

Red Clay Community Financial Review Committee
Monday, February 7, 2011

Meeting Minutes:

The Community Financial Review Committee met on Monday, February 7, 2011 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Jill Floore– Red Clay Chief Financial Officer
Bill Doolittle – Community Member
Kelly Krapf – Teachers Union Representative
Lynne McIntosh – Community Member
Larry Miller – Community Member
Kim Williams – Board of Education

Others in Attendance

Jack Buckley – Board of Education

I. Introduction and Opening Comments:

Mr. Doolittle opened the meeting and welcomed Ms. McIntosh to the Committee. A discussion was held regarding a newspaper article in the News Journal about credit card use in the school districts. The committee agreed the article reflected well on Red Clay procedures for credit card use.

After a review of the January meeting minutes, Ms. Krapf moved to accept them with one small correction and Ms. Williams seconded.

II. Financial Reports

Ms. Floore distributed the monthly Financial Reports. Due to a snow delay, the Department of Education did not close their reports for the month of January until the night of Friday, February 4th. Therefore, the information that was sent to the CFRC members prior to this meeting has been updated and placed in the packets distributed this evening. The federal funding information is also included in the packets as it was not available to be sent prior to the meeting.

Due to the upcoming calendar, there will be several times when we have our meeting on Monday with the monthly Board of Education meeting the following Wednesday. Mr. Doolittle asked if we would be changing our meeting dates. Ms. Floore suggested a further discussion when more members of the committee were present to comment.

Regarding the general operating budget, Red Clay is at 88.49% of revenue. Last year at this time, we were at 89.9% so we are very close to where we expect to be at this time. We will receive delinquent tax payments throughout the remainder of the year. On the expenditure side for the general operating budget, our target is the 12 months divided by

the month we are in within our fiscal year putting us at 70%. None of our expenditures exceed our threshold at this time. The BOE has just passed the final budget. That includes our final student numbers and state funds.

In reviewing the federal reports we have two corrections. On Title I Warner, under FY09 (page 4a), it appeared last month that we did not use up all of the funding. The end date was recorded incorrectly. It is actually 9/15/11 so we have time to use the remaining \$4,000. The same is true for Off The Streets program as it is 3/31/11. It has been on the last report as 12/31/10. This is not an uncommon problem with the new system for the end dates to be incorrect in the conversion. We run 3 years in consecutive grants, therefore FY09 in some cases still has funding available depending on the end date. ARRA is technically FY09 funding even though the expiration date is December of 2011. In April, we will have our federal funding summary for the committee detailing each funding source and expenditures made against them for FY09 and FY10. In FY10 all of the funding is where we expected to see them. Encumbered funds for ending grants were completed by December 31, 2010 and the payments will be made through March or what is called the clean up period. ARRA stimulus money includes Race to The Top. Ed Jobs funding is also listed. FY11 consolidated grant funds will expire at the end of this calendar year. Because we are running concurrent grants, we are still spending out of FY10. Federal programs are on a different fiscal year than the district's.

For the tuition programs, we are at 97.84% of revenues received and where we expect to be. We are higher in tuition than in the operating funds because there the state appropriations are included. Those state appropriations will be 100% by the time the fiscal year ends, but the timing of transfers can fluctuate.

In expenditures under consortium, we have exceeded 100%. Those are our payments for students who are expelled from the district and placed at Parkway or Kingswood. Each year we have seen the transportation costs increase, therefore we are \$16,000 over budget related to transportation.

Minor cap is very similar to the federal programs as we have two years to expend the funding. We are still spending out of last year's money which is why the current year is very low. In debt services repaying our capital bond repayment schedule, we are exactly where we expected to be.

In the break out of district wide services, Ms. McIntosh asked why it was \$6 million in 2010. Ms. Floore explained that in 2010 the charter school payments were shown as an expense. When preparing the FY11 final budget, the payment was reflected instead as a revenue transfer. In other words, it was moved from the top of the equation to the bottom. Therefore we pulled \$5 million out of expenditures. That is why the budget went from \$8.5 million to \$3.5 million. Ms. Floore state there was no particular area of concern in the district wide services operating unit breakdown.

Mr. Buckley asked if we were on track with local salaries. Ms. Floore explained that yes we are. Last month we spoke about the role of state fiscal stabilization funds so the two

lines (SFSF and local salaries) should be viewed together for the complete picture of local salaries.

Ms. Krapf asked regarding Line 43, Utilities, why that has gone up. Last year our budget was the same as this year. We had a small surplus last year. This year we have actually spent less year to date. Partly, because we used the surplus from last year.

Pages 7 and 8 are a breakdown of our special schools. Meadowood is 54 and 58 are the ILCs. We are not over our target or 100%. Mr. Buckley asked about Division 1 salaries, local salaries and benefits, are we OK? Ms. Floore stated yes; it is a similar issue to Division 32 between local salaries and state fiscal stabilization funds

Ms. Williams asked about Brian More and the security grant. Mr. Moore used his security money to front for the services and now those amounts are moved to his grant funding. It is a federal grant. It is listed in the federal pages as FY11. It would not increase the operating budget. Another grant that will be on the pages is the Teaching American History Grant. Mr. Buckley asked if we will show the revenue as well as the expenses. Yes, the money is in and out. Mr. Doolittle asked if it will effect our per pupil amounts, and Ms. Floore stated no, it will not.

Ms. Floore explained that we are using the new first state financial system. As well as we plan, there is always the unexpected. Today the business managers were meeting to coordinate their appropriations. In some respects we have gained less consistency. Our operating units are consistent with the other districts, but our appropriations are not. The DOE is going through the exercise to make it more consistent next year.

Ms. Floore stated that in general this is the time of year the monthly reports tick down as we watch the bottom line. There are much fewer swings in the end of the year than at the start.

The Financial Position Report was distributed to the members. The top page is the summary and the two back pages are the detail. Ms. Floore noted there was no space in the report for state stabilization funds, but an old reference to Tax Relief which was not funded by the state. Ms. Floore did build that money into the estimate so as to give a more accurate picture of our finances. The purpose of this report is to take all your funds you can use for salaries and prove that you are going to have enough funds to cover through June 30th and summer payroll. Ms. Floore placed that state stabilization in local funds. Ms. Williams asked if that would be fixed by DOE. Ms. Floore stated no, as the report is over. The next report is May 31st so it may be in that format.

The balance estimate has not changed drastically. The estimate is we will end marginally higher than the final budget. The assumptions that go into this financial position report are that everyone will spend 100% of their budget without going over. We allow schools to have a carry forward balance. We know there will be a greater cushion than is seen here because of that. The financial position report is our "worst case scenario." Mr. Doolittle stated that this report also assumes we will achieve a 100% of our revenue. Mr.

Buckley asked when the last report this year we received, December 1st. We are in a better position than last year at this time due to the federal state stabilization funds.

The CFRC website was consulted to verify the dates of our financial position reports. The report on July 1st has a target date of October 15th which is typically when our taxes are reported. The report on February 1st has a target date of July 1st.

Mr. Buckley noticed an expense on the elected official salary expense line. Ms. Floore stated that is more than likely a Board of Ed expense and miscoded.

Ms. Floore explained that at one time we had an audit committee. The audits do not come out on a regular timeline. We found that it was difficult to schedule a separate meeting of this committee for a sub committee of audits. Ms. Floore distributed the first one of this year. There was a \$3,000 discrepancy documented. There was a \$3,600 bill which said Wilmington campus, but it was for the managing architect who worked on all the district projects. Any time we would get a managing architect bill, we would break it down by percentages through the operating projects and charge to various cost centers. This time, the bill simply stated Wilmington Campus. We acknowledge that the bill should have broken down how it was paid. We did not overpay or underpay. We split the charges as to how they were used, but the bill should have been reissued. Mr. Doolittle asked if we ask the architects now to do just that. Ms. Floore stated that it was the end of a \$2 million project, and we did not ask them to itemize. It may have been an assumption that was all we had the money for and how we were finishing up projects. The state allows you to transfer funds from one school to another for these projects.

III. Old business

Ms. Williams asked about updates from the state. Ms. Floore explained that the cuts to the district are significant as proposed in the Governor's Recommended Budget. This affects not just Red Clay. The school district business managers expected them, but maybe not as great as they are. The hope was that they would back fill the state stabilization funds that run out this year which did not happen. Ms. Floore explained that last year we had \$6 million and this year we had \$4 million. Looking at \$4 million as the base budget number, this biggest part of that is tax relief which was \$2.8 million. The others within that are LEP and the student success block grant. The state budget also cuts transportation. Ms. Floore is preparing a spreadsheet of what the cuts mean to Red Clay which she will share at the next CFRC meeting. There is a 1% increase cost to salaries, a pension increase. There is a 27 pay issue. Fiscal Year 2012 has 27 biweekly Fridays. The dollar value equates to a 3.8% increase in local salaries. Ballpark estimate of all cuts is \$7 million. Another item of note in the budget was that funding was included for salary steps for teachers and paraprofessionals, but not for food service, secretaries or others.

Ms. Floore also followed up on the needs-based funding discussion. Because of the categorization on the process for converting units, after meeting with DOE, they don't believe we are far off as it may appear. They were supportive and we will go through an exercise with DOE this spring to calculate. Mr. Doolittle stated that DOE feels the pilot

wasn't clear and consistent. Ms Floore will update the committee about the district's progress as they work through the calculations with DOE.

Ms. Williams asked about the cuts to transportation. Can we find out how much is spent on choice? Transportation is scheduled to give a presentation at the next CFRC meeting, and that will certainly be a part of it. Ms. Floore stated that DOE states they fund 100% of transportation but the formula is inadequate. Ms. Williams stated that we are the only district that funds choice busing. The state funds it for Cab Calloway, but there would be savings from Conrad and A.I.DuPont.

Mr. Doolittle asked about SP13, a bill which would enable districts to hire teachers earlier in the school year. Mr. Buckley stated that would also move up the vertical transfers as well. Mr. Buckley stated that a part was also to give those retiring more time to decide. Ms. Floore stated that the fundamental challenge still remains- if we don't know who we will have in each classroom until September 30th, you won't have a district gamble in the face of all these cuts go out on a limb and hire staff early. The guaranteed funding is not by school, it's by district which can't help if you guess wrong on where the positions are needed.

Ms. Palombo stated the CFRC has not gotten any direct emails requesting information through the website.

Ms. Floore reported that FOIA requests have been received by the business office centering on Meadowood and the state funding of units.

Ms. Floore will give a short report for the BOE in Ms. Rattenni's absence.

IV. Public Comments

There were no public comments at this time.

V. Announcements

The next CFRC meeting will be held Monday, March 14, 2011 in the Brandywine Springs Teachers Lounge at 6:30 PM.

VI. ADJOURNMENT

The meeting adjourned at 8:15 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary