

**Community Financial Review Committee
Report to the Red Clay Consolidated School District Board of
Education
Monday, December 3, 2007**

Our meeting Minutes:

The Community Financial Review Committee met on Monday, December 3, 2007 at 6:30 P.M., at the Linden Park Offices.

Members in Attendance: Paul Lloyd, John Allison, Jane Rattenni, Michael Bank-RCEA, Jill Floore-Red Clay Financial Director, James Buckley-Red Clay Board, Dorcell Spence-DOE and Frank Rishel-DOE.

Members Absent: Gary Linarducci-Red Clay Board and Tom Shopa

Public Attendance: (12) parents, community members, members of the DOE assigned recovery team, and the local press

The purpose of the meeting was to review the monthly financial reports (October & November 2007), begin a dialog on our committee's role in the FY 08 Final Budget approval process, and the upcoming referendum.

I. Introduction and Opening Comments

Meeting started at 6:40 P.M.: Chairperson Paul Lloyd called meeting to order. The committee members introduced themselves to the community.

II. Minutes Approval

Last month's minutes were reviewed and accepted.

III. Report from the Organizational Subcommittee

Subcommittee Chairperson Jane Rattenni reported that due to conflicting work schedules and other obligations, her subcommittee decided to have dialogues via E-mail. Membership terms were discussed and due to the absences of two committee members it was decided not to hold a formal vote on term limits. John Allison commented on possible attendance criteria for members as the committee only meets 12 times a year. The subcommittee will review this concern and bring back a recommendation.

IV. Financial Report

Jill Floore provided the committee with the October 2007 District Finance Report and a preliminary November 2007 report. She also provided October and November 2006 reports for comparison. In contrast to last year the district spending is down and current

financial objectives are on track. In 2007, spending so far is at \$68 million dollars compared to last year at the same time of \$75 million dollars.

Michael Bank questioned two of the IBU codes on the November 2007 report under *IBU Code 04 Assistant Superintendent for School Services* reflecting expenditures of 134.9% of budget and *IBU Code 13 Board of Education* reflecting expenditures of 110.5% of budget. Jill Floore didn't have supporting data with her to provide an explanation and will review concerns and report back to the committee.

Michael Bank's questions appeared to be critical and concerning from an educator's perspective towards the monthly budget reports. Jane Rattenni raised concerns that many might question his participation as a team member with his strong emphasis on the budget, as to the specific needs of teachers. The concern was discussed and the consensus was Michael was at the table representing the teachers and other school employees. John Allison commented that he was representing the community's interest and concerns.

Michael Bank raised concerns about Division 58 Funding particularly for the Central School. He was seeking justification of a \$531,000.00 contract for a total of four employees that work for *Friend of the Family, Inc.* The contractor provides specialized services within the Central School, working in conjunction with Red Clay Staff on the same program. *Friend of the Family Inc.* also operates The Community School that is housed in the same location located on Telegraph Road. John Allison requested to see a copy of the contract between Red Clay and *Friend of the Family, Inc.* to better understand the educational services that are being provided. Jane Rattenni joined in the discussion addressing some of the same concerns Michael Bank had expressed pertaining to the amount of the contract, personnel, and the operating expenses. The consensus was that the *Friend of the Family, Inc.* is a business that would naturally want to generate a profit. Michael Bank raised concerns based on information provided to him that supplies were being funneled from the district's resources to the Central School to benefit *Friend of Family Inc.* programming responsibilities. Jill Floore informed the committee members that the contract for the Community School was currently out to bid. Michael Bank raised concerns and thought it was unusual for a bid of this type to go out in the middle of the school year. He felt that if *Friend of the Family Inc.* was not the successful bidder and had to leave in the middle of a school year, it would be disruptive to the students.

Chairman Paul Lloyd requested that the committee refocus on the review of the budget as to not cut into the community time for input.

Jill Floore and the committee reviewed the data provided and she explained the Encumbrance section of the report (which is what the district has reserved, but has not spent yet).

Chairman Paul Lloyd raised concerns that the monthly financial reports only give a total summary of each IBU assignment, such as individual district departments and schools;

however, the report doesn't list the actual line item expenditures under each IBU Code. John Allison echoed those concerns and expressed that the community would want to know actual expenditures.

Jill Floore agreed to bring data to the next meeting that would show the internal expenses of a school within their IBU budget. She will bring information for two elementary schools in an effort to show comparison of how individual schools utilize their budgets.

V. Other Business

John Allison referred to the topic of the upcoming referendum. He wanted to go on record that, in his opinion the district should not call on this committee to support the upcoming referendum; commenting that the committee at this time is not qualified, as it is still in orientation stage as a committee. John Allison did indicate that there was no effort on the district's part to recruit the committee's support for a referendum. The consensus of the committee members was in agreement and Chairman Paul Lloyd did remind everyone that the committee's purpose was to review district finances.

The committee discussed community communication issues and debated the possibility of allowing the community to post open questions on the district webpage. However, the concern with an open forum is it could attract abusive comments posted on the district webpage. Online security issues were a concern as well as issues surrounding censorship. One solution would be that each person would have to register with the real name, address, phone number and E-mail address, after which they could use an online screen name. The committee agreed that the cost and mentoring associated wasn't advisable.

IV. Public Comments

The question was put to the public in attendance as to how the district could better address concerns and questions. At this point, the meeting shifted into public comments. There were concerns raised that the district public information officer be more available to provide requested information and that that person's job appears to be just a spokesperson for the district.

A member of the community, Jack Wells, expressed concern that the required DOE Financial Recovery Team report was long overdue and feels the public is entitled to see this report. DOE responded that the report would be provided to Red Clay the week of December 10th. John Allison bluntly asked DOE if the so-called shoe was going to drop, based on their findings. He also commented that the report seems mysterious. Dorcell Spence, a member of the DOE Financial Recovery Team (FRT) and a non voting member of the Red Clay Community Financial Review Committee explained the roll of the FRT was to work with Red Clay in effort to help them resolve their budgetary needs and to operate within district receivables. The question was put to Jill Floore whether or not the district would need a commercial loan, or need to borrow money in the fall of 2008. Jill Floore could not provide a guarantee, as she is still focusing on keeping the

budget within its limits. Jill Floore did reiterate that the commercial loan and the loan from the state for FY 2007 have been paid off. Board Member Jack Buckley interjected by saying the district this year will know much sooner than later what the financial position will be going in the fall.

Jack Wells addressed the committee again sharing his knowledge of object coding that provides more details of expenditures, then the IBU codes. The data he was provided came from the State of Delaware and he indicated that in review of those object codes there were major discrepancies as to Red Clay expenditures in comparison to other school districts. He indicated Red Clay paid more than \$500,000.00 for phone services, which was higher than the amount paid by Brandywine, Colonial, and Christiana School Districts combined. He cited many other areas of discrepancies and the breakdown per student cost was way out of line with Brandywine, Colonial, and Christina. He offered to sit down with Red Clay to review these concerns and reiterated that Red Clay needs to utilize the object coding method of accounting, which provides more financial detail than the current IBU system Red Clay is using. He closed by expressing that his involvement was for the sake of his nine grandchildren and all the children attending Red Clay schools.

VII. Next Meeting:

Monday, January 7, 2008, 6:00-8:30 P.M. at the Linden Park Offices

VIII. Adjournment

8:41 P.M.

Respectfully submitted,

John Allison, Recording Secretary