

## Red Clay Community Financial Review Committee

Monday, October 11, 2010

### **Meeting Minutes:**

The Community Financial Review Committee met on Monday, October 11, 2010 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

### **Members in Attendance:**

Jane Rattenni – Committee Chair

Kelly Krapf – Teachers Union Representative

Cathy Thompson – Board of Education

### **Others in Attendance**

Jack Buckley – Board of Education

William Doolittle – Community Member

Les Hendrix – Community Member

Eric Loftus – Red Clay Financial Analyst

Lynne McIntosh – Community Member

Collin Moore – Student/Community Member

### **I. Introduction and Opening Comments:**

Ms. Rattenni welcomed everyone to the meeting as the new Committee Chair. Ms. Williams, Ms. Floore and Mr. Miller were unable to attend tonight's meeting.

### **II. New Business**

The minutes from the September meeting were reviewed. Mr. Doolittle had questions regarding the wording of policy on sole source agreements and contracts. Mr. Buckley explained that this will go through policy review with the Board. This is not due to current issues with practice, but is necessary to have for the future. Ms. Thompson moved to accept the minutes as written, and Ms. Krapf seconded.

Ms. Rattenni explained that we have streamlined the agenda and we will go through the monthly financial reports at the beginning of each meeting. Eric Loftus distributed the monthly financial reports for the Committee. Last month we were unable to provide this report due to issues with

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reporting in the state's new financial system. Right now we are 95-98% confident with the numbers presented tonight. Red Clay, along with every other district, is aware of many of the issues and are working through it with the State and Data Service Center. We have resolved most of the issues, however, some examples are that deleted purchase orders are still not being picked up and reported correctly. Mr. Buckley explained for those new to the Committee meetings, that the state's former system of over 20 years was shut down in July and a new financial system implemented. Mr. Loftus explained that the new system is People Soft. Because the entire state is using this system, the security has been placed limiting our access to other state agencies, therefore limiting our functionality with the system. Similar to DFMS, DSC obtains the data giving us access to financial reports. We are finding that the data they obtain is not 100% accurate. We are very confident on the expense side- not necessarily where the expenditures charged but that they were valid charges. It is on the encumbrance side that we have questions related to the reports. Ms. Rattenni stated that she works for the County, and as a vendor, they have not even received purchase orders for annual programs that they implement. The system has delayed everything. Mr. Loftus explained that our entire staff attended a meeting in mid-September and one of the secretaries from another school district was complaining that she was only able to get through 16 vouchers paid each day due to the system. Our people, however, are averaging more than 20 a day. We attended the meeting thinking we would be learning a great deal. The truth was that we were not only ahead of the other attendees, but better represented than the other state agencies. Although we are having our difficulties, we are handling the system well.

Mr. Loftus reviewed the revenue data. Our revenue funds are only at 10%. Our big month is in October when the taxes start coming in. The state revenue loads 75% of the previous year's revenue is the standard starting point so state Division I and Division II are at 72-75%. Because of the new system and coding, expenditures can occur where we did not pick up the correct coding. Several items in this report, i.e., the business office operating unit, have expenditures that will be later corrected and moved. This raw data would read that we are 2 months into the school year and we are 75% of our total expenditures. However, the expenditures are legal bills that were coded erroneously and we will be moving those to the proper coding. Mr. Buckley asked if there were other significant charges or are the other changes nickels and dimes. Mr. Loftus explained that the only other major was that there is a postage charge to the Human Resources department. Those charges have not been directed to the other departments. HR purchases postage on their meters for the district and then redirects the charges as it is used. This is an encumbrance for the year. Ms. Rattenni stated that we have a monthly benchmark. As the end of this quarter, we should be at 25%. One column lists what have been expended and the following is what is encumbered. Mr. Hendrix asked as we now have this new system, can we offer a side by side comparison of what was done last year? Mr. Loftus explained that

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technically we could, but for this particular report we have not. Mr. Buckley explained that we have only done that upon request if there was a particular issue we were looking into. Ms. Rattenni stated that we have been using the benchmark rather than previous year information. Mr. Hendrix asked if the benchmark was based on prior year's performance. Mr. Loftus explained that the budgets are driven by a number of different factors. The number of students in the school district dictates salaries and school budgets. Federal funding changes yearly as well. Mr. Loftus explained that the number of teachers is based on the number of students or units earned. Mr. Buckley pointed out on the other report in the packet; last year's numbers are there, just not listed side by side. It is actually in more detail than our report to the Board. Mr. Loftus pointed out that in the old system, we reported by object codes. In the new system we use account codes. Mr. Hendrix agreed that putting the information side by side would help point out errors that need attention. Mr. Loftus explained IBUs were 2 digit codes. Our Operating Units are 8 digit codes. For example, some departments were one to one, as in Human Resources. In others, such as District Wide Services, that included legal services, district offices. Now those departments are separated.

Mr. Hendrix noticed Cab Calloway has already expended 50% of their expenditures while John Dickinson has only spent 15%, is that an accounting problem? Mr. Buckley stated that school principals work differently. They try not to go through their budget all at one time, but if they see an opportunity to save in the long run, they have some flexibility in spending. Mr. Loftus also pointed out that Cab has only spent \$25,000 vs. Dickinson's \$48,000. They have encumbered where Dickinson may encumber their funding in the future.

Mr. Buckley stated that the one that sticks out is Red Clay Transportation. Mr. Loftus will look into this and give the committee an answer. Mr. Buckley asked if Transportation could be a presentation we had again this year as it's been almost 2 years since the last presentation. Ms. Rattenni said that was possible. Mr. Loftus also mentioned that when looking at transportation numbers, there are contract and state funding numbers as well. Ms. Krapf noted "other district programs". Mr. Buckley thought that was small compared to transportation. He also feels that transportation will be what is cut by the state in the future. It would be very helpful to know how they budget and how they spend. The governor had stated he wanted a 25% cut in transportation costs. He may try again for 10% and get it this time. Local salaries is another area where an employee's salary is coded to local when they are being paid by a federal program, we are currently moving the expense to where it belongs. This cleanup is being complicated by the newness of the system. Mr. Buckley also pointed out that we have hired more people than when this budget was written back in June based on the increase in students that we received. We are fully staffed at this point and he does not believe we will be over when we get to June.

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September 30<sup>th</sup> has come and gone and now we need to look at the budget number and see if that needs changing. Mr. Loftus explained that is something he is currently working on. There will be a person-by-person accounting to prepare the final budget.

Mr. Hendrix asked about state fiscal stabilization funds. At this time less than 1% of the money (\$4.2 million) has been spent. Mr. Buckley explained that is money that was given to us to make up for money cut by the state and it is designated to specific programs. He is not sure what they are and why they haven't kicked in yet. Mr. Loftus stated one of the reasons it's not showing at this time is because that money is budgeted in FY10. Mr. Loftus will follow up for the committee. Mr. Hendrix stated that with the new system the coding may not be correct. Mr. Loftus also mentioned that with the funds being budgeted last year, the coding may not be pulled into this report. Mr. Hendrix also mentioned special education isn't as expended as expected. Ms. Rattenni stated that she believes the new system is leaving us with more questions due to the changes made. Mr. Doolittle also added that in special education's case it could be that they are using federal money prior to the local money.

The expenditure reports do identify the various state and local funding. In the past Page 4 has been the prior year's federal funds and Page 5 the current year. There isn't a Page 5 because we have no expenditures for FY11 federal funds; we are spending out of FY10 funds right now. The closing date on FY10 funds happen anywhere from September 2010 through December 31, 2010. Page 6 is a continuation of Division 32 with more tuition program detail. Ms. Krapf asked if Debt Service is payment for our students to attend other district schools. No, that is payment on the bonds for renovation of schools. Mr. Buckley explained that was the payment of the capital bonds. Ms. Krapf asked what operating unit would be for students of other school districts. Mr. Loftus stated that there are several types- tuition, charter and choice. Ms. Krapf is looking at students who attend charter schools. The expenditure of what we pay to outside charter schools is in the district wide services line. Mr. Loftus stated this replaces the old IBU 97 summary. Mr. Hendrix asked if the committee could have a "score card" of what the old IBU numbers equal in the new reports. Ms. Thompson asked why is Conrad so high at 44%. Mr. Buckley stated that they are spending some of their original start up funding. Mr. Buckley explained that this is the last year they have start up money. Other schools read have not spent anything. Ms. Rattenni explained that the numbers they are looking at for the high schools are the gate receipt money. They can spend that money when they choose. The financial recovery team amount is budgeted but is only spent when needed and last year included the board commissioned audit. She also added that the start up funding was listed each year when Brandywine Springs added their grades. Ms. Rattenni asked about the substitutes' money. Mr. Loftus explained that the substitute money is not expended until school starts. There is also a lag

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in billing. Mr. Hendrix stated that the larger ones are the charter payments and data service center. Mr. Lotus explained that the charter payments don't get fully paid until the December billing. There is a statutory 35% preload early in the school year. By October we send 35% of the allotment for the year, and by November and December we true up the number and pay the final amount in January. The charter schools are also on the new financial system. Mr. Hendrix also asked about data service center. Mr. Loftus explained DSC provides a number of services related to technology and programming for the district such as the financial reporting. Ms. Krapf also explained that they do a lot for teachers, running report cards, sending transportation notices, etc. Mr. Buckley explained how we own DSC along with Colonial School District. The Board is in discussions now in how that will be shaped in the future.

Mr. Hendrix asked about Pages reflecting Meadowood and RPLC. The salary and benefits for Meadowood has spent 40% of their budget. Ms. Krapf stated that it's a 12 month program. Mr. Hendrix questioned how that fit into our fiscal year. Mr. Buckley added that there is also federal funding in those programs. Mr. Loftus explained that Meadowood has a summer program that they run. So their local side is higher than 25%.

There was some discussion on charter payments and choice expenditures. Mr. Buckley asked if we could have a presentation on district wide services. Mr. Loftus stated that is broken down on Page 9. Mr. Buckley also stated that we bill "net" for choice. If we send out 50 students to a district but receive 80 students from that district, we only bill for the 30. Mr. Loftus explained that we get more students in than send out. He will follow up on that discussion.

Ms. Rattenni asked for various topics to be discussed in future meetings. The topics she had discussed with Ms. Floore and Mr. Loftus were those that would be of special interest to the committee. In particular, suggested topics are federal grants, stimulus funds and race to the top. Ms. Floore feels race to the top should be its own presentation. Ms. Rattenni listed transportation as suggested by Mr. Buckley, professional development, and Grove Adult HS. Were there other suggestions? Mr. Hendrix suggested technological services for staff as well as the students. Mr. Buckley stated that we did have a presentation on that last year but it would be good to revisit it. Ms. Rattenni suggested major and minor cap programs. Ms. Rattenni stated that these presentations do tend to run long in length. Her suggestion is to stagger the presentations so that they are not every month nor in a month when there would be a major financial review. For meetings with presentations on preliminary or approved budgets as well as grants, there would not be an outside presentation. Mr. Hendrix suggested a Saturday morning or webinars. Ms. Thompson added that it is important that the presenter keep the information crisp and to the point. At the BOE meetings, there is a template given to presenters. Ms. Rattenni reiterated that our function is not policy but financial oversight. The managers speak

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with Ms. Floore regarding their budgets. It is not necessary for them to present to us their daily operations. Mr. Hendrix stated that the easiest questions to ask "if we had to cut your budget 10%, what would you cut and why?" or "if we got an extra 10% to add to your budget, how you would use it?" Another question is "How do you hold the line for the next year?"

Mr. Buckley stated that one of the functions we forget to ask is "How does this Committee review the audits that come through". We tried to form an audit committee last year, but with time constraints, were unable to do so. It is one of the functions of this committee. We folded it into the Board committees.

Mr. Doolittle would like to see this committee have a 3 or a 5 year plan dealing with all of the complexities of the federal money coming in and going out as well as that for the state money; a macro view. Mr. Buckley explained that right now a strategic plan is being developed. The direction right now is 100% academic, curriculum and instruction and getting it to the kids. The next step would be an operational plan which is exactly what Mr. Doolittle is speaking about. The first part will be completed by December and the second step will follow. The budget in the second part is based on the academic strategic plan. He believes the second portion would be completed by the spring of next year. Ms. Thompson asked what is the role of this committee. Is it to review teachers' plans? No, so she doesn't believe we should be expanding the role of this committee. Mr. Buckley and Mr. Doolittle agree, they were speaking to the fiscal review role and presentations. Mr. Buckley explained that the minutes from these committee meetings are reviewed by the Board and used by them to better understand the financials.

Ms. Thompson asked if it was possible to get any of this material prior to these meetings. Yes, the information is emailed to the members prior to the meetings. We will double check the email distribution to include all members. Ms. Rattenni explained that the reports and minutes are posted on the website under CFRC after they have been approved.

Ms. Krapf asked where Nutrition is listed on the reports. Mr. Hendrix asked how Nutrition was funded. Mr. Buckley answered through federal monies and kid's paying for the meals. It is not part of Red Clay's general operating budget. Mr. Hendrix asked if they are federally funded state employees. Mr. Buckley stated no they are state but that they are also paid out of the local salary portion as well. Ms. Krapf found in the notes that Nutrition was based on revenues from lunches. Mr. Buckley stated that if you were to raise the employees' salaries, the lunch fund would have to be raised.

Ms. Rattenni stated that in the way of presentations, not everyone is needed every year. We try to touch on different areas to get an understanding of the responsibilities of different departments. We had one on energy which detailed buying power and encumbrances. This helped so that seeing numbers on the page reflected what's behind it as encumbering an entire year at one time rather than pay as you go as other departments. Mr. Hendrix asked if energy fell under maintenance, Mr. Buckley stated that it is under utilities. We've had legal, Title 1 (federal grants) which is one he'd like to see again. Ms. Rattenni asked if we should move forward with Race to the top for next month. Ms. Krapf also mentioned October being an interesting month due to revenue, should we wait until the next month? As next month's numbers will look very different than these. Ms. Rattenni agreed. She will work with Jill Floore on the schedule so as not to conflict with the final budget presentation. Mr. Hendrix also mentioned that we should have transportation rather quickly if we believe that will be an issue with the state budget next year. Ms. Rattenni informed the committee that the Governor's budget is presented in December/January so it will be timely for us to review this as well.

### **III. Old Business**

Ms. Rattenni stated that there no updates with membership at this time. The transitions are going well. Mr. Loftus informed the committee that the emails that Mr. Lloyd used to receive on behalf of the committee are now being routed to Laura Palombo. We have not received any at this time. Ms. Palombo is also having the reports and minutes posted to the website. Ms. Rattenni stated that we will have CFRC emails sent to us prior to the meetings as new business as they come in. Mr. Buckley stated that in the past, Mr. Lloyd would try to answer the emails. It has been decided, however, that those emails would be given to the committee to review and answer as a whole. If it's a finance question, it is ours. If it's an academic question, we forward it to the proper party. Ms. Thompson stated that she feels that if the committee member receives the question and feels they have a proper response, they can bring that response to the committee for approval to send back to the person asking the question. Ms. Krapf asked if we had a one line response letting the emailer know that we are reviewing his/her question. Ms. Rattenni explained that yes, that is still in place. Our response is an auto reply – thank you for your question, and the matter will be addressed at the next meeting and the answer becomes part of our committee minutes. If we feel it's more of a policy matter, we bump the question up to the Board. If it's more of an operational, finance question, then Ms. Floore's office would answer. The email will be added as new business each meeting.

### **IV. Public Comments**

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At this time Ms. Rattenni opened the floor to public comment. Mr. Moore asked that with the large influx of Latino and Hispanic population coming to Red Clay is there anything in the budget set aside for bilingual teachers or translators for students and their parents. Mr. Loftus pointed out that on the financials handout, Page 6, Other Tuition Programs the Office of ELL lists the budget for the program he is referencing. Mr. Buckley stated that we have students speaking 20 or more languages. We have hired Back to Basics on a contract basis to work with these many languages as well as teachers through the ELL program.

#### **V. Announcements**

The next CFRC meeting will be held Monday, November 8, 2010 in the Brandywine Springs Teachers Lounge at 6:30 PM.

#### **VI. ADJOURNMENT**

The meeting adjourned at 8:02 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary