

Red Clay Community Financial Review Committee
Monday, May 9, 2011

Meeting Minutes:

The Community Financial Review Committee met on Monday, May 9, 2011 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

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

Others in Attendance

Leah Davis – Board Member

I. Introduction and Opening Comments:

Ms. Rattenni opened the meeting and welcomed everyone. Ms. Krapf informed the committee that the teacher's union has unanimously voted Ms. Peyser as Ms. Krapf's replacement on this Committee. A formal letter will be written to the Board of Education recommending Ms. Peyser be accepted to the CFRC as the RCEA Representative.

II. Minutes

After a review of the April meeting minutes, Mr. Miller moved to accept them and Mr. Doolittle seconded.

III. Financial Position Report

The financial position report was distributed to the Committee. The Financial Position Report changed to slightly from \$23 million to \$23.8 million. Being this close to the end of the fiscal year, there is no assumption necessary for using the contingency. Every year there is a separate line item for contingency. At this point through April, there was no need to keep the contingency and therefore, it is excluded from expenditures. Ms. Jenkins asked if there was a minimum or maximum required to be kept on that line for contingencies? Ms. Floore explained that the purpose of the financial position report is that DOE is looking for our bottom line available funds to cover summer salaries and the receipt of taxes in the fall. If you cannot fund salaries through October, when the first tax payment comes through, it would show as deficient to DOE and would activate the financial recovery team. The contingency is slightly different in that it is a specific line item in the operating budget to protect against unknown fluctuations- best example would be major storm damage that would require more maintenance work. This is not dictated by DOE; it would be board policy to recommend a specific number for the contingency,

which acts as an emergency buffer and line item in the budget. Regarding the carryover, Ms. Rattenni asked that if some point the CFRC would make recommendations on investment. Ms. Floore explained that the funds are held and invested by the State Treasurer's Office. The state holds all of our money, invests it and returns interest or whatever return by investment to the district. Mr. Miller asked about the plans for the carry-over. Ms. Floore explained that it is one time funds and not continuous now that the district no longer has increases available from the last referendum. With the potential for almost \$8 million dollars in state cuts, funding to the level we are this year, the carry-over would be extinguished in 2 years. This assumes the districts maintain the necessary \$7 million for local salaries through the summer. Ms. Rattenni asked if the 27th pay would be a part of this, and Ms. Floore stated that yes it is included in the estimate. The detail behind the financial position report was also distributed detailing all categories of revenue. The May 1 Financial Position report will be presented to the BOE on Wednesday of this week.

IV. Budget Formating

The budget format was discussed. Ms. Floore searched several school district budgets to see how their budgets were written. Samples were distributed to the Committee. Last year we used IBUs and MBUs to categorize our budget. We no longer have IBUs, we have operating units, and our MBUs are now program codes. Next year our internal question to the program managers would be to break down their budgets as program codes in conjunction with the strategic plan. Detail from the strategic plan will be needed first to track priorities and funding within the budget.

Brandywine School District has an interesting page in their budget showing carryover funding. These funds will not be placed into the operating budget as they are prior year local appropriations. We are looking closely at how to report the same information for our district. Some school districts only have a 2-3 page document, while ours is a detailed booklet. It also depends on the size of the district and Board involvement.

Mr. Miller asked if the numbers in the monthly report tied into the carryover balance. No, it does not as the monthly reports tracks the current operating budget. Federal funds with simultaneous multiple years of funding are reported separately in the monthly report. Ms. Floore explained that, for example, we get school improvement money from the state which is 2-3 year funding. In this year's budget, it shows the allotment for the FY11 but not what we carried forward from FY10. The example Ms. Floore distributed from Brandywine would be what we might provide to show that carry forward. The problem is that it will not be broken down by category, i.e. math or reading. We just know the amount for that particular program. Mr. Miller asked if there was a way to tie it back to a certain category, or a general category, it would be beneficial to the district and public viewing because the carry forward is very specific on where the funds need to be spent and funds are essentially spoken for. Mr. Doolittle sees it as allowing us to deter a new referendum for as long as necessary. Ms. Rattenni asked if then we will use it to offset future expenditures while retaining \$6-7 million for our balance. Ms. Williams

asked if we would be using it next year for state cuts. Ms. Floore answered yes, we will be using it to cover state cuts, but it is not sustainable.

Now that the Ms. Floore would like to get us back to categorizing within a program where the budget will be spent. Mr. Miller agreed that we should show what categories or areas are encumbered.

Ms. Williams would like to see the budget broken down as it was in the past. That way it can be viewed how a school is aiming to spend or has already spent their funds by category. Ms. Floore reported she would work on that for the September budget vote. The August Preliminary will have the general categories and programs will work to fill in the detail and priority areas. For reporting, it would not be in the monthly reports. The district has never used program codes (old MBUs) as an evaluation tool- as long as departments are within budget; they have not been penalized for spending outside a category. Program codes are really their tool for planning. Rattenni asked about the category lines. Ms. Floore agreed that flexibility also applies within the categories. Program administrators sometimes change mid year and this makes changing direction, not without discussion, easier. Ms. Rattenni stated that on the state level, a few times a year, notification is given by grantees if there is a 10% differential in what has been given. Ms. Rattenni doesn't feel that is needed in this case. Ms. Rattenni questioned whether we would need to break out spending by funding source but agreed it would create more confusion as it would mix funding lines since many are interchangeable. The assumption is that you will use all state funds so the real question the monthly report answers is how close the bottom line is on local funds for the end of the year.

Mr. Doolittle asked if the total expenditure reports are even necessary. Ms. Rattenni said we could discuss whether that is needed or come back and decide by the next meeting if they are needed. Ms. Floore stated that they are not a difficult report to run so it is not a staff time issue if they continue. Ms. Rattenni stated that prior year is already on the current financial report so the prior year might not be necessary. Ms. Floore stated that these came about due to a request and information needed by a community member. The reports that "exclude" prior year are for any expenditure of FY11 funds. The report that "includes" prior year includes any fiscal year funds that we are expending.

Ms. Floore feels comfortable moving forward in the direction of including more category breakdown within the budget. At this time next year, we can revisit the issue to see what is helpful or not.

A copy of an Education Week article regarding stimulus funds was included for the Committee's information.

Ms. Rattenni asked about FY12 funding as reported in the paper. Ms. Floore stated that the state found money and is spending it. There has been discussion that the transportation cut may not happen. Ms. Floore believes the 27th pay is already a commitment that has been made and will not change. This is a policy decision by the

state. For local funds, we are at the bargaining tables right now, so we are it is good in the sense that we can discuss all options with the bargaining units. Ms. Floore is more fixated on the tax relief. It is a significant cut in local funds without significant push back. The state assumed districts would use EdJobs to cover but for those who had already needed it, it will require several districts to go out to referendum immediately. From our perspective, we will have EdJobs available, but we will have a stimulus loss and a state cut so the Ed Jobs can only fill one.

V. Financial Reports

Ms. Floore presented the monthly financial reports. With revenues we are at 101.44%. Under State Division 1 salaries 104.55%, DOE has loaded salaries at a higher than originally projected as a result of the needs based funding. If it is too high, whatever we do not use, the difference will be returned to the state. It is not cash in or out of our pockets. On the local funds, there is \$735,000 difference which places us at 98.7% of budget. On May 2nd we received our state senior property tax which was \$694,000 so it was credited in the next month. Therefore, for the year, we are only \$40,000 off of 100% of revenue. More funding was deposited into eRate which will increase that line this month by \$36,000. Indirect cost will make the last allocation in June. Income from fees is not tracking as it should. That is the renting of buildings and is seeing fewer events and use. We do not rely on this income for the operating budget- it is used to assist maintenance with utility costs and upkeep associated from the events.

By formula, our expenditures should be at 83% for this time of year. We are at 81.9%. There are some overages for the first time in this category. Line 76, driver's Education, for \$52,000 which places them at 107%. There are two factors. This first is we budgeted \$51.9 thousand and got in 52.8 from the state. Therefore we are automatically over budget. The second is that Drivers Ed is a state program, but something was charged there that should have been charged to the program manager's "other" program. That change will be made by the next reporting cycle.

The very last page in the packet is the complete breakdown of district wide services, line 78. One we over encumbered for substitutes. We will unencumber for that category. Right now there is \$500,000 for substitutes. That is too high at this time of year. We expected to spend \$1.3 million but encumbered \$1.4. We may even come in under \$1.3.

The facility lease is a circular payment. We pay our lease prior to receiving our sublease. There is another company very close to making a deal on much of our space in Linden Park. At this time, all of the district office staff is located at Baltz and no longer at Linden Park.

We are still working to open up Title II part D on line 17. We are not having much success and may lose the encumbrance. The issue is due to the new financial system.

Tuition funds, we are in a comfortable place. We build in the 2.5% delinquency. We have sent out our tuition bills, mostly for the First State School. We have not received any payments at this time.

State revenue is unique alternative placements. The state adds money as they approve unique alternative placements. We will continue to see that through June.

No changes on the tuition programs except on needs based. Division 1 salaries on 54 & 58 on Pages 7 and page 8 one is at 112 % and the other is 101 %. Again, the state is estimating more than we had as a result of needs based funding. This year was the pilot and next year is the full funding so we will again see a change. Based on needs-based under Division I salaries in all divisions, there is more funding for special education for Red Clay than ever before. That will also be true next year. The funding goes to the same children but under different categories. We used to have a separate line for paras. Now they are combined so our salaries are appearing higher. The state is funding both the teachers and the one on one aides within the same category.

Ms. Floore stated the law passed that if we were fully funded under needs based, we would have received 40 more units. We wanted the legislation to pass and it has. This puts us all on the same footing. The worry is that the state cannot afford to pay for it so language will be added to exclude Red Clay. Ms. Williams stated that it could be argued that we are being discriminated against if that happened. Mr. Doolittle stated that our income from Division 1 was increased. Ms. Floore will attend a meeting tomorrow discussing DOE projections and early staffing projections. The purpose of the law is if you have a firm footing to hire, would you hire early? The biggest problem in hiring early is not just the funding but that you don't know where, at what school and in what grade your staffing is needed.

VI. Meeting Dates

There was discussion on whether the Committee should hold brief meeting in June or reconvene in August. The tax rate needs to be given to the County by July 8th. Ms. Floore will give a fiscal year-end report at the August meeting. We will review a preliminary FY12 budget in September. Ms. Floore invited everyone to the tax rate presentation on July 6th at Warner Elementary at 7:00 PM. A July CFRC meeting would be difficult as the system would be down and year-end numbers would not yet be available. The committee agreed to reconvene on August 8.

VII. Public Comments

There were no public comments at this time.

VIII. Announcements

The next CFRC meeting will be held Monday, August 8, 2011 in the Brandywine Springs Teachers Lounge at 6:30 PM.

Community Financial Review Committee
May 9, 2011
Page 6 of 6

IX. ADJOURNMENT

The meeting adjourned at 8:00 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary