

Red Clay Community Financial Review Committee
Monday, January 9, 2012

Meeting Minutes:

The Community Financial Review Committee met on Monday, January 9, 2012 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Jill Floore– Red Clay Chief Financial Officer
Jack Buckley – Community Member
Bill Doolittle – Community Member
Les Hendrix – Community Member
Larry Miller – Community Member
Kim Williams – Board Member

I. Introduction and Opening Comments:

Mr. Miller opened the meeting and welcomed everyone.

II. Minutes

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

III. Old Business

Ms. Floore has contacted Mr. Kaplan of the DSEA for a replacement of Ms. Peyser, our Teacher's Union representative, who has moved to North Carolina. Also, Mr. Hendrix has asked to resign from the Committee due to a new work location. Ms. Floore will post for a new community representative.

IV. Monthly Financial Reports

Last month we did not meet, but the monthly reports were posted online prior to the December Board meeting.

Close out 12/31/11 is a calendar year close out which has implications for payroll but not for the budget per se. We are six months into our fiscal year so we would expect to be at 50% expended at this time. Local revenue receipts are 91.26%. Last month it was 53.057%. The largest receipt we are waiting for is the senior tax rebate. Normally there is a preload and a true up later. Unfortunately, this year we have not received either at this time.

Mr. Buckley asked if the senior tax credit was in code. Ms. Floore explained it is in code and is a benefit provided by the state. The particulars of the tax credit, i.e., age or needs

based, come up for discussion every year but have not been changed.

Expenditures and encumbrances are not extraordinarily different than previous months. Some highlights: District wide services is slightly over 100%. Maintenance is now at 100% but this includes the encumbrance column so it does not mean they are out of money. They have \$1.4 million in encumbrances, line 69. This is not only fixing buildings but service contracts (i.e., elevators, security, etc.). Ms. Floore encourages departments to encumber early rather to estimate the coming year, but especially for the maintenance department they do not always know where their needs will be and have to adjust encumbrances throughout the year. Also, as maintenance needs increase they can shift expenditures to the minor capital improvements appropriation. If we have to use the minor capital budget for improvements, we can alleviate some of the maintenance budget. Mr. Hendrix asked why wait until the end of the year. Ms. Floore stated snow is a large portion. Plus, other things that could break down. Painting and asphalt are done in the summer time. You want as much minor cap available - that way minor capital funding can be used as much as possible for summer projects.

Mr. Buckley stated fuel costs are staying high, how does that affect the transportation budget? Ms. Floore stated that you will see those changes in the transportation. Fuel costs must reach a certain excess over budget and the state will provide a fuel adjustment.

Mr. Buckley asked if all of the school buildings were heated by gas, but the answer is that several are still oil heat. Red Clay is looking at a solar array between Heritage & Skyline. Mr. Buckley asked if it's the same agreement like we have at BSE. Ms. Floore stated it is a similar power purchase agreement. They put up the equipment and maintain it and the district buys the power at a known price that is equal to or less than what it currently paid. Mr. Miller also mentioned there is a low kilowatt hour course as part of the contract. Mr. Hendrix asked who reviews the contract. Ms. Floore stated the BOE will have to approve the final contract, but the facilities committee will review it as well as those involved including Dr. Ammann, Marcin Michalski and Ms. Floore. We have guaranteed budget certainty so there is none of the fluctuations you may see in the market. This project would be cheaper than the BSE program. Mr. Doolittle asked about the equipment options at the end of the 20 year agreement. Ms. Floore state she believed the equipment would remain the property of the company and they would be responsible for removal.

Federal grant summary. ARRA expires 12/31/11 and is at 100%. We have one report left to submit to DOE. Ed Jobs funding is being saved until next year. This year we have what is left from state stabilization. We're hoping DOE will replace funding. Mr. Hendrix asked what the state outlook was right now. Ms. Floore explained the governor's recommendation comes out this month. There has been much lobbying and educational efforts done on behalf of restoring cuts in the district budgets over the last four year. Ms. Floore believes it is promising but given the reality of the budget it will not likely go back to 2008 but they do recognize the problems and have promised to put back in funding especially recognizing districts will no longer have State Fiscal Stabilization funds or Ed Jobs.

The state gave all state employees a 2% raise effective January 1, 2012. For local negotiations, custodians and teachers are coming to the BOE this month for contract approval.

Page 5 – regular consolidated grant money. We are ending Title I, II and IDEA funding for 2011 and beginning 2012. The encumbrance must be in place by 12/31/11 with a clean up of 3 months. Payroll also contributes to expending the balance. Ms. Williams asked regarding Line 10 IDEA listing \$109,000 in payroll? Ms. Floore answered yes that was realistic give it is a \$3.7 million budget for the year.

Tuition programs. We have nothing new to report at this time. On the revenue side we are within \$264,000 of being on budget. We are very close with our tax receipts. The tuition tax does not have the charter payment taken from it, nor does it have the senior tax rebate added to it so it differs from the operating budget as showing a higher percentage received. Mr. Hendrix was concerned with non-payment of property taxes. NCC has been very successful in collecting taxes. They have a 99% recovery rate.

ELL, consortium, and tuition funded programs vary based on the nature of the contracts. ELL is at 64% and Consortium is at 94% because we primarily get one bill for the year and smaller transportation payments throughout the year. First State School is a huge contract. Around \$800,000 to Christiana Care as the school is located in the hospital but that is billed monthly.

Minor capital is at 3.4%. You have two years to spend the minor capital funding. We have spent 2011 monies and we are now using 2012. Ms. Floore listed in the preliminary budget a carry-over of \$130,850 for minor capital. Ms. Roberts will give a close out of Federal Funds closeout review in April. You will also see the expenditures close out. The current report is to make sure we are on target.

Meadowood School had related services as over encumbered last month. You can see in the report, we have fixed reducing the correct amount on encumbrances. Transportation is also over for the special needs and parental reimbursements as we discussed the previous month.

District wide services substitutes for 54 and 58 substitutes aren't funded out of the operating budget. They are funded by the tuition schools they serve. We will need to increase that in the final budget. We did not lower the operating unit funding as our expenses have increased. We had a \$1.3 million last year as we do this year. The fund will come strictly from tuition funds.

The lease for Linden Park accounting has changed because of the sublease arrangements. Since the preliminary budget has passed, we have subleased more space. We have encumbered for the entire lease but we are not responsible for it any longer. We have changed this as we are receiving monthly deposits from our subleases which account as

an expenditure reduction. If we place it as revenue, it will be absorbed by the budget and may be expensed elsewhere. Our lease ends February 2013.

Overall our financial outlook is healthy and strong.

Mr. Miller asked about 27th pay. Ms. Floore stated that based on contract negotiations there is no local impact except for what was already approved for nonunion employees. The unions, in negotiations, have chosen to put the pay into the scale a smaller percentage rather than receive the larger one time amount. The financial plan saves this year but will cost more down the road. The terms of the contract were reasonable and agreeable to both sides and the district is extremely grateful to have such a productive negotiations process.

The financial recovery team line item will be renamed to Audits as that is what it is currently used for. This will hold the Barbacane Audit approved by the BOE related to FY11.

Gate receipts – are sports tickets. The HS receives the money through the receipts and spends from the same line. This is not shown under the school budget as one school may sell more tickets than another and it cannot be shown as one HS has a higher budget than another. The gate receipts do not have to be spent in the year they are received. The expenditures therefore are just placeholders in the event any school has expenditures. Unfortunately, in the new financial system they all get lumped into one appropriation so it is more difficult to track than it was in the past. We have \$86,000 in all gate receipts at this time.

Data service center is the data and technology services we co-own with Colonial. Our percentage is around 65% as it's based on units.

V. Final Budget

Ms. Floore presented the final budget which will be presented to the BOE next week. The preliminary budget is based on best estimates. We then have 30th count and know what final revenues from the state will be. She then prepares the final budget. The issues this year for the final budget were charter costs and needs based funding. Last year we had 989 units. Under needs based we got an adjustment of 57 units, totaling 1,046. As we were a pilot last year and paid for salaries under Division 32, this year we are fully funded under needs based and have 1,070 units. However, the increase is coming from the tuition schools. Understanding needs based is now settling in. Decreasing units in Division 32 doesn't cut the budget but it moves funding from Division 32 to 54 where the units were actually earned. We are up 149 kids over last year.

In addition to that, we're down 220 students to charter schools. Our charter payment last year was \$5.3 million and this year is \$6.7 million. There were three factors to why the bill increased so much. We lost more students and our local per pupil went up. However, as a consequence of needs-based funding, the value of our K-3 units went up

which increased our payments to charters. Red Clay's enrollment in CSW was down. Ms. Williams stated that Newark Charter School will open a High School. CSW has 570 last year was 605. Gateway we have 60 and last year none, Delaware College Prep went to 104 from 85. Odyssey from 242 to 272. There was a discussion how the opening of a Newark charter will affect the enrollment of CSW and the other high schools in the surrounding districts.

Mr. Buckley asked about the local portion of the salaries for the faculty at our special schools. Do we need more tuition funds to cover this faculty? Ms. Floore explained that we are receiving more funding under needs based funding than we've ever had and the state is now helping to pay salaries under needs based that were previously 100% locally funded positions. Much of that was one on one para support.

Choice income is less than years past. Its a net figure and down slightly. Last year 334 students left the district. This year 371 left mostly to Brandywine. We got in 1182 and last year we got in 1166 through choice. Even though we have more choice students, slightly more students left than came in. Choice does not include charter schools.

Indirect went up due to one-time federal funds. We used more this year than in prior years and the indirect increased accordingly. For one time funds such as ARRA, this is also a one time increase in indirect.

The Bottom line in the final budget is our revenues decrease by \$2.3 million. Some of the funds moved elsewhere (to tuition) and some is just a decrease. For the decreases, expenditures decrease as well. We receive less so we spend less.

We received more under the adult Ed grant. In specific categories such as these, we spend what we receive.

Each school increases by the units they had in 30th count \$2500 per unit. If a school lost units, you did not lose funding. The adjustment would be made the following year rather than midyear.

The performing arts budget increased. These are scholarships for students who could not afford instruments.

School based intervention. This is the estimate for State School Improvement grants. We got the school improvement grants so the dollar amount doesn't change but some will be funded under Federal Title 1 monies and listed on the federal pages.

There was an increase of \$350,000 in state transportation, Mr. Middleton asked for upgrades in security. Mr. Hendrix asked about the equipment in state owned vehicles. Ms. Floore explained that the state owns all of our Red Clay buses.

Local salaries and benefits we had some savings due to the negotiation of the contracts and 27th pay. For total salaries, we estimate for the preliminary budget in May not knowing who will be in the positions at this time. The final budget gives the opportunity

to calculate the persons in the actual positions (years of experience, degree, benefits, etc.) This year we are not lowering our estimate. We are also cashing in 0 excellence units, using every unit. When cashing in the excellence units in the past, we saved on the local portion of those salaries as well as the \$35,000 cash in. Therefore it is a double swing to use the units as we have to fund the local portion as well.

We are now in the middle of the Barbacane audit approved through the BOE. This line item was increased to account for the audit.

The contingency is a formula. Because the expenditures decreased, the percentage on the contingency decreased.

Current year revenue over expenses increased to \$3.5 million. It increased by the Charter school increase of \$1.5 million. We have an estimated \$20 million balance. Schools and programs are also able to carryover to the following year. Barring an unforeseen circumstance, this balance allows programs to continue and maintain a strong budget for the next three years without needing an operating referendum.

Tuition billing decreased due to the state funding on needs based. We can only bill tax sending districts for the same local per pupil that we are spending.

Mr. Doolittle asked about related services Division 32. Ms. Floore explained the increase as we are increasing the number of units we are cashing in for contracted services. We earned more related services under needs based.

There is a change to the ELL budget. There was a state cut to the LEP grant. We are now funding what was covered through that grant.

Mr. Miller asked about the \$20 million not being a reserve fund but what the district will need to fund its projects. Ms. Floore stated we are required by the state to have a balance to cover summer salaries and expenses in the fall until our taxes come in. This money cannot be used for capital expenditures.

Mr. Hendrix asked about the referendum. Ms. Floore stated there was a presentation given at the October CFRC detailing the referendum and that we are seeking approval for \$117 million for two projects. One is for infrastructure maintenance and the second is for a new elementary school to alleviate overcrowding on property we own on Graves road.

Ms. Floore also included a State of Delaware Executive Department Office of management and Budget Report of Subrecipient Monitoring of State Fiscal Stabilization Funds in the distributed material. This report states that Red Clay is in compliance with SFSF reporting.

VI. Public Comments

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Mr. Miller questioned a meeting we had a consultant who attended. We had no idea who he was or why he was there. We should include in our protocol to introduce all guests at the start of the meeting.

There were no other public comments at this time.

VII. Announcements

The next CFRC meeting will be held Monday, February 13, 2012 in the Brandywine Springs Teachers Lounge at 6:30 PM.

VIII. ADJOURNMENT

The meeting adjourned at 8:21 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary