

Red Clay Community Financial Review Committee
Wednesday, July 27, 2009

Meeting Minutes:

The Community Financial Review Committee met on Wednesday, July 27, 2009 at 6:40 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Paul Lloyd – Committee Chair
Doug Suiter – Vice Chair, Secretary Protem
Jill Floore– Red Clay Chief Financial Officer
Kelly Krapf – Teachers Union Representative
Larry Miller – Community Representative
Jane Rattenni – Community Representative
Kim Williams – Board of Ed Representative

Others in Attendance

Dr. Merv Daugherty – Red Clay Superintendent, and Eric Loftus – Red Clay Financial Analyst. Community Members present: Jack Buckley, Board of Education.

I. Introduction and Opening Comments:

Mr. Lloyd introduced the Committee members. Mr. Lloyd explained that Jack Buckley and Ken Woods are no longer regular Committee members. Kim Williams and Eric Randolph are the new BOE representatives and Committee members. Dr. Daugherty thanked the Committee for their time and efforts. He also mentioned several of the district projects and grants that have been approved for funding. He noted the Consolidated Grant, and offered to return to the Committee later in the year to review the process for the newest members. He also noted the redesign of the Red Clay website. It was decided Malik Stewart, newly hired manager of federal programs, would be invited to give a presentation to the committee on the stimulus funds for at the next meeting.

II. Old business

The minutes of the May meeting were reviewed. Mr. Suiter moved to accept minutes as modified and Ms. Rattenni seconded.

Mr. Lloyd explained that there was to be an election of Committee officers during our June meeting. Because of scheduling, the June meeting was cancelled. We will continue tonight with a vote. There are 3 basic officer positions – 1 is the recording secretary. Ms. Palombo does the record keeping so that position is combined with vice chair – Mr. Suiter is holding this position. That position fills in for the Chair in his/her absence. The chair position sets the agenda each month, makes a written report to the Board of Education as well as an oral presentation at the monthly BOE meetings, and coordinates the information that is placed on our website. Mr. Suiter made the announcement that this is his last meeting with the Committee. He is resigning due to health issues. He

thanked the Committee. Mr. Lloyd thanked Mr. Suiter on behalf of the Committee and Mr. Suiter asked if he could be kept on the mailing list.

In our bylaws, the officer positions are listed as 2 and 3 year terms. The website shows inconsistencies and Mr. Lloyd would like to have that changed. Mr. Suiter will be listed as one of the 2 year term positions. Ms Rattenni explained that everyone renewed would be a 3 year term position. Those renewals would be staggered so that the entire committee wouldn't turnover simultaneously. Mr. Miller stated that his term was initially a 2 year term but he is happy to serve another term. Ms. Rattenni also agreed to commit to another term. Mr. Miller will take over Mr. Suiter's term. Therefore, he is committing to 1 more year and is up for renewal August 2010. Mr. Lloyd suggested we list the term endings in our documents: Mr. Lloyd would be up for renewal August 2010; Ms. Rattenni's renewal places her at August 2012. Mr. Lloyd will update the website as to the position listings on the bylaws to reflect these changes. Ms. Rattenni asked not to change the bylaws but the member listings. That listing should not be an attachment to the bylaws. Ms. Williams added that the term number (2nd of a 2 year term) should also be on the membership listing. Mr. Suiter stated that this information should be communicated and approved through the BOE at their next meeting. CFRC membership and term limits should be on the next BOE agenda.

Mr. Lloyd asked for volunteers for the chair, vice chair and reporting secretary. He asked if he should ask for volunteers to these positions or should they wait until Mr. Suiter's replacement is on board. Mr. Suiter stated that the positions he currently holds are not required each meeting. Ms. Rattenni nominated Mr. Lloyd as a chair, which is another 2 year term. Ms. Rattenni explained that officers are community members. Mr. Lloyd stated that he would accept the position for one more term. Mr. Suiter made the motion to elect Mr. Lloyd and Mr. Miller seconded. Ms. Rattenni and Mr. Miller declined officer nominations. Mr. Lloyd made the motion to wait for Mr. Suiter's replacement before a vote would be taken and Mr. Miller seconded.

Ms. Floore stated that due to scheduling conflicts, the auditing committee was not able to meet and make their review. Ms. Floore reviewed the state audit of federal funds. One of the issues mentioned in the audit pertained to time and effort documentation. For every federal employee, we have time and effort documentation stating the federal program they were working on and their salary breakdown. Our Payroll department documented the correct accounting, however, the program managers submitted mass produced time and effort documentation stating a 70/30 split, which has traditionally been used as an estimation of the state/local split. Payroll was correct and employees were paid correctly, however the state/local split varied by person and was not precisely 70/30. In the future, federal program managers will meet with Payroll for the breakdown in order for the time and effort sheets will mirror actual payroll.

Dual employment and EPER audits were also to be discussed. Dual employment is when we have a state elected official who is also a Red Clay employee. They must document time in and out to account for their time in both state capacities. The errors found were minimal. An employee was overpaid for 2 hours based on a discrepancy on a time sheet

and these monies have been recouped. Another finding cited a reduction request that wasn't made during the time period it was requested. Ms. Floore explained that due to "lag pay periods", we could not make the change until the following paycheck to reflect the time period (2 weeks prior).

Ms. Floore also discussed the EPER extra pay for extra responsibility audit. The findings noted the potential for impropriety due to lack of documented procedures. At the time of the audit, the district had already developed written procedures to correct and these were included in Red Clay's response to the audit findings. Mr. Lloyd was concerned that a spouse was a direct report to the director and whether that district policy has changed. Mr. Buckley stated there is a new board nepotism policy being developed. He added that it is being developed and will be more widely applied, not only with EPER or technology positions, but with all positions.

Mr. Suiter noted he was also to be on the audit committee. He questioned the necessity of a separate meeting for the audits when the review was done within this meeting. The committee agreed and will incorporate into the Community Financial Review Committee Meetings and reassess at the end of the year to see if it worked within the committee structure.

Ms. Floore stated that the next audit is the Barbacane financial statement audit as a school district which she is still awaiting final reports. The complication has been that both the State Division of Accounting and the State Auditor's office have asked to review Barbacane's reports to ensure that documents are prepared in a consistent fashion with the State's Annual Financial Statement. In code, the state auditor's office has the authority to oversee the audits regardless of the fact that Red Clay has paid 100% of the audit cost. The work is done, but the reports are not finished. The Position Audit (audit done every 3 years), and the Construction Work In Progress audit are also being conducted at this time.

There was no other old business at this time.

III. New Business:

House Bill 119 has a House Amendment No. 1. The bill has an impact on how our Committee is to function. There will be training involved for committee members. Ms. Floore explained how the bill has gone through many revisions through substitutions and amendments. There will be a citizen's financial oversight committee similar to this committee as well as others such as Christina. Mr. Lloyd asked if we would have the regulations soon, but Ms. Floore felt that November 1st might be the first we have news. We are currently using the report format that the state mandated that we use; we have expanded that information and hope they won't be changing that.

The Caesar Rodney Institute has received a feed for every district from the division of accounting and information on all expenditures. They will be posting that information.

as a public service. In addition, we will have an online check register. That will be produced in-house by the state and posted on the website September 1.

Mr. Lloyd was hoping the Sept 30th count would be revamped making the hiring of teachers easier. Ms. Floore agreed but explained that the administrators are meeting weekly to discuss staffing and the hiring of teachers. Hopefully, this will alleviate some of the August hiring crunch. Mr. Buckley agreed that the count for hiring would be better served in April. Ms. Floore also explained that the budget is not passed until June, so April promises could not be fulfilled if the funds aren't available. That's why September 30 is so critical- with the confirmed students comes the state funding.

Ms. Floore then moved to Fiscal Year FY09 wrap up. She reported that the district ended the fiscal year with local funds of \$11.8 million. On revenue, the percent actual to budget was 102%. There were no surprises in where we came in on revenue. Mr. Buckley asked about Verizon and Red Clay losing money. Ms. Floore doesn't know every exemption but has been in contact with the County. There is a deadline as to when a company can file an appeal. The county didn't see a similar appeal as Verizon made by any other company. Mr. Buckley asked if when GM was granted this exemption, was Red Clay ever consulted. Ms. Floore doesn't believe GM was granted an exemption, but they were depreciating their building and were spending off a credit. She will find out more about who are 5 largest credits and when are they used up. Mr. Buckley thought Senator Carper was governor when the credit was granted. Mr. Miller stated that in 1986 they gutted that plant and made a large capital investment. He thinks maybe the depreciation began when they refitted the entire production line. Ms. Floore said Red Clay would potentially be impacted by the Chrysler plant as they are part of the tax pool.

Ms. Krapf asked about the (**) items on the report. Ms. Floore explained that those appropriations reflect current receipts and the BOE approved budget and how they compare. Mr. Lloyd explained that this is the report that is provided each month. It is divided up by a divisional level. Division 32 is general operations, Division 54 which is the Meadowood School – a tuition related expense - and Division 58 is the intensive learning centers. Other reports reflect federal monies which operate on a different fiscal year than Red Clay school district.

Ms. Floore explained we spent 95.7% of our budget. We did not go over and saved some for carryover. The two largest carry-over items were the amounts allowed at the schools and the negotiated contract increase for teachers that was applicable to FY09 but actually paid in FY10. In the packet Ms. Floore provided the actual carryover by school. It was only available to schools and not to the other district departments. This was due to the uncertainty of the new 2010 budget at the time of school end. The schools will need to spend this carryover prior to spending their current budget. Mr. Buckley asked how this will show by school. Ms. Floore explained that it will be added to their budget. It will look as an inequity due to each carrying over a different amount, but the business office will be tracking it as carryover by MBU. Mr. Miller stated this was a wise use of funds and asked if we would offer this again next year. Ms. Floore stated it would depend on what the state fiscal picture looked like and what is available to schools. The purpose

was to give principals as much flexibility in meeting their needs as possible. Mr. Lloyd stated that Brandywine school district allows this each year and tracks it. Mr. Miller believes this will improve efficiency within the schools' budgets. Ms. Floore is seeing schools holding some as carryover to add to their new budget to make larger purchases rather than year to year. Ms. Rattenni asked about severances. Are severances taken out of school budgets? Ms. Floore stated that they are taken out of local funds, but sick payouts are paid by the state. Only the local portion of vacation days is paid by local funds. Pension is out of the state.

Ms. Floore reviewed specific IBUs. IBU 03 is legal bills. This year we were lower than projections. Next year may show a difference. IBU 10 and IBU 11 show only an 80% due to a staff retirement part way through the year. Mr. Buckley asked if the library budget goes up this year. Ms. Floore yes as a result of the referendum. Ms. Rattenni asked about communications, Red Clay Record and website enhancements. Ms. Floore stated they will continue and the new Superintendent has made it a priority. Adult education is a higher percent not because it is over budget, but that actual revenue exceeded the board approved budget. Because of the funding provided to the Groves School through grants and tuition payments, the programs are self-sustaining. Groves has moved from the Wilmington Campus to the Telegraph Road location.

IBU 28 Division 1 salaries. It is at 95.5 % on the front page the actual is \$74.3 million in revenue funds, yet we have \$73 million in expenditures. The other million is listed in IBU 20 is ELL a tuition-based program. Summer school borders 2 fiscal years. We are wrapping up this current program at this time. Mr. Suiter asked about IBU 49. Ms. Floore explained IBUs 49, 55, 61 and 75 all have end dates beyond June 30 so we will continue to expend against those funds. We have 2 years to spend IBU 49 and IBU 55. IBU 61 we have until September 30th to spend the funding. As with IBU 75, the legislature placed these cut offs to facilitate the availability of staff to receive training over the summer.

Mr. Suiter made note that the utilities costs came in under budget. Ms. Floore explained that this is due to the work of our Facilities Department and building leaders. Mr. McDowell has brokered excellent contracts with companies and worked with the schools to lower costs.

Transportation is listed under IBUs 77 and 78. It appears over budget because they use local funding to supplement the state funding. We look at both together rather than each independently.

Local salaries and benefits are listed at 96.6% but they are actually closer. We have had negotiated contract increases, however, and they were paid in the July paycheck. This happened due to the timing of the agreements. Ms. Rattenni asked about the salary rollback. The rollback will be budgeted in both local and state budgets because the five furlough days affect both portions of the salary.

Ms. Rattenni asked about the loan payback cost. Ms. Floore explained that the payback is on Page 5 of the tax presentation, on the bottom, listing the tuition based programs. In 2007 we could not make our tuition payments. So Division 32 loaned tuition programs money. This payback was spread over 3 years. Next year is the final year of this payment. Ms. Williams asked about other state services. Ms. Floore explained that is several categories of grants received from the state. Because we have adult education separately, other state services list all of the grants minus adult education.

The next two pages are federal listings. Federal funding for Title I, II, and IV were not used by non-publics so it was available for us to use. FY08 is our close-out as of December 31, 2008. We have until March 31, 2009 to clean up expenditures that were encumbered. Ms. Floore stated that the stimulus will be reflected on this report in the future but will be broken out by a different IBU to be identified. In divisions 54 and 58, we did not allow tuition funds to carry over as the BOE has to set the tuition fund tax. We did not want to create issues as the tax rate is annual process.

In the last category, tuition is the most complex funding programs because it includes the most number of funding sources. Ms. Rattenni asked about the state mandated tuition bills. Ms. Floore explained that these are bills where a student in another district is in our schools. Ms. Rattenni was referring to the equalization payment. Ms. Floore stated that is money paid through the tax pool but we don't pay each district for that. We will lose \$1.2 million to the other districts in equalization money. That's down from \$1.8 million last year and over \$3 million that has been paid in the past.

In First State School, we did go over, but that was based on the expenditures required by First State School. Debt service tax went up by a penny as we have large payments needed in September and our tax funding comes through in October. We have this schedule for the next 20 years reflecting the bonds that were approved from the capital referendum.

In explaining IBU 97 Mr. Lloyd asked Mr. Loftus to include a remaining balance as is listed in the other reports.

Ms Williams asked that if these reports were available in 2007, would we have had the problems we did. The answer is that yes we would have caught the problems sooner.

Mr. Buckley reflected on the substitutes as we have given the schools greater flexibility and we still are able to come in at a reasonable level. In the past, the long term subs were paid by a vendor rather than hired by the district.

Ms. Floore summarized that as of June 30 the revenues and expenditures are on target is she is proud of the team and the district to finish over in revenue and under in expenditures and in strong financial position.

Ms. Floore also included in the packet the tax rate program approved by the BOE.

Mr. Lloyd asked if there was any new business. There was none.

Mr. Lloyd asked about the contract approval process. Only Ms. Floore or the Superintendent can approve a contract. They sign if it falls under a bid threshold or category and that the BOE has the approval for awarding a bid. Typically, what you see is any bid award for professional services \$50,000 or over. For supplies and materials, the threshold is \$25,000. One area that is not bid is sole source distinction. It has specific criteria that have to be met not to be placed out for bid. The district follow the procedures for procurement set forth by the state.

IV. Announcements

The committee has been invited to the August 3rd budget planning workshop at Linden Park at 6:00 PM in the first floor Board Room.

Mr. Lloyd will be having a Committee planning session on August 13th. If anyone has any ideas or presentations they would like to see, please let him know. Ms. Floore stated that we can repeat ones that were done this year if there is a particular area of interest. No schools were invited in the past year.

The Committee's next meeting will be Monday, September 14, 2009 at Brandywine Springs School in the Teacher's Lounge. The focus will be stimulus funding and the first of the fiscal year 2010 reports.

V. ADJOURNMENT

The meeting adjourned at 9:32 PM.

Respectfully Submitted,
Laura Palombo
Recording Secretary