

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



December 17, 2008
Red Clay Consolidated School District

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Committee Chair

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INTRODUCTION

The Red Clay Community Financial Review Committee (CFRC) held its most recent meeting on Monday, December 8th in the library at Baltz Elementary School. Marcin Michalski was our special guest that night and made a presentation on the major capital budget. In addition to reviewing the regular monthly financial reports provided by District, we also had our first look at the status of what has been spent YTD on referendum initiatives for fiscal year 2009.

Absent from the meeting that night was committee member Michael Bank.

OLD BUSINESS

November's meeting minutes were approved as written and have been posted on our website.

Vice-Chair Doug Suiter discussed his recent outreach attempts with various PTA and PTO organizations in the district. To date, he has met with organizations at the Meadowood School, A. I. DuPont High School, and the Highlands Elementary School.

We were also reminded that in January, members of the committee will participate in a taping of the television show *This Week in Red Clay*.

MAJOR CAPITAL IMPROVEMENT PROGRAM PRESENTATION

Program Director Marcin Michalski appeared before the CFRC and gave a presentation on the Major Capital Improvement Program. With a total budget of \$195M, for the renovation of 25 schools, it is one of the largest construction projects ever undertaken by the State of Delaware. The first school to be upgraded was Highlands Elementary beginning in November 2003 and the Wilmington Campus will be the last to be completed in September 2009. Mr. Michalski provided the committee with a detailed financial status summary report which looked in-depth at the following:

- **Schedule** - included Gantt charts with proposed vs. actual start and completion dates for each project.
- **Budget** - a comparison of the project's budget vs. actual and detailed costs for contracts relating to design, labor, and material.
- **Work Product** - shows the work included in the original scope of the project, as well as additions and deletions.
- **Overview** - provides an analysis of the deviation between the proposed and actual schedule, budget, and work product.

During the presentation the committee learned about how escalation can have a negative impact on long-term projects such as the Major Capital Improvement Program. For example, the cost of hardware for the Wilmington Campus rose 49% above initial estimates. When a project encounters a sharp upswing in rising escalation costs, it can lead to budget overruns, or scheduled work having to be scaled back. The State of Delaware allowed for a 3% increase per year for inflation, but by March of 2004 the rate of escalation in the Major Capital Improvement Program began to rapidly exceed what was allowed.

Mr. Michalski had a number of suggestions to minimize the impact of escalation in the future. First, the larger more expensive work should be scheduled at the beginning of the project. Second, possibly undertake renovations on fewer schools, however referendum voters may object if only certain schools are singled out for special treatment. Lastly, scale back on the scope of the work to shorten the project's life cycle.

MONTHLY FINANCIAL REPORT REVIEW

As we began the review of the monthly budget documents, Finance Director Jill Floore made an important announcement to the group that the Department of Education (DOE) has released the District from financial oversight. The committee then went on to review three financial documents, which were :

- **Monthly Expenditure Report** - which is based on a DOE template and is broken out by schools, programs, departments, etc.
- **YTD Total Expenditures and Encumbrances Report** - comes in two versions (with and without prior year appropriations) and looks at expenses by line item.
- **Referendum Initiatives Report** - compares the budget and spending of items related to the referendum.

November 30th Expenditure Report Highlights

- Budget targets should be at, or near 41.7% expended
 - Division 32 (General Operating Budget) - is at 34.1% expended
 - Division 54 (Meadowood School) - is at 37.5% expended
 - Division 58 (Intensive Learning Centers) - is at 34.6% expended

Highlights from the report include:

DIV 32 - FY09	Preliminary Budget	Actual	Difference	% Actual to Budget
Total Revenue	167,078,916	135,181,169.82	(31,897,746.18)	80.9%

DIV 32 - FY09	Preliminary Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	160,612,405	65,251,216.87	95,361,188.13	40.6%

DIV 54 - FY09	Preliminary Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	8,984,823	4,166,426.05	4,818,396.95	46.4%

DIV 58 - FY09	Preliminary Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	10,628,436	4,726,679.00	5,901,757.00	44.5%

A copy of the *November Monthly Expenditure Report* is posted on the CFRC website and can be found at:

http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC_MFR_2008-11-30.pdf

Variance Report

For an item to appear on the *Variance Report* expenses must exceed budget targets by 30 points. For November that would be $41.7\% + 30 = 71.7\%$ expended. No new items were added to the report this month, but the two IBUs on the report from last month still qualify for continued monitoring. They are:

1. **Division 32/IBU 20 Office of ELL (84.0% expended)** - salaries that were charged to this account need to be moved to IBU 28
2. **Division 32/IBU 97/MBU 93 District Wide Services Brandywine Springs Expansion Budget (95.3% expended)** - costs will be recoded to the school's regular budget (IBU 93) when this account becomes overdrawn

November 30th YTD Total Expenditures and Encumbrances Report Highlights

Totals for all three Red Clay Divisions:

Fiscal Year 2008 Excludes Prior Year Appropriations		Fiscal Year 2009 Excludes Prior Year Appropriations	
Salaries	\$40,818,604.28	Salaries	\$40,583,061.37
OEC	\$19,735,546.23	OEC	\$19,641,517.38
Government. Services	\$10,383,429.76	Government. Services	\$9,918,601.40
Travel	\$17,735.37	Travel	\$9,834.92
Contractual Services	\$14,674,885.14	Contractual Services	\$15,903,692.22
Supplies & Materials	\$1,926,539.70	Supplies & Materials	\$2,731,202.38
Capital Outlay-Equipment	\$25,063.77	Capital Outlay-Equipment	\$55,224.00
Capital Outlay-Property	\$0	Capital Outlay-Property	\$1,317.64
Total	\$87,581,804.25	Total	\$88,844,451.31

Fiscal Year 2009 Includes Prior Year Appropriations	
Salaries	\$42,746,311.62
OEC	\$21,092,112.95
Government. Services	\$10,306,181.25
Travel	\$33,432.48
Contractual Services	\$22,633,536.32
Supplies & Materials	\$5,555,950.01
Capital Outlay-Equipment	\$57,548.44
Capital Outlay-Property	\$18,498,779.49
Total	\$120,923,852.56

Copies of both November *YTD Total Expenditures and Encumbrances Reports* are posted on the CFRC website and can be found at:

http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC_OCR_WPYA_2008-11-30.pdf (includes prior year appropriations)

Referendum Initiatives Report

During the run-up to the last referendum, the District had requested a tax increase to fund the restoration of specific programs and the implementation of new initiatives. The report below was requested by the CFRC and shows the budget and YTD expenditures for these items. It provides the local taxpayer with a detailed breakout of how the referendum money is being utilized. In areas where spending YTD is below target the District is waiting for the tax receipts. Note: carry forward balances are not part of this report.

Referendum Initiatives						
Expenditures and Encumbrances through November 30, 2008						
Program	Budgeted Amount	Expenditures	Encumbrances	Balance	% Expended & Encumbered	IBU Location
*Full Day K Salaries	1,052,787.00	235,158.83	-	817,628.17	22.34%	96 Local Salary and Benefits
Full Day K Start Up	725,000.00	408,616.24	125,825.00	190,558.76	73.72%	68 Full Day K
*Textbook	250,000.00	16,975.13	27,026.33	205,998.54	17.60%	IBU 02 Curriculum and Instruction
Library	150,000.00	45,337.56	14,657.60	90,004.84	40.00%	IBU 12 Library Services
Technology Refresh	250,000.00	-	46,620.00	203,380.00	18.65%	IBU 58 Tech replacement
*Security	100,000.00	-	23,352.85	76,647.15	23.35%	IBU 19 Maintenance
*High School EPER	124,588.00	49,987.97	-	74,600.03	40.12%	IBU 96 Local Salary and Benefits
*Middle School EPER	51,681.00	22,905.88	-	28,775.12	44.32%	IBU 96 Local Salary and Benefits
*Middle School Athletics	211,764.00	40,029.13	-	171,734.87	18.90%	IBU 96 Local Salary and Benefits
*Elementary EPER	19,380.00	12,105.60	-	7,274.40	62.46%	IBU 96 Local Salary and Benefits
*After school transportation	150,000.00	22,628.00		127,372.00	15.09%	IBU 77 Transportation
*Instructional budget increases - includes performing arts, athletics and transportation	774,353.00	766,802.00				various
*Operating budget increases - includes maintenance, custodial services, and utilities	447,872.00	1,722,700.00				IBU 19 and 38 Maintenance and Utilities

UPCOMING MEETING / DATES AND TIME

The CFRC will hold its next meeting on Monday, January 12, 2009, starting at 6:30 P.M. in the library at the Austin D. Baltz Elementary School, which is located in Elsmere.

The majority of the meeting that night will be spent reviewing the final budget proposal for FY09.

In the remaining months of the fiscal year we plan to cover the following special topics:

JANUARY 2009 -

- FY09 final budget review

FEBRUARY 2009 -

- Six month YTD financial review by IBU and object code
- February 1st Financial Position Report

March 2009 -

- Referendum Review
- Transportation Presentation w/George Middleton

APRIL 2009 -

- Current fiscal year contract review

MAY 2009 -

- May 1st Financial Position Report

JUNE 2009 -

- Tax warrant review

Respectfully submitted,

Paul Lloyd

Paul Lloyd, Committee Chair