



Committee minutes

Community Financial Review Committee			
7.6.2015		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	Lynne McIntosh, Tom Pappenhagen, Jane Rattenni Community Members; Steven Fackenthall, RCEA Member; Jill Floore, Red Clay CFO; Monica Henry, Joe Weeks and Fairlight Zimmerman, Members of the public and CFRC Member Vacancy Candidates		
Minutes			
	Jane Rattenni, CFRC Community Member		
Discussion:	A review of the June 2015 meeting minutes. Mr. Pappenhagen moved to accept the minutes and Mr. Fackenthall seconded. The motion carried.		
Action Items	Person Responsible	Deadline	
Monthly Reports			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore presented the reports for the end of June 2015. See Section 1 attached.		
Action Items	Person Responsible	Deadline	
2016 Preliminary Budget			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore presented the preliminary FY 2016 budget. See Section II attached.		
Mr. Fackenthall made a motion to accept the budget as presented and Ms. McIntosh seconded. The motion carried.			
Action Items	Person Responsible	Deadline	
Priority Schools	Jill Floore	September Meeting	
2016 Tax Rate			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore gave a presentation on our 2016 Tax Rate. See section III attached.		
Ms. McIntosh made a motion to recommend the tax rate to the BOE and Mr. Pappenhagen seconded. The motion carried.			
Action Items	Person Responsible	Deadline	
Referendum & WEAC Update			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore gave an update on the Referendum lawsuit and upcoming WEAC developments. See Section IV attached.		
Action Items	Person Responsible	Deadline	
Link to Bills 122 and 148 to Committee Members	Jill Floore	September Meeting	
Announcements			
	Jill Floore, Red Clay CFO		
Discussion:	The next meeting will be held September 14, 2015 in the Brandywine Springs Teachers' Lounge.		
Action Items	Person Responsible	Deadline	
Ideas for Presentation topics	Committee Members	September Meeting	



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Red Clay Community Financial Review Committee Monday, July 6, 2015

I. Monthly Reports

Ms. Floore distributed the June 2015 expenditure reports. This report reflects the end of our 2015 fiscal year. We ended this year with an \$8.9 million balance. This is slightly ahead of our budget. Our budget always includes a contingency which is worst case scenario and we didn't fully expend. We do not have a rainy day fund. Any monies in our balance are carried over to the next year. We are still deficit spending. Last year our ending balance was \$14.6 million. The \$8.9 million is enough to carry us through summer payroll and the start of school. Our taxes will come to us in October. The State requires only one month of payroll in balance.

We received 102% of local revenues. We budget 99% due to delinquencies. We've had years with a greater delinquency but in the past 4 years, we have not. ERate is the reimbursement from the federal government for the technology. This came in higher than expected. Indirect costs for the consolidated grant came in a little lower than expected.

Cscrp is Children's Services Cost Recovery Program. We have therapists who provide services for students. Some of those services are Medicaid eligible. We then bill back Medicaid for those services. The program has gone through a significant change. Medicaid has implemented a new policy in which parents have to sign up for the bill back. In the past, we simply billed on the parents' behalf. Last year we didn't have as many parents sign up and we received less compensation for those therapies. This year, however, more parents are returning the forms and we are seeing an increase in our compensation for eligible therapies. Therefore, the amount of \$158,000 comes through as 226% of the budget received.

Match tax and needs based tuition came in at 100%. Division 1 salaries came in at 105.5%. Division 2 came in at 105.5% as well. Division 3 at 99.94%. This past year we had fewer student attending our schools. We had more students going to Charter Schools, however. We are financially responsible for every child in Red Clay whether they attend our school or a charter school. The money follows the student. The estimate is 200 more students going to charters next year as more schools will be opening their doors. Revenues of \$190 million budget was 100.71%.

We track schools and programs to their budget monthly. One of the last things we do for the fiscal year is a bill back on the copier charges. That can sometimes throw a budget over at the end. Schools can carry over 15% of their budget if they would like to combine it with the next year for a larger purchase such as a computer lab. Linden Hill is significantly under as we allowed the new principal to do so as it was his first year. Also, Linden Hill is losing 30% of their population to Cooke Elementary. Therefore, the principal wanted to hold on to his budget in facilitate the reconfiguration of classrooms,



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etc. Therefore, their remaining balance is \$64,000. Any program that is not a school cannot carry over their budget. The balance is added to the general bottom line.

Legal services has been over budget all year due to the ACLU law suit. A status on that will be later in the meeting.

Ms. Rattenni asked about services being encumbered up until June 30th. Will the balances be adjusted? Ms. Floore explained that we will make a payment against that encumbrance in the coming months so that does not change the ending balance. However, if you have encumbered \$2,000 and the bill comes in lower, the amount releases the unused portion of the encumbrance. It will not go back to the current year ending balance for that program or school.

District Wide services is \$20,000 over budget but the encumbrance is \$41,000. We would have reduced the encumbrance but the system was down by that time.

Related Services is state funding. We received more revenue than was budgeted so we are over budget in that as well because we received more revenue.

Our contingency is our emergency or non-budgeted items. The Board of Ed used this funding when we added classroom paraprofessionals to satisfy the class size waiver. The contingency came in at 18.9%. That remaining balance of \$601,000 goes to the balance.

State salaries came in at 99%. Local salaries came in 97%. Research & Assessment came in over due to copier charges. We are working at a better system to capture these charges prior to the end of our close out.

The total ending balance of expended is 95.1%; while expended and encumbered is 97.2%. We are slightly under last year.

Tuition is 104.4% received. Part of it is due to the delinquency payments. We also received more state revenue than was anticipated. The State pays 70% of students who are privately placed in unique alternative programs.

We went to referendum in 2015 after stretching our operating expenses from 2008's referendum. Our ending balance confirms there is no change to the overall position or need for the additional funds for FY16.

We do not have the federal report this evening. Because it is mid-year for the federal funding cycle, June 30 does not mark the critical date. A report will be provided for next meeting.

Upon review it was noted there was a coding issue for unique alternatives which was incorrectly coded to the consortium. This shows a 257% expended. That is an error between the two lines which even out in total. First State School, however, is \$172,000 over budget. First State is our school in the hospital. We used to only be able to accept



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15 students. With the new construction at Wilmington Hospital, we now increase our enrollment. The contract with Christiana Care is on a per pupil per day basis. Therefore, we are paying more through the budget. This is a county-wide program so we are able to bill back for the program to the sending districts.

Debt service is only at 76%. In July more payments are due.

Contractor and Red Clay transportation costs are looked at together. Due to the high needs of the Meadowood students, we will always try to have a Red Clay driver for those students as we do not want to contract it out. The budget overage is that we had to contract out some runs.

Inclusion is changing many things in the district. Division 58 includes Richardson Park Learning Center and the Central School. These students are now going back to their feeder pattern schools. This budget now has to be incorporated into the different schools where the students will be attending. RPLC will still exist next year. They still have Pre-K students as well as any students going into 5th grade were grandfathered in so to stay the last year in their school. The elementary autism program will also still be with RPLC. The money will follow the students to receive the services they need at their feeder schools.

Mr. Pappenhagen asked if the costs will now be hidden in the feeder schools budgets. Ms. Floore stated, no, not necessarily. While they will be comingled we will still be able to track them as they are tuition funded. The hard part will be looking at a teacher for students once at Central now at McKean. It will look like the operating budget of McKean increased and it will look like there was tremendous growth in the overall operating budget of the district but it is simply transferring funds that were once separate. We could have kept it virtual or separate funding, but that conflicted with the very nature of inclusion and having all students within their feeder schools.

We currently have children with autism who attend a regular school with a para professional. Needs based funding of \$1.5 million will now include the tuition funding of \$4.5 million.

