

Red Clay Community Financial Review Committee
Monday, March 14, 2011

Meeting Minutes:

The Community Financial Review Committee met on Monday, March 14, 2011 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Jane Rattenni – Committee Chair
Jill Floore– Red Clay Chief Financial Officer
Bill Doolittle – Community Member
Kelly Krapf – Teachers Union Representative
Les Hendrix – Community Member
Lynne McIntosh – Community Member
Larry Miller – Community Member

Others in Attendance

Ted Ammann – Assist. Superintendent, Red Clay
Jack Buckley – Board of Education
George Middleton – Manager of Transportation, Red Clay

I. Introduction and Opening Comments:

Ms. Rattenni opened the meeting and welcomed Mr. Middleton and Mr. Ammann. Mr. Middleton joined the CFRC to give a presentation on the Transportation department.

II. Presentation

Mr. Middleton reviewed the programs the transportation department services distributing a packet containing an overview. Transportation hours are 5:00 AM to 7:00 PM. They process changes daily to the student data base, tracking them statistically to schedule the buses for the coming school year. Sources of revenue include the state funding formula included in the packet as well as local funds and trips and after school activities charged to school budgets.

Transportation has a shop onsite. The shop maintains district school buses as well as district maintenance equipment, food service equipment, school lawn equipment and school generators. Their staff includes school bus drivers, aides, mechanics, a clerk and a specialist.

A sample of the state bus contract is included in the packet as well as transportation statistics, a choice transportation cost report, a ridership report and eligibility status. Each school bus is under a state contract with the state of Delaware. The district contract costs are listed within the packet. The average state contract for a school bus is \$19,000 a year for a Red Clay bus vs. \$35,000 for a contracted bus. Part of the formula for fixed cost is storage, which is within our facility, driver annual physicals, bus inspections,

spare buses, driver allowances, vandalism, maintenance allowance and fuel. The basic contract is 30 miles and we receive more for anything over that amount. The formula allows a layover between routes up to \$17.25. They have a basic mid-day route which is a 15 mile minimum. The fixed cost for a bus is \$88.54 a day. The breakdown of allowances are included in the packet.

The state transportation formula does not equate to 100%. The basic contract pays the district 3.5 hours a day for driver's salary. However, we don't have a route under 4.75 hours. The average route is 5.25 hours a day. Right away, we are losing hours a day. Mr. Middleton distributed the costs above the state allowance. Ms. Floore explained that the district is budgeted to expend \$1.8 million in local funds this year on transportation. The cuts with the governor's budget reduce the state funding by 10% to what is being called a 90/10 split. It is all based on the erroneous idea that the state funds 100% of transportation.

Transportation has 54 school buses. The fixed cost that the state funds does not cover \$1,079,000 in salaries for all transportation staff. We pay back to the state \$346,509 for choice costs. Our lease differential (facility) is \$45,000. Suburban activities have \$246,000 that we pay out of our budget. We spend \$90,000 a year to support SP program at Meadowood. Maintenance costs exceed the state allowance by \$31,000 before repairs and parts. Total the overage comes to \$1.8 million above the funds provided by the state.

The actual bus contracts are included in the folder. For example, in the contract for bus 237, we pay \$16,540 in wages alone and we only receive \$17,497 to run it for the year. That does not include maintenance and any other fixed costs. This particular driver has 9 years experience at \$17.81/hour. The next bus at fixed cost for 3.5 hours at \$88.54 is \$77.49. The basic contract is \$20,234 and wages alone we're spending \$19,483. For this one bus we have already spent \$4,900 in maintenance putting us over the state contract allowance without including any of the administrative costs.

Mr. Buckley asked about fuel. Mr. Middleton explained that fuel is added into the contract. The fuel allowance per day is \$1.20/mile or \$10.12/day. The basic school bus gets 6.5 miles per gallon. Fuel now is costing \$3.50/gallon. The state did just recently give them a \$.04/mile increase in fuel this year.

Transportation covers 2,511 stops a day with 672 bus routes and 176 buses run in the district. We have 54 school buses. We have 3 buses at the First State School and 16 buses at Meadowood, 20 at the learning centers and we run 15 buses at regular schools. We contract 122 buses. Buses in Red Clay cover 1.6 million miles a year. At this time we have 16,236 students in our student data base. Since our last presentation 2 years ago, we have cut our daily routes by 18 and decreased by 102,000 miles. Part of the use of the statistics is to plan for the coming year. The staff tracks the daily changes.

The annual choice report was also included in the report. The report is made every year to calculate how much goes back to the state for choice transportation. The formula

results in a percentage and total dollar calculation of choice miles paid back to the state. They do this for every route done in choice. This year we spent \$346,509 and of that we spent \$ 208,738 for Conrad. The rest is for the other schools. We have paid back the state since 2001 \$2.7 million in choice transportation.

Ms. Floore explained that there is an epilogue for Cab Callaway school of the arts for choice. Brandywine Springs also is listed in the epilogue, however, Brandywine Springs is no longer an all choice school and the language does not apply. There is always a fear the epilogue language will be removed which would be extremely challenging for the district. It is already challenging because Conrad is left out.

Mr. Buckley asked about the jump in cost in choice transportation. Mr. Middleton stated that last year the attendance zones were changed for the high schools. Those students out of feeder costs had to be paid out of choice. We do expect that to rise further as Conrad fills out to full capacity in all grades. Mr. Middleton stated that if we made a rule that we bus only attendance zone students attending schools, the cost would decrease. High school and middle school students are still being picked up outside their attendance zones while the change was made not to do so for the elementary. Ms. Rattenni asked if Conrad would be added to the epilogue. Ms. Floore explained that they have asked for it to be addressed. Mr. Hendrix asked if there was a possibility of asking parents to pay for busing to Conrad. Mr. Middleton stated that could not happen. Conrad doesn't have an attendance zone. Even if they made a district wide attendance zone for Conrad, it would overlap other zones. Earlier, Ms. Williams had asked Ms. Floore how this varies with charter schools. The charter schools don't have bus contracts. They get a per eligible student allocation based on the vocational transportation formula. A charter school can actually make money on transportation. They receive about \$900 per student for eligible riders. Of the 970 riders, they received money for 945 eligible riders at a fixed rate. Middleton figured it to be \$11.7 million if we received the same formula- almost double the current funding.

Mr. Doolittle asked if we could request going on the charter system, particularly for Conrad which serves the entire district. Mr. Middleton and Ms. Floore stated that would cost the state more money and while attractive, was unlikely.

We've had questions over the years on eligible riders and bus riders. Ms. Floore stated that part of the rhetoric behind the cuts is people constantly reporting buses are empty. Even within the Red Clay boundary, however, any given bus could be from a private school, parochial school, or charter school and may not be associated with Red Clay. Charter schools and private schools are more likely to have emptier buses due to the longer routes they must make. In Red Clay, there can be afternoon buses that are part full due to after school activities. At the high school, the eligible riders and NTs (non transported students) is higher. Students are not allowed to ride unless they give up their parking pass. The school charges for a parking permit.

Mr. Middleton does a monthly rider report reflecting school numbers, how many assigned by bus and how many are actually riding. The numbers are high for the high

schools. We oversubscribe to areas we know the students do not ride. Bus 64 to Cab Callaway, we have 154 students assigned, yet only 41 students ride. Low counts of students riding result when parents make alternative plans any given day. Our city buses are full. In the Hockessin and Greenville areas, fewer students ride, so we oversubscribe the buses. He does the report monthly, 3rd Wednesday of the month. They use the report to make decisions in the summer to schedule routes for the upcoming year.

Mr. Doolittle asked is there a way to do a mid-year restructuring by reaching out to the parents. Is there a way to capture that population? Mr. Middleton stated that the parents are reluctant to give their seat up permanently. Sometime we take the stop off the bus if a student hasn't shown up for weeks. Mr. Doolittle stated that he sees the same cars every day at pickup. Mr. Middleton stated they could be choice students who choose not to use the choice bus stops or parents who simply arrange rides. Plus there are students who don't ride all year but do on inclement weather. Ms. Floore stated that options are attractive to the parents especially if there are no penalties. Mr. Miller stated that an area of such high expense to the district it is important to address costs that could be cut. Ms. Floore stated that this was the area when the district had financial trouble, the after school programs were the first to be cut. Mr. Middleton stated that south of the canal districts are funded differently because of the geography and longer routes. Above the canal districts are all funded the same. Mr. Hendrix asked why do we have a split between district buses and contracted buses. Mr. Middleton said depending on the availability of contracts, the district could potentially contract all regular buses, but that our special education buses should remain district routes. Due to the liability, we know our drivers are trained. Right now, however, we don't have a reliable contractor to contract the rest of our regular routes.

Ms. Floore also stated that right now we are having a hard time finding bus drivers for our buses. Today, Mr. Middleton had 3 staff members driving buses. Mr. Hendrix asked if learning centers are special education buses. Mr. Middleton stated yes. Mr. Hendrix asked about advertising on the buses. Mr. Middleton explained that it is not illegal on the buses, but he feels it is a liability as a distraction.

Mr. Buckley asked about suburban activities. That is students in non-city of Wilmington schools being brought home after school activities. That is \$247,000. City students get state desegregation dollars which covers an after school bus. If a school wants more than one bus, they may use their building budget to do so. Mr. Hendrix said looking at buses 68 and 69, are these full size buses? Mr. Middleton answered yes. On page 3, the buses are listed at 36 passenger buses for Meadowood and First State buses. We also have 86 student buses. We are not happy with the equipment or the maintenance. Most of Colonial school District buses are 86 student buses. They are hard to maneuver in the city. 66-72 is the "normal" size of the buses. We do not allow the contractor to have a smaller bus. The state has increased the age of the bus we replace which increases our maintenance costs. We have a bus life of 9.5 years. We did have our average bus age down to 7 based on the bus replacement schedule. Mr. Miller asked what they increased the miles to. Mr. Middletown believes it was up to 170,000. A good diesel engine should run up to 200,000 miles but the body chassis doesn't hold up.

Ms. Floore asked about the referendum and the bus cameras. Mr. Middleton stated that all Red clay buses have a security camera. It is a 3 camera system. He reported his staff spends a lot of time looking at video. If an incident occurs, we can pull the tape and take a snapshot and identify a student. We use them with meeting with parents. This year we have outfitted all buses and our spare buses as well. The students are amazed that they work. It costs \$2,100 installed per bus. They hold about 2 weeks of data and the hard drives get bigger every year. The audio catches even more than the video. Mr. Middleton feels they are well worth it based on the district's experience with them and they are reasonable to maintain. In the past, we had VCRs in the buses and changed the video every day. Now we replace it every 2 weeks. It also increases safety. If there is an incident, a bus driver can call in and state "please pull my video". Mr. Middleton is in talks to putting cameras in the contracting buses where there have been issues. There would be an addendum what they could and could not do with the video/equipment we place on the bus. Mr. Buckley asked about the content of the video in the hands of the contractor. Mr. Middleton stated that the supervisors of the contracted buses would have access, but not the driver. Mr. Hendrix asked if the bus drivers have access to the video. Mr. Middleton explained no, they must ask supervision to pull the video.

Ms. Rattenni asked if there were any questions. There were none and Mr. Middleton was thanked for his time.

III. Minutes

After a review of the February meeting minutes, Mr. Doolittle moved to accept them and Mr. Hendrix seconded.

IV. Financial Reports

Ms. Floore distributed the monthly Financial Reports. In terms of revenue we are at 88.44% so we are slightly less than this time last year but on track. Line 5, indirect cost, is at 43.03% which we take the final payment of that in June. In income from fees, we are tracking lower than last year and lower than the \$150,000 target. The budget is based on historical use. Mr. Hendrix asked if use is down. Yes. Ms. McIntosh asked if it may rise in the Spring? Ms. Floore stated yes, they expect so. Mr. Ammann stated dance recitals are a large use in the spring. CSCRP is Medicaid cost recovery. Medicaid has had severe cuts so services eligible for reimbursement have been cut. We have seen this number decline over time. We will get another allocation before the end of the year. It is not huge in the terms of overall budget but a contributing factor. Division I salaries will be fully funded when the state funding comes in. Division I is the state share of salaries.

Looking at revenue, Transportation is at 98.38%. The state has funded all of the \$6 million. The reason it's lower than last year is because we just made our choice repayment. We get our allocation, but we have a choice repayment. Mr. Buckley asked about the \$1 million short in local revenue. Ms. Floore explained that with delinquent

taxes we still receive payments as well as what is recouped in sheriff sales. We do build in a 2.5% delinquency of tax collection.

The expenditure target for this time of year is 66%. Ms. Floore looked at percent expended. Even with the 15% variance, no line items fall within the criteria or warning signal. Mr. Buckley asked about Division 1 salaries and state stabilization. Ms. Floore stated salaries are charged to local funds or state stabilization funds so the two are interchangeable. Even though we are drawing from both, we have left the expense in local salaries as she doesn't want to pull it from that line and give a false reading of salary expenditures.

The interesting thing is to look at percent expended, is directly related to the financial system. We have actually spent more than we had at this time last year. However, the 66.3% typically we have encumbered until the end of the year. But throughout the district, you can see there is less encumbrances through the end of year rather than month to month. Ms. Floore has been meeting with program managers to look at their budgets and what they will be using and need to use or carry over until next year. She feels more encumbrances will come from those conversations. This is a good time for schools to project needed items for the next year.

Federal programs: end dates were changed due to extensions requested on those funds. Mr. Hendrix asked if the dates were wrong, or did we have an extension. Ms. Floore stated these are the extended date. The extension was based on close out on the new financial system not going as smoothly as once thought. The extension request goes through the state even though they are federal programs. Ms. Roberts will come next month to give a presentation on federal programs and close outs. ARRA is the next group of funds that will expire in September of 2011. We are making sure we have the expenditures tied to the grant. It was Red Clay's strategy to stretch the funding as long as we could.

For Tuition, one item of note is Line 3. Each year we do a tuition billing based on an estimate of expenditures. That is how much we will bill other districts for their students in our programs. In tuition, we are billing less because our expenditures decreased as a result of needs-based funding. State stabilization was reduced due to the state taking back funding that belonged to another district. State revenue is unique alternatives. That will be 100% realized. Line 11 consortium continues to be over for Kingswood and Parkway due to transportation costs. That is why we have the tuition contingency for the various fluctuations. For both Divisions 54 and 58, Ms. Floore stated there was nothing outside the threshold for encumbered or expended. Mr. Hendrix asked about Line 12 unassigned operating. Ms. Floore explained in the old system there were IBUs and in the new system we have operating units. Unassigned means there charges incurred that were not from a budgeted operating unit. Mr. Loftus stated substitutes are an example of expenditures included in that cost. Mr. Hendrix asked if there was a substitute line. Ms. Floore stated in Division 32 there is, but for 54 and 58 there was not one established. Mr. Hendrix asked if there was a threshold as to when a line item should have its own category. Mr. Hendrix asked if the school would benefit from knowing. Ms. Floore

stated that the school manages the operating budget and Voc Ed. The business office manages the district-wide ones. Mr. Buckley suggested anything over \$50,000 should be listed much like the BOE has that threshold for contracting.

Mr. Hendrix asked what happens with the contingency if it is not used. Ms. Floore stated that it goes directly back into our district balance. Mr. Hendrix would like to see a report of any contingency item over \$10,000. Mr. Loftus will include a break out of the expenses for next month for the committee's review.

Mr. Hendrix asked about Division 32 with minor capital improvements and why the expenditures are low. Ms. Floore stated it is 2 year funding and the district is completing the funding cycle from FY10 funds. Mr. Ammann stated these are larger projects done when the weather improves and the students are not in the building.

Ms. Floore made note on the last page for the district lease at 120%. We have not spent more than 120%, but we now have a sublease for Linden Park, we are receiving checks back from the new tenant. When we receive the rent payments, they are applied as an expenditure reduction so they will decrease over time. You will not see a revenue as it will pay down the expenditure. Mr. Doolittle asked when the lease ends. Ms. Floore answered 2013. He asked if the rent received could be seen as a revenue. Ms. Floore stated it could either be shown on top as a revenue or as an expenditure reduction which is how it was prepared in the budget, but not both.

Ms. Floore distributed a chart regarding the governor's budget. The district planned on using the Ed Jobs money to continue paying employees that were previously paid with stimulus money. The state budget assumes that money will help fill gaps created by cuts in state fiscal stabilization funds. In essence, there are two budget holes next year: one for the stimulus funds in Title I and IDEA and one for state fiscal stabilization funds that are not being funded in the state budget. These were funds that were previously in the state budget and moved to state fiscal stabilization funds. Now the assumption is there is some, but not all, funding from EDJobs to cover this as the chart shows.

Another anticipated expense is related to payroll. In FY2012 there will be 27 pay year. Employees are paid bi-weekly. That is 26 pays except every 7th year. The state budget provides for funding the state side of the 27th pay. On the local side, a decision would have to be made. To not fund it, we would take an employee's annual salary and divide it over 27 pays. In those months that have 2 pays, they will receive less. If the local side is funded, the annual salary is increased by 3.8% increase. It's a fiscal year issue for FY12- the calendar year impacted would be 2013 when the taxes are impacted. Ms. Floore stated this is similar to the furlough days issue as there is always a local impact when there is a decision on the state side of salaries. The outcome won't be known until the final budget passes. Ultimately, local action would be made by the board. The value is \$2 million against our local funds. The next year it would return to 26 pays.

Another significant impact in the budget is the pension is estimated to go up 1%. That is the employer share, not employee share. This is independent of the 27th pay.

Mr. Doolittle asked if 7 years from now they could do something different. Should we encumber 7% every year to prepare for the 7th year? Ms. Floore stated yes, you would do that and it was considered in this last round, but the complication was the number of leaves, retirements, etc. that would be impacted. This is the first time the 7th year has come up in the payroll system as we haven't had 26 pays for more than 7 years. We were paid twice a month and then it went to 26 pays. Mr. Miller stated that if you follow the media regarding state employee benefits, everyone is expected to take an equal share. That would make the state employees comparable to the private sectors. Many positions in the private sector are paid at a higher rate than the state pays our employees. If you continued to pay our staff lower and ask they contribute to benefits, compensation for state employees already at the bottom of the scale would further decline.

Ms. Floore stated that discussions would be held with all bargaining units at the negotiating table as it is a compensation issue. Mr. Buckley asked it can be placed in the FY13 budget. Ms. Floore explained that no, it hits in the fiscal year but is a tax issue the following year.

The total of all state cuts comes to \$7.8 million. A similar presentation will be made at the March board meeting. The total for all districts of the cuts was presented to the JRC. Ms. Floore will distribute to members of the CFRC.

Mr. Doolittle asked about needs based funding. Ms. Floore stated we are continuing to work with DOE and she does not believe there will be epilogue related to exclusions for Red Clay.

V. Old business

Ms. Rattenni asked about meeting dates for future meetings. There were several months that our meetings fell on the same week as the Board meeting. That makes it difficult for us to turn around a report. The suggestion was made to move the meeting to the 2nd Wednesday of the month. That way it would always be one week prior to the Board meeting. The committee reviewing the upcoming calendar. Ms. Floore explained that it would give us more time than we have now because the month-end close out process in Dover is occurring later. Ms. Rattenni will take the suggestions and bring it back to the committee.

VI. Public Comments

Ms. Krapf is in the process of seeking another Red Clay representative as she is expecting a child in August.

There were no public comments at this time.

VII. Announcements

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The next CFRC meeting will be held Monday, April 11, 2011 in the Brandywine Springs Teachers Lounge at 6:30 PM.

VIII. ADJOURNMENT

The meeting adjourned at 8:15 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary