

RED CLAY COMMUNITY FINANCIAL REVIEW COMMITTEE
REPORT TO THE BOARD OF EDUCATION



January 16, 2008
Red Clay School District

Paul Lloyd
Committee Chair

The Community Financial Review Committee met for a special meeting on Monday, January 7, 2008, at the Linden Park Offices to examine the FY 2008 Final Budget proposal. All current committee members were present including thirteen members of the public in attendance.

A second committee meeting was held in the month of January on the 15th with agenda items that included a presentation from Allen Kemp and Jerry Martin on “Red Clay Financials” and review of the District’s financial report for the months of November and December, 2007.

FY 2008 Final Budget Review

Finance Director Jill Floore made a FY 2008 Final Budget presentation similar in content to what had been discussed at the last school board meeting. A substantial portion of the meeting focused on a discussion of the cause for last year’s financial problems. Ms. Floore explained that two primary factors led to the FY 2007 fiscal problem:

- The District spent more than was available based on accidentally double booking \$5 million in revenue in the budget
- Some major expenses, such as the cost for substitute teachers (\$2.8 million), were not included in the board approved budget

The issues that have caused the problems have been identified and corrective measures by the Business Office have been undertaken.

The Community Financial Review Committee then reviewed the FY 2008 Final Budget and asked numerous questions about revenue, expenditures, and changes from the preliminary budget. Highlights include:

- FY 2008 Division 32 (General Operating Budget) budgeted revenue is projected to be up \$5.9 million from FY2007, or a 3.9% increase
 - FY 2007 (Actual) \$148,937,788
 - FY 2008 (Budgeted) \$154,839,897
- FY 2008 Division 32 (General Operating Budget) budgeted expenditures are projected to be up \$3 million from last year, or a 2% increase
 - FY 2007 (Actual) \$151,524,695
 - FY 2008 (Budgeted) \$154,579,414

This will leave a closing balance at the end of the year of only \$260,483 which will require extra vigilance in order to prevent the District from going into deficit spending. The Community Financial Review Committee will continue to monitor this situation closely.

Kemp/Martin Presentation

The second committee meeting this month had a presentation from Allen Kemp and Jerry Martin on “Red Clay Financials.” These two gentlemen are community activists that have pushed for school finance reform for many years. In December 2007, they met with members of the board and the Administration to present their findings and at that time it was recommended they come speak to the Community Financial Review

Committee. After conducting an extensive financial analysis on the District from data obtained from the State of Delaware through the Freedom of Information Act, they have noted the following:

- Salaries had a very modest increase of only \$67,819 from FY 2007 to FY 2008 (based on Personnel Master dated 11/2/2007), most likely attributed to staffing cutbacks that occurred at the end of the last fiscal year
 - From FY 2001 to FY 2007 –
 - Total administrative positions have increased by 19 individuals
 - Administrator salaries have increased by 24.3% on average during that period
 - Total teaching positions have increased by 6 individuals
 - Teacher salaries have increased by 18.7% on average during that same period
- On the November 2, 2007 Personnel Master, 96 District employees were being paid exclusively from local funds
- When looking at the budget at the object code level (in greater detail than at the IBU level) comparing FY 2006 to FY 2007, many overhead costs were up substantially (office space 124%, furniture 313%, etc.) while some costs that directly impact students were down (computer supplies -45%, instructional supplies -37%, textbooks -85%, library books -38%)
- If you average the total expenditures for the three other Northern New Castle County School Districts in FY 2007 and benchmark that number against Red Clay, it appears the District spent \$19 million more than the average for Colonial, Christiana, and Brandywine
- In FY 2007, Red Clay spent a total of \$13.7 million on outside vendors, which was considerably more than the other three Northern New Castle County School Districts

Mr. Kemp and Mr. Martin believe the District must adopt an “Object Code” budget in order to provide greater transparency to the community. They feel that the current IBU budget system does not provide enough detail for people to see how school dollars are being spent, or the District’s spending priorities. According to Mr. Kemp, the District had used the Object Code Budgeting system for over 15 years while Bob Miller served as Finance Director, during which the District did not experience any financial problems. Their complete PowerPoint presentation will be posted on the Community Financial Review Committee’s webpage.

Monthly Financial Report Review

Finance Director Jill Floore presented the November and December 2007 monthly financial reports, as well as supplying reports from the same period in 2006 for comparison. The meeting was running late due to the previous presentation and there was not enough time to review the documents in as much detail as desired. At our next meeting, we will look over these reports again.

Expenditures for the General Operating Budget are at \$79 million this year compared to \$84 million at the same period last year. At the end of December 2007, six months into the fiscal year, total spending should be close to 50% of budget. Division 32 is at 50.9%, while Division 54 is at 54.6%, and Division 58 is at 52.7%.

Other Business

The Financial Report Subcommittee was resurrected and will be chaired by John Allison. It is vital that the committee understand what the community wants to see in relationship to Red Clay expenditures. At this point, I would rather the committee be accused of providing too much information to the public, than not enough. I believe that Object Code reporting would provide better transparency over the current IBU system. The Subcommittee will begin work very shortly.

The Community Financial Review Committee now has a link on its webpage for people to contact us with any questions, comments, or concerns. Please keep in mind that committee email will be monitored by a community representative and may sometimes require the assistance of the Business Office, or others to resolve some inquiries.

Public Comments

Members of the community are still expressing concern about the District's financial condition and are still trying to fully understand the cause of the \$10.1 million cutback. The committee still needs to do a better job at addressing this matter and getting the message out.

Upcoming Meetings / Dates and Time

- Monday, February 4, 2008, 6:30 - 8:30 P.M. at the Linden Park Offices.

Respectfully submitted,

Paul Lloyd

Paul Lloyd, Committee Chair