

Red Clay Community Financial Review Committee
Wednesday, February 13, 2013

Meeting Minutes:

The Community Financial Review Committee met on Wednesday, February 13, 2013 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

William Doolittle – Community Member
Jill Floore – Red Clay Chief Financial Officer
Victoria Kent – Community Member
Lynn McIntosh – Community Member
Kenneth Rivera – Board Member

Others in Attendance

Ted Ammann – Assistant Superintendent, Red Clay
Michael Matthews – RCEA Member

I. Introduction and Opening Comments:

Mr. Doolittle opened the meeting welcoming everyone introducing our guest, Dr. Ted Ammann who will give a presentation on Energy.

II. Minutes

After a review of the January meeting minutes, Ms. Kent moved to accept them and Mr. Rivera seconded. The motion carried.

III. New business

In December, the CFRC made a recommendation to increase the number of community member seats on the committee by one. In January, the Board made the motion to approve the recommendation and it carried. The opening was advertised on the district web site. Ms. Kim Williams has asked to be considered for that position. Mr. Doolittle made a motion to recommend Kim Williams to the Committee as a community member and Ms. Kent seconded, motion carried. Ms. Floore will ask the Board of Education to approve the recommendation.

IV. Monthly Reports

Ms. Floore presented the monthly financial reports. On revenues we are at 88.19% which is slightly higher than last year. We did receive the first portion of the senior tax rebate from the State (about 75%) but the remaining amount is still outstanding. Tax revenues are still coming due to sheriff sales and late tax payments. The \$2.7 million or 5% of local funds is what we are monitoring for the remainder of the year. In State funds, the

largest is Division I funds at 77%. The state will fund this to 100% throughout the year. They will complete by the end of the year.

Fees from facilities rentals are low at this time. Most events and field usage increase in the spring.

Mr. Doolittle asked if the increase of 2% in local revenue but 1% is due to the increase in budget percentage from 98% to 99%. Ms. Floore stated yes.

Ms. Kent asked about MCI technology and eRate. MCI technology is a set rate (match tax) is based on the funds the State gave us for technology that we were able to match. The State cut the funding but we were able to keep the tax rate that we were using, with no increase. In our case it is approximately \$600,000. ERate reimbursements are up this year from our estimates. Dr. Ammann explained that eRate started so schools and rural places could benefit from telecommunications profits. However, the companies passed along the fee as a tax on the phone bill. That tax then gets redistributed to schools and libraries based on a formula. We use that money to offset our phone and internet costs. DTI pays the internet connection directly and we then pay the additional costs. We then get some of that cost back in the eRate fund.

Overall, 58.3% is the expenditures target for 7 months into our fiscal year. On page 3 we are at 53.8% expended and 57.2% expended and encumbered. This is below the target but close. Compared to last year we were at 57% on encumbrances but lower in expenditures. It could be due to invoices coming in faster and being paid more quickly.

We are looking at the schools to make sure they are meeting expectations. Linden Hill is at 33%; Heritage is 37%; Brandywine Springs is 39%, Warner is 39%, and North Star is 11%. We are in contact with the principals of these schools to ask for their plan. They can only carryover 15% to the next year. The principals should have a spring plan. Mr. Matthews asked if some of the afterschool programs are paid with these building funds. Yes, as well as supplies for those programs. It is not for substitutes.

There are also schools on the high side of expenditures. AIHS is 91% and Cab Calloway is 86% which is higher than where we expect. Both of those schools had technology upgrades at the start of the year. This means next year they won't have a lot of carryover. Mr. Matthews asked if school budgets are based on enrollment. Ms. Floore explained that every budget is different due to carry over from the prior year but they are calculated based on the same per unit formula. There are equal allocations for athletics, building leadership teams, etc. There is no discretion to give one school more than another. This year we also have a strategic plan grant. The schools applied for the funding and the superintendent's cabinet evaluated and approved the applications for the year. Some schools are using these grants to fund an after school program.

Mr. Rivera asked about student units vs. staff units. Ms. Floore explained these are the same. For staffing there may be additional excellence units that are deployed at the schools. Mr. Rivera asked regarding the schools that have greater needs, how they are

given additional resources. Leah Davis and Ms. Floore met to discuss this and to develop a report for the board. There are several pots including the consolidated grant that supplement the building budgets. Mr. Rivera asked if any higher needs schools applied for strategic plan funding. Ms. Floore answered yes almost exclusively and those additional funds are currently higher than they have ever been before due to Partnership Zone, 1003g and Focus School funds. Warner for example has several grants in addition to their regular funding. Marbrook and Lewis are also in better shape financially due to the supplemental funds.

Ms. Floore pointed out that technology refresh is at 15%. They are working hard over this past month to complete their plan for the year.

Ms. Kent asked about Division 58 and \$542,000 encumbered for related services. This is over encumbered but we were not able to revise the encumbrance in time for these reports. It will not be a cut. We were encumbered through the summer rather than just through the end of the school year.

Contingency funds are for out of the ordinary expenses. We have not had to touch this for the past 3 years.

Vocational is only at 10% for career pathways in the middle and high schools. Vocational funds are 2 year funds. We need to complete last year's funds before beginning this year's funds so this line will always run low as the prior year funds are spent first.

Ms. Kent asked about District Office is behind on spending. Ms. Floore explained last year we used this line differently. Last year this line was used for the rental and installation of the trailers at Linden Hill, a one-time expense. The trailers' lease is paid from maintenance. This year this line is the funding for the strategic plan applications. It is lower because unlike the early one-time expense, with the strategic plan grants we are paying people over a series of months for teaching after school programs. The expenditures will increase as we go along. We cannot encumber for salaries, only supplies.

Line 74, Student Services is an error. The SRO invoices came in and were charged here instead of to security. Line 76 will be charged for that instead. \$280,000 will move from student services to security. Mr. Matthews asked if SROs were funded through the State. Ms. Floore explained that there was prior funding for school discipline and climate. SROs were paid from that funding as well as interventionists. The state first cut funds and incorporated them into a block grant which was also then cut in difficult times. Districts chose to use local funds to keep the SROs. We have 4 and will have 5 next year. Many districts cut their SROs. We pay \$71,000 for the SRO for 180 days of work. The state's cost is the total cost of salary less what they receive from a district, but it is important to note we are only paying them for 180 days. Mr. Matthews asked if it will be addressed by the legislature. Ms. Floore stated they are asking those questions now and funding is being discussed. Mr. Rivera asked if the SROs go to the middle schools. Ms.

Floore believes they go one day a week to the middle schools. Cab Calloway and Conrad share an SRO.

Research and assessment is for the data coordinators' stipend. As well as monetary incentives for DCAS. It is low until the testing window in the spring.

Federal grants are listed by funding source and grants. Grants have different end dates. Those that have expired should be at 100%. The Total Expenditure reports sent via email are by account code. Those that exclude prior year only include FY13 funds. Includes prior year, includes all years which pick up different federal years as well. In Major Capital Improvements, for example, the funding could be received at the start of the project that takes several years to complete. We could be using 2010 funding in 2014 which can explain large differences between what show on includes verses excludes prior year.

Race to The Top ends in 2014. We received \$5.4 million and we have expended \$4.7 million. We will receive another allocation as the funding is released. We will end this fiscal year and use the rest in the beginning of next fiscal year. Our Partnership Zone schools are from the same allocation, but we break it out for transparency purposes. Mr. Rivera asked if the funding was increased. Ms. Floore explained that there is an amount that is held back and if sequestration comes in, it will be a cut of about 10%. We presented a 6.2% cut to the Board. Mr. Rivera asked if we would cut data coaches if there's a cut. Ms. Floore stated no as we are talking about future funds and those are budgeted at the state level. Our grant mostly includes salaries for preschool teachers and Academic Deans.

Mr. Matthews asked about Stanton and Lewis lining up but Marbrook is spending more. Ms. Floore explained there is discretion how the funds are used. Dr. Ammann stated Marbrook's plan was heavy in technology so their expenditures were heavy in the summer. Some is professional development which also takes place in the summer.

Mr. Matthews asked what are can and sam lines 12 & 13 under ARRA. Ms. Floore believes they are mini grants but confirmed with Debbie Roberts. RTTSam is a grant to support the School Administrative Manager at Lewis, which is not the original RTTT, the received another one. The RTTCam is a parent involvement grant.

Ms. Kent asked about Line 8 IDEA 3-5 with a \$.32 balance. We have a 3 month clean up after the expiration date. It will be 0 next month. Ms. Roberts will be here in April to give a federal report summary to the committee.

Ms. Macintosh asked about Line 19 which closed last June. Dr. Ammann explained that in order to be eligible for this competitive grant, we had to partner with East Side Charter. We are the fiscal agent. If East Side Charter does not spend that money, it will return to the government. We hold the funding, but we cannot spend it.

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Ms. Kent asked if the 21st century grant will be finished by the end of March, Line 23. Ms. Floore explained that it is encumbered, and we will have until June 30th to expend all of the funding.

Ms. Floore explained that 3 years ago, the federal funding fit on one page and the complexity has increased dramatically. Each grant comes with rules and program outlines. We have also broken it down for transparency and understanding.

Title 1 ends on September 2013 plus 3 months for cleanup. We must be 85% encumbered by September. Federal fiscal year is different from ours. We try to make it through October/November with the funding before starting the new grant funds.

Page 6 is the tuition programs funded through our tuition tax. Just like our local funds, we are waiting for \$895,000. We are at 96% of the budget. Our tuition billing comes in the spring. State revenue will continue to grow for out of state placements. They don't have direct state appropriations. We were further ahead last year due to the fact that the State paid us the entire senior tax rebate in one lump sum. This year they have split it.

The consortium is 91%. This is a bill we pay for the number of seats in Kingswood and parkway for expulsions. Each member of the consortium buys so many seats each year.

Minor Capital is 2 year funds. We have summer projects.

Ms. Kent asked about operations utilities. Ms. Floore explained that needs based funding at our special schools gave us funding for services that were previously not recognized in our unit count. Teachers and Paras which were funded locally are now funding with needs based funding. But with the formula of Division II funding per unit, our energy money doubled. Now we have a large encumbrance for energy \$88,000. For Division 58 it is \$16,000 over budget. There's an encumbrance of \$150,000. We must encumber all of the funds or lose it. There is a provision that allows us to move it to Division II costs and Division II Energy and we will request to move it next year. Also, Meadowood is at several sites. We need to use some of the funds to assist the energy bills at those schools.

Related services is 100% encumbered for contracts with vendors for speech, OT, PT, etc.

Mr. Doolittle asked about Voc Ed. They are still spending funding from last year.

Division 58 related services we fixed the misplaced charges, but we have not fixed the encumbrances.

Mr. Matthews asked regarding substitutes. How often does the contract come up? It comes up for bid this year. Our Board does not have a policy about allowable year extensions but they use what is reasonable. Typically, unless market conditions change dramatically, we allow between 1-3 years of extensions. We pay substitutes by the class sub that is assigned. We do not pay \$140 for every sub. Mr. Matthews thought we paid the same rate for all substitutes. Ms. Floore stated if no class A substitute is available, we

are charged for only what class is sent. We will look for RCEA representation for the RFP process. There aren't too many companies that have these services. Ms. Kent asked about substitutes for teachers who go to training. Ms. Floore stated this funding is for illness or personal time. Substitutes for teachers attending professional development are paid for through PD funding, Curriculum or the school budget.

V. Financial Position Report

The Financial Position Report is a projection of what our balance will be on June 30th. The budget presentation lists our balance will be \$16.4 million. This report lists \$17.4 million because of the contingency funding that has not been used. The budget states what our budget will be if everyone spends 100% of their budget. This financial position report adds in the contingency and is an estimate of what actually will be spent. This will be presented at the Board meeting. Last year we were at \$20 million. We are currently deficit spending. At one point or another, every district is deficit spending. It is the nature of the referendum cycle otherwise you would go out to referendum every year.

VI. Presentation

Dr. Ammann distributed information on energy services. ESCO stands for energy services company. An ESCO works for us to save money. They guarantee what is saved. If it's not saved, they pay the difference. DSEU is Delaware Sustainable Energy Utility. It is a non-profit entity created by legislation devised to work toward green energy and energy efficiency. We have been moving forward on this project since last September in coordination with major capital renovations. DSEU selected 7 companies that the districts and State can use as energy services companies. We went a step further and interviewed each company and followed up on the references. We selected Sieberlich Trane who began the process last year with an Investment Grade Audit.

There are 4 benefits for this project now. One is we can do with major cap. Most noticeable is that it decreases our utility bills. The third is this allows us to decrease our water and energy use. Fourth, we use this project as an educational component. We will have an app in our schools kiosk that students can compare energy use with other schools. An added benefit is better control of our HVAC system which is 10-15 years old.

The total project cost is \$20 million. The entire cost is covered by the savings generated from the improvements. We spend \$100 to save \$100 over 20 years. The packet shows the details on how this will be implemented. The first step is an investment grade audit. Trane toured our buildings installing monitors and sensors to track usage and even air flow. Then it needed to be determined what makes sense to do in a project? i.e., Lewis Elementary. There are many types of ECMs, Energy Conservation Measures. Water Sewer ECM savings is \$3,114. If we install different flush valves and faucets, we will save \$3,114. The computerized model states we will save more but we use a 10% safety factor. The cost is \$47,142 with a savings of \$62,280 over 20 years. Some ECMs take longer for payback than others.

We went with Trane as many companies only wanted to do surface projects such as lighting. We wanted a company willing to do as many upgrades as possible. The overall payback is 20 years. We will be borrowing funds through the DSEU to fund the projects with a payback of 20 years principal and interest.

Ms. Kent asked about BAS programs. Dr. Ammann spoke about control of HVAC. It could be a damper that is not working correctly. Ms. Kent asked if the sensors will be by room as wings vary in air temperature. Dr. Ammann stated it will address some of that. Ms. Kent asked about the building envelope. Dr. Ammann stated that is insulation, caulk and plumbing, space in ceiling.

Occupancy sensors are installed. In a typical day students are in and out of classrooms, it can slow down the HVAC and influx of outside air. North Star is our new school but the design is 10 years old. It was also reviewed.

George McDowell of Red Clay has worked very hard with energy saving programs. Several companies declined to work with us as we have been very successful in these programs so far.

A.I. DuPont High School is benefiting from the project as this project is paying for the new condensing boilers and major capital is paying for the installation. It is really a partnership between major cap and the ESCO as the two are separate but linked together.

Ms. Kent asked about cook sensors. Dr. Ammann explained that they are the sensors over the stove. Right now, the fans are running all day. Unfortunately, when there isn't anything cooking, the fans are blowing out heated air and we are then heating new air. This sensor would have the fans running only when cooking is present. We currently have one in the culinary kitchen at McKean.

Dr. Ammann explained that the projects are funded through bonds. In NJ, school districts sell bonds to pay for projects. We, however, are an agency of the State, so it is handled at the State level. For Major Cap, Red Clay doesn't sell bonds, we go to referendum and the State sells bonds on our behalf. In this case we would work with the SEU for bond financing. Mr. Doolittle stated it was a conduit bond. Ms. Floore explained that is correct through the DSEU which was established as a financing entity in state legislation. This financial proposal was put together by NW Capital Markets who is the financial advisor of the DSEU. This isn't what exactly it will be as we don't know what market rates will be.

The proposed bond sale would begin in May but the construction for AIHS will need to start so in the event of a delay there will be a short term loan through the DSEU to cover the costs. This report details what is the cost and how does this cost compare to guaranteed savings. Revenue constraints are the guaranteed energy savings. Where it lists debt service coverage, you always want it to be in excess of 100%. The all in interest cost for is 3.6% but totally depends on the bond market at the time of sale. It is

very similar to what is in a referendum. Except in a referendum is paid 60% is paid state and 40% local. This is authorizing the DSEU to hire the underwriter to sell the bond, and we repay. Right now we pay our utilities to Delmarva, Artesian, etc. Now, we will pay less to them and the balance would be paid to the bonds but our budget increases are fixed.

Mr. Doolittle asked if the bond payments will be coded to the accounts. Ms. Floore explained we are working with the State on that. Whether we pay the DSEU or the State keeps the money and makes the payments. Dr. Ammann stated there is a lot of time and effort put in to M&V (measurement and verification) and at year endings we have a guarantee and make sure we received what was promised. Mr. Doolittle asked if it divided by school. Dr. Ammann stated no, it's net and each year is a clean slate.

Ms. McIntosh asked if we spoke with anyone who has done it. Mr. McDowell spoke with 5 or 6 school districts and State agencies that have done this. Ms. McIntosh is currently working with the County on an audit of the County ESCO program. She asked if we will be paying the M&V each year as theirs has escalated every year. She would ask you pay close attention to the maintenance fees. Dr. Ammann stated that in our case, usage in kilowatt hours and gallons of water would be our measures. We're not taking into account the possible operational savings i.e., fewer light bulbs and custodial time in replacing them.

Ms. Kent asked who is doing the maintenance of the systems. Dr. Ammann made sure the contract states that we should not be directed on what maintenance Trane suggests. We will do maintenance as per the operational guide of the equipment. Ms. Kent asked if we had one management company for all schools. Dr. Ammann explained that we currently have 2 systems in our schools and they are very proprietary. We can use Niagara which can be used over both. We will require training for our staff on a regular basis. It is all part of the contract. Ms. McIntosh asked if there was a separate maintenance fee. We now have maintenance fees we pay to the 2 companies. When this is done, we will pay only one company for all schools.

Ms. Floore stated that we have been very aggressive with energy savings to date and this was a further extension of that. We tackled the demand side as well as competitively bidding price. Mr. Doolittle asked about the savings in a school that is getting all new windows. Dr. Ammann stated that we are not looking at paybacks from windows. One thing the contract allows us to go back to the base year. If we went to year round school, they would want us to go back. It doesn't preclude additional improvements over the next 20 years.

VII. Public comments

There were no public comments at this time.

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VIII. Announcements

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

IX. ADJOURNMENT

The meeting adjourned at 8:45 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary