

**Red Clay Community Financial Review Committee**  
**Monday, March 9, 2009**

**Meeting Minutes:**

The Community Financial Review Committee met on Monday, March 9, 2009 at 6:30 PM in the Brandywine Springs School faculty lounge.

**Members in Attendance:**

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

**Others in Attendance**

Eric Loftus - Red Clay Financial Analyst, Leah Davis - Board Member  
Diane Dunmon - Red Clay Deputy Superintendent.  
Community Members present: Bill Hall, Kathy Jackson Hortan and Mike Hortan.

**Introduction and Opening Comments:**

Mr. Lloyd reviewed the agenda and introduced attendees.

**II. Old business**

The minutes of the February meeting were reviewed and amended. With only 4 members of the committee present, no vote was taken.

Mr. Suiter reported that the audit sub-committee met in March. Ms. Floore gave them an overview of audits being done and the different types. At this time only the construction audit has been completed. They discussed the comments from the report. Mr. Lloyd asked if there were other audits being prepared at this time. Mr. Suiter reported that the Dual Employment audit as well as the audits of Federal Funds and Local Funds is underway. Ms. Floore explained that the process is the auditors complete the fieldwork and then release their findings to the district giving us a chance to clarify questions and respond. Once the audits are completed, they are submitted to the BOE. Due to the time constraints in a Board meeting or a CFRC meeting, the intent of the audit sub-committee was to go over the audit reports in greater depth. The next audit sub-committee meeting will be May 13<sup>th</sup> to go over any audits that have been completed by that time. The sub-committee also did a status update on the Financial Statement audit. The field work will begin in April. Mr. Buckley clarified that Dual Employment refers to Red Clay employees who work elsewhere, particularly for the legislature.

Ms. Floore asked about the date of the next CFRC meeting. The district buildings are closed on April 13<sup>th</sup>. She suggests we meet on Wednesday, April 8<sup>th</sup> as that is the first date the financial reports will be available. We will tentatively set the next meeting for April 8<sup>th</sup>. Laura will reserve the room and contact Nancy Crawford to change it on the

district website. In April, Deborah Roberts will give a presentation on the closeout of federal funds. Also, contracts information will be reviewed. George Middleton is confirmed for the May 11th meeting to give a presentation on transportation.

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

### **III. New Business:**

Diane Dunmon, Deputy Superintendent gave a presentation on the Legal costs of the district. Ms. Dunmon distributed reports on costs as well as a description of process and procedure. There are 4 sources that handle legal issues for the district: the State of Delaware self insurance, Red Clay insurance which we purchase through IBU 97, special education dollars handled through IBU 21 and local dollars controlled through Ms. Dunmon's office, IBU 03. State coverage is managed through the state's insurance coverage office does not cost the district any money. It covers state/district owned vehicles such as buses and trucks. It also handles the school buildings under acts of God and sovereign immunity on liability. Also, bonding for employees who handle money. The state reviews the report and handles the proper payments. If someone perpetrates a crime, and a Red Clay building or property is the victim, we are covered under that umbrella. However, vandalism and theft are not covered. Vandalism falls under our maintenance department to handle.

We pay for insurance liability coverage through Pratt Insurance under Utica Insurance. This year we paid \$211, 449. It covers all types of liability issues such as falls or if an employee has an issue and takes us to court. Pratt is our agent and is used by most of the districts in Delaware. For attorneys, we've been using White and Williams for our liability cases of slips and falls. Employment issues that go to court are complex. We use Mr. Willoughby from YCST. Many of our cases run over long periods of time, some lasting 3 years. Administrators are instructed to detail in writing all dealings pertaining to these matters. Ms. Dunmon discussed cases concerning falls. She distributed the incident form used throughout the district. These forms are filled out by the schools and mailed to Ms. Dunmon's office. She reviews each report and forwards it to Pratt Insurance in the event that this may become a case. Ms. Dunmon marked several report pages "Confidential" and included de-identified information to illustrate cases that are presently outstanding. Mr. Lloyd asked if the insurance carrier has ever taken a loss or refused to renew the policy. Ms. Floore explained it works as any other insurance program; if we had over-usage, our premiums would increase. Our cost has only gone up about \$300 from last year. Mr. Buckley asked if the cases ever go away without being mediated or going to court. Ms. Dunmon has a file of incidents that never had suits filed. Some are done with mediators. In some cases a mediator will decide that Red Clay is not at fault or that only some medical bills should be paid. Mr. Suiter asked if the mediators are used to reconcile. Ms. Dunmon explained that the mediator decides if it should go to court or be settled. If the claimant wishes, they can appeal and take the case to court.

Special education due process cases are parents who request a service or to have an I.E.P (Individual Education Plan for special education) changed. When our staff does not believe it is warranted, the case goes to due process.

IBU 03 shows Ms. Dunmon's budget for legal proceedings. These figures are as of 2/28/09. Ms. Floore also mentioned that the detailed expenditures of IBU 03 are included in the committee's monthly packet. Ms. Dunmon stated the report covers 7/1/08 - 2/28/09. She explained the office costs as minimal leaving the balance of the budget for the legal processes. This money is used to cover things insurance will not, such as termination hearings for employees, claims of unfair labor practices, arbitration over contract issues, and the special education due process. These are to be paid for through local dollars. We do not know each year what we will see. Mr. Lloyd asked if litigation was increasing. Ms. Dunmon agreed that it is. Many things we do without involving our attorneys, as in subpoenas for student documents; those are handled internally.

The distributed documents show what Red Clay has spent on legal fees. General labor is when we have a question for our attorneys to answer. Mr. Buckley noted that at the board executive sessions, our attorney is present as student issues are discussed.

Ms. Dunmon's charts also list costs in a prior year on cases that are now coming to fruition to give a true picture of the total cost. Ms. Floore noted that in one termination the \$105,000 is only for the legal costs for due process, stressing that has nothing with the cost of litigation if a suit is filed. Ms. Dunmon stated we have to pay for mediations. Once it goes to court, then the insurance carrier will defend the case and cover the costs. Without going to court, it is not an official legal lawsuit. We have two E.E.O. complaints pending at this time. Mr. Suiter asked about the food service mediation. Ms. Dunmon explained it was for contracts. We have agreed on most points but could not settle on compensation so we went to mediation.

Mr. Lloyd asked if it would be cheaper to have an attorney on staff. Ms. Dunmon answered, yes, you could have someone on staff, but they would need to be expert on special education, employee law, as well as other matters. She noted that we have more costs this year due to teacher contract mediation. Ms. Floore stated that even with an attorney on staff, we would still need to contract out for some level of retainer. Ms. Dunmon explained that we do not use the same attorney but several from within the firms we contract with. Mr. Buckley stated that is so we just pay billable hours. Ms. Dunmon noted that Brandywine School District has their own attorney on staff. Mr. Buckley asked if we had ever known about the comparable costs. Ms. Dunmon stated that when Brandywine's attorney started, they were still contracting out while having their attorney on staff. Ms. Floore stated there are times that all of the districts band together if necessary to hire one attorney that represents all districts. Mr. Suiter asked if Ms. Dunmon audits each bill. Ms. Dunmon initials each line of each billing as does Ms. Hills for special services. Mr. Suiter asked if the costs are comparable with private contracts. Mrs. Dunmon stated that school districts get lower rates with law firms and insurance companies and we pay much less than a private sector company. Mr. Lloyd read in the News Journal that there is a law suit pending and includes the Charter School of

Wilmington BOE members. Could BOE members be liable? Ms. Floore stated that our insurance also covers the board members in their capacity of acting on behalf of their elected responsibilities. Mr. Lloyd asked if the BOE is responsible through Red Clay for charter schools. Ms. Floore stated that anyone can file suit, but charter schools have their own boards that sanction the daily operations of the school and their own insurance to cover such action.

Mr. Buckley asked to review the MBUs on IBU 03. One listing is for a \$95,000 purchase order. This \$95,000 is an encumbrance and the PVs are bills against the purchase order for Object Code 5020 reflecting legal services.

With no further questions, Mr. Lloyd thanked Ms. Dunmon and asked her to stay if she'd like to be a part of the financial review.

Ms. Floore reviewed the referendum report, also included in the committee's packet. The last review was in November 2008. When the district passed the referendum, the presentation that was made to the public showed how the money would be spent. Periodically, we go back and take a picture of how much has been spent. In full day K salaries, it will not add up to 100% in the first year because of the 26 pay provision. The teachers started for this school year but those payments will be spread out through the summer months. We have filled 100% of the positions. This scenario will only happen the first year. Mr. Buckley asked if as our kindergarten enrollment goes up next year, will we pay more as we need to hire more teachers. Ms. Floore stated at the time of the referendum, we had to make a best estimate as to our enrollment, but yes if full day K enrollment goes up, our local cost for the teachers' salaries also goes up. Ms. Horton asked if an ELL teacher was paid the same salary as a regular teacher. Ms. Floore answered yes, but the local share is paid from tuition funds as ELL is an approved tuition program. Ms. Floore stated that every kindergarten teacher was given a start up allocation as well as the overall equipment needed to furnish new full day K classrooms. Our text books and training costs will be realized by the end of the year to accommodate summer training. We have specific allocations where text books were added to an existing account. IBU 58 is specific to technology. Mr. Ammann has been working through a plan on what is being acquired and retired through technology. Security has been increased and is part of our maintenance. EPER is our after school activities – coaches, or teachers as program coordinators, at all school levels. EPER payments are made 3 times a year, not on a bi-weekly basis. That may tip over 100% due to different levels of experience. We budget on what we estimate we will have, and more experienced hires are sometimes used. The majority of our EPER positions remained as high school sports were not cut. We did add middle school sports and clubs back due to the referendum. Overall, she reported each of the categories unless those noted were tracking above 75% expended and well on track to be completed by year end.

The last 2 categories are impossible to track separately. Instruction budgets were restored to the prior year. Every school had a budget jump. If the school has only spent 85% of their budget, we cannot tell if that was their original budget or the referendum funds. At the end of the school year, we expect 100% of their budgets to be spent. Mr. Suiter

inquired about after school transportation where it has already exceeded the amount budgeted. Ms. Floore explained that it was part of IBU 77. Will the cost overrun of about \$52,000 affect earmarked referendum dollars? Ms. Floore stated that it would not. Because that budget is so large, this small amount does not cause concern. There are other factors such as fuel costs that have a larger affect.

Ms. Floore would like to revisit the review at the year end close-out which the committee agreed was a good time to review. Mr. Lloyd stated that the committee requested this report be tracked throughout the year. The report is posted on our website for the community to review and show that the funding was spent as promised.

The monthly expenditure reports were reviewed. Revenues are at 86.3%, which is a very little change from last month. Two outstanding issues are the academic excellence units cash-in which we will receive in the spring and the tuition receivable. The tuition receivable won't be seen until June as it's a payment we make to ourselves. We are in receipt of 99.6% of taxes. The Division 1 salaries are loaded at the end of the year, so it will not be 100% until that time. We are strong on the revenue. Ms. Floore changed chart headers to breakout prior year receipts so you can see what is received each month in addition to the prior year. The "Actual" listing includes prior year.

It has been discussed at the superintendent's council as well as with the school principals regarding the state of uncertainty of state cuts and the stimulus package. The idea is to give the schools more flexibility in spending. The schools were informed last week that they can carry over their budget into next year. They do not have to carry any, but they now have that option. On the financial side, it will be something to watch and track, but the numbers add up over time. No other district administrator can carry over their budget. If that is not used, it is lost. Only the schools that have this option.

There is very little on the expenditure side that is close to or over budget. Maintenance and custodial operations are being closely monitored. School Improvement Grants are being submitted and awaiting approval. On these, much of the funding has not been loaded, so little has been encumbered. This funding can be used over several years. Red Clay receives it this year, but similar to federal awards will use the majority of the funding in the subsequent year. Mr. Lloyd stated that our expenditure target would be 66.6%. The expenditures that are high would be kindergarten start up funding, and the strings program replacement. The 2008 federal programs have now closed. The 2009 federal funding reports lower as we have just begun. In local funds, the only outstanding is tuition billing and bills are currently being prepared to send to the other districts.

Mr. Lloyd pointed out that the ELL program figures do not reflect salaries. Ms. Floore stated that the local share comes out of tuition. Mr. Buckley asked about the overage on the Title I budget. Ms. Floore explained that we are allowed to go over in our funding because the non-public schools did not use their funding. The total of the Title I funds should not exceed 100%.

IBU 54 and IBU 58 represent the Meadowood and Intensive learning Center programs. They are paid through tuition tax but they are tracked separately. As has been previously discussed, salaries are lower at this time, as we have a very difficult time hiring therapists to work as employees. They prefer to work as contractors. So we have had to hire more contractors which fall under related services. We overrun related services as our salaries are down. The two balance each other out. Even with one IBU over budget, the overall program will not be over budget. Mr. Suitor stated that if you add both together, you see a truer picture. Mr. Buckley asked if we get related services funding from the state. Ms. Floore answered that yes, we do. If you cannot hire therapists, you can cash in the units and hire the contractors. We would prefer these contractors to be our employees. The state recognizes it is a state-wide problem.

Ms. Floore discussed the budget for utilities. We were cautious to do so earlier, as we were expecting the worst. We are only at 35% of our encumbrances.

Ms. Horton asked about a call from the district and one from the school to her home due to the recent snow day. Ms. Floore explained that the district pays for the service, regardless of the number of calls. Each school, based on their population, contributes to this cost. It was a miscommunication that this particular school placed their own call in addition to the district call. Feedback has been provided to the Communication's director.

Mr. Lloyd explained to the attendees the remaining reports are for information, and not discussed in detail unless there is a concern.

The detail of IBU 97 was also distributed. It reflects district wide services. Historically, we have been over budget, so we review it each month to break out the various expenditures.

The financial reports were concluded. Mr. Lloyd asked for public comments or concerns.

Mr. Horton asked about the construction audit report. Is it online? Ms. Floore explained that it is on the auditor's website at this time as are all of their audits. We will place a link from our website.

Mr. Buckley asked if we know anything about the stimulus. Ms. Floore stated that no information has been given to the districts at this time. The Washington Post had an article detailing that the funds will reach the states within weeks. Ms. Floore stated that she is concerned that we do not have the numbers or even much dialogue at this time. We have a May 15<sup>th</sup> deadline for teacher contract notification. Mr. Lloyd asked what happens if Dover does not let us know by then? Mr. Buckley says it has the BOE very concerned. With a new DOE administration and a new governor, we are looking for an announcement. Mr. Lloyd is concerned that the public will lash out at the district when it is really a statewide problem.

**IV. Announcements**

Mr. Lloyd asked if the Committee had any items to take back to school board. There were none.

The committee's next meeting will be Wednesday April 8th.

**V. ADJOURNMENT**

The meeting adjourned at 8:23 PM.

Respectfully Submitted,  
Laura Palombo  
Recording Secretary

Action Items

1. L. Palombo to N. Crawford to place new meeting date on website and request use of BSE room for April 8<sup>th</sup>.
2. J. Floore will give the referendum review in July.
3. L. Palombo to N. Crawford to place a link to the auditor's website on CFRC website. In particular information regarding the construction audit.