

Red Clay Community Financial Review Committee
Monday, August 8, 2011

Meeting Minutes:

The Community Financial Review Committee met on Monday, August 8, 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
Kari Peyser – Teachers Union Representative
Kim Williams – Board of Education Member

Others in Attendance

Jack Buckley

I. Introduction and Opening Comments:

Ms. Rattenni opened the meeting and welcomed everyone.

II. Minutes

After a review of the May meeting minutes, Mr. Doolittle moved to accept them and Ms. Peyser seconded.

III. Committee Membership

At the last Board meeting there was a reorganization, with a new President, Leah Davis and a new Vice President, Kim Williams, who serves on this committee.

BOE member Kathy Thompson is no longer on this committee. Ms. Williams has agreed to stay, but we do not have the name of a second Board Member. The committee expressed interest in changing the bylaws to include an additional community member. The committee noted as evident at this meeting, many members may not be attending any particular meeting. Ms. Rattenni agreed that would be a good idea. A recommendation was made to change the bylaws to increase the community membership by 1. Mr. Doolittle made the motion and Ms. Peyser seconded. Ms. Floore will include that in the report at the BOE August 17th meeting.

IV. Monthly Report - Year End Closeout

This year was the first year of a new First State Financial System. From procurement to payroll, the entire state is now on the FSF system. The numbering of local appropriations was changed from 280xx to 980xx. However, the consequence of this reordering automatically changed any existing purchase order or encumbrance with the old number

to a new purchase order in FY12. The state is currently working on fixing the issue but it will require a manual adjustment of encumbrances back to FY11. Because the data changed on July 1, the information used to report the 6/30/11 end balances was based on a June 29 report. This is the most reliable source of data currently available. Ms. Floore could not populate a July report as most of the problem has not been fixed and will not likely be fixed for the August report.

The other item we experienced was when reports were pulled at the end of the fiscal year. A requisition is made and "budget checked" to make sure you have the funding to purchase the item(s). The approval process then begins and Ms. Floore is the last approval in Red Clay. If over \$5,000 the requisition then goes to Dover for approval. When managers pulled up their budgets, only the requisitions that were fully approved showed up in the expenditures. The project managers could not see how much money they had left to spend if something was in process. We are working with DSC to see that the data available for managers matches so this problem does not occur next year. The only time it becomes an issue is when funds are closing out.

Auditors from KPMG came to speak with Ms. Floore regarding the system and how they would work through the audit process. Barbacane auditors will also be preparing the financial statement at our request.

The most critical question is the ending balance of local funds. We ended at \$23.7 million with a projection of \$23.8. That's within \$100,000 of our projection. Ms. Rattenni stated that was a great performance measure.

On the revenue there is budget v. actual. We received \$4.2 million more than projected in Division 1 salaries as a result of needs-based funding. This will affect the budget positively next year as well. For the rest of the state budget, the cuts that were proposed remained in the final budget. All told for Red Clay is almost \$8 million in state cuts or additional expenditures such as a 1.5% pension increase. Mr. Doolittle asked about the 27th pay. Ms. Floore stated that the epilogue states that the 27th pay is up to the school board to negotiate with the unions. This is the local portion of salaries. It is around \$2 million or 3.8% of salary. This affected the secretaries and custodians immediately as 12 month employees. 10 month employees will be impacted on the September 9 paycheck. This will all reverse and change if the 3.8% of salary is renegotiated with the unions.

Needs based funding passed and Red Clay was included. Kim Williams' was also successful in advocating to have Conrad's transportation funded. We still have the 10% cut but we did receive the funding for choice transportation to Conrad. There is a 2% state raise going into effect on January 2nd. This is still being discussed pertaining to 10 month employees and the effective date.

At the local side we are at \$101.4 million. We build in a 2.5% delinquency factor as you rarely receive all of your taxes. In the future we will lower that amount as the county has been very successful recovering the delinquency payments. eRate is the money we receive as a rebate from the phone bills. MCI Technology is a separate tax we charge

Community Financial Review Committee

August 8, 2011

Page 3 of 6

through MCI. It is no longer a state match, but we are allowed to keep the local share. The money expires 9/30/11. Indirect is the rate you charge on all federal grants. It is anticipated \$388,000 will be collected in this quarter.

We received more income from fees than anticipated. CSCRCP came in at the end; these are reimbursements we receive from Medicaid. Division II is all other costs and depends on the unit count as in Division 1. Division III is equalization also benefited by the units increasing under the needs based pilot funding. Transportation was cut in formula by 2% last year so 10% this year will be devastating.

Total revenue is 102% of budget. The revenue picture is solid and strong, and we came in higher than we expected.

Adult education did not go over budget. We report based on what is budgeted but if they receive more, they can spend up to what the state allocation is. The expenditures will go up with funding from the state. Part of adult ed is federally funded and has its own funding source. Not so in many of the other categories. In the case of the superintendent, if he went over budget, it would be a different situation as it does not have its own funding source.

We talked about carry forward balances. Ms. Floore will put them in the next budget as well. School Improvement, Adult Education and Line 55 is Voc Ed. Voc Ed has its own funding source. State stabilization is another. PD is another whose funds expire 9/30/11. There's not a lot of money carried over in those categories, but it will be shown.

Ms. Rattenni asked about local and contractor transportation do they counter each other. Ms. Floore stated that yes, that the sporting event buses were budgeted in one category but expended in another.

Lewis Elementary is line 49. Lewis is only 53% expended and encumbered. Typically we only let a school carry over 15% of their budget. We didn't insist on that in the case of Lewis as because we have a new principal at Lewis and we are giving her more flexibility. Mr. Doolittle asked if she was an acting principal. Ms. Floore explained that yes, due to the timing of the year to get school started the process is to have a principal in place, so an acting principal is necessary.

Mr. Buckley asked about the carry over funds into 2012. Ms. Floore stated that the carry over will be shown for the first time on a separate page in the budget.

Legal services had a significant encumbrance at the end. Line 80. It is a difficult category to predict. We have a number of cases active at this time.

Local salary and benefits is a line we look at closely. It wasn't 100% expended as there was state stabilization and local salaries supporting the salaries so again those two lines must be looked at together.

Overall, the district had 93.1% expended and 96.8% expended and encumbered. This is the place you like to see it end- slightly over on revenues, and slightly under on expenditures. We touched nothing from our contingency funding.

Tuition programs are 102% of revenue. We didn't bill as much as we thought we would to out of district students. Office of ELL is specifically broken out. The consortium is not a new issue. They did go over budget but have been since February. This is one of the reasons we have the contingency. We never know how many students we will have expelled from the regular schools that will then need to be transported to a Kingswood or Parkway schools. These schools are attended by students within New Castle County.

Unique Alternatives are for students requiring highly specialized programs in special education placement. Many of these are out of state. ICT stands for Inter Agency Collaborative Team. This team meets to review a student to be placed at a specialized facility for mental or physical challenge. First State School is the program we run through the Christiana Hospital. Mr. Doolittle asked if we overspend on unique alternatives. The state funds 70% and we fund 30%. The leftover funds go back into the tuition funds.

At the August Board meeting, there will be a recommendation for a capital referendum. It will be for two things: renovations and a new school. At this time we have trailers at Linden Hill and there is overcrowding at a number of schools. The older schools are in need of boilers, windows, etc. The Certificate of Necessity is in Dover right now. Once they have given their CN, the state will fund their 60%. We then go to the voters for the 40% and then it goes into the governor's budget. There will be two CNs, one for renovations and one for a new school. The state portion is around \$70 million. Mr. Buckley asked if the state delayed some of the funding in years passed? Ms. Floore stated yes, they stretched it out. Our financial model is unknown until we get the CN, but she believes the funding goes through 2016.

The final plan is still being completed but will be presented for the first time at the board meeting. There will then be a number of public presentations to give the community the opportunity to ask questions and see the programs.

There is an audit report in the packets distributed. There were no findings for Red Clay in this latest audit. Debt service report is included in the packet. Even though we have a balance, we have bills to pay through November when we receive our taxes.

The federal pages give a breakdown on 2010 funds as well as 2011 funds. In many cases 2009 and 2010 have expired but not all. Federal funds run on a different fiscal year end date of 12/31. Title II tech is eMints. We are serving as the fiscal agent of a multi-district consortium on Title II. We have not gone 1000% over budget. We can only spend what we receive. We budgeted at one number not knowing that the amount we would receive would be a great deal higher. Therefore, we spent what we received.

Community Financial Review Committee

August 8, 2011

Page 5 of 6

In Division 54 and Division 58, this is similar to the Division I salaries in Division 32 as a result of needs based funding. Meadowood is at 90% expended and Richardson Park Learning Center and Central School is at 93.9%.

In the district program breakout, the facility lease number is our lease, yet now we have 3 sub leasers. Most of our space at Linden Park is subleased. We are leased there until February at 2013. We pay our lease space, but our sublease payments come in after our payment is made so this appears as being over budget until the payment is received.

The Financial recovery team line is used for audits. This committee approved the Barbacane audit and that funding is reported on that line.

V. Tax Rate

The presentation and tax rate that was approved at the last Board meeting is in the packets distributed tonight. The last operating referendum was for three years. This year we have no tax increase nor will we next year in current expense. Debt service and minor cap are formula driven and have no change. Our tuition cost changed. This is not a reduction in services. This means that the state is funding more under the needs-based formula. We have more para professionals, teachers, and needs based services than before.

Mr. Buckley asked about debt service. Would it drop again next year if we did not go into referendum? Ms. Floore believes it goes down by 1 cent next year. This already accounts for the charter payments. The average on a new referendum is 5.5 cents which then goes over 20 years. A model will be presented at the Board of Education meeting.

VI. Calendar & Topics for the Coming Year

Due to the members not being in attendance, we don't want to make any decisions on a new meeting day or time.

In October we would like to talk about procurement. There are requirements the state has put in place. Next month is the preliminary budget. The Committee had decided that we have a presentation every other month. Plus we wanted to look at the calendar to change the meeting night as the close of reports isn't until the weekend of the end of the month. If the committee is OK with receiving reports the date of the meeting, than there isn't a problem. We talked about Wednesdays before, but one committee member was unable to attend Wednesday nights.

Next month bring topics you would like to hear a presentation about. Transportation was here recently. Procurement can be moved to November as the referendum information would be given in October. No presentation would be scheduled in December. January would be final budget. Food Service is also one to review as there have been changes in the program requirements that will impact the budget. Food Service can be February.

Community Financial Review Committee

August 8, 2011

Page 6 of 6

VII. Public Comments

There were no public comments at this time.

VIII. Announcements

The next CFRC meeting will be held Monday, September 12, 2011 in the Brandywine Springs Teachers Lounge at 6:30 PM.

IX. ADJOURNMENT

The meeting adjourned at 8:00 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary