

Red Clay Community Financial Review Committee
Monday, August 04, 2008

Our Meeting Minutes:

The Community Financial Review Committee met on Monday, August 4, 2008 at 6:30 PM in the Baltz Elementary School library.

Members in Attendance:

Paul Lloyd – Committee Chair
Doug Suiter – Vice Chair, Secretary Protem
Michael Bank – Red Clay Education Association Representative
Jack Buckley – Red Clay School Board Member
Leah Davis – Red Clay School Board Member
Jill Floore – Red Clay Chief Financial Officer
Larry Miller – Community Member
Jane Rattenni – Chair of the Organizational Subcommittee

Presenters:

Gail Gerace – Red Clay Nutrition

Public Attendance:

There were 2 members of the community in attendance: Paul Fleming, Board of Education member, and Tim Reis.

I. Introduction and Opening Comments:

The meeting was called to order at 6:44 PM with welcoming remarks. Mr. Reis will be recorded the session and will post onto a website for others who cannot attend the meeting.

Mr. Lloyd proposed and asked for input on changing the meetings to the first Monday of every month. He would like to move the meeting to the 2nd Monday of the month. Jill Floore explained that moving to the 2nd Monday would eliminate the need for preliminary reports since the first Monday often fell close to the end of the previous month. Mr. Buckley noted that the Board of Education meets on the 2nd Wednesday of the month in July and December. Mr. Lloyd explained that it might be a problem with his reports to the Board, but didn't see a significant problem. Ms. Rattenni noted the October meeting fell on a "holiday" but not a school holiday.

A decision was made to move the fiscal year 2009 Community Financial Review Committee meetings to the second Monday of every month.

Mr. Lloyd welcomed our new Board of Education member, Leah Davis.
Mr. Lloyd introduced Gail Gerace from Red Clay Nutrition who would be making a presentation.

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The Committee discussed the election of committee officers. Mr. Bank expressed concerns about the rotating board seat on this Committee. The Committee shared his concerns. If a Board member is only in attendance one out of every 6 months, there would be little continuity and the meetings would be very difficult for them to follow. It would also be difficult for the Committee to proceed in their business as it would require a lot of back tracking and explaining items previously reviewed. Mr. Buckley didn't think the Board wanted a rotating member on the Committee either, but indicated it was all any member could commit to at the time of the Board discussion. He believed the change in meeting dates may change the attendance issue. Mr. Buckley will take our concerns back to the Board for a decision.

II. Meeting Minutes Approval:

The meeting minutes were forwarded to each member in advance. Mr. Bank made a motion to accept the June 2, 2008 minutes as written and Mr. Miller seconded the motion. The motion carried unanimously.

III. Old Business:

The election to fill vacant spots on the Committee was discussed. There is a need to fill the position for Vice Chair and Secretary. Ms. Rattenni stated that Mr. Suiter had graciously accepted Vice Chair and would take the responsibilities of Secretary as well until the position was filled – with assistance from other Committee members. He will officially oversee the minutes in their monthly production. He will also make sure the archives are up to date. If there are any corrections to the minutes, he will make sure that they are carried forward and voted on. Ms. Rattenni made a motion to have Mr. Suiter accepted into those positions. Mr. Miller seconded the motion and the motion carried unanimously.

Mr. Lloyd reported that he has posted on the Committee website adopted sections of the By-Laws that were changed. He reported that the Committee still has vacancies in a 2 year term and a 3 year term. Ms. Rattenni stated that as members changed, the By-Laws would not be updated regularly, but the membership addendum would be updated. Mr. Lloyd was a 3 year term and Ms. Rattenni is a 2 year term. It follows that Mr. Suiter is in the vacant 3 year term and Mr. Miller is in the 2 year term. Mr. Lloyd stated that both Mr. Suiter and Mr. Miller could be appointed again when their terms expired. It was questioned if Mr. Suiter's term replaced Mr. Allison's vacant seat and it was determined that it was not dependent and he could be appointed to a three year term.

A discussion was held on improving communications with the Board of Education and the RCCFRC.

IV. Presentation

Ms. Gerace from our Nutrition Office briefed the Committee about increased prices for this school year through a presentation. She also distributed a copy of a presentation given to the Board of Education.

She reported that the Nutrition Department is self supporting. Income comes from meal prices for lunch and breakfast. Income from federal reimbursements is based on the criteria the students meet for free or reduced meals. In addition to the Free and Reduced program, the district receives income from paying students as well. Her presentation included the FY08 federal reimbursement rates and the new district rates approved by the Board.

She reported the district currently has Provision 2 schools- schools that qualify for a free meal for all students regardless of their eligibility. There are currently 4 schools that get free breakfast and lunch, while 2 schools get free breakfast only. Richardson Park was getting free breakfast but will now receive free breakfast and lunch. Mr. Bank asked if that included The Learning Center, as they weren't receiving free lunch in the past. Ms. Gerace said she would check as she was getting only one group of data from Richardson Park and wasn't sure if there was a division.

Ms. Gerace asked if there were any questions on raising meal prices. Ms. Floore pointed out that the new costs are in line with other districts. Ms. Gerace reported that the Brandywine School District and Christina School District board's passed rate increases this year. Colonial School District's Board did not pass a rate increase.

Mr. Buckley asked if our estimated counts for free or reduced increased for this year. Ms. Gerace explained that the number of federal funds is based on the number of students who meet the federal requirements. If enrollment counts go up, only students participating in the Free and Reduced program will increase the funding. The District was audited on the numbers last year by the Department of Education.

Ms. Gerace's presentation included number of participants including a breakdown of 1) free breakfast- severe need and regular need; 2) reduced breakfast- severe need and regular need; and 3) paid breakfasts. The same breakdown was done for lunch. She showed how many meals we served in the past and what revenue was generated. She reported that for the 4,705 fully paid breakfasts, the federal reimbursement is 24 cents. The trend over the past couple of years has been that our participation has changed and our reimbursement has increased. So, Ms. Gerace proposed a 3% increase for breakfast and a 2% increase in meals based on previous data. The new reimbursement numbers indicate that they'd be getting 10 cents more for free and 1 cent more for each paid lunch. With more children getting free lunch through the Provision 2 schools, she anticipates there will be more participation monies. With all day kindergarten, she also expects more participation.

Mr. Lloyd asked that as our food prices go up, do we lock in the food costs with vendors for the school year? Ms. Gerace said only for the fiscal year. In certain contracts, like milk, they can fluctuate. Ms. Floore explained the contracts process with bids as we can extend a contract with the same costs and conditions each year if both parties agree. Ms. Gerace stated that while contract costs can fluctuate, the federal monies do not increase. There can also be other mid-cycle changes such as the new recyclable trays that will start in December. Ms. Davis expressed concerned with the volume of trash and recyclables.

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Mr. Buckley said that recycling will be a Board of Education policy issue. He asked for volunteers to help draft a policy to bring to the board.

Ms. Gerace provided a handout of the estimated FY08 nutrition budget compared to actual expenses. She also presented estimates for FY09 that included the FY08 closing balance. For salaries, she reported the state does not fund 100% of the payroll, only 73% of the managers and 64% of the general workers. However, it's not a true value. The state reimbursement is 73% of the 73% percent so the true value of state salary support comes up to about just over 50%. Federal revenue estimates are based on prior experience. She's been seeing a 9% increase annually and she estimated a 7% increase in the budget. Ms. Gerace also detailed sales and revenue.

On expenditures, she noted benefits and salaries. Sharon Brasure and the Nutrition staff have been restructuring and reevaluating staffing such as overtime. With food costs, expenses and contracts/bids, she estimated expenditures. Based on the budgeted estimates, Nutrition is very close to breaking even this year without using the carry-over balance. Mr. Lloyd asked what the ideal carryover balance to meet her needs would be? Ms. Floore commented that because they are separate, in addition to the typical payroll obligation, they also have to pay for their own capital equipment. The carry-over balance must address that as well. Ms. Gerace felt they shouldn't go below \$500,000 at the end of June. Their revenues are always behind and they won't anticipate their first federal reimbursement until October.

Mr. Buckley reviewed repairs and purchases. Ms. Gerace noted that we have a lot of older equipment. Several schools replaced their entire serving lines years ago. However, because of declining funds, this won't be possible in the future. Ms. Gerace stated that we didn't factor in any replacement in FY09. Mr. Miller asked if there is a life cycle on inventory as to how long the equipment would last and extending the life of what was expected. Ms. Brasure had outlined by school what was purchased when. Ms. Floore added that when replacement is included in the renovation of a school building, it is charged to major capital improvement and not the nutrition budget. Mr. Suiter noted a discrepancy in the capital outlay figures and Ms. Gerace said she would revisit the numbers.

Mr. Buckley questioned labor costs involved for fresh food. Ms. Gerace stated that some schools have applied and received grants to receive fresh fruits and vegetables. The program has been piloted for 5 years elsewhere. The federal government has expanded the program to include all 50 states. Delaware received \$250,000. She noted there's a lot of book work to do on nutrition's end as to what came in on the free end and what is the grant end. Ms. Floore pointed out nutrition does not pay for indirect costs similar to the tuition program and that doing so would result in raising meal costs further.

Mr. Lloyd thanked Ms. Gerace for coming to share the information with the Committee.

V. New Business:

Ms. Floore stated that at future meetings she would like to schedule similar presentations from different groups to provide helpful detail and background as we review cost center budgets. She proposed CSCR (Children's Cost Recovery) for the next meeting.

VI. Budget Report

Ms. Floore passed out copies of the FY07 and FY08 financial reports. She also provided a side by side presentation for comparison. She reported that the FY08 final results show a net reduction in expenditures from FY07-FY08 of \$8.9 million. She emphasized that the net cost decreases were larger than \$8.9 million in order to absorb the operating cost increased – salaries (step and lane changes, etc).

She reviewed the IBUs and noted that the majority of IBU variances were minor. She reviewed IBU28 and IBU96 – salaries in detail as they were the largest expenditure. She reported that the coding changed from FY07 to FY08- state discretionary money was counted as state (IBU28) in FY07 and counted as local (IBU96) in FY08, so the report compared the difference between the totals. Salaries experienced two factors in FY08- they increased with step and lane changes and they decreased by district cuts in EPER positions, layoff, etc.

She also detailed IBU 97 – District Wide Services. She noted that if the board had a similar report in FY07, it would have been easy to identify that the budget was not on target based on IBU97. FY08 was tracked closely and maintained budget. FY07 was \$8 million off budget. This year \$11.6 million was budgeted, \$10.8 million spent with \$500,000 as an energy contingency, so IBU97 was still under budget.

Ms. Floore brought a packet of backup documentation for validating the reports based on DFMS reports. Mr. Bank asked to have a copy sent to him. Mr. Suiter asked if it was possible to refine the reports to one IBU if the Committee wanted to do a spot check of one IBU. Ms. Floore said yes, it's possible as was done previously for the Committee. Mr. Suiter suggested that when we a particular group come to give a presentation, the committee have the detailed funding information available.

Mr. Bank questioned unbudgeted expenditures in IBU 31 and IBU 32 and was looking for IBU 58 since they are tuition based programs. Ms. Floore reported that they were expended in the past. She couldn't recode FY07, but the expenditures were closely monitored in FY08.

Ms. Floore reported that the bottom line expenditures were less than FY07 and less than budgeted. She reported that the local funds balance on June 30 was just over \$2.5 million. This is not a surplus- the district is required to have enough on hand for payroll until receipt of taxes in September and October. Ms. Floore will have that estimate at the next meeting in the August 31 Financial Position report.

Ms. Floore stated that she was currently preparing the budget. She did not anticipate it would be drastically different in form, but her priorities were to map the budget with the monthly financial reports and track the referendum dollars. She reported that as the state works on putting in a new system, they have already mapped the district's existing IBUs and MBUs. She also reported that plans to have a model object code report for the next CRFC meeting.

Mr. Buckley asked about the state system and whether it will put everyone on the same page? Ms. Floore answered, no, but that they are trying to do things as same as possible.

Mr. Bank asked if the cuts for last year are documented showing proposed cuts to actual. Ms. Floore stated that the cuts are shown in the FY07-FY08 ending balance. Mr. Buckley said we publicized this a year ago, but it was a plan. Ms Davis feels it will be a good faith issue- that the community still wants some type of reconciliation to what was the plan and what was done. Ms. Rattenni suggested it would helpful with the upcoming budget presentation. Ms. Floore agreed to provide.

Ms. Floore informed the Committee regarding the open position in the business office. The Board has supported filling that position at this time. Ms. Rattenni commended the work done by the small staff in the business office and applauds the efforts.

Ms. Floore concluded the presentation. She reported that she has spoken with the financial recovery team who continues to monitor from a distance and they are comfortable with the progress that's been made in Red Clay.

Mr. Miller made the motion to accept the budget reports as presented. Ms. Rattenni seconded the motion. The motion carried unanimously.

VII. Audit Report

Ms. Floore provided a letter from the Department of Education addressed to John Allison. It referenced an allegation against Red Clay regarding use of federal SES programming. The Department of Education investigated and found that Red Clay was fully compliant with the SES requirements

The Committee discussed the formation of an audit subcommittee to review audit material in greater detail. Ms. Floore said would like to see an audit subcommittee possibly meeting on a quarterly basis. She would like them to look at procedures, detail what they find, and question what is coming up. Mr. Buckley said the Board had a subcommittee for the same purpose. He would like to see them put together rather than 2 separate subcommittees. Mr. Lloyd agreed. Mr. Buckley said he would review with the Board. Mr. Suiter, Ms. Rattenni and Ms. Davis stated that they would be interested in being on that subcommittee. The Committee felt that would improve communications.

Ms. Floore provided a copy of the Special Investigation Audit conducted by the Office of the Auditor of Accounts. Due to time, she did not review the audit in detail, but summarized the findings and responses. In some cases, she noted the district disagreed with the audit findings. In some areas, the district agreed. She stated her office cooperated fully and believes the business office has addressed the concerns in the audit, in some cases with the financial recovery team prior to the audit even starting.

Ms. Floore asked for questions. Mr. Lloyd asked if the district has reviewed its policies and internal controls. Ms. Floore reported that has been underway for the entire last year. We have learned and we will continue to enhance our procedures. The focus of the audit was 2007 and 2008 and little to none was reported about 2008.

Mr. Bank raised the charter school \$1 rent issue. He proposed making a recommendation as soon as the current contract with Charter School of Wilmington is over that the school board revisit the issue and start charging them rent. Mr. Buckley agreed but stated that was a policy decision rather than the role of the committee. The committee discussed the issue of cost recovery of operating and capital funds for the charter school.

Mr. Lloyd concluded new business.

VII. COMMITTEE COMMENTS

Mr. Suiter stated he would like to pursue the idea of getting out the PTAs or out into the community and invite the community to the meetings. Ms. Rattenni mentioned that in a conversation with the new PTO president of Brandywine Springs, she suggested a short report that we fax or email monthly to the presidents to share with their members. Mr. Suiter thought it would do more to improve the feeling of the community. Mr. Bank asked that the Red Clay Record have an article written about this Committee. Mr. Miller noted that the committee is a subcommittee of the board and not an independent entity. Ms. Rattenni said if we put information out there, it would be a good opportunity to hear from the community.

VIII. PUBLIC COMMENTS:

Mr. Reis congratulated the Committee. He referred to the line item referendum as will be reported in the budget. He agreed it would be valuable to have an assessment or report card of the budget reductions.

Mr. Reis questioned Ms. Floore on the cost of moving expenses for Linden Park. Mr. Reis asked what is the approximate time frame of moving. Mr. Buckley feels we will move in phases. Ms. Floore stated that we have to get subletters in order to move from Linden Park where the lease expires in 5 years.

Mr. Reis asked if the June 30th report include any of the footnotes from last month's report? Ms. Floore reported it includes prior year expenditures and end dates for federals, as well as the footnote on debt service. He questioned the status of encumbrances and Ms. Floore explained that was revenue reserved in the prior year to be paid against invoice that would come in after the start of the fiscal year. She explained if state money

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is reserved and not used, it goes back to the state. If local money is reserved (encumbered) and not used, it will roll over to the next year.

IX: ANNOUNCEMENTS

Mr. Lloyd summarized what information would be reported to the board. The recommendations included:

1. that the Board member be a permanent presence not a rotating position;
2. the business office report how close we came in savings.
3. an audit committee be formed with the Board of Education to review audits.
4. opening up communications with the community through the schools/PTAs, etc.

The next meeting scheduled for Monday, August 25th is canceled as several Committee members are unable to attend. The purpose is to review the preliminary budget. Ms. Floore will email to the Committee members the budget prior to the next meeting

The next meeting will be Monday, September 8th at 6:30 PM in Baltz Elementary School Library.

X. ADJOURNMENT

The meeting adjourned at 9:34 PM.

Respectfully Submitted,
Laura Palombo
Recording Secretary