

Red Clay Community Financial Review Committee
Monday, December 14, 2009

Meeting Minutes:

The Community Financial Review Committee met in conjunction with the Red Clay Board of Education on Monday, December 14, 2009 at 5:30 PM in the Linden Park Board Room

Members in Attendance:

Paul Lloyd – Committee Chair
Jill Floore– Red Clay Chief Financial Officer
Kelly Krapf – Red Clay Education Association Representative
Larry Miller – Community Member
Eric Randolph – Board of Education
Jane Rattenni – Community Representative
Kim Williams – Board of Education

Board Members in attendance

Jack Buckley
Irwin Becnel
Martin Wilson
Ken Woods

Also in Attendance

Ted Ammann – Chief Technology Officer
Hugh Broomall – Assistant Superintendent
Merv Daugherty – Red Clay Superintendent
Mary Norris – Assistant Superintendent
Mr. Doolittle – Community Member

I. Introduction and Opening Comments:

Mr. Buckley asked the members to introduce themselves and welcomed everyone to the meeting. Dr. Daugherty announced upcoming events within the district.

II. Old business

The minutes of the November meeting were reviewed. Ms. Rattenni made a motion to accept and Mr. Miller seconded. The minutes passed as written.

III. New Business

Ms. Floore presented the monthly financial reports. She thanked everyone for joining together to review the final budget in the workshop format. Ms. Floore first reviewed the monthly expenditure report. This is the main document that the CFRC reviews each month. In local revenues, we are at 95.35% because we have received the majority of our

taxes. Over the rest of the year we will receive two more items to reach 100%: the state's property tax credit and late tax payments throughout the year.

Indirect costs are federal dollars and are only received as expenditures are incurred over the life of the grant. That number will grow to 100% as we go through the year. Tuition receivable at 0% is a one time payment made at the end of the year. This is the third year of installments paid on the loan taken out in 2007. This is the final installment. For state revenues, the state pre-funds at 75% at this time of year. We will receive more as we progress throughout the year. State fiscal stabilization is federal funds that were previously state funds. It is separate and apart from ARRA. It is now fully funded at 100%. All other is at 59% as the excellence units cash-in allocation is due to the state on January 31st and they will receive the cash-in later in the spring. Right now the total revenue received to date for the FY 2010 budget is 85.34%. Mr. Buckley asked if this was the customary place for us to be. Ms. Floore stated yes and we are in a position to feel confident for the revenues for the remainder of the year.

On the expenditure side we have several categories that include encumbered, expended and percentages. Mr. Lloyd let us know that the target is 41.7% expended (month into the fiscal year divided into the budget). 30 points variance above would trigger a variance. Ms. Floore stated that encumbered is not actual expenditures. She explained that last month we also looked at ones that were too low. IBU 06 is Assessment at 0%. The majority of that budget is spent during DSTP so it is common to be at 0% at this point. IBU 45 is summer school expenditures. They exceeded the revenues taken in for summer school by \$7,800 so it is over 100%. IBU 49 is school improvement which is at .5%. These are multi-year grants and the applications have just been written for State FY10. We are still spending FY09 funds for their plans so it makes sense to be at a very low expenditure percentage for FY10. Our Contingency account is \$739,000. That is our emergency fund. We would like to see this unchanged throughout the year which it currently is. There may be unforeseen circumstances that would cause us to use this reserve. As an example, maintenance just had a pipe collapse and a sink hole formed at AI High School. Mr. Wilson asked if that came out of the Contingency fund. Ms. Floore explained that Maintenance was able to handle out of their budget, but this may not always be the case. This Contingency fund is a buffer. We have not touched it for the past 2 years.

Ms. Floore explained that the school budgets had carryover from the prior year for the first time. Their deadline is 12/31/09 to use these funds and the Business Office is monitoring it closely. In January, all the schools will all be spending out of FY10 budget.

In Division 32, we are right where we expect to be for expenditures. Historically, the one category that we had trouble with was IBU 97. We were several million dollars over budget in that category so we watch it very carefully. Assessment on IBU 97 MBU 07 is our share of the state tests. A contract has not been awarded yet but we were assured the bill was forthcoming from DOE.

Federal fiscal funds. We are currently working within 2 fiscal years. FY09 funds are available through December 31, 2009. All encumbrances must be made by 12/31/09 with all payments settled by March of 2010. We also have FY10 funds which can be encumbered at this time. The end date for those is December 31, 2010.

We can never be over budget on federal funding based on the way the accounting works. If the listing is over 100%, it means that our budget number was lower than the actual funding award. The state often gets IDEAB funds at the end of the year and they award mini grants at the end of the year. We received an additional unanticipated grants, so the revenues exceeded 100% of budget, but the true expenditures will always be 100%.

Stimulus funds were loaded in October. The expenditures are low as we have not had the funding for very long. The end date, however, is September 2011. The state is being audited to see how the state is handling Red Clay's federal funding. A representative will be at Red Clay on Tuesday, December 15, 2009. The stimulus budget will always be listed as FY09 funds. Even if we are granted an extension, the funding will reside in a FY09 budget line.

In other federal programs, the Fiscal Year 10 end date is December 31, 2010. Tuition programs revenues are received in the tuition tax and distributed to the programs. Mr. Buckley asked about the preliminary budget amount. Ms. Floore stated her preliminary was at 97.5% as we always build in a delinquency factor for non-payments. Tuition billing is what we charge other districts for students attending our special schools. This is different than Choice. The largest is the First State School. We have a process for calculating costs for the program and distributing to the other districts based on participating students. DOE will certify the bills in January we will receive the payments in the spring. The amount is an estimate of what we will receive. The unique alternatives amount will change in the final budget. Mr. Becnel asked about First State School. If there were no Red Clay students at First State, would there be no cost to Red Clay? Ms. Floore yes, but there would be expenditures because the state provides a direct allocation of \$314,500 to run the First State School. This began several years ago when Medicaid changed the payment methodology. Mr. Buckley asked if the fees billed are our actual costs. Ms. Floore stated yes, our bill reflects local costs incurred. We have very few out of district at the ILC, Meadowood and ELL program while we have a number of students in Christina's autistic program. Our payment out is larger than what we receive in.

We receive one bill a year for the consortium for students who are sent to alternative placement at Kingswood and Parkway. We have estimated our bill to be \$302,975 for this year.

The minor capital improvement is a funding source that spans 3 fiscal years. Mr. McDowell gave a report at the last CFRC meeting. There are still are large amount of jobs to be done with funding from minor capital. Dr. Daugherty stated that we will always be behind in expenditures due to emergency conditions, boilers, etc. We need to hold back some funding for such expenses. Debt service is a separate tax which we use

to make payments on bonds authorized by voters in previous referenda. The treasurer's office has the repayment schedule.

IBUs 54 and 58 are Meadowood and ILC, both tuition based programs. It is important that each program is monitored individually and stay self-sufficient. There is nothing to point out at this time as a variance.

Ms. Floore explained to the BOE that this revenue and expenditure detail is reviewed by the CFRC each month. In addition, each month we examine an IBU in detail. Next month, Mr. Ammann will be giving the presentation on technology and the computer refresh program.

Ms. Floore reviewed the referendum funding and gave a report on what has been expended through Year 2. We are reporting what has been spent compared to the original plan from the referendum. Technology is easier to differentiate as the IBUs have been separated out. Some are more difficult as they were incorporated into existing IBUs. Mr. Buckley asked that this referendum presentation be given on Wednesday at the regular BOE meeting. Ms. Williams asked after 3 years where does the money go, does it disappear? Ms. Floore stated no, it has become part of the base budget and continues until such time as a policy change or funding cut would be made. As the state cuts funds, those could be discretionary funds and the board may be in a difficult position to have to cut initiatives from the referendum. Based on early indications from the budget, that may happen as early as next year.

Mr. Becnel questioned the security line. Ms. Floore stated that we spent \$100,000 last year and \$200,000 this year. It grows each year. Mr. Becnel asked if we would stay at these levels unless the money runs short and we would cut back. Ms. Floore stated these are policy decisions made in the face of cutbacks. Mr. Becnel asked that if we continue to operate as we did now, our expenditures will continue at these levels indefinitely. Ms. Floore stated it then becomes a base budget item.

Mr. Becnel asked if the plant closings will affect our tax revenues. Because GM was on a credit status, they had not been paying taxes for the past few years. Depreciation may have played a part in that. Now that Fiskar has purchased the property, the revenues are uncertain. Mr. Becnel asked about the Chrysler and Valero plants. Ms. Floore explained that with those plants, our revenue is 46 cents on the dollar because of the tax pool. It won't affect our whole dollar but it will have some effect on our tax pool. With the purchase of Chrysler by the University of Delaware, there are more questions on tax status. As we lead up to the 2011 budget, we will have more details.

Ms. Floore then presented the final budget for 2010. The preliminary budget was presented after July 1st as state funding was in question up through June 30. Through Mary Norris' office, we have completed our September 30th unit count. We now also have the needs-based calculations as this is the first year we are on the pilot funding. We also have actual expenditures to date that we use in determining final budget. Choice and Charter enrollments play a part as well. In summary, Ms. Floore is projecting our

revenues will be down by \$673,000 but our expenses will be down by \$730,000. Ms. Floore's recommendation to the BOE will be that our carryover balance increase by \$56,000.

Ms. Floore added needs-based funding into the glossary of terms. Needs-based funding reflects the Department of Education's methodology of counting special education students based on the category of their need(s). There are only 3 categories under needs-based: Basic, Complex and Intense. This is our first year as other districts have been going through this as a pilot. Ms. Norris' department went through the traditional unit count while DOE did a needs-based count and compared them. We are now moving toward a fully needs-based program. Mr. Becnel asked how this affects our tuition taxes. Ms. Floore stated that this year we received more in Division II and III funding – approximately a \$50,000 increase over last year. In the future, there may be a transition to how we may for tuition eligible students in the regular schools as historically it was only possible in tuition-approved special schools. Under needs-based the money follows the child rather than the program. There is no immediate change in the funding structure for staffing, but there may be in the future. Mr. Becnel asked if in the future we would have to raise our tuition tax. Ms. Floore stated that is a policy decision not a mandate. Mr. Buckley reflected that he thought the state would be paying us more per child. Wouldn't this save us money in tuition dollars. Ms. Floore explained that some things increased but some things decreased under the funding formula so it is not a direct savings of tuition dollars. This year the formula provided \$50,000 additional in Division II and III funds. Mr. Buckley asked if that was money we could save out of the tuition tax. Ms. Floore explained that 1 cent is \$500,000 and she would not recommend on changing anything for small percentage change the district saw this year. The formula is designed to be incremental so it would take years before it would even get to a half a cent all at the same time costs in tuition programs are increasing. Ms. Floore stated that we are in the last group of districts to go through this change and are working closely with those who have been in the pilot longer. But in the case of the other districts that have been on it, she does not believe it resulted in a significant change in their tuition tax rate.

Ms. Floore reviewed the tax rate calculations and reported no changes from the preliminary budget as the tax rates were set in July. For final enrollment, the traditional count came to 976 down one unit and 36 kids from last year so remarkably steady. Ms. Floore reported where we did see changes was in the choice and charter enrollments and who makes up that final unit count.

Ms. Floore reported here are two areas where there are adjustments in revenues. One is interest and the other is choice income. This year we have an additional 82 students choosing into Red Clay. For a choice student, we get the sending district's local per pupil which in all cases other than Brandywine is lower than Red Clay's. Mr. Becnel asked if the state was to offset that. Ms. Floore stated that they cannot offset all of it so we will never be made whole to our local per pupil by the choice formula. We receive more Christina choice students than any other district. Mr. Becnel stated that 2 years ago we cut back on our per pupil spending. Ms. Floore stated this would reduce our payments to other districts but would not change the revenues received from sending districts.

On State, Division I is salaries. We estimate our salary budget in a number of ways, including an itemized person by person. At this time we have real salary data that we can budget throughout the year. Division I is in and out money because it is the state share of salaries.

Ms. Krapf asked if the teacher salary decrease was a result of the furlough days. Ms. Floore stated no that had been accounted for in the preliminary budget. This change is more related to the level of education and benefits of actual teachers who were hired to fill the open positions.

Ms. Floore explained the changes in Division II and III were a result of the needs-based funding calculations as previously discussed. Ms. Norris asked if the Division II and III lines reflect what was once in PCD. Ms. Floore answered yes, PCD is zeroed out and the funding is now spread out over the 3 other categories. CCSRP had a \$100,000 adjustment as a Medicaid eligible reimbursement for services received at the schools (i.e., physical therapy) have been decreasing.

Transportation decreased. The state cut the formula which translates into a larger cost to our local budget. The formula for contractors was also reduced. Red Clay operates approximately 31% of our buses through the district transportation department so that was a direct cut to the district.

In summary, on the state side revenues are estimated to decrease by just over \$1.1 million but it is important to note those are adjustments in estimated costs and do not reflect an additional cut from the state.

Mr. Buckley asked about the state tax relief. Ms. Floore speculated that this will be a political issue that is discussed in the current session. Tax relief was written out of the budget and is currently being funded by the state fiscal stabilization funds. Senior Property tax relief is a different state source that will also likely be discussed in the future. This is a state subsidy provided to seniors for property taxes.

On expenditures, Ms. Floore discussed the school budgets. If they chose to carry over funds from last year, the school budgets reflect the current year funds as well as the carry over. In every case, the final budget number should be greater than the prior year. How big the increase depends on the growth in the number of units and the carry-over amount. The Business Office tracks what is carryover and what is school budget. Ms. Floore stated this is extremely important because the budget can otherwise give the appearance of inequity in the schools. While it complicates matters in terms of budgeting and reported, the district believed the carry-over offered principals flexibility in times of uncertainty and agreed that schools will again be allowed to carryover a balance at the end of FY2010, but to make budgets more consistent and not encourage excessive carry-over, limit the amount to 15%.

Mr. Lloyd asked if you compare each school's final budget has everyone gone up. Ms. Floore stated no, some may have stayed the same because they lost units. They were guaranteed not to be reduced but if their units were going down, they would have seen a flat budget. Mr. Lloyd stated he felt the carry-over gives the schools fiscal responsibility. And would like to encourage this practice in the future. Mr. Becnel asked regarding deferring the funds. Did we get any comments from parents of not funding where their child was attending? Ms. Floore stated no and that funding was also carried over where the child would be potentially attending the following year.

Ms. Floore then reviewed IBU 77 and 78, Transportation. Our special education buses are provided by Red Clay. Most of the other schools are provided from contractors. The cut from the state in transportation funding will be made up in local funds.

Mr. Miller stated he believes state revenues will continue to fall especially because the loss from Valero has not been felt as yet. Mr. Becnel stated if the senior tax rebate comes up for debate, will that change what we get. Ms. Floore said that is up to the legislature- they may do a means test, they may eliminate or they may not touch it at all.

For charter schools, Ms. Floore reported that last year we had 1476 students attending charter schools compared to 1675 in FY10, or a swing of 199 students leaving Red Clay. The local per pupil increased so we paid more out this year. This year our charter school bill is just over \$5 million. So the total result in the change of population was higher local per pupil students leaving and lower per pupil students attending via a choice for a net revenue reduction.

Ms. Floore then reviewed the total budget summary. The current year revenue over expenses is .8%, which is a narrow margin. Our ending balance was increased last year as a result of the referendum. This year we are adding to the balance slightly, but importantly we are not deficit spending. Ms. Floore has been looking at 3 year forecasts but these are extremely hard with the uncertainties in state funding. On the positive side, next year we have an additional 5 cents in referendum dollars.

On the tuition budget, Ms. Floore stated that the Unique Alternatives change relates to needs-based funding. There are one-on-one aides for specific students. There are also students placed in specialized schools through the state's ICT committee. One on one aides were previously paid through unique alternatives but are now paid through units. However, the state will continue to fund the state share of private placements (70%) through unique alternatives. This line was adjusted to reflect that. The other programs are listed in the budget in detail without change.

The Board thanked Ms. Floore for her presentation. Mr. Lloyd asked for any comments from our public attendance or questions.

Dr. Daugherty explained a potential change in the charter schools legislation. We lost a lot of students before September 30th. Legislation is being introduced so students cannot be lost to a charter school after August. Mr. Becnel asked if they are proposing that a

student cannot decide on their own to attend a charter school. Dr. Daugherty stated they are trying to make it more equitable for the public schools. Another piece is to how to inform schools where a student lives. Mr. Lloyd asked about the legislation regarding training for the committee. Ms. Floore stated that the state has posted the regulations but they haven't passed as yet. We will be informed when they are official. Some districts have never had a CFRC before. Brandywine has had one longer than ours. Is the same level of training required? There are still some outstanding questions.

IV. Announcements

The Committee's next meeting will be Monday, January 11, 2010 at Brandywine Springs School in the Teachers' Room.

V. ADJOURNMENT

The meeting adjourned at 7:45 PM.

Respectfully Submitted,
Laura Palombo
Recording Secretary