

**Red Clay Community Financial Review Committee**  
**Wednesday August 13, 2012**

**Meeting Minutes:**

The Community Financial Review Committee met on Monday, August 13, 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  
Kim Williams – Board Member

**Others in Attendance**

Leah Davis – Board Member

**I. Introduction and Opening Comments:**

Ms. Rattenni opened the meeting welcoming everyone.

**II. Minutes**

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

**III. Old Business**

Ms. Floore asked about RCEA representative. Ms. Floore mentioned that the Red Clay Record that was recently distributed advertised for a Committee member for the CFRC. There were no replies at this time. Ms. Rattenni asked Ms. Davis about the Board member position. Ms. Davis is currently working on Board member committee assignments. It may be a position that rotates among the Board. Our bylaws state these members are required but the state does not have a requirement of a board member. Our meetings have always been the Monday before the Board meeting. When it's Monday prior, it's a very quick turnaround. Wednesday is a better time for the meetings for the current members. Ms. Rattenni made a motion to permanently move the meeting to the Wednesday prior to the Board meeting. Mr. Buckley moved and Ms. Williams seconded. All were in favor. The next would be the September 12<sup>th</sup>. However, due to conflicts in September, we will meet the 17<sup>th</sup> and in October it will move to Wednesdays and start on the 10<sup>th</sup>.

**IV. Monthly Reports**

The FY12 close out reports were distributed. Ms. Floore also distributed the Board presentation as well as the FY13 tax rate. Red Clay ended with local operating funds of

\$20,481,000 vs. \$20,123,000 budgeted. The difference is 1.7%. We didn't use any of the contingency. The budget balance is typically higher because of the contingency and balances left. We came in on the better side of close. This year was a significant learning curve for needs-based funding. The monthly reports on the revenue side show we are at 103.22 %. The local revenues were budgeted at \$56.5 million, we got \$58.1 million. The budget number included a delinquency rate of 2%. Ms. Floore has changed that as the County has been consistent in successful collections. That is why it tips over 100%. With MCI technologies and eRate, we also received more than anticipated. MCI technology is a flat rate. We anticipated an increase from eRate, but we received even more. eRate is a federal program that reimburses telephone expenses.

Indirect was also lower than anticipated. It is a tough one due to the timing of the grant. The federal grants don't close until December. Indirect charges are what we charge against these grants for administrative costs and only can be applied to actual expenditures. Federal funds do not expire on June 30 and run on the federal fiscal year which will continue through December. With a greater balance on the grant left on June 30, we did not draw as much indirect.

CSCR is decreasing- this is reimbursement for Medicaid eligible expenses. The reimbursements are decreasing, certainly not the services. In State Division I salaries, it was 106% or \$5million more received. We received more money from the state due to needs-based funding. Under the new unit system, the same students generated more units than previously. Under needs based there are three classifications: Basic Intense and Complex. We used to pay for the Paras at Meadwood from tuition taxes, but now many are paid through the state funding under needs based. Mr. Buckley asked if we added staff because of this. Ms. Floore answered no; we lowered our tuition taxes but continued to provide the same level of service.

Ms. Floore explained that we did not know what to expect with needs-based where the units would fall after 30<sup>th</sup> count. Last year was the first year with this funding. That is why we are off by \$5 million. Ms. Williams asked if we are losing the \$3.4 million in state stabilization. Ms. Floore answered yes, but the state put back \$3 million permanently into our budget as the Educating Sustainment Fund. It is not the level the total of what we lost but it is a significant contribution. This year, we saved our Ed jobs money so it is the last year we have until there is a permanent funding cliff from the federal funds. It was our intention all along to save and stretch the federal funds for as long as possible. We will deficit spend faster next year without that Ed jobs money.

Mr. Buckley asked how we'll use the new state funding. Ms. Floore stated we will use it for local salaries. We used to have over \$5 million in the state programs in Division II and units, LEP and technology grants. They were reduced from the budget, and we were given state stabilization funds to cover. Now that they are expired, the state is placing some back into our permanent budget. There is still advocacy in Dover to get the funding back into education. Mr. Buckley asked if it will take a yearly vote to keep the money into this budget. Ms. Floore stated yes as this is part of the budget just as anything else, but it was also written into the epilogue so it would be reviewed each year.

Ms. Floore stated all schools under 60% in expenditures gave detailed spending plans as they were reaching the end of the year. Ms. Williams noted some had picked up before the closeout. Ms. Floore stated they were monitored up to the minute in June to make sure we did not go over budget. However, some did go over budget and Ms. Floore wanted to explain how that happened and why principals and program managers were not in trouble for it. The last payroll hit on June 27<sup>th</sup> after the system was closed to any corrections. Schools and programs had estimated what the EPER costs would be. In the event they were even slightly off, however, when the payroll hit on the 27<sup>th</sup>, the schools were then thrown over budget.

Technology tried to estimate the charges, but with professional development training, the reimbursements placed them over. Curriculum will get a credit this year as they went over in June in preparation for summer school for Partnership Zone schools. This money will be paid back in FY13 when the 1003 grant awards are finalized.

Ms. Rattenni asked about the deficit and state stabilization funds. Ms. Floore stated the deficit will grow next year as the federal funds expire. Mr. Buckley asked if local salaries were relieved by the funds. Ms. Floore stated yes they were. For Division I salaries, tuition funds are relieved by needs-based funding, not local salaries. Now paraprofessionals are built into the unit count. The unit count went up; tuition went down but neither affected local salaries.

Total expended and encumbered was 100.2%, again with the slight overage being caused by the late payroll. Ms. Rattenni didn't realize the individual salaries impacted the school budgets. Ms. Floore stated salaries do not, but EPER (Extra Pay for Extra Responsibility) does if someone attends training for example. Employees are paid by the hour for those programs.

While we want programs to spend to their budget, in some cases coming under budget is good. As in legal, we spent less than expected on cases for the year. Contingency was not needed. Ms. Rattenni asked if contingency could be used for deficit spending. Ms. Floore stated no, that's a different line of spending to track for contingency.

Federals are growing to their end dates of December 31, 2012. Technically, there were years we were using the new year funds in August and September. We are building back up that cushion so we are not spending immediately from the grants when they come in. It's a comfortable place to be.

Tuition revenue is larger at 107%. That includes the opening balance, tuition tax and interest but we also received an increase in tuition billing of \$327,000. State revenue is the line for unique alternatives. We budgeted that unique alternatives would go down but it went down even more than expected as paraprofessionals moved into units under needs based. This is primarily at Meadowood and RPLC. Again that is why we lowered the tuition tax.

Debt service is at 68%. This was planned and is due the fact we do not get the taxes until October and have to make payment July 2<sup>nd</sup> so we require a carry forward balance that will last through October.

Mr. Buckley asked for clarification on the overage on tuition billing. Ms. Floore explained that we had a student in our school that had moved but didn't notify us. We decided it was in the best interest of the child and his/her needs to have them remain with Red Clay and to bill the sending district, which they also agreed to do. So the costs were now billed to another district instead of being assumed by Red Clay and show as additional revenue under tuition. Also, First state school plays a part in the tuition bills. The budget is done at the end of the school year but we don't know until after September 30<sup>th</sup> who the students are. This year they ranged from KN – 12<sup>th</sup> grades and it was agreed an additional teacher was needed. With 17 students, there was no way to bridge those grade levels with 2 teachers. We then added a 3<sup>rd</sup> teacher, which as a percentage was larger because of the small school. Colonial and Christiana and any sending district also paid a portion of that additional teacher. We track each and every child in unique alternatives as well as charter schools, etc.

Meadowood went over in the utilities and we received more energy money than we were able to spend due to the mild winter. We earned more energy money than we could use in the building due to needs-based funding. Ms. Floore said in the future we will use some in HB and Forest Oak, where many Meadowood Program students are housed.

Meadowood transportation did go over. Due to the number of routes and stops, as well as bus aides on the buses, our expenses are greater. Next year it will increase as the ninth grade Meadowood students will be at McKean.

District Wide Services is substitute teachers. They were over by \$4,729. We are trying to track by school. All expended and encumbered was 91.3% for District wide expenditures. On June 30<sup>th</sup> we were still owed rent so that one is negative. It is the timing of the payments. Our rental property will end in February of 2013. We significantly reduced the lease by moving into Baltz.

Ms. Williams asked regarding AIHS going over. Ms. Floore reported they did not go over but the budget estimated they'd spend a percentage of their gate receipts and they spent more. They had the money to spend. High Schools have gate receipts and we estimate their budget even though it is spent at their discretion. For example, we estimated \$25,000 but if Kevin was replacing a field at AI he may spend \$50,000 that year. He can only spend what is available in the collections.

Ms. Williams asked why Conrad got \$75,000 for expansion. Ms. Floore stated that was as the enrollment increases. They will also receive another \$75,000 this year as they fill out the final 12<sup>th</sup> grade class. Much of what they had this year was science classroom expansion. This is the last year for Conrad expansion as the incoming class fills out the total enrollment.

Mr. Buckley commented that we were running high on substitutes but it has scaled back. Ms. Floore explained some substitutes are to cover for a professional development of a teacher, so that they get coded back to Curriculum. This lowers the charges to substitutes. They are still running high and it is one of our projects this year to develop an improvement charge back system. Jim Comegys, the new Director of Curriculum, will be working with us on this project.

Ms. Williams asked if Fiskar having a free ride on the taxes affect us. Ms. Floore stated that Fiskar is the same in that General Motors was on a credit and was not paying any new taxes. This was based on an assessment appeal GM won back years ago. So Fiskar not owing taxes is consistent with the property. At some point in the recent future, that credit would run out however. The old Chrysler plant is now owned by the University of Delaware and that did hurt us indirectly in the tax pool.

Ms. Rattenni stated the balance of 20.4 year end, how will that affect deficit spending next year. Ms. Floore said they will review the FY13 budget and projected deficit spending at next month's meeting.

## **V. TAX RATE**

At the July Board meeting, Ms. Floore presented that tax rate for FY13. Current expense doesn't change. That's what the voters voted on in 2008 so that will not change until another referendum is passed. Tuition went down 3 cents due to the new needs-based funding. The debt service went down by a half of a cent. It is because we are paying off old debt faster than we are taking it on. This is a planning year and the schedule for the capital referendum will begin to accelerate as architects complete drawings, etc.

In minor capital, the state put in more money last year and kept it up for this year. We did not have enough of a balance this year so this did increase this tax up by a half a cent. All of this meant a 3 cent lower tax for the taxpayer. For the average taxpayer, it meant a \$1261 bill which is a decrease of \$22. Our assessed values are based on 1983 values. Sussex County is 1979 and their County could be contributing more. The rates are drastic from county to county even within our own state.

For the September Board meeting, Ms. Floore will be able to present the FY13 Budget prior to the Wednesday, September 19 Board meeting.

## **VI. PRESENTATION SCHEDULE**

The Committee reviewed the presentation schedule and came up with the following:

Barbacane Audit & Capital Referendum Update – September 17

First State School in October 10

IDEA in November 7

Federal Grants – December 5

Curriculum – February 13

Partnership Zone – March 13

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Federal Grant Wrap Up – April 10  
DSC and Technology in May 8

**VII. Public comments**

There were no public comments at this time.

**VIII. Announcements**

The next CFRC meeting will be held Monday, September 17, 2012 in the Brandywine Springs Teachers' Lounge at 6:30 PM.

**IX. ADJOURNMENT**

The meeting adjourned at 8:30 PM.  
Respectfully Submitted,  
Laura Palombo  
Recording Secretary