

Red Clay Community Financial Review Committee
Monday, February 13, 2012

Meeting Minutes:

The Community Financial Review Committee met on Monday, February 13, 2012 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
Jack Buckley – Community Member
Lynn McIntosh – Community Member
Kim Williams – Board Member

Others in Attendance:

Sharon Brasure – Red Clay Nutrition Department
Gail Gerace – Red Clay Nutrition Department

I. Introduction and Opening Comments:

Ms. Rattenni opened the meeting and introduced Ms. Sharon Brasure and Ms. Gail Gerace from the Red Clay Nutrition Department to give a presentation.

II. Minutes

After a review of the January meeting minutes, Mr. Buckley moved to accept them and Ms. McIntosh seconded.

Ms. Rattenni commented on the resignation of Mr. Hendrix. Ms. Floore has a name of an interested community member. She will contact them. Ms. Floore has also reached out to RCEA for a new Teacher Representative for this committee, but has not received a new member at this time.

Ms. McIntosh asked about the CFRC training. It is on February 23rd at Wallace Wallen Training Facility at 7:00 PM.

III. Nutrition Presentation

Ms. Gerace distributed a packet regarding the Nutrition Department programs and budget as well as highlights of the new federal regulations that have been signed into law. She reviewed the current budget and carryover balance from the last fiscal year. The USDA requires that a school nutrition department retain enough funds on hand at the end of the fiscal year to cover a 3 month operating budget. The carryover in FY11 was a 2.84 month operating budget. We have not achieved the 3 month yet. Our operating budget last year was \$844,000/month. Twice a year she submits a bi-annual report DOE. She is

then able to calculate a current operating budget. The DOE report submitted as 12/31/11 our carry over balance was \$2,363,000. However, our monthly expense had climbed to \$934,772 which drops the carryover to 2.37 months. Ms. Rattenni asked if there was a penalty for not keeping this balance. Ms. Gerace explained that no, but as we are not receiving our money for the prior month until the next month, we sometimes rely on it to pay our vendors and payroll. Ms. Floore explained this is similar to what we do on the operating budget. Ms. Brasure stated it is difficult over the summer months when there isn't the funding coming through.

Ms. Gerace explained that state support is the money we get to make our payroll. They only fund us 62% of our general workers, cooks and bakers, and 73% for managers. This is for the state side. The local funds make up the balance. Then there is a local share of salaries as well. We received \$1.639 million this year. This is \$79,000 over last year. However, this year we have a 2% state increase that rolled out mid-year. The other component is that 27th pay which occurs in this fiscal year.

We also receive federal support. A copy of the reimbursement rates is in the packet. We have 3 classifications of students: free, reduced and fully paid. The number of student lunches is submitted each month and we are reimbursed \$2.77 for each meal that meets the "free" qualifications. The "reduced" lunch reimbursement is \$2.37. "Reduced" students pay the .40 so we do receive the full \$2.77. "Paid" students only pay \$1.50 for elementary and \$1.75 for secondary lunches. We are reimbursed at \$.26 for each of those, therefore we take the loss.

Ms. Brasure explained that if the school is below the poverty level based on over 60% of their students qualifying for free/reduced meals, they can be classified as Level 2 schools. Therefore, no child pays for lunch or breakfast at those schools. However, we are only reimbursed for the students that qualify for free meals. We are making up the difference. Ms. McIntosh asked if we have many Provision 2 schools. Ms. Brasure stated at this time we have 6. Ms. Floore stated this is on free and reduced applications not the census data that is used for federal programs like Title I. Could we have more if parents fill out the forms? Ms. Brasure states there is a great push to get parents to fill out the forms. Also, anyone getting food stamps or state assistance is automatically downloaded into our system as eligible. In those cases, we send a letter to those families letting them know.

At this time the district is at 48% free/reduced. Mr. Buckley stated that is so important due to Title 1. Ms. Brasure stated that all students put in a student ID in the lunch line no matter what their status, so there is no stigma or identification of those on free or reduced. Everyone gets the same meal or meal choices.

Ms. Gerace explained that our federal support for this year is budgeted at \$4.363 million based on FY11 plus 8% increase which is the trend over the last 3 years. Although July through December we are actually up 11.5% over last year. We don't want to over budget as snow and inclement weather does impact us greatly. We still have payroll, food spoils, and those losses are not recouped. We also get a grant for 10 schools to provide fresh fruit and vegetables at no charge to the students. This goes hand in hand

with educational materials. The grant is \$236,250 and all of it gets spent. Sales and other revenue we estimate at \$2.28 million which is based on from FY10 and FY11. We are seeing less cash/credit card payments and more coming back through the reimbursement. This is normal for the economic time we are in right now.

Expenditures they estimate at \$3.7 million in salary and benefits incorporating the 2% increase from the state. There was also a local raise with retroactive pay. The payroll is up 3% from FY11.

Food and other costs are \$4.26 million based on an increase of 15% above FY11. We had several equipment purchases this year. Our budget for new equipment and repairs was \$350,000 which has been increased to \$400,000 as we've already spent \$368,000. We've placed a new serving line at McKean, as well as 12 blast chillers in the schools. The blast chillers allow us to serve more fresh food to the students and prepare from scratch rather than processed foods. We save money on food production as it cuts down on waste.

Assuming all goes as trending, we will be able to add an additional \$160,000 into the carryover balance.

The federal government has new regulations in place this year, the Healthy, Hunger Free Kids Act. Ms. Gerace has the highlights included in the distributed packet. The components of the reimbursable meals are changing. Serving sizes of fruits and vegetables are changing. We have 5 new categories of vegetables. There are limits on starch vegetables as well as so many servings of beans each week. The grains need to trend toward whole grains. All of these raise our costs. Sodium levels allowed are changing which eliminates some processed foods. Flavored milks must be skim milk. We are currently using 2% for flavored milk. Ms. Rattenni asked when these changes must be implemented. Ms. Brasure explained that some start this year, July 2012. Ms. Gerace explained some changes roll out gradually until 2016. Food prices will change as well as labor costs increasing to provide more cooking from scratch.

We will need to gradually begin increasing meal prices leveling out by 2016. Ms. Williams asked if the government will give us more money to help meet the price. Ms. Brasure stated there is a \$.06 increase in reimbursement but only after it has been certified that we meet the requirements. The state is not sure at this time who will be doing the actual certification. Mr. Buckley asked how long to catch up, 3 years? Ms. Gerace stated that we are only asked to increase incrementally. To match it at this time, we would have to raise the lunch cost by \$.75. Ms. Williams asked what if families who do not qualify for free lunch then cannot afford to buy lunch. Ms. Brasure explained that the school representatives have met with the federal representatives and expressed their concerns. It may be \$.20 per year for 4 years. We have raised prices here at Red Clay 3 times in the last 15 years. Ms. Williams asked if they would lower the qualifications so more people would qualify for free/reduced lunch? That is not known at this time.

We will have to increase the cost regardless, especially with the new fruits of vegetables regulations. It went from ½ cup of fruits and/or vegetables, but now it's ½ of fruits and ½ cup vegetables. We are worried much will be thrown away. We have to offer a cup but they only have to take a ½ cup.

Ms. McIntosh asked if there will a tracking of how much is disposed of without eating to take the information back to the government. Ms. Williams explained that Forest Oak did a Hidden Valley Ranch grant. She felt it was wonderful because it encouraged the students to try so many things. Ms. Brasure stated that we have the fresh fruit and vegetables grant in 10 schools. This is our 4th year in the program. In Stanton, the first year of 6th graders who cycled through, the workers couldn't believe how much fruits and vegetables the 6th graders go through vs. the older students. The programs are making a difference in the students eating habits. Ms. Brasure stated that they take asparagus and squash mixing it with applesauce. We are working with local growers. Going forward we have to increase the program. Warner's pre-k is also receiving this program. We try to keep it fun and interesting. Ms. Brasure states that there are those who only want grapes and oranges but we are increasing their interest in other fresh foods. Hopefully, that will impact and children will learn that these foods are good tasting and healthy for them.

Ms. Rattenni asked if Nutrition has dissected the information enough to know what additional food costs you will have? There are cost cutting measures you've put into place, but they may not be enough. Ms. Gerace stated not yet, for example, the milk. Ms. Gerace stated that there are no dairies with nonfat flavored milk. The dairies across the state are formulating at this time. Ms. Williams asked why not the low fat rather than no fat. Our produce costs fluctuate with weather. Some are on our vendor state bid so they have to hold on those prices through the year.

Ms. Floore asked about the prime vendor contract. Ms. Brasure stated that protein products, meats, tuna, canned goods, cheese, and cereals are on that contract. We have a separate contract for paper and cleaning materials. And separate contracts for milk, bread and fresh produce. Having a prime vendor translates to fewer deliveries. More vendors would become a nightmare of deliveries and tracking. The labor costs to pay the bills would increase. Ms. Floore stated that is critical to the vendor selection. With procurement the cheapest vendor is not taking into account the labor of delivery, tracking, and payments.

Ms. Rattenni asked about USDA commodities. Ms. Gerace stated that one person in their office keeps tracks of that. Beef products, peanut butter, etc. are commodity items. They are provided through the USDA. We get the cost of the commodity peanut butter deducted from the price of our packaged uncrustables (prepared peanut butter & jelly sandwiches). We use uncrustables so we don't worry about cross-contamination with peanut allergies. We now do the same with chicken giving us more control over our menu. Before we would get more of an item than we needed. Now we have more buying power but get the same rebate on the commodity.

Ms. Rattenni asked if the schools are prepared to do more preparing from scratch. Ms. Brasure explained that we have a partnership with Del Tech to cook from scratch. We are re-training our staff. It is 2-hour training. Part of next year's union contract for training of our bargaining members is a 10-week course one night a week. We're thinking 25-30 people.

Ms. Williams asked if you find you are able to replace equipment through the budget. Ms. Brasure stated that this year McKean was the last school to have the serving line replaced for \$80,000. This year we had 3 steamers go down. We also had the blast chillers. We bought 12 for our base kitchens and high schools as they do the largest amount of scratch meals. We had one at Cab Calloway for a year as a pilot. In the summer, we could employ people to prepare food. We would buy from the farmers; prepare the food and flash freeze it for the school year. It would help our employees and the farmers as well. This may not happen this year. We'd like to try it on a small scale as a pilot this year.

Ms. Williams asked if Nutrition is in the operating budget. No, Nutrition's budget is totally separate except for utilities. In major cap, the kitchen would be part of the school being built. In renovations, kitchens are not necessarily in the renovation budget depending on the scope or need. Ms. Rattenni stated it sounds more case by case. Ms. Williams asked if we could give them funding from the regular operating budget. Ms. Floore stated there is nothing that prohibits it necessarily but nutrition has always been treated as a stand alone program. Ms. Brasure said there is always a wish list with things like a tilting skillet for their high schools for sautéing that the cooks are asked to do. It would be \$15,000 for one skillet.

Mr. Buckley asked if they are confident that they will hit the surplus. Ms. Gerace stated yes, based on the trends and the impact of the new salary changes. Last year our surplus was about \$230,000. We are trending down as we spent so much also on equipment this year.

Ms. Williams asked about major break downs of equipment. Ms. Brasure said they look at the repair bills. If the repair bills are getting too high, a new piece of equipment may be more equitable like steamers and refrigerators.

Ms. Rattenni asked if the needs will change due to scratch cooking. Ms. Brasure stated many of our schools are already cooking schools and we can do a lot. We won't have scratch cooking in every school. The food will be in the blast freezer and then sent to the school to be used. Ms. Williams asked if the Nutrition department spins into the culinary arts program. No, they are separate. Anyone can order from the bake shop for the schools or their own personal use. The schools do use them.

Ms. Rattenni inquired about the increase to the equipment budget to \$400,000, when normally it's \$250,000. Ms. Brasure explained that this year they also changed the computer equipment to touch screens as well as new cash drawers.

Ms. Floore stated that in some cases the educational plan is affected by the time schedules. Due to the high enrollment, the lunches at Linden Hill start at 10:00 AM running through a seating at 1:15 PM. The choices given to the students are also slows them down. Ms. Brasure also stated they have the "Grab and Go" breakfast taken to the classroom so they can eat during instruction time. There are studies that this type of eating increases test scores. Ms. Floore asked if the breakfast is offered to everyone. Yes, everyone can have breakfast. Many schools come right to the cafeteria from the bus.

Ms. McIntosh asked about using the paper products and Styrofoam in the cafeteria. Ms. Brasure explained that the district has a big recycling and composting effort. We now use compostable trays. They cost 2.5 times the amount of the Styrofoam. A.I. High School also now has a machine that melts the Styrofoam so that it can be recycled. Ms. Rattenni asked about the green recycling. There is a person who comes to the schools to talk about it. He is a custodian working for Red Clay. Ms. Rattenni thinks it's very helpful and encouraging to the students.

Ms. Floore asked about the Board presentation of the increase. Ms. Brasure stated it will be in April. The most we've asked for in the past was \$.25 cents. But that's when it only increased every few years. Now that we have to ask for it each year, it may be higher spread over time. The state recommends \$.10 a year for 7 years to bring it into equity with the free and reduced meals. Ms. Gerace also mentioned that the USDA states that food costs will increase 2.5% based on the new requirements. That is food costs and not preparation costs/labor. There is no immediate increase for breakfast costs, however, 2 years after implementation, a fruit requirement is phased in for breakfast and all grains served must be whole grain rich, this will increase breakfast by \$.14 and \$.05 for lunch.

Ms. McIntosh asked what the break down is of fully paid vs. free and reduced. Ms. Brasure stated 48% is reduced and about 35% in fully paid meals. We have 16,000 students and we serve 12,000 meals a day. Ms. Williams asked if the reimbursement rates would go up as well. Ms. Brasure does not know. They have gone down in the past and back up. They are steady right now. There was a discussion on how the paying students would be making up the difference of the reimbursement and the actual cost of a free/reduced meal. The paying students could eventually pay \$2.70 for a lunch. More students may opt to bring from home. Ms. Williams stated that 3 children in a family would cost the family over \$40 a week. Ms. Brasure stated that is not unusual in other states.

The Red Clay website lists the menu, and it's broken down by school. Nutrition and caloric values are also listed. Ms. Rattenni asked about the grab and go breakfasts if there is a problem with hot food. Ms. Brasure explained that the beauty of the grab and go is that the student can take 3 of the 4 components of the breakfast and bring it with them. We are not delivering the full breakfast to the classrooms.

There are weekend backpacks provided by the food bank program. There are identified students who have a need for the program. A backpack full of food is sent home for the

weekend. Red Clay participates in the program. The Food Bank has a program for a Food Bank pantry in the school. Chris Miller from Red Clay is speaking to the Food Bank people to operate a pilot in one of our schools, Warner Elementary. Ms. Williams asked if the schools themselves could collect food for that food pantry. Ms. Brasure stated that the Food Bank asks that it be a community effort and that would be a great way to stock the pantry. Ms. Floore said she recently heard a presentation from students of the Jack and Jill club who were collecting food for the backpack program.

Ms. Rattenni thanked Ms. Brasure and Ms. Gerace for their presentation and asked them to return next year to keep us up to date.

IV. Monthly Financial Reports

Ms. Floore stated the revenues are 87% and we are waiting for senior tax on the local side. On the expenditure side there are no categories that are approaching 100% that shouldn't be. Expended and encumbered we are at 60%. The fiscal year ends June 30th.

The federal funds are also where we should be. We have closed out the 2011 funds and are now using the 2012 funding. The close out for 2011 was December 31st, and we have until March to finish paying for those encumbrances.

Ms. Rattenni asked if there is talk about the sustainability for the Race to the Top. Ms. Floore explained nothing explicit at this time but the hope of the programs was that they would be sustainable.

Ms. Floore stated that the Governor's recommended budget was released and \$27 million has been placed into the budget for school districts statewide as a measure to help replace funding lost since 2008. We don't know what that means for us yet. The assumption is that those fundings would backfill those that were cut. It won't bring us back to the levels we were at in 2008, but recognizes the serious cutbacks districts have faced. For a time, there was temporary federal funding available to support programs and this helps replace that loss. It is mostly sustaining existing positions such as the Reading Resource teachers- not replacing the extra time or discipline programs that were cut.

Tuition based programs. Local is at 99.54% due to the senior taxes and late taxes still due. We did receive a call regarding the proposed county tax amnesty program. They are forgiving the late fees if people can pay their back taxes in full. The fees go to the county and would not affect the district other than any increase in back taxes collected.

Our expenditures are where they should be. Unique alternatives at this time are low due to the billing cycle. The 117% on Meadowood is due to the private school transportation issue discussed last month.

Mr. Buckley asked about district wide services running 8% higher than last year on Line 44. Ms. Floore explained that on Page 9 it is broken out in detail. We've made an additional encumbrance. We spent \$200,000 at DSC and it was the timing of that

payment. We made the payment earlier than last year. The substitute teachers we have spent more than we have last year.

If the upcoming referendum passes, in the future there will be another sheet in our monthly reports on the referendum fund encumbrances and expenditures for construction and renovations. However, funding would not even start until after July 1, 2012. There will be two arenas of reporting depending on if one or both votes pass.

V. Financial Position report

The Financial Position report projects the balance through the end of the fiscal year. Last year we ended the year with \$23 million. This year we had a state cut so we expected the lower value. The unions negotiated a 1.5% increase so we are in the process of calculating retro payments and updating the pay scales but the final balance reflects estimated payroll.

VI. Public comments

There were no public comments at this time.

VII. Announcements

The next CFRC meeting will be held Monday, March 12, 2012 in the Brandywine Springs Teachers Lounge at 6:30 PM.

VIII. ADJOURNMENT

The meeting adjourned at 8:36 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary