

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

**Meeting Minutes:**

The Community Financial Review Committee met on Monday, November 9, 2009 at 6:42 PM in the Brandywine Springs School Teachers Lounge.

**Members in Attendance:**

Paul Lloyd – Committee Chair  
Jill Floore– Red Clay Chief Financial Officer  
Kelly Krapf – Teachers Union Representative  
Larry Miller – Community Member  
Jane Rattenni – Community Representative

**Others in Attendance**

Jack Buckley – Board of Education  
George McDowell – Red Clay Manager of Facilities & Maintenance  
Michael Volzone – Red Clay Supervisor of Maintenance

**I. Introduction and Opening Comments:**

Mr. Lloyd welcomed everyone to the meeting.

**II. Old business**

The minutes of the October meeting were reviewed. Mr. Lloyd moved to accept minutes as written and Mr. Miller seconded.

Policies and Procedures: Mr. Lloyd spoke about the emails coming into the CFRC website. He feels uncomfortable speaking for the entire Committee. He would like to know what would be the proper way to incorporate everyone's viewpoint. He used to check the email daily, but lately he has been unable to do so. He has now consolidated the emails and sent them as a batch to the committee. Is that preferable to each email being forwarded separately? He would like to keep everyone in the loop. He is asking the group for direction on handling future emails.

Ms. Rattenni suggested they be brought to the meetings each month to get everyone's opinion and an answer constructed by the committee. Mr. Lloyd stated that if the emails coming in do not pertain to CFRC, he does not feel compelled to answer. Mr. Miller stated our policy of giving time at our meetings to community questions should satisfy the need. When we receive an email, we should state that we have received the email, our next meeting is at a stated date and time, and we will have a discussion at that time. That way there will be closure to a question or issue. Mr. Miller reiterated that we already have the policy and procedure of questions and answers within our meeting format. Mr. Buckley asked what if there was someone who emailed and couldn't make it to a meeting, we could then try to answer via email. We could even bring the issue to the

meeting, frame a reply and email back. Ms. Rattenni suggested that the email be brought to the meetings, and when they are discussed, they would be in the minutes. Our answer to the email would be written in our minutes. Ms. Rattenni agreed with Mr. Miller with letting them know that their question would be discussed at the next meeting and if they could not attend, they will be forwarded a copy of the minutes. Due to time constraints, there would have to be a limit of the number of emails per meeting. Mr. Miller asked if we needed to vote on this policy of answering emails. Mr. Lloyd checked the bylaws and found that a quorum was possible.

Vote was taken:

When an email is received by the CFRC regarding policies, procedures or material reviewed, the Committee will respond back to the questioner stating that the issue will be discussed at an upcoming meeting. When the specific date and time of the meeting is determined, it will be provided to the questioner. The discussion will be documented in the CFRC meeting minutes and posted online. If the questioner is unable to attend said meeting, they could follow the discussion documented in the meeting minutes. If the questioner then had follow-up questions, those questions could be emailed and discussed at a future meeting. Mr. Lloyd put it to a vote, Ms. Krapf seconded and all agreed.

- Ms. Palombo will make an amendment or addendum to the bylaws to be placed in policies and procedures on the website and at the district. This at the suggestion of Ms. Rattenni.

There was no other old business at this time.

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

Ms. Floore presented the IBU listing and expenditures of Facilities and Maintenance. All of these are overseen by Mr. McDowell. She described the payees and what utility they provide. Mr. Lloyd asked what the transaction numbers pertained to. Ms. Floore stated it is the purchase order or payment voucher number. Ms. Floore stated that the business office uses that transaction number to retrieve and review records. Mr. Buckley asked if each facility is billed separately. Ms. Floore answered yes they are. Ms. Krapf asked about open orders. Mrs. Floore stated that we sometimes buy utilities from a variety of companies as we buy off the open market. We have an open order to encumber the monies to pay these other companies who supply a utility to a facility. Mr. Lloyd asked about intergovernmental vouchers and why no vendor is shown. Ms. Floore explained that IVs are between two state agencies.

Ms. Floore then reviewed the monthly expenditure report. Under local revenue, the tax money is now mostly received. They are not at 100% in the local for Division 32. There are late payments due and money throughout the year that is interest so this number will slowly grow towards 100%. The other large factor is state senior property tax rebates. This is a state property tax credit for seniors based on age. Even though they don't pay the higher amount of taxes, we don't lose that revenue as the state makes up the difference.

It comes to approximately \$2 million. The State makes us whole, but the State does not make the payment until later in the year. Mr. Buckley noted the significant amount the State pays to each district to make up for the senior tax rebate. Ms. Rattenni stated that Delaware is one of the fastest growing populations of AARP members.

For State Funds, the State preloads 75% of the previous year. The formula is to preload from the prior year, so they never match actuals for this year but they will stay at about 75% until later in the year. On the expenditures, Mr. Lloyd stated our number this month 33.3%. The variance is defined as 30 points higher than the month within the school year. This is for expenditures not for encumbrance.

Ms. Floore responded to a question on prior year. She noted the last line on the Expenditures and Encumbrances reports that totals prior year expenditures. These could be either expenditures against a prior year appropriation that has not closed, or payments against purchase orders, in other words encumbrances, that were created in the prior fiscal year. One of the factors for prior years is that some appropriations do not end on June 30<sup>th</sup>. They allow spending through September 30, and some to December 31 based on the established state regulations. She explained the encumbered funds through previous year reflect purchase orders that had an encumbrance from the prior year. It may be some time and carry over July 1 before they are paid due to invoicing or project completion. In prior years, we have \$11 million in payments from July 1 through now. These are payments made on funds previously budgeted. These amounts are significantly less than last year as our major cap projects are winding down.

Mr. Buckley asked about local funding. Ms. Floore stated that anything that is local and unspent rolls into the new year on July 1<sup>st</sup>. State funds do not roll over as they have end dates. If you had looked at these numbers years ago, the amounts would be much higher as they are nearing their completion dates. Ms. Floore stated that prior year will never be zero because we cross fiscal lines on federal funding. Mr. Buckley asked if federal is only one year. Ms. Floore stated no, that some funding is multi year, i.e. School improvement and Stimulus money but it may be assigned in DFMS as one fiscal year (ie FY07).

Most federal 09 funding ends on December 31 for encumbrances. Ms. Roberts in our office is contacting program managers with due dates and balances. Mr. Lloyd asked if the government arbitrarily allocated Title I funds to non-public schools. Ms. Floore stated it is based on poverty and population data. Ms. Floore stated that there was a bid that went out and it was awarded to Back to Basics for services to Title 1 students in the non-public schools. Those schools have to identify the eligible students and use the program awarded. The formula is based on your attendance zone school. If you live in an attendance zone of a Title 1 school, but attend a private school, you are eligible for services. Chris Miller in RCCSD handles this application of the funding for Red Clay. All funding flows through Red Clay as the Fiscal Agent.

The Business Office has issued all program managers a budget summary and request to come in and review their budgets. They have to meet the percentages in each category of

their program. We meet now to make sure all funding is used timely and expended properly. In 2009 we are still spending with the exception of IBU 72. Even with Federal Grants, the dates aren't always the same. The Reading First Grant ended 9/30/09. Even if it is a multi-year appropriation, based on DFMS we have to report it under the year it was granted.

Stimulus money wasn't given to us until September 15<sup>th</sup>. Our first reporting cycle was September 30<sup>th</sup>. We had a few expenditures in September but will see the bulk of our first stimulus reporting in the next quarter from October 1<sup>st</sup> to December 31.

Ms. Floore then reviewed tuition. The tuition tax supports a number of specialized programs including the First State School at the Christiana Hospital, the English Language Learners program, the consortium (alternative placement programs) Parkway and Kingswood, and unique alternatives for a child to be placed outside of our schools, out of state, or a one-on-one paraprofessional due to a requirement of the child's I.E.P. In addition, tuition covers the Meadowood School, Richardson Park Learning Center and the Central School. All of the tuition funds come in to one appropriation, 8200. Mr. Lloyd questioned the tracking of revenues for Meadowood and the ILCs. Ms. Floore stated that we receive four separate tax transfers in to the district. One for local funds, one for tuition, one for minor cap and one for debt service. Once loaded in tuition, 8200, the Business Offices moves via a Cash Adjustment to each of the various programs in their appropriation (8000 for Meadowood and the ILSs, 8033 for ELL and 8067 for 1<sup>st</sup> State). In the budget it is set up to meet the funding needs of each program. We could show the money under the actual school, but we presently show it in tuition. If we do that, then the reconciliation of tuition taxes received would not be accurate.

Mr. Lloyd questioned what is an Unassigned IBU expense. It means an expense got charged to an IBU or MBU that didn't exist. This is a sign that it was incorrectly coded and often occurs at the special schools since they use fewer IBUs. The amount is placed in unassigned expense. It is then investigated and reassigned to the proper IBU/MBU.

In IBU 97, Mr. Buckley asked about substitutes and how the number is estimated and tracked. Ms. Floore explained that you cannot encumber payroll. However, since substitutes are contracted through a vendor, we use history and project use and encumber payments to the vendor, currently Substitute Teacher Service.

Mr. McDowell then began his presentation and introduced Mike Volzone, the Maintenance Supervisor. McDowell distributed a directory for their department. His department is split between Maintenance and Facilities. Facilities, which was called operations, is handled by Keith Redman who supervises the custodial staff. Major and minor capital improvements are supervised by Marcin Michalski. Wayne Rohrer is the Supervisor in charge of our custodial supply warehouse and training center.

Mr. McDowell distributed a chart of disbursements of the Maintenance budget: One area they have seen a large amount of growth is service and preventative maintenance. The contracts are much larger than in the past. This is due to the HVAC systems now in place

in the facilities based on the Major Cap projects. These new systems require advanced expertise on digital systems, and we must contract with vendors to maintain them. The systems are split between vendors throughout the district. This was done through a bidding process. Advanced Power has 65% of our schools and Modern Controls has the rest. Also under service and preventative maintenance, we have Ahara inspections (asbestos, etc.) and sprinkler systems. Ms. Krapf asked about the School Dude Company listed on the reports. Mr. McDowell stated they are a company that provides computer programs for the State and Districts. The State began using their program, Planning Direct. This is a program for requesting and providing minor cap expenditures. We also use it for maintenance (work orders) and facilities scheduling. We are also interested in using their program on inventory.

Referendum security initiatives is a program which Mr. Moore supervises within Maintenance. This year he has a budget of \$200,000.

One of the initiatives Mr. McDowell has been working on this year is vehicle replacement. We had gone for 5 years without replacing any maintenance vehicles, about 30 vehicles. Mechanics, courier vans, dump and plow trucks, etc. About 5 years ago we stopped replacement. Those trucks are now 15 years old in some cases. Last year in one plowing incident we lost 2 trucks. Mr. McDowell feels this is a priority. Recently, we purchased a new van and a used van. The utility trucks are used quite heavily. We are now purchasing these trucks in 4 wheel drive with a plow to use these for several uses. The orders went in through the company with the state bid.

Inspections of Ahara (asbestos), elevators, fire alarms, sprinklers, etc. has grown significantly due to the number of schools which now have sprinkler systems. There are 5 schools not on sprinkler system. Those schools are: Wilmington Campus, Heritage Elementary, Stanton Middle School, Marbrook Elementary and Telegraph Road Campus. There is no State code stating the schools have to be on a system. If you do have a system, there are other State Code items needed. With Ahara, we deal with Batta for the contracting and inspections happen every 6 months. Reports have to be on hand at all times in the schools. We are going to a disc for reports on the asbestos within our facilities. There are also reports on mold and fiberglass.

The encumbered accounts as a department include a lot of little purchases on a daily basis for repairs. The district has stopped all open-ended purchase orders. However, Maintenance is exempt from this due to the needs of the department. They are allowed to have small open purchase orders with specific vendors. It is not known how much will be needed daily in auto parts, custodial supplies, etc. When they run low, an increase is made so parts can be obtained quickly and easily.

The available funds are what is left for the department's use until July 1. Ms. Floore pointed out that this is similar to the other presentations we have seen in that the maintenance budget does not include salaries for the department.

Mr. McDowell then distributed a chart on minor capital improvement programs. Mr. McDowell stated that Dr. Daugherty has helped with budget items that are above what their present budget could have addressed. The minor capital 2009 budget is much smaller than the 2010 budget on these charts as that is carryover funding for projects not yet finished. Mr. McDowell has been told that next year there may not be any minor capital funding. Ms. Floore explained that these are usually funded through the bond bills. Mr. McDowell stated that the State uses a 60/40 formula to offer money to the district if you can match it with local funding. We have so far expended nothing from this year's minor capital at this time because we have been assessing the facility needs and priorities based on the funding availability. Listed on the chart are improvements we are hoping to make at schools. These include science labs, tennis courts, boiler and roofs. The tennis courts at Conrad were installed by the Duponts many years ago. At the time major capital was put together, A.I. Middle School had working AC units. However, in the 7 years that have passed, those units have failed. The estimated cost is \$371,000 for 2 floors and \$91,000 for the basement. This does not include new controls, etc. This is not improving the system, but is simply fixing what is there. Mr. Lloyd asked if the improvement to Dickinson's AC and cooling tower is in response to a constituent complaints of the noise of the current system. Mr. McDowell stated yes it is in part. It is also due to meeting County regulations. The fire pump at Wilmington is required for a permanent Certificate of Occupancy for the school and the boiler at Baltz is needed within a month. These costs are for repair to the present units, not new units.

Ms. Floore stated that major cap saw unprecedented escalation in prices of building materials and that in order to stay within budget project had to be altered. Major cap was trying to complete programs and portions had to be cut. Now the market is the opposite. Mr. McDowell has colleagues who delay bid openings by 1 month and have saved 5%. We planned our construction at the most expensive time, but as Ms. Floore pointed out, it was the right time in that we at least were in the queue for construction for state funds. Some districts that have had referenda passed have had to wait to state funds to be included in the bond bill.

Mr. Buckley asked if we are patching roofs at this time. Mr. McDowell stated yes. We also have an architecture firm working with us to go out to bid on the roofs by segment. We don't like to do it in segments, but it will have to be done. Mr. Lloyd asked about materials management. One problem he noted from his own experience was equipment ordered for a project would disappear from a job. It was difficult to inventory these items. Do we have an inventory of items or audit of the tools, etc? Mr. Volzone explained that each time a part/tool is purchased; it must accompany a work order. If there is a work order active, a part can be ordered. Plumbing items, however, are different. We have an order and the stock is in place. When another order is placed, Mr. Volzone tracks what jobs were done to take up the previous stock. Other larger tools are assigned to a laborer. When he looking for a particular tool, he inquires to the laborer the tool was assigned. He believes we have not been impacted by major theft in the past 3-4 years. Mr. Buckley asked about prioritizing due to budgetary costs. What is the next roof after Wilmington and Dickinson? Mr. McDowell stated that Stanton needs half of their roof replaced; Richardson Park is also in need of a larger roof portion to be

replaced. Ms. Floore stated that the original stimulus discussions once included school construction and we were making lists. That funding did not materialize, however, so now we are back to living within what is funded through minor capital improvements.

Mr. Lloyd thanked Mr. McDowell and Mr. Volzone for their presentation.

Mr. Lloyd spoke on the financial reporting options. Periodically he looks at other school reports to see how they compare with ours in telling the story on district finances. One practice pertained to the variance report. He saw that Brandywine changed their system to a 25 points system showing the 25 points above or below the system. He feels that information is important and is a consideration we could try. Ms. Floore commented that program managers and principals take the report quite seriously and she would like enough time to adequately alert those managers and principals that this program will be in place. Mr. Lloyd stated they can revisit this at the end of the fiscal year. Mr. Buckley stated that if you're only looking at expended it may give a false reading as there may be encumbrances involved. Mr. Miller stated that there is still the internal process in making sure the programs are kept on track. Mr. Buckley feels these reviews are important at our level as well as the Board level. He feels the narratives behind the numbers on the report are equally important.

Mr. Lloyd questioned reporting on Major Capital. Ms. Floore explained that Marcin Michalski gave a detailed project by project expenditure report for the committee last year. We could invite him back as the projects near completion to report on the expenditures made. Ms. Floore is involved in the expenditures as she signs each purchase order. Mr. Lloyd asked about Nutrition services. Ms. Floore stated that at this time, it does not come through our offices. With the new financial system beginning next year, nutrition will be linked in with the Red Clay financial system. The Nutrition system submits a profit and loss statement for the federal government. She will provide copies of those to the Committee.

Mr. Lloyd asked about pulling out tuition funds and listing them separately. Ms. Floore stated that she could but it leaves them open to criticism in reporting procedures. Mr. Miller stated that this information will have to be presented at a public forum. This then creates confusion with the public. Ms. Krapf asked regarding the term "tuition". This is a tax allocated for programs determined by the state eligible for tuition taxes such as ELL, the Learning Centers and the First State School.

An updated listing of contracts was distributed including those recorded for 2008.

Emails pertaining to reports were discussed. Our earlier vote on answering emails has our policy now in place.

#### **IV. Announcements**

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The Committee's next meeting will be Monday, December 14, 2009 at Linden Park Offices in the Board Room. The 2008-2009 Final Budget will be presented to the Board of Education.

**V. ADJOURNMENT**

The meeting adjourned at 9:55 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary

To Do

- New Policy vote sent to P. Lloyd for publication
- Ms. Floore will include Nutrition Services reports at a future meeting,