

Red Clay Community Financial Review Committee
Wednesday, January 9, 2013

Meeting Minutes:

The Community Financial Review Committee met on Wednesday, January 9, 2013 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Jane Rattenni – Committee Chair
Jack Buckley – Community Member
William Doolittle – Community Member
Steven Fackenthall – RCEA Member
Jill Floore – Red Clay Chief Financial Officer
Victoria Kent – Community Member
Kenneth Rivera – Board Member

Others in Attendance

Ted Ammann – Assistant Superintendent, Red Clay
Kim Williams – Community Attendee

I. Introduction and Opening Comments:

Mr. Doolittle opened the meeting welcoming everyone and introduced our guest, Dr. Ted Ammann who will give a presentation on Major Capital Improvements.

II. MINUTES

After a review of the December meeting minutes, Mr. Buckley moved to accept them and Mr. Rivera seconded.

III. MONTHLY REPORTS

Ms. Floore presented the monthly reports. At this time we should be at 50% expended for six months. Our tax receipts are at 90%. We are slightly ahead than last year at 87.4%. Our tax revenue will come throughout the year with late payments and sheriff sales, etc. We are right on target. Mr. Buckley asked about the senior tax rebate. Ms. Floore explained that will process in January.

On expenditures the total expended is 45.8% and 48.9% expended and encumbered. In comparison with last year, we are right on target at 50% through the year.

For expenditures, the lowest is North Star Elementary. The senior secretary at North Star is now working with our Human Resource Department. Therefore, the processing of documents has been delayed as a new secretary has taken her place. In special services we had an over encumbrance. These were contracts that include summer services and therefore, the encumbrance included summer not just the school year. Student services

has SROs that should be charged to the security budget. We will be making that correction for next month. Maintenance is line 69. They are at 53% encumbered. These encumbrances include yearly contracts. Also to note is the Copy center overage as they incur the initial expense and then bill back to the departments.

The Federal Program pages were not prepared for the meeting due to the death in a staff member's family.

Local Salaries, Line 66, are at 42.7%. We are right on track. It shows as we are under from when we were last year. However, last year we had State fiscal stabilization funds and Ed Jobs funds. In this report there is a special line for Ed Jobs funding expenditures. Last year State stabilization funds did not have an end date. This year with Ed Jobs, we had a 9/30/12 end date. This is our biggest problem for next year as both funds are depleted. Those were Federal funds that were one time support. We stretched it as long as possible. These are RTI teachers, literacy coaches, and extra support in the buildings. Ms. Williams asked if the Federal Government never gave us the money, would it have been better not to have ever had it. Ms. Floore said we will accept the money and do what we can in the time we have it. It makes it hard to lose but it is better than not having it at all and it comes down to how we prepared for it. The coaches come into the building then and train the regular teachers. When the coaches are no longer funded, the regular teachers will have the training they need. Ms. Williams asked if the literacy coaches are like the Minner Reading and Math teachers. Ms. Floore explained that the RTI teachers took their place. This is an extra support teacher and difficult to lose in a building. Ms. Williams asked if these teachers know they are temporary. Ms. Floore explained that is a decision that has to be made. Part may be included in the Consolidated Grant or we may have more students in a classroom to keep an extra support person. And it is not the particular teachers but the positions as a RIF would affect the most recently hired. Our plan was to stretch the funds all along to prevent creating a large cliff in one year. The other districts had this conversation years ago as they used their funds right away. Mr. Rivera asked how much of the \$3 million funding is salary. Ms. Floore stated it was 100%

Mr. Buckley asked if our local salary is larger. Ms. Floore explained that our local salary went from \$47 million to \$49.7 million. Mr. Buckley asked if that will happen again. No, we had one time costs of bargaining agreements being passed with a raise and pension increase. There wasn't a net increase in positions but salaries did go up. The State gave a mid-year raise in January last year.

Ms. Rattenni asked about the fiscal cliff. Will Congress make a further determination in March? Ms. Floore explained that they passed temporary measures. Ms. Rattenni stated there is no guidance or information being passed down. Ms. Floore stated if nothing else, 8.2% will be cut. For our district it equals \$923,000 or 7.5 people. These are federally funded people. Ms. Williams asked if that is on top of the \$3 million we will have to fill. Ms. Floore explained this is different federal funds and in addition to the loss of EdJobs. This is a direct cut to our consolidated grant program. Mr. Rivera asked how many units are Ed Jobs. Ms. Floore is hesitant to put a number on it yet but approximately 40. We

do not know if it will be a people cut or class size increase. With the federal cuts to special programs, it will definitely be the people as it is a direct cut. Mr. Rivera asked about the difference between class sizes. Ms. Floore stated we have 23 RTI teachers. If schools decide they want to keep the person in their unit count, they would keep that person but have larger class size so as not to have another homeroom.

Race To The Top will also be ending the year after next. We have preschool programs and academic deans in all of the schools. Ms. Williams explained that these positions are put in place only to be let go or give up another program to keep that person. Ms. Floore stated the only way to keep is to fund the positions 100% from local which is fiscally unwise. That is very expensive as pensions, health care, etc. would all be 100% locally funded and over \$100,000 per teacher. Ms. Floore stated this year the Education Sustainment funding was very helpful from the state with over \$3 million provided to the district. It doesn't reach the 2008 funding levels but started to grow it back.

Ms. Kent asked if we look at these people as contractors telling them we only have them for 3 years. Ms. Floore stated that the teachers' union agreement dictates how we hire. So teachers are hired as contract. And if we cut a number of positions, than it comes from the bottom list of new hires. We also have a period of voluntary transfers between schools.

Ms. Rattenni explained when Race To The Top was accepted, sustainability was discussed and accepted. Mr. Buckley stated that the rationale was to use the money on training staff. Ms. Williams stated when the BOE voted, we could either accept the money or complete the program with your own funding. Mr. Buckley stated that part was that we would find a way to sustain without any federal funding from other programs.

Ms. Williams asked what programs were cut years ago. ELL (LEP grant), Technology Block Grant, Minner teachers, and \$2.87 million was a tax relief. They cut the value of Division 2 units. Last year we had a dialogue that went through the funding history of 2008 through last year. The idea is "as you can", the State government will put it back. Every district, however, is not going to pick the same program. Therefore, a sustainment fund was given. ELL is paid for out of tuition funds. Extra time grant was also cut along with Discipline funds. Matching components have also been cut. Some Boards want the ability to raise the tax and others do not. This would be outside of referendum.

Mr. Rivera asked if there was a plan in place. Ms. Floore stated there is a Board workshop in April. The Governor's budget does not come out until January. Any decision will not come until after this budget is published. We have heard that no additional education money will be included in this budget. However, DOE was asked to prepare a 1% budget request to the Governor and OMB. It totaled \$11 million. Until this starting point is known, starting the FY14 budget is premature. We have to make decisions by May as the bargaining unit contract must be honored. Mr. Rivera feels this is late considered the size of the cuts needed.

Ms. Floore stated we could have several scenarios in place but we can do nothing until the budget is known. We have a balance that could keep us through next year so we don't want just a one year plan but a multi-year plan. We do not want to go out for referendum for 3 years, but we cannot know that for a fact until we know where we stand.

Mr. Rivera asked how many people are paid through RTTT. Ms. Floore estimated about 25 – preschool, literacy coaches and academic deans. The school cannot keep the academic dean as a unit for they are an administrator.

Ms. Williams stated the State had the tax cuts that are about to expire. Ms. Williams also noted a company asking for a large corporate franchise tax refund. Ms. Floore stated all these components go into the revenue estimates and availability as legislators come to develop the June 30 final budget.

There is a business managers meeting after the Governor's budget comes out. Ms. Floore will give an update at the February meeting.

Tuition programs tax receipts are 92%. We are waiting for the senior tax rebate. The tuition billing goes out in the spring. Ms. Kent asked about related services. Ms. Floore explained that is due to over encumbrances for vendor contracts through the year. We have only spent 13.8%. Ms. Kent also asked about Central school in a negative balance. That is an over encumbrance as well as district wide services for substitutes. We are correcting those lines.

Mr. Doolittle asked about tuition appropriation for non-tuition schools in the current reporting program. Ms. Floore stated we have applied for a new appropriation for this line item. The salaries will be Division 32. This is all related to our needs based funding.

Mr. Doolittle asked how charter schools pay for a one-on-one Para beyond for what they get from the districts. Ms. Floore stated it was from their existing funds. Mr. Doolittle believes it may fall back on the sending district. Ms. Williams stated that according to the presentation last month charter schools were receiving more money due to needs based funding. Ms. Kent asked if they could send the student back to the home district. No, they would have to support through their own funds or ask for support from the district.

District wide services is lease and subleases. The lease ends February 28th. Ms. Floore made an adjustment in the final budget for insurance. Our insurance bill went up and we added vehicle coverage for leased vehicles. The audit bills have come in higher.

IV. MAJOR CAPITAL PRESENTATION

Dr. Ammann distributed information on the Major Capital Improvement update.

At the last update the district had not determined if we would proceed with a construction manager or General Contractor. Through discussion with the facilities committee, it was determined to use construction managers. This gives us the expertise of people who do this job every day. We had committees to select construction managers through an RFP process. We have two different companies. EDIS has the school upgrade projects and the new school was awarded to Whiting Turner. Two years from now we will get funding for the additional projects and we will make a determination whether to use the companies we now have or select others.

We have 3 projects running now- the new school and renovations at AI High and Cab Calloway. We are in the preconstruction phase. "Ed Specification" is a first attempt prior to construction. We don't need an ed spec for a renovation. The Board approved the ed spec for the new school in October. We had a schematic design for all 3 projects. In design development we look at bid packs. In Wilmington we split the project into 2. One is for the pool and elevator and one is the auditorium due to the size of the packs. The bid pack for AIHS is due in February and the new school is due in March. The architects then work with our committees and engineers for further development and come back to the Board with construction documents. In each step there are financial checks. Bid approvals are in June, July & August. We are ahead of schedule with AIHS. We have had discussions about closing the theater while the construction is still being planned in Cab. Ms. Floore asked if construction documents meant that the construction documents are completed and the bids are released. Dr. Ammann responded, yes, once they are approved by the Board, then we can go through the bidding process. That is when the funding needs to match the estimate.

Current financials overview includes the CFRC and the facilities committee. The projects we currently have funding for as an overall budget are listed. Ms. Floore clarified that Dr. Ammann's presentation lists total project costs over the multi-year life of the project while the monthly reports show actual funding on hand and expenditures within that appropriation. The project funding is the total project including State and local. Current estimate is what the committee's is asking for. Then the project manager comes up with how much that will cost. We don't want to have money left over and not overspend so they are produced with ad alternates. With the changing economy, it is hoped the budget provides for more items available at lower prices.

Ms. Kent asked how long the construction will take as our markets may change by the time actual construction takes place. Dr. Ammann stated that is the reason most are anxious to get the bid process going. These numbers also include a 3% escalation rate to account for increasing costs year to year. In the last referendum, we came out very short as the world events impacted our economy.

For Cab Calloway we have estimate of \$12,489,479. We don't have that funding right now. But we can bid out for the equipment at this time. If the lowest bid is higher than you budgeted, you can then change your choices.

New construction is easier than renovations in older buildings. As you open up an older building you don't know what may be found. There is a level of contingency built into it as well. Mr. Doolittle asked about shifting funding between projects. Dr. Ammann explained that we cannot move money between Certificates of Necessity (CNs). One of our certificates was for the renovations and the other for the new school. We can move between AIHS and Cab up to 10% in or out. We speak of those 2 as those are the projects currently funded. As those projects wind up more projects on the same Certificate could be using "extra" funds if available.

The facility committee meets a week before each Board meeting. All of the construction managers look at the facility meeting dates as their deadlines.

Change orders are a necessary part of construction. The facilities committee made a recommendation for an administrative memo on how to handle change orders. Every month the facilities committee will get a tally of all change orders by project. Mr. Doolittle asked if the construction manager will give an estimate for all change orders. Dr. Ammann explained yes. With a construction manager in place, a contractor will give their estimate on how much a change will cost. The construction manager is not paid on the bottom line, therefore, they can make an unbiased decision on the change. We track change orders in Errors and omissions and we debate on who pays for the mistake. There are times, however, we have to pay. We came up with an 80% cost of what we will pay on the change. Agency change orders are sometimes the architecture's fault. If the Fire Marshall reviews the facility and needs changes, we don't have a choice. Also, there are field conditions. When you open a ceiling for example, you don't know always what's behind it.

Other change orders are owner requested. The facilities committee approves all owner requested change orders as they are always an added expense. Those costs would come from the contingency or an overage elsewhere. The least preferable place is to take it from some other part of the project. By law we can only take 10% from the other school renovation project.

Any change orders totaling 100,000 or 15% of a project, need approval from the facilities committee before the change order is put in place.

Dr. Ammann distributed a sample budget of the Wilmington campus. Actual contracts are listed for renovations and replacements. Ms. Floore reiterated that this is the whole project. The monies are not in at this time. Ms. Williams asked about the auditorium closings. It will be one year and Ms. Rumschlag has looked at rentals, etc., for performances.

Mr. Doolittle asked about permit fees. Dr. Ammann stated we are not exempt but that counties are not allowed to charge more than the cost of the work for the permit. New Castle County does charge permit fees. Negotiations are likely with the new administration.

Dr. Ammann stated the new school is slated to be built to open 2015. He distributed the schematic design for the new school. For security reasons we do not post anything that cannot be seen from the outside. If the CFRC members would like to see those, they are welcome to come to the district offices to view them. Ms. Kent asked if there was an exit gate from the kindergarten tot lot. Dr. Ammann stated yes. That is a Fire Marshall issue as well. Ms. Rattenni asked about the modern look for the area. Dr. Ammann agrees that it is more in modern than North Star. The current architect feels that the many of the homes and church accents in the current neighborhood are incorporated in the design. Mr. Rivera asked about a traffic light. Dr. Ammann is currently working with a traffic study. This study counts the cars on the road and 12 intersections away from the property. Page 6 shows the entrances for cars and buses. We have more parking spots than currently required by DelDot. The State does not require a traffic study but New Castle County does. Odyssey Charter is being slowed by the historic review Board. They are looking to build on property fairly close to our new school. We were able to share the data from their study. Ms. Kent asked how many children and buses are we projecting. Dr. Ammann projected 14 buses. The buses park at a slant and wrap around so the students exit in a safe manor.

Naming the building is in an administrative memo. Someone must nominate a name, listing those who agree with the name, as well as two letters from representatives of Delaware supporting the name. Alive or deceased is not an issue. They cannot be currently elected officials, although one of the suggestions is a sitting elected official for Vice President Biden. It could also be an area, or direction. Suggestions are Buzzy Cooke, Graves Road Elementary, Joe Biden and Alice Coleman. Anyone can go on our website and submit a name and begin an electronic petition. The deadline is February 1st. Teachers had asked to include the students in a civics lesson tied in with the naming. Ms. Williams asked if it is incumbent on the submitters to acquire the signatures. We set up an electronic petition but supporters can circulate the page. Paper is also allowed. The petition asks for a name and email address. Ms. Williams asked if it could be a current representative or a retired representative to support the name. A committee will review the submissions in February and bring their position to the Board.

Ms. Kent asked about the location for the library. The library is a media center. One of the alternates considered is a community room with an outside entrance. This could be used for voting. It could also be used by scouts and teachers when other rooms are not available.

The building is 71,000 feet. It is larger than North Star. It is early in the process and alternatives are still in the costs at this time. \$265 per square foot. It is based also on how many students. We are expecting 600 students. If we need sprinkler system upgrades due to water pressure in the neighborhood that would come under extraordinary costs. Mr. Doolittle stated the site is much more variable than the building. We have done borings so we know where the rock begins.

The State code requires reviewing of 3 HVAC systems. We may not have the cheapest, but the most efficient. Ms. Rattenni asked about the glass entranceway, it is stairwell.

Dr. Ammann stated there are some Fire Marshall issues that are being considered at this time. KN and 1st grade classroom each have a bathroom.

Ms. Rattenni thanked Dr. Ammann for his presentation. There were no further questions.

V. Other Items

At Mr. Rivera's suggestion, snacks will be ordered for future meetings.

Ms. Floore distributed a draft of the final budget. Because the preliminary budget was done late in September, most of the numbers were known. The total revenues change by .24% and for expenditures is a .1% change. The largest change is the cashing in excellence units (4) as over the first six months, we have a number of leaves that requires substitutes. Ms. Floore examined there is a reserve set for invoices that come in after the close of our fiscal year. The number and amount have significantly dwindled. We are more disciplined and the new system is no longer an issue. Ms. Rattenni asked for a motion is needed to accept the changes. Mr. Buckley motioned to accept and Ms. Kent seconded and all were in favor.

The Board will be voting on a motion to increase the community members for our committee by one at their next meeting.

VII. Public comments

There were no public comments at this time.

VIII. Announcements

The next CFRC meeting will be held Wednesday, February 13, 2013 in the Brandywine Springs Teachers' Lounge at 6:30 PM.

IX. ADJOURNMENT

The meeting adjourned at 8:55PM.
Respectfully Submitted,
Laura Palombo
Recording Secretary