

**Red Clay Community Financial Review Committee**  
**Wednesday, May 11, 2009**

**Meeting Minutes:**

The Community Financial Review Committee met on Wednesday, May 11, 2009 at 6:33 PM in the Brandywine Springs School Teachers Lounge.

**Members in Attendance:**

Paul Lloyd – Committee Chair  
Michael Bank – Teachers Union Representative  
Jill Floore– Red Clay Chief Financial Officer  
Doug Suiter – Vice Chair, Secretary Protem  
Ken Woods – Red Clay School Board Member

**Others in Attendance**

George Middletown – Red Clay Transportation Manager  
Eric Loftus – Red Clay Financial Analyst.  
Community Members present: Leah Davis, Board of Ed Member  
Kelly Krapf – Teacher from McKean High School.

**I. Introduction and Opening Comments:**

Mr. Lloyd called the meeting to order. Mr. Bank announced that he will begin his Doctorate in Education Leadership this summer and named Kelly Krapf, a math teacher from McKean, as his successor. He will remain a member of the committee through June 2009. Mr. Bank will also be distributing information on lost volumes from our school libraries. He received the report from his teacher’s union and would like to call attention to it through this committee. Ms. Floore stated that this information has also been presented to the BOE and the district is reviewing it as well as a report on unpaid lunches. There are district codes and policies related to these issues that are being reviewed.

Mr. Lloyd went over the agenda and introduced Mr. Middleton who is here tonight to give a presentation on Transportation.

**II. Old business**

The minutes of the April meeting were reviewed. Mr. Bank noticed that an update to the bylaws was not on tonight’s agenda as noted in the minutes of last month. Mr. Lloyd stated that he has added that to the agenda and will speak briefly about it when Ms. Rattenni arrived as she has been detained. (It was later noted that Ms. Rattenni was unable to attend.) Mr. Bank moved to accept minutes as printed and Mr. Suiter seconded.

**III. New Business:**

Ms. Floore asked to reschedule the June and July meetings. We will revisit this at the end of the meeting.

Mr. George Middleton began his presentation distributing a packet on Red Clay Transportation costs and expenses. These fall under IBUs 77 and 78. Mr. Middleton also takes care of ILC programs, Meadowood, First State Hospital, regular education, early years, pre-kindergarten and the Right Choice Program. The department begins its day at 4:45 AM and ends at 7:00 PM. The department runs 176 buses, 54 district and 122 contracted. Mr. Middleton distributed a packet with all statistics as well as the Delaware Code on Transportation. The department runs 700 routes a day, with 2,508 stops a day. They log 1.74 million miles a year for 15,911 students. This does not include activities or field trips. 87% of enrolled students are bus riders, 11% are walkers, and 6% are students in high school who drive themselves or students that are parent driven. They maintain a data base reflecting daily downloads from the eSchool system with data changes input from the schools themselves. Changes may be a change of school, address, or daycare. 39,000 changes to the student data base have been made since July. Each bus runs under a state contract. With that contract moneys received are based on a formula. The packet contains the formulas for state and owned buses. They reflect addenda made to the original contracts throughout the year. Funding is provided through the state and supplemented through local funds.

Red Clay Transportation operates on \$7.7 million in funding. Part of the formula is based on fuel. The district began the school year with a higher fuel cost. Also contained in the packet is a report on fuel adjustments that are paid back to the state due to the new lower cost. We are still receiving more than the true cost of fuel as the state is not allowed to retrieve all of the funds unused. Also in the packet are guidelines through the administrative code in Title 14 explaining how we are guided from the superintendent on down through his department.

The life of a school bus has been changed due to budget changes. The district buses are given to us by the state to run. The contractors purchase their own buses. Buses can be renewed at 130,000 miles/10 years. The new bus life has been extended to 15 years. Mr. Middleton has issue with the safety measures of the older buses. Mr. Bank asked what the average age of our current buses is. Mr. Middleton explained most of Red Clay's are 8 ½ years. Mr. Bank asked if they would be replaced. Mr. Middleton stated that this year he received 3 new buses. He gives his recommendations of priority changes to the state in October and is given what can be budgeted to Red Clay.

Mr. Middleton also stated that they run a shop that maintains 70 school buses and 348 pieces of school equipment (snow/lawn & service), 83 vehicles and 18 school generators. We have 6 employees in our shop. He made the suggestion to run the maintenance out of his department in order to control costs a year and half ago and has noted significant changes. He has a staff of 102 people at the district level, 55 drivers and 34 aides, 6 office staff, secretary, clerk, a shop specialist and 2 operations specialists, and an operation supervisor who handles all of our special education transportation. This keeps our liability and legal issues down.

Other sources of revenue are field trips and activity work. Ms. Floore added that in the packet our office supplied, the last section lists every expenditure of IBU 77 and 78 that flow through Mr. Middleton's organization. It's quite extensive as it includes payroll, as well as the transportation costs. Vendors are also listed with the expenditures.

Mr. Buckley had emailed some questions for Mr. Middleton through Mr. Lloyd:

1. How many of our 15,000 children ride the bus to school? 12,827 children are assigned to buses in Red Clay.
2. Counting Division 58 and 54, we're about \$9 Million spent; \$600 per student; but what's the per rider dollars? Mr. Middleton would have to investigate that question. Ms. Floore stated taking what is spent by the department divided by the student would be a good estimate.
3. People complain of quarter-full, half-full busses pulling up to schools. I realize that routing and scheduling are very complex, so what are the factors that create this unused bus capacity? A lot of the buses running ½ empty to the schools are choice buses running from out of the attendance zone. The majority of our buses we are scheduled at capacity. Normally, for high school, it is 48 students. For elementary it is 72 students. We average 55-58 students assigned to buses. Cab Calloway has 198 students assigned to a bus but only 33 ride. We over subscribe where we know students are not going to ride. The fullest are from the city itself. We do the best to plan and load to capacity, but whether students ride or not are hard to predict. We do shift routes to accommodate more students or even out the bus loads. On the 3<sup>rd</sup> Wednesday of every month, a student count is taken. Ms. Floore also pointed out that there was major transition with full day Kindergarten. Drivers lost benefits as they lost the mid-day routes. They were all district employees. Mr. Middleton is creative in keeping the work through field trips. In the past they weren't available during the day due to the mid-day run. In May alone they have 125 field trips scheduled. This creates a nice opportunity for drivers and the district. Ms. Floore states this is a fine example of Mr. Middleton's management in redefining his department's business in a short period of time. Mr. Bank also added that the RPILC gets students from all across the district as does the Right Choice. Some areas have a greater demands. Mr. Middleton stated that Cab Calloway, Central, The Right Choice and Conrad are also district-wide programs that pull from all areas of the district. Mr. Suiter asked if they could combine students from different schools. Mr. Middleton stated that the routes are tried to be kept less than 1 hour. With different bell times, it is difficult to combine schools. AIHS and AIMS are able to be on the same bus as they follow the same attendance zone and bell times. RPILC and the Right Choice were able to use the same bus, but that is no longer a good solution with the number of students that attend the Right Choice in some areas. Combined high school and middle school routes have not been a favorite of parents. Ms. Davis asked about cameras. Mr. Middleton answered that only district buses have them. He has 20 now and 20 next year with the referendum funds. He feels the camera helps those "problem" buses. Warner has had to split buses due to behavior problems. Next year he hopes to have camera-equipped

- buses for all Warner routes. Mr. Lloyd asked about bus aides. Mr. Middleton explained that the state will not pay for aides except in the buses of special needs students when it is IEP required. If he has a spare aide in the yard, he will occasionally send that aide on a bus with behavior issues. Mr. Suiter asked if the district has ever looked into the prospect of parent as monitors. Mr. Middleton stated that the clearance process would be extensive for a volunteer and the rollover too great.
4. Mr. Buckley sees the State sometime in the future coming down on school transportation costs (Delaware is 4<sup>th</sup> in the nation in these costs per pupil – see LEAD report); how can the District get ahead of this reducing our \$1.2 million local hit and anticipate state reductions? The only way we can save the local money is to contract out our buses. Each bus that is contracted out has to live within the budget set forth at contract time. In the first 3 hours of a day, in a 90 mile route, the state gives us \$87.52. It costs us \$185 in driver labor with no aide. We've lost over the school year \$17,000 in local dollars. By contracting out, however, we lose control and increase liability. We create and maintain all of the routes our contractors run. That's why we run all of the special education buses out of our yard. We can train and correct to make sure things run smoothly. We have no control over someone else's employee other than to remove the employee from transporting our students. Mr. Lloyd asked how does Red Clay decide what routes will be contracted out and what routes are done in-house? Mr. Middleton stated that 2/3 of our routes are contracted out. The majority of district routes are those to the special schools. The contractor keeps the current routes for regular school for the life of the contract unless there is an issue. There are also cases where there are problematic routes- such as one at Warner that will be covered by our buses next year. Those routes we are giving up to cover Warner will now be covered by a contractor. When a new school opens, as in North Star, we felt our presence should be known, so we covered those routes. Mr. Lloyd asked if there was a bid process for the contractors. Mr. Middleton stated that when a new contract is needed, we advertise in 2 state papers. When they receive a new bus, that contract with the bus stays until we renew the contract. State code states that we can revoke their contract or they can cancel. Pre-qualifications of the contractor are in the state code in Mr. Middleton's packet. Mr. Woods asked if we could have more control within the contract. Mr. Middleton stated that it's a set contract. He can revoke due to employee performance or the contractor will take that driver off of a route. Mr. Woods asked if we have many parent complaints. Mr. Middleton has received 815 written complaints from parents for this year. Which is down from prior years. We format complaints and work with contractors for resolution. We track the complaints daily and summarize year to year. Mr. Woods asked if we have companies we have issue with, do we share that with other districts. Mr. Middleton stated that he has a supervisors meeting every month and that information is shared. Management has been changed in one contractor in answer to these. Mr. Wood asked if we keep employee records. Mr. Middleton keeps records for all drivers, both Red Clay and contractors. Mr. Lloyd asked if we are consistently looking at our screening process to improve it. Mr. Middleton stated that all employees follow the same screening process, which

- is much better than other states. If we have a driver coming from another district, we re-fingerprint them, re-check their driving record, and re-certify them with a driving test. Ms. Davis asked if there was training for the drivers to work with 66+ children on the bus. Yes, all drivers go through a 12 hour state school course. Red Clay runs it as an in-service. First Student has a 58 hour program as other contractors also have programs for their employees. Mr. Suiter asked if the complaints received had any merit. He stated the majority of the complaints are late pick ups, no pick ups. They do stress to their drivers that the students on the corner are waiting for a specific time and the drivers are expected at that time. Mr. Woods asked what it cost to place a camera in a bus. Last summer it cost \$2300 per bus (digital system - 3 cameras). For our 284 passenger buses, we need 4 cameras. They hold 14 days of film. The cameras are also equipped with an event button. If the driver presses that button, the event is marked digitally to better locate the event on the tape rather than view the entire tape. They are very happy with the system. Mr. Woods asked if we could require our contractors to do. Mr. Middleton did not believe that he could. Stanton Middle School PTA purchased two for their contractor buses; they are a VCR system. Those are no longer available for purchase.
5. Roughly 13% of our total transportation costs are carried on the local budget (Mr. Buckley is taking a stab at some of these figures). How does this compare with other districts in the state? Ms. Floore stated that she would need to research with other districts but that transportation was a significant item in the LEAD report. Mr. Middleton stated that Brandywine is unique as they have all in-house drivers. Christina and Colonial both go into local funds. Ms. Floore stated all would go into local fund for the supervisors or staff. The contracting portion is in and out with state money.
  6. Which schools programs kids are the costliest? Meadowood, Conrad, Cab Calloway and the ILC who are district wide. First State is county wide, not just district wide. We do bill back to the other districts if the child comes from another district. Mr. Woods asked if it does cover the entire portion. Mr. Loftus stated that we look at all costs for tuition programs and using an average, we bill back to those students who are not Red Clay.

Mr. Lloyd thanked Mr. Middleton. Mr. Middleton's business card is in the packet for future questions.

The financial position report was then presented by Ms. Floore. The purpose of the report is to project our June 30<sup>th</sup> balance and show if we have enough to make it through the summer payroll. We reviewed the last report in February. This balance has increased. Normally, Ms. Floore estimates that every budget line will be spent down to 0, especially referendum funds. But in this year, due to financial uncertainty with the state, we gave the schools the choice to hold money aside for next year. In prior years it was spend it or lose it. Some schools are going through a typical course, others are saving some to use for a certain allocation they will need 2 year funds to purchase. Other district organizations do not have this option, only the schools. That is why the balance has increased since the last report. Also, the negotiated contractual increases are still

pending, so the balance reflects that. So, to answer the primary question posed by the Financial Position Report- yes, we will make our payroll over this summer. Ms. Floore will present this to our Board at their next meeting. The system that populates the financial information is a database from DOE that extracts our financials and then she make the projections for the district. The handout lists the summary sheet and then back up of raw data as well. There are criteria that we must follow especially in discretionary funds. Facility rentals are fees charged to outside organizations that use the schools. We use the funds for custodial overtime, energy, and custodial supplies for those buildings. We don't believe they are discretionary, but if we did need those funds for payroll in the event nothing else was available, we could as we did in 2007.

Mr. Suiter asked how much in unspent funds we are carrying over from each school's budget into FY10. Ms. Floore does not know for certain. It is assumed 10 percent, about \$300,000. Mr. Suiter stated that was a small amount, and Ms. Floore reminded us that these are only school budgets.

Mr. Lloyd stated that we will need \$5 million to cover salaries. It is currently listed as a \$7.9 million carryover. Ms. Flore stated that it depends on contracts, raises, step increases, etc. It is \$5-6 million that we must have on hand. Ms. Floore stated that the referendum monies are being spent and are reported quarterly. Mr. Becnel has asked in the past can a 3 year referendum be stretched to a 4 year referendum. Ms. Floore stated that it may be a possibility. Many things affect these numbers, energy costs especially that have been fluctuating. Last year Red Clay had a \$5.2 million carryover.

Ms. Floore reviewed the monthly financial reports with few changes to report. The Millcreek News made comments regarding Verizon's tax appeal. Ms. Floore reported the district received a letter in November 2007 anticipating this appeal. The Delaware Supreme Court has made their decision. The county board of assessment allowed Verizon to depreciate their property to pay lower taxes. The Delaware Supreme Court came to agree and we lost \$500,000 in revenue permanently. We won't see the swing as we anticipated it within the 2.5% delinquency rate. Unfortunately, other groups could do the same so we will have to monitor in the future. In talking with the county, however, no other have filed at this time. Mr. Woods stated that now the decision is out, wouldn't more try the same. Mr. Suiter stated the same. Ms. Floore explained the deadline for applying is May so we would not know that for a while. Mr. Becnel had asked Ms. Floore regarding the GM plant on Boxwood Road; if no one is in there, does it change the value of the property? Boxwood had going back to the year 2000 a tax credit, so the district won't lose tax revenue since they had not been paying since 2000. The committee discussed reassessment -residentially as well as commercially, but it is expensive. The way the laws are currently written, however, it will not change revenues. Taxes cannot be raised more than 10%.

Ms. Floore is working on the tax rate that will be presented to the Board in July. We have received the memo from the Division of Accounting so we are beginning our end of year procedures. Our cut off date is June 5.

On Expenditures - 83.3 % is the budget target number for April according to Mr. Lloyd. Mr. Suiter asked about IBU 99 which is locally funded. Ms. Floore stated that it is emergency funding. She has included it in the carryover balance now as she knows for certainty that we will not need that funding. The estimates are much closer when you factor in that contingency funding. With carry-over, a question can be if a budget was underspent, but we know in these times that if a division manager knows they can live without something, they are not buying it. The uncertainty of the last year has taken its toll throughout programs. Several Principals have waited to make sure there have been no surprises. Now that more is known, they are using their funding.

For Federal grants, the packets shows the close out of FY08 funding. We did receive more funding than was anticipated through grants which is how it may go over 100%. We can only receive the money on a nightly download per specific expenditure- it is not front loaded. Mr. Loftus stated that we place in the board approved budget but we received more from the federal government.

Tuition revenues are similar due to local receipts. We will be close to 100% on June 30<sup>th</sup>. All are within our expected targets of where we should be.

Mr. Lloyd asked about the prior year payables at 177% expended. What are prior year payables? Do we have carryover? Prior year payables typically are invoices for expenditures that occurred in the last fiscal year. These are what are typically reported on our GAAP funds for the annual financial statements. Prior-year expenditures cannot be charged against this year's state funds. In the case of Conrad, there was an expenditure that the current principal had no knowledge of. Ms. Floore took it from that funding. These bills have been paid but weren't charged to the current principal's budget. There is always a budget for these expenses as it happens with older schools as well as new schools. We are trying to make this invoice approval process more automated, but at this time, we need to budget for missing/misplaced invoices. Mr. Lloyd agreed that Conrad was going through a transition but Ms. Floore stated that the \$88,000 was charged through several schools. AIHS and McKean have gate receipts, Brandywine Springs and Conrad are expansion funding. Gate receipts are not built into their budget. This is the budget line where these receipts are detailed.

Ms. Krapf asked if expenditures and encumbered equal budget. Ms. Floore stated not at this time of year. If it was June 30<sup>th</sup>, that would be expected. Mr. Bank asked why the lease costs and budget do not match up. Ms. Floore stated due to cam charges (common areas) on our lease, these figures fluctuate with the billings. Mr. Bank asked if when the budget is created, cam charges should be included. Mr. Loftus stated it is, but other outside charges also get charged back to the lessee.

Mr. Suiter asked about tuition based programs in the DOE report. Ms. Floore reported most are not included in the financial position report as they are not Division 32 funding and that is all that is required..

Mr. Lloyd asked if everything is encumbered through the end of the year for IBU 78. Ms. Floore stated that it has to be taken in combination with IBU 77 so they balance out. These are both transportation costs. Mr. Bank asked how the new IBU transition program is coming along. Ms. Floore stated we are a year and 2 months away. All codes are changing and structures of our documents will also be changing. Mr. Bank stated that object codes will no longer exist in the format we currently use. Coding will be changed for all categories.

Ms. Floore requested to reschedule the June meeting. She will present the tax warrant to the board in July and the tuition in June. She is recommending to the superintendent to have a budget meeting potentially in early August. Mr. Woods suggested skipping the meeting. Ms. Floore suggested combining June and July and have it at the end of July. Early July is too early for close out reports. Ms. Floore could send out the May reports electronically to the committee members. Mr. Suiter brought up that according to the bylaws that an election for new officers needs to be held at the June meeting. Mr. Gerry Kelly was approached in coming onto the committee. Mr. Suiter stated Jane Rattenni's term is coming up as well. We presently have 2 empty positions. Mr. Lloyd will put out an email to the committee asking if anyone wants to be replaced. The board meeting in July is July 8<sup>th</sup> to vote on the tax warrant. July 27<sup>th</sup> is suggested as our next meeting. Mr. Lloyd will place an email to the committee suggesting the date. Mr. Woods asked if we would like to put a notice out asking for interest in becoming a member of our committee. Mr. Lloyd stated Ms. Nash was also interested in placing an ad for such interest. Mr. Suiter stated that adding committee members would necessitate a change in our bylaws.

One public comment question. AI DuPont wanted to put in a new grass field. Does the district give out loans to front money to put in a field and then be repaid? They have already contacted Ms. Floore, and she informed them that we have no such program. Mr. Lloyd asked about the new timeline for the transition to the new PeopleSoft accounting system. Ms. Floore stated that we go live July 2010.

#### **IV. Announcements**

Mr. Lloyd asked if the Committee had any items to take back to school board. There were none.

The committee's next meeting will be Monday, July 27, 2009.

#### **V. ADJOURNMENT**

The meeting adjourned at 8:47 PM.

Respectfully Submitted,  
Laura Palombo  
Recording Secretary