

Red Clay Community Financial Review Committee
Wednesday May 9, 2012

Meeting Minutes:

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

Members in Attendance:

Jane Rattenni – Committee Chair
Jack Buckley – Committee Member
Jill Floore – Red Clay Chief Financial Officer
Lynn McIntosh – Community Member
Larry Miller – Community Member
Kim Williams – Board Member

Others in Attendance

Leah Davis – Board Member

I. Introduction and Opening Comments:

Ms. Rattenni opened the meeting welcoming everyone. Ms. Floore reported that Mr. Kaplan, union president, is still working on the RCEA representative.

II. Minutes

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

III. Old Business

We had an audit of the state stabilization funds. The Inspector General sent a team for review. This was about our close-out procedures in the state stabilization funds. Delaware was one of 5 states selected. They chose the two largest districts, Red Clay and Christina. They sent 7 representatives to our offices. We helped them with First State Financials. We were able to provide the documentation and they left with no questions. They are now coordinating with the other 6 states. It was a great deal of work but very interesting to see how that audit differed from other federal and state audits.

Red Clay has been involved in a review of Delaware College Preparatory Academy. Red Clay charters several charter schools. Every 5 years when the charter is renewed, there is an accountability committee. There are a number of criteria to evaluate for the charter renewal. We went through recently with Delaware Military Academy and with the Charter School of Wilmington. Over the last year, Ms. Floore has been working closely with Delaware College Prep. They had a turnover in their administration. They are a very small school. Their enrollment has declined and they have a very narrow budget margin to finish June 30 in the black. Ms. Floore is on a committee with representatives

from DOE to review their finances and will make a report to the BOE next week. There were concerns if DCP would make it to June 30th renewal date. We gave them a draft report that there is not enough information at this time because spending decisions can still be made up through the end of the fiscal year. We've been meeting monthly. The presentation for Wednesday says they are doing all they should be doing, but a charter this small is working very close to the line. Everything is in line for June 30th, but a decision can be made before that could affect the bottom line. There will be condition that needs to be met before being placed on probation. They will need to have a balance of \$25,000 or be on probation. There is nothing in the code that states what triggers probation as it does for school districts so given the narrow margin throughout the year, the committee believed it to be important to set a minimum threshold.

Jack Buckley remembered last year it was stated that DCP was renewed and they were fine, but being so small there was concern. They only have 325 students, smaller than any of our schools. Ms. Williams stated that the Board didn't want to put them on probation as their enrollment diminished with the change of administration. Mr. Buckley asked if there was a financial manager. Ms. Floore stated that one of their former board members stepped into the role of interim principal as well as business manager while they were looking for a new principal and has stayed now as a business manager. Howard Johnson is their new headmaster. Mr. Miller stated that if they have one significant system failure, it could push them over. They have a mortgage for the building they occupy.

Red Clay staff has been out to assist them on different systems rather than have them use a vendor that needed to be paid. Mr. Golder manages them on a curriculum side. They are the first charter that has unionized their staff. They serve low income families. They did receive the 21st Century Grant for after school programs. They are an 8-4 school day that lasts through June 23rd.

Red Clay had a job fair at Brandywine Springs School on May 5th. We had Special Ed, ELL and psychologist positions open. The morning has internal transfers and the afternoon was external openings. Ms. Floore and Ms. Davis stated that it was well attended with numerous highly qualified applicants.

IV. Old Business Updates

The Financial Position Report. This is the projected statement of what our balance will be on June 30, 2012. There is a new line – projected one month local payroll. This is the amount we need by Delaware Code. However, we don't receive our money until taxes are loaded in October. Therefore, one month isn't necessarily the gage we want to use. Mr. Buckley asked if they have lowered their threshold. 2008 was when we had to take a float loan – a loan from the state for payroll until we received our taxes. In 2007 we took a true commercial loan. Now the code states we need one month. This code does not apply to charters. Ms. Floore uses \$7-8 million as what is what is needed to get to October.

This Financial Position Report estimates what we have and what we will end in June and lists at \$20.1 million. We are very close to our final budget for end date balance. It was \$20.3 million. We are lower than last year because we are deficit spending and using state stabilization funds. Because of Ed Jobs, we have one last year of temporary funds. We believe the state is giving Red Clay back some money in the operating budget. Therefore, it will likely go up for one year and then come back down.

The training Ms. Floore attended today was about legal binding arbitration and negotiations. One thing they made clear regarding the perb and the ability to pay when negotiating a contract is that they only look at your current year revenues and expenses. The hardest thing about looking at a 5 year projection, the majority of our funding comes from the state. While local taxes are relatively steady, we cannot predict what the legislature and the economy will do over the next 3-5 years.

V. Monthly Reports

Ms. Floore stated that there was a request from a community member for the monthly comparison reports to be reinstated, so they are being printed and posted for information purposes.

On the monthly expenditure report, 83% is where we expect to be and on the revenue side we are at 99.19%. In taxes, this line was showing prior year and current year taxes. Now only current taxes are shown. The reason for the change is if old encumbrances were released, then that showed in FY12 money rather than FY11 money and we didn't want to skew what the actual annual receipts were vs. the actual annual expenses were.

We budget at 98% with a 2% delinquency rate. The county continues to be successful in tax collection. Therefore, the 101% means we are over the 98% projection. ERate in technology went up as Dr. Ammann was able to secure more eRate funding. The telephone companies give us back a piece of expenses.

CSCRIP is cost recovery from Medicaid. That cycle depends on when the bills are submitted. For example, if we give occupational therapy, then we bill Medicaid for that service as that is not an educational service but a medical service. The school nurses are going through a Medicaid audit and doing a time and motion study. Every agency of government is trying to streamline. Ms. Davis asked if that is only school nurses. Ms. Floore agreed, that does not include the 2 clinics. Mr. Buckley asked if indirect cost will catch up. Ms. Floore stated that it will but because the federal fiscal year ends in October final draws are not always made by June 30. Ms. Roberts did the presentation last month on the federals.

We received the instructions on the financial system closeout. It is an interesting process. All requisitions are due to Dover by June 8th. It will close in July until July 15th. There are several weeks where the schools can do no purchasing. This is a yearly event. We can process documents in June but no new purchases. Mr. Miller asked if we could open

purchase orders. Ms. Floore explained that if a bill comes in, we should have had the encumbrance PO in place so we can pay from it. We cannot make a new one, but we can make a change order to modify the encumbrance.

Ms. Davis asked about Highlands Elementary spending only 35%, do they have to spend 70%. Ms. Floore explained that information is for 2011. Right now they have spent 97.7%. Forest Oak is only at 54.6%. School budgets are the only programs that can carry over. They must use 85% by June or lose the difference that is not spent. Some are new principals and cautious. It is a concern as they will need to spend 21% in a short period of time. Ms. Lanciault and Mr. Golder are monitoring this and all programs closely. Lewis stopped all spending as the principal was moved out. Ms. Williams can't understand why schools continually don't use the money by May. Why isn't the money in the classrooms throughout? Heritage and North Star are also low. The high schools are all in the 90% range. Ms. Williams stated that when on the PTA she was told by teachers how funding was tight. Ms. Floore will ask each principal below 60% what their plan in for expenditures between now and June 30 and report back at the next meeting.

Ms. Williams asked if we were going back to receiving the school specific plans on how they would be spending their budget. Ms. Floore stated that yes they can give a plan, but they won't be held to each line item as they are accountable to the bottom line. The program codes are a plan but they are able to change that plan if necessary. Ms. Davis asked if there was any way to trace monies that go to specific schools such as people resources, actual resources that we are allocating to specific buildings. Ms. Floore explained the answer is yes and no. We can see that in personnel. But it may appear one school has more resources due to the education level or experience of those teachers. We have always budgeted at the district level for salaries. Curriculum is similar and has a \$2 million budget that is budgeted at the district level because the needs can vary from year to year- secondary Science books may be up for renewal one year while the next year might be a replacement of English books for elementary. That is district wide and we can't see where they go unless they buy something for one school rather than another. But the curriculum department buys many programs for everyone's use. Other districts have the same issues, but it is especially difficult to trace by school for large districts such as Red Clay and Christina. The danger is building items into the budget even though the principals have no control. What we are asking for them to break down is what the principals have control over.

Ms. Davis asked if they divided by units would that also show excellence units.

Ms. Floore stated no that excellence units are also distributed at the district level. For the school budgets, the majority is items they have little discretion over. The high schools get a formula per unit and certain amount for athletics, middle schools for clubs. Middle schools get small budgets for athletics. Ms. Williams asked if Conrad gets 2 budgets. Ms. Floore stated that they get one budget 6-12 that includes the high school formula. Ms. Rattenni asked if Cab Calloway had sports and how their budget worked. Ms. Floore explained that they have the equivalent in arts programs. The high school and eighth graders at Cab participate in Charter School of Wilmington sports programs.

Other than those noted, there are no programs that are over budget.

State stabilization has been allocated and shows over 100%. This is because it was spent in one operating unit over another but it was not over budget overall as it was a set amount of funds from the federal government. Adult education is over budget but they received more money so they used more money. They cannot overspend. It appears as being at 103%. We do not adjust a budget mid-year due to more receipts.

The biggest expense for the Board of Education is the Delaware School Board Association fee.

Overall we would expect at 10 out of 12 months to be at 83%. We are currently at 81.2% expended and 83.9% encumbered and expended.

Ms. Davis remarked that we have money coming out for curriculum, special education and the Director of Elementary. Do these departments discuss with one another how the money is spent? Ms. Floore stated yes. For example, Mr. Golder's budget supports the HS graduation. There are specific items that routinely come out of a budget. His also paid for the IB program. There will be a billboard on Kirkwood highway regarding the international baccalaureate program. Sam's budget paid for the billboard. We were hoping students coming from Newark Charter and other schools would be looking for a high school offering this program through choice. Ms. Lanciault's budget helped Odyssey of the Mind program and Baltz's playground that had flooding issues. Facilities and Baltz also contributed to the playground funding.

One of our lowest things is copy center. We have started a charge back to the schools. It's cheaper than doing it in-house (in school) but it does get charged back to the school with the last payment charging close to the end of the year.

Research and Assessment is low at this time because the DCAS test coordinators will be paid shortly.

Federals were reviewed last month. Many are at 100% as they have now expired. Others expire later so they are at 97%. The only ones left are Ed Jobs that we have saved entirely for next year. In 2 years all of that temporary money will be gone.

Ms. McIntosh asked if we received an extension for Off The Streets grant. Ms. Floore stated yes we have. The Vernier grant on page 5 is 97.79. We are still working on reopening that, otherwise we would return \$978 to the state.

Our 1003G grant for partnership zones is another one we will be adding to this report in the future.

Ms. Davis would like to see it broken down as to all the money that is flowing into each separate school. In looking at equity in resources. She would like a clear picture of where each building is now and what comes in. This would include grants, etc. such as Title I. Ms. Floore will work with Mr. Stewart on this. There is a difference between

discretionary and non-discretionary funds. Mr. Stewart doesn't divide the funding equally. He uses staffing, etc. But Ms. Floore can give you the dollar that goes directly. Ms. Floore will put it into the CFRC report to the BOE as a question. Is it feasible to do and would it be helpful.

We would also have to understand why some schools are eligible for some funding where others are not. More special education children would also increase your funding through units. Mr. Miller stated that maybe focusing on one or two specific areas, i.e. Technology and Curriculum. Looking at goals of the school and how they are being addressed. Ms. Floore stated that you can look at an elementary, middle and a high school. If that leads you to understanding better. Ms. Davis believes curriculum and technology impact a student most.

For the committee's work, Ms. Floore stated we annually plan in the summer the meeting topics for the next year. Mr. Miller asked if there was a year-end report given to Dr. Daugherty from all programs. Ms. Floore stated there are a few programs that do this but Ms. Williams stated that those reports are not given to the BOE. Mr. Buckley stated that may be overwhelming at the end of the year.

Mr. Miller stated that the district has put out goals and have they been met. Ms. Floore stated that each program manager can be given the task what have been their goals and what they've done in connection to the district plan. Ms. Davis stated that maybe the Board would come up with the answers we were looking for.

Ms. Rattenni reiterated that our role is to understand but not dictate spending. We will choose topics for presentation for the coming year. Mr. Miller stated that the better we understand these topics, the better we are for the review of those budgets.

The Facilities Subcommittee met tonight for the RFPs for construction manager and 3 architects for the new school, Wilmington Campus and AIHS.

Ms. Floore reported on tuition billing. The final budget had an estimate of \$523,000 but because of the actual number of students from other districts in our tuition schools, we are billing for \$851,000. This is due primarily to the students in our First State School. Ms. Floore would recommend a presentation from Irene hills on the school and funding.

Meadowood is still over in operations and utilities. Due to needs based funding, we received more money. We received more money for utilities than we can use at this time. Page 8 with utilities on RPLD and Central, it is the same. We will spend this encumbrance next year. Mr. Buckley stated that we will receive even more next year. Ms. Floore stated that this was a mild winter so there is the chance we won't have an overage.

Our lease payments come in after we have paid the lease. Overall the total is 95%

Mr. Buckley stated the substitutes are running high but still within budget.

Ms. McIntosh asked about DSC. Ms. Floore stated we pay their amount in 4 quarterly payments. We know when the payments are due. That is another presentation that we could be shown as well.

We will follow up with the following presentations for next year:

Partnership zone

Curriculum

Technology

Data Service Center

IDEA

Capital Referendum

First State School

Federal Grants (Title I and II)

Ms. Rattenni asked about deficit spending. Ms. Floore will give this report as part of the year end close out to see how much the final was for the year- it will decrease from the final budget because we were able to not use any of the contingency allocated.

We will also review the Barbacane audit at an upcoming meeting.

V. Public comments

There were no public comments at this time.

VI. Announcements

The next CFRC meeting will be held August 13, 2012 in the Brandywine Springs Teachers' Lounge at 6:30 PM when we will review the tax rate.

IX. ADJOURNMENT

The meeting adjourned at 8:15 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary