



# Committee minutes

Community Financial Review Committee			
6.8.2015		6:30 PM to 8:30 PM	Brandywine Springs Teachers' Lounge
Meeting called by	Jane Rattenni, Chair		
Type of meeting	Monthly Financial Review		
Facilitator	Jane Rattenni, Community Member		
Minutes	Laura Palombo, Red Clay		
Timekeeper	Jane Rattenni, Community Member		
Attendees	Bill Doolittle, Larry Miller, Tom Pappenhagen, Jane Rattenni Community Members; Jill Floore, Red Clay CFO; Monica Henry and Joe Weeks Members of the public and CFRC Member Vacancy Candidates		
Minutes			
	Jane Rattenni, CFRC Community Member		
Discussion:	A review of the May 2015 meeting minutes. Mr. Doolittle moved to accept the minutes and Mr. Pappenhagen seconded. The motion carried.		
Action Items	Person Responsible	Deadline	
CFRC Vacancies			
	Jill Floore, Red Clay CFO		
Discussion:	There was an informal discussion on the requirements of a CFRC Member. See Section 1 attached.		
Action Items	Person Responsible	Deadline	
Necessity Citizenship for CFRC Members	Jill Floore		August Meeting
Monthly Reports			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore presented the reports for the end of May 2015. See Section II attached.		
Action Items	Person Responsible	Deadline	
Referendum Tracking	Jill Floore		August Meeting
Lawsuit & WEAC Update			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore gave an update on our Referendum Lawsuit and WEAC. See section III attached.		
Action Items	Person Responsible	Deadline	
Announcements			
	Jill Floore, Red Clay CFO		
Discussion:	The next meeting will be held July 6, 2015 in the Brandywine Springs Teachers' Lounge.		
Action Items	Person Responsible	Deadline	
Ideas for Presentation topics	Committee Members		August Meeting



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## Red Clay Community Financial Review Committee Monday, June 8, 2015

### I. CFRC Member Vacancies

We have had several people submit themselves as possible CFRC members. Two candidates were able to attend tonight's meeting: Monica and Joe.

### II. Monthly Reports

Ms. Floore gave a brief explanation of the history of our monthly reports and the reasons for its detail.

At this time of year, our level of expenditure should be 91.67%. Although, in June we don't have students in school, we are planning for the upcoming year. On the revenue side, we are 95% received. We were 99% received last year due to Division 1 salaries. The State funds us for salaries of employees. We are funded 75% early in the year, and they true up through the year. However, the State is watching their cash flow closely. At this point last year they had funded 97%, this year is only 90.87% which is a difference of \$8 million. Our overall bottom line is heavily influenced by this funding. The State will always make that line whole by June 30<sup>th</sup>. It isn't something we are worried about but we do explain why and when this funding will be complete.

Our revenues are 101% due to our built in delinquency of homeowners do not pay their taxes. We have lowered that as the County has been collecting more taxes and fewer are in delinquency. Our indirect costs are lower than last year. Indirect is the operating costs for our federal programs. We make the last draw as close to June 30<sup>th</sup> as we can. We captured the first half of the fiscal year in December; therefore we are at 40%. Cscrp recoveries are extraordinary this time of year at 164%. We're talking \$45,000 on a \$180 million revenue budget. That is Children's' cost recovery which means if a district employee who is not federally funded, provides a service that is Medicaid eligible, we can bill back Medicaid for that service. We've seen will fluctuations of what we are able to recover due to eligibility requirements for Medicaid changes. Mr. Doolittle added that these bill backs now require parental permissions. Ms. Floore added that was why we lowered the revenue receipt estimate to \$70,000 for the fiscal year as we believed there would be many parents who said no.

Through the fall, our cash flow changes drastically. The tax rate is set in July but our property taxes are not due until October. The majority of our local funds come in September, October and November. The State funds come in July first and the remainder comes in percentages throughout the year.



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Summer school we were at 49% last year and we are 18% this year. This is income for students who are paying for summer courses due to failure of those courses through the school year or private school students who pay to take drivers' education. We will see the bulk of that revenue through June.

We have 3 outstanding items. They are the senior property tax credit. This is \$500 per eligible household based on age, not means or property value. The State had asked to take the credit away, but the Joint Finance Committee recommended that it stay. They passed a resolution that they would look at it differently. At this time, in Dover, they are looking at the possibility of changing it to based on means testing. The State currently has \$61 million to fill for the next fiscal year.

We have sent our Charter School of Wilmington bill. This is a reimbursement of services for custodial services, energy, etc. Also included is a portion of the debt service payment tied to the improvements made to the building they would benefit from.

We sent out our tuition bill for students who are Red Clay students who attend programs in other districts, not choice programs. For example, the Delaware Autism Program, which is our largest bill. Christina bills us for our students in that program. While we receive tuition for students from other districts who attend our First State School in the Christiana Hospital system. Meadowood Program also has students from other districts. Tuition tax is a separate tax.

On the expenditure side we are at 88.6% expended and encumbered compared to last year which was 92.2%. If you're not a school but a department, i.e. curriculum and instruction, and you do not spend your entire budget, that amount goes to the bottom line of the budget. There are school budgets, however, that are allowed to carry over 15% to cover a large project coming due the summer or early fiscal year. It is difficult to read as some schools then look like they have a larger budget than a similar school of the same size. The principals detail these projects with the business office. Ms. Floore points out that we have allowed Linden Hill to exceed the 15% carry over this year. The principal is now finishing his first year at the school and managed his budget very carefully. Plus, many of the students of Linden Hill will be attending Cooke Elementary this upcoming school year. Mr. Glennon did not know how many students would be left and how much would be going to Cooke, i.e., desks, computers, etc.

Ms. Floore explained encumbrance vs. expenditure. In our State system we have a pre-encumbrance category. Once the approval process has been completed and the requisition becomes a purchase order and sent to the company. Now it is an encumbrance. Once the items or service has been received and paid for, it is now an expense. These numbers on the current report are lower than they actually are as there are items and services in the pre-encumbrance stage. They will be encumbered by the end of the month. Dover shuts down the system for a few weeks in June/July to ready the



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next fiscal year budget. In the business office we look at the requisition to make sure it's legal, appropriate and coded to the correct budgets.

We are closely watching Brandywine Springs, North Star. North Star recently had a \$20,000 purchase for cafeteria tables. That will essentially wipe away a significant part of their budget. Schools wait until the end of the year for such purchases to make sure they have the money for the purchase. John Dickinson is currently at 99.8%. Part of that is \$47,000 encumbered. Sometimes we can manage an encumbrance. A good example is maintenance. We will have an encumbrance for lumber for yearly maintenance. If they have only spent \$2,000 of the \$10,000 encumbrance, and it's June, we can change the encumbrance reducing the purchase order and putting the money back in to the budget. Dickinson has only expended 87%.

The Board of Education is high but they only have one more meeting. School based intervention is very low. Ms. Floore explained that the State gives you funds that are two year funds. These grants cover two years; therefore they are not spent the first year. Being at 26% we aren't worried. Professional development is two year funds as PD is taken mostly during the summer months. Technology and Instruction is at 75%. They are in the process of purchasing as the longer we wait, the longer the warranty lasts. We encumber now with delivery in August. Enough time for the techs to install the equipment before the start of school.

Related services list at 28.7%. We earn special education units for the whole district. But we expend it in our special schools and our regular schools. We now can move the transactions to this line of funding as they have been expended.

Contingency was tapped this year for class size waiver para professionals. Mr. Pappenhagen asked if the contingency funding was just for salaries. Ms. Floore stated it could be for anything. We've had years past that it was driven by boiler issues and broken/frozen pipes. Ms. Rattenni asked if it was for salaries, would the State share the cost. Ms. Floore explained, no, it was after the units were allocated. The State certifies your unit count on September 30<sup>th</sup>. However, we are judged on class size waiver at the end of October. At that time, you can have more students enrolled and your class size can be over. The district has decided not to split classrooms, and instead add push in support. Ms. Floore would like to engage in dialog over this next year in establishing a reserve that is for meeting our obligations and payments through October. After a referendum passes, you receive the money and begin to spend down. We passed the last one in 2008 so our curve is long past. We've discussed a reserve in the past as well. Now that we are getting in the new funds, even though there is a current plan for those funds, we need to establish a reserve. Our attorneys have told us in any type of union negotiations, if the money is in your common fund, it is counted; if it is in your reserve, it is not counted toward arbitration negotiations. Any school district must end the fiscal year with enough to cover summer payroll. Mr. Doolittle stated that we have also talked about maintenance reserve. Mr. Miller explained the only problem with that the public



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believes that money just sits and is not used. We must be clear as to what those funds will be used for. Ms. Floore explained this is not a rainy day fund. But for the delinquency, we appropriate 100% of our revenues. The State only appropriates 98% of its revenues. By law they can only appropriate 98%. We do build in the delinquency as we may not receive all of our taxes.

We've always had a commitment to track referendum funds. Ms. Floore will bring the committee what that tracking will look like. We had said in our referendum, one-on-one devices. The Technology purchases will be succinct. Some, however, were general operating expenses, tracking our bottom line and saving after school programs. After school programs will be in the budget, not necessarily a referendum line.

Of our \$181,571,000 budget, we are 88.6% expended & encumbered and 86.9% expended. Our largest line item is salaries, but you cannot encumber salaries. Local salaries were behind budget last year due to the overtime and harsh winter. This year we are at 89% expended on local salaries.

Federal programs have not increased in the amount of funding. However, they have grown in the divisions of that funding. Title 1 funding is our largest and remains consistent. Title 1 is for high poverty students. Federal grants also run multi-year. Our Title 1 funds are \$5.1 million, but we have until September 1, 2016 to expend that. We received the funding October 2015. Debbie Roberts handles the reporting of these funds.

In speaking of the State budget, the downstate districts are quite upset. The federal allocations just came out and the percentages of poverty changed. New Castle County is anticipating an uptick in Title 1 funding. It's all one funding source. If one or more districts earn more, than others earn less. The downstate poverty isn't going down, but it is not increasing as ours is. In Equalization, the formula has been frozen since 2010. Since then Red Clay has been on the losing side, while the downstate districts have been increased by millions.

At the last Board meeting, Mr. Michael Simmonds, formerly the principal of the Central School is now our Federal Programs Manager as Mr. Malik Stewart has moved to Texas. We will ask Mr. Simmonds to come and present to this committee in the spring giving him time in his new position.

Tuition taxes are taxes for programs that are legally required for the district to provide but are not subject to a referendum vote. Tuition is not just special education, but English Language Learners and consortium alternative placement. Unique alternatives are private placement of special needs students. There is an interagency collaborative team that meets and decides the placement of a student in unique alternatives. First State School is our school in the hospital.



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Minor capital and debt service are separate taxes. Debt services is our major capital construction. Fiscal year 2016 is the final installment of our \$100 million major capital campaign. This will be our busiest summer simply by the number of schools impacted by the major capital improvements. Next summer will be the last phase of construction. Mr. Michalski gave a presentation a couple months ago regarding minor and major capital. Minor capital fiscal year funds are placed together as most improvements happen during the summer months.

We are in a transition now as students are leaving the ILCs and through inclusion will be in their feeder schools. Different settings are in the home schools depending on a student's needs. The budget for the ILCs will therefore be in a state of flux as the funding follows the student to their school.

Related Services in Meadowood is over budget. The State funds one appropriation and then we must break it down to three. The contract for transportation reads as 255% but it is \$7,000. It is a large percentage to a small number. In transportation we have district provided services and some are contracted out. They are combined so not to be over budget.

In Utilities we are 68% expended. We earn energy funds from the State based on unit count. However, a special needs student earns more units. Therefore, you earn more energy money for the building. We don't waste it; we carry it over for the next year.

Our insurance premiums went up. We changed carriers to lower our premiums. On a \$250 million budget, considering what we do every day with students, insurance of \$300,000 is pretty reasonable.

Gate receipts are money received at the school from their sporting events. The school can only spend what they receive. AIHS had a great year, so they spent the funds on fencing and field improvements. They didn't overspend; they just had more than we predicted they would have.

Ms. Rattenni asked about substitute teachers being through a contractor. Ms. Floore explained that substitutes are through Kelly Services and are on track. We have only spent 90%. That line will have to increase. The affordable care act has changed our practices. Anyone who works over 30 hours a week must be provided healthcare. We have no provision to provide healthcare. They are not pension eligible. There is nothing in State Code that allows us to provide benefits to temporary employees. Therefore, we believe we will have to contract long term substitutes out to Kelly Services as well. We will pay a premium for it, but less expensive if we put them through Red Clay. Ms. Henry explained that Kelly Services offers healthcare to their staff anyway. Ms. Floore stated Kelly also offered a discount on this service.





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Ms. Rattenni explained that New Castle County has an attorney assigned for labor review. They are now able to hire seasonal employees who work 37.5-40 hours a week using a measuring tool based on the calendar year. The prior law was a 9 month period that you could not exceed as a full time employee. Now, it is between 5 and 6 months. Ms. Floore explained that the State guidance has told us no more than 3 months.

The overall assessment is on target. We will end the year with \$8 million. Because we are deficit spending, we went to referendum to meet next year's year end balances.

### **III. Referendum Lawsuit Update**

Ms. Floore explained that there are two separate issues with the passing of the referendum. Senator Peterson lodged complaints to the Attorney General's office that were criminal in nature i.e. stating electioneering laws were broken. The Attorney General's report regarded Red Clay as having not having violations. An article was printed in the News Journal.

The second issue is a law suit brought against Red Clay by the ACLU. The complaints are not criminal. It is a civil suit asking for an overturning of the results. There are no injunctions at this time; therefore, we are going forward in setting the tax rate. We have filed a motion to dismiss. We have currently spent over \$65,000 on legal fees on these issues. It will be very expensive if we are to go to trial.

Ms. Floore explained this bridges into WEAC. The legislation right now is introduced to form a committee the WEIC (Wilmington Education Implementation Committee). Our Board has passed a resolution stating no funding, no deal. Ms. Floore believes the only way the legislature would be willing to look at reassessment or long term impact is through this process.

Ms. Floore explained that in order to make this happen, as the law is now, is a referendum vote by both districts. The proposal is to take that away and give the authority to the State Board to redraw the district lines. The bill has not been introduced as yet. Mr. Miller stated that moving the schools to different districts is not the answer. Changing the process to help the students and the families to help them educate the students is what is needed to be successful. Mr. Doolittle stated there is a strong push to make high poverty students funded as in special needs, but that takes new dollars. Ms. Floore explained the State already has a shortfall.

A discussion was held on the priority schools and how we will be receiving 3 priority schools within the 5 schools coming to Red Clay through WEAC. Ms. Floore stated that this priority school program was decided last September and we have yet to receive anything other than the \$40,000 planning money. Mr. Pappenhagen asked if the State was going through with taking over the schools. Ms. Floore explained that Christina said no, so the State is placing and paying for their own Assistant Principals in the schools.



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Mr. Pappenhagen would like to see a comparison on how the new district will be put together to understand the administrative cost of the district and the costs of educating the students. And compare that to other districts in the state. Ms. Floore asked if he was looking at a district to district comparison. Mr. Pappenhagen said yes with a break out of what administrative costs are and what student costs are.

Ms. Floore explained that in 2008 the State budget was drastically cut to all districts and programs. In our case, they cut some very high needs population funds. They slowly have been adding to the program budgets over the course of 7 years calling it Ed Sustainment and made it discretionary. It now becomes the biggest target for a cut again from the State. For the first time they are looking at a two year budget and next year is not pretty. They currently have \$61 in bank settlement money. If they use that, however, that is only one time money. They are looking at all types of revisions in current taxes, income and property.

## **IV. Public Comments**

There have been no public inquiries to the CFRC.

## **V. Announcements**

Our next meeting will be held at the Brandywine Springs Teachers' Lounge on Monday, July 6, 2015 at 6:30 PM.