbered fees due to fees expected through the end of the year. Schools and programs are still on the same spending pattern of 85% of their budget. Technology is putting together the package for recovery of technology equipment. IBU 21 went over 130% encumbered. She has met with the group regarding those funds. They are IDEA B (federal funds). This number will go down when the actual funding is coded to the IDEA B grant which they are being paid through. Special services have several areas from where they gather funding including federal IDEAB, state grant and local funds through Special Services. Mr. Buckley asked if anyone could make the argument that we are purposely moving money around to look like we are using local money instead of federal money. Ms. Floore stated no that it was an appropriate use of funds from each of the sources, but that this time of year always required the balancing to make sure no one single source went over budget. She stated it was why the monthly reports are used and are valuable internally as much as they are for the committee to monitor.

The Community School has been changed to the The Right Choice School in the budget. That will not go to 100% based on the contract. Mr. Lloyd stated that in the budget it is referred to as "alternative education". IBU 85 is Strings. Dr. Qvarnstrom is working diligently to spend all of the referendum funds for this line item. Local salary and benefits, IBU 96, are on track. They are the largest and most volatile, and one of the two areas where we went astray in the past. Ms. Floore's overall reaction is that we are all on track. Mr. Buckley asked about utilities and transportation. Ms. Floore expects they will be on track. The committee agreed to have a presentation on energy at the next meeting.

Federal reports FY08 have closed as of 12/31/08 but we have 3 months to pay on the funds. Red Clay cannot encumber new programming during those 3 months, but we can pay bills of services rendered prior to the close. In April, Debbie Roberts will give a presentation on the close-out and reconciliation of FY08 federal funds.* Mr. Bank asked if he should be concerned that other federal funds are at 141%. Ms. Floore explained

there are two areas of overage for federal funds. Only those funds received can be spent. In the case of Title I, if the non-public allocation is not spent, the public allocation can pick up the difference and go over 100%. Many non-public schools don't have enough students to use the funds. The second area is Other Federal Programs. In this category, there are federal grants that are received after the completion of the preliminary or board approved budget such as the Reading First grant. This is a grant that has had very uncertain funding over the last few years. Other examples are 21st Century Grant, state mini grants, etc. The budget was actually lower than the money we received from the grants. In order for a program manager to know what they have to spend, we have to load the money so it can be encumbered. Mr. Buckley asked if it would be advised to adjust the budget to reflect the actual money received. Ms. Floore stated that because of the moving and multiple deadlines, she would not recommend adjusting and readjusting the board approved budget more than the two times it is already done in a fiscal year. Mr. Bank asked if we could just notate it.

Mr. Bank asked why are Title II and other funds are so low at this point in the year. Ms. Floore stated that we spend FY08 funds through the end of October. Once the FY08 money is used, we can use the FY09 funding which indicates why it would be low as December is early.

In tuition, the State revenue is exceeding budget. This is in large part due to unique alternatives where the state funds 70% of salaries and expenses of a special needs student identified by a team. We have more students than what was budgeted who require these special services, but we are receiving the state portion of funds for the additional students.

Division 54, IBU 38, Meadowood utilities are coming in lower than expected. We did not reduce the budget. Mr. McDowell is watching this closely. We will likely reduce the encumbrance in April once the winter months are past. Mr. Bank asked if these were the utilities only in the Meadowood building or where the Meadowood students also attend. Ms. Floore believes it is just the Meadowood building, but she will check. Ms. Floore states that we have to be extremely careful not to absorb costs at the 32 level that are truly tuition programs. Plus, we must be careful that tuition programs are only charged for their expenses. Mr. Buckley asked about First State School. Ms. Floore stated in addition to the three units we earn, we have a contract with Christiana Care for First State School facility. It is over \$300,000 a year. We receive money directly from the State CSCRP program to subsidize the program after Medicare stopped paying for the program. Mr. Buckley knows it is a new building. Ms. Floore stated that tuition is billed out to other districts if the children are not from Red Clay. Mr. Lloyd asked if salaries and rent is IBU 88. Ms. Floore stated yes, it is inclusive.

Division 58, IBU 51 lists related services. These numbers are higher as we contract for these services, but our salary and benefits numbers are lower. We would prefer to hire the employee but we are not always able to do that. Mr. Lloyd asked if we held slots open for them advertised. Ms. Floore stated, yes. Irene Hills is always looking for

therapists. Mr. Bank stated that the RPLC has steadily increased their students and their needs for these services.

Mr. Lloyd thanked Ms Floore for adding the explanation codes to the Annual Expenditure Reports. In the future we will only need to see the reports that exclude the prior year for comparison.

Ms. Floore then presented the 2009 Final Budget. She explained that this was an unusual year. Typically the district prepares a preliminary budget in the spring. However, due to the uncertainty this year of funding including full day K, we waited to do the preliminary budget until June. We then knew what funding we would be receiving. So the final budget shows quite closely what was anticipated and what is being spent. There are fewer fluctuations between preliminary and final than you may otherwise see if a typical year. This year, the vast majority of known costs were included in the preliminary budget. Ms. Floore feels based on the uncertainty of the climate; next year will be scheduled similarly. With a new Governor, new cuts expected, a preliminary budget for 2010 will not be done until early summer.

For the final budget, this district does have the final 30th count numbers. We went down by 11 students but up in our unit count due to full day kindergarten. We know how many choice students we have that come from other districts and how many are chartered out. Because of budget reductions, we pay less for those going out to charters. With referendum funding, that cost will go back up. Even in the final budget, there are a few items that are estimates. We estimate taxes through the remaining 6 months of the year based on collections in the first six months. We watch collections through the end of the year. Utilities are an unknown based in part on the weather and need. February is our worst month but the shortest. Small adjustments are made in the final budget, not major adjustments as were needed in the prior years.

For other revenues, interest rates are down. We also lose some money in the choice students that come in from Christina since their local per pupil expenditures are down from last year. The state doesn't make all of that up.

In State salaries, our estimate was refined to reflect the teachers we have. The money originally budgeted was not "cut" but instead revised based on actual expenditures. We use a higher formula when budgeting based on estimated salaries. Ms. Floore stated she feels it is best to reflect this information now in the final budget rather than at the end of the year.

Summer school is in the budget but it reflects last summer's school so it is completed. FY09 starts in July. So the expenditures are reflected as monies spent from revenue received from tuition for that program.

Transportation has had a significant reduction in the cost of fuel. Typically we get a fuel adjustment but now we have a negative fuel adjustment. Contracted vendor costs are also being lowered due to the fuel adjustment.

Ms. Floore will present the February 1st financial position report at the next meeting.

Mr. Buckley asked at what level we would have to look to float a loan. Ms. Floore stated that the necessary level is between \$5-6 million but can depend on a number of factors, most importantly the cost of salaries in any year. Mr. Bank asked about IBU 13 BOE why the increase? Ms. Floore stated that was due to the cost for the search for a superintendent. Ms. Floore saw the plan and estimated the bills. Mr. Bank stated that that will not be in next years' budget and Ms. Floore answered that was correct.

Mr. Lloyd asked about IBU 30 for the alternative education program. Was there a contract change? Ms. Floore stated that the program began later in the school year. It is based on the program offered. When a child is not successful in their homeroom environment, a school and alternative education team may recommend attendance at this school. Mr. Lloyd asked about the number of students in the program. Ms. Floore stated it was designed for 50 students. Mr. Lloyd stated that there are many layers for the child to be accepted into the program which limits the number of students. Ms. Floore also stated that all situations do not occur at the same time.

Mr. Lloyd asked if central office and overhead should be below 10%. It is shown as 1%. Ms. Floore stated because salaries are budgeted as salaries rather than by specific areas budget, they are reported as district-wide expenditures. The Central office number is budgets minus salaries.

On the tuition budget summary, Ms. Floore reported minor changes. Tuition billing is lower due to our student cost per pupil going down. For the Consortium, we pay for seats in alternative schools when a child is expelled. There is a balance this year which resulted in a one time lowering of consortium payment. Next year it will increase. It happened with DSC last year. They had a balance last year so there was a lower payment last year. This year the payment for DSC is back to where it should have been and does not represent a significant increase in expenditures. The same will be true for the consortium next year. Total tuition expenditures only changed \$70,000.

On the Federal budget, the eMints grant is now included under Title II.

The final page lists all expenditures including all funding. You cannot divide this per student due to "debt service". That is a 20 year bond that cannot be divided per student. Mr. Buckley asked about debt service, as it is dropping. Will it continue? Ms. Floore stated yes unless new bonds are sold.

Ms. Floore asked that page numbers need to be placed on the final budget package prior to board meeting.

Mr. Lloyd asked for public comments and there were none.

IV. Announcements

Mr. Lloyd asked if the Committee had anything to take back to school board. Mr. Wood commented on the lack of community involvement at the present location. It was suggested that it was time to rotate facilities. For next month, the committee will look into Brandywine Springs teachers' lounge.

Our next meeting will be Monday, February 9th.

V. ADJOURNMENT

The meeting adjourned at 9:04 PM.

Respectfully Submitted,
Laura Palombo
Recording Secretary

Action Items

1. L. Palombo to email to P. Lloyd the Major Capital presentation to include with the December minutes upload to our website.
2. J. Floore send copies of charter school audits to CFRC members electronically.
3. Attendance by CFRC members on Thursday 1/29/09 for This Week in Red Clay broadcast.
4. Mr. Buckley will circulate questions for This Week in Red Clay to members prior to the broadcast.
5. D. Roberts will give a presentation in April on Federal Funds
6. J. Floore will check on Meadowood Utilities. Are these utilities for the Meadowood building or wherever Meadowood students are taught?
7. J. Floore will contact George McDowell to give a presentation on energy costs – their history and future cost savings.
8. Note: only the reports that exclude prior year are needed for comparison in future meetings.
9. L. Palombo to add page numbers to the final budget.
10. L. Palombo to secure Brandywine Springs Elementary faculty lounge for future CFRC meetings.