II. 2016 Preliminary Budget

There are two themes to the budget. We passed a referendum and this year will receive an additional \$.20/\$100 of assessed value. For the first year that is approximately \$10 million. The referendum is phased in. \$.20 the first year, \$.10 the next year and \$.05 the year after. The plan is maintaining the balance as well as major initiatives. We will be closely tracking the major initiatives: curriculum, technology and inclusion. This is all assuming the court case does impact the referendum. We will bring this preliminary budget to the Board on Wednesday, July 8th.

For Revenue, looking at the 2nd column from the right on the budget pages. We estimate we will receive \$10.8 million from the referendum. Ms. Rattenni pointed out that this



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gets added to the \$8.9 million carry over from FY 2015 but because we were deficit spending in FY15 it is not necessarily summative. There are other small upticks associated with the local funds balance. With more revenue, we will receive more interest. Regarding Choice, we anticipate a 3% increase of students coming to Red Clay. Those student dollars follow the student from their home district to Red Clay. Income from fees is an adjustment. We recently had a surge of rentals. Part of that is the new Cab Calloway Theater. There is an initiative to have a part time person renting that space to the broader public.

The resource teacher is a special tax. We had prior carry forward balance, therefore, we had \$1.2 million available last year vs a lower amount with less carryover. We are only allowed to tax to a specific rate. That is the reason it is dropping to \$980,000.

Needs Based Tuition is reallocating \$4.5 million (existing funds) from the special schools to the feeder schools due to inclusion.

There is an estimate that we will have an additional 200+ students attending charter schools this year. Therefore, the charter payment was increased.

Local revenues will go up \$14 million but part of that is reallocating the needs based funding. Our local balance had gone down giving us less of a cushion to start with. The budget projects approximately \$83 million total local funds available.

For State revenue there appears to be an increase. However, the State is not giving us \$6.4 million more funding. That is the State money for salaries of those needs based teachers going to move with the students. Divisions II and III students and funding will also be moving accordingly.

Expenses show where the referendum funding will be used. Curriculum and Instruction which includes Schoology, AVID, the TAG program, resource teachers, and textbook adoption. Referendum technology will receive \$1.3 million. Those are the two referendum initiatives. These budgets will grow in the second year. The original plan for the referendum was \$.25 the first year and then \$.05 for the next two. We are living up to the commitments made for the Referendum and will track them closely.

Maintenance (Facilities Management) is not increasing as its shown \$433,000. They had requested the finances be in one operating unit. There are some items that are transportation and then others that are transportation maintenance. They wanted to clear that and take the transportation maintenance funding and put it into maintenance for easier payment and tracking. We will leave the line in the budget to track it for one year before taking the line out of the budget.

Special Education reflects the expenses that are funded from both local and tuition revenue. The students will be in their feeder schools, but the expense tracks from this line. Ms. Rattenni stated that the school budgets will not increase as the funding will be in this line. Ms. Floore explained that the building budgets will, in fact, increase as it



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will be based on unit count. Attendance zone changes will also affect the building budgets. Brandywine Springs will have a reduction as they have students going to Cooke, even with inclusion. Ms. Rattenni asked how many students are moving into Richardson Park Elementary. Ms. Floore estimated 100. Ms. Floore explained that with inclusion, the ELL students no longer go to ELL centers schools such as Mote, but to their feeder schools. This largely impacts Forest Oak.

We did an ESCO project and it greatly reduced our energy and utilities usage. The project was costly but it is paying for itself in our reduction in usage costs. These are low flow toilets, etc. Low wattage lighting in the gyms has saved a great amount of cost.

School based intervention. This is State funding for priority schools. We received \$40,000 for priority school planning as we are expected to be in priority school status this coming school year. The State asked us to set the budget for priority schools at \$750,000 per year per school, and then changed it to \$350,000 per year per school. Therefore, we spent 9 months making plans that now have to be revamped by July 15th. Teachers have already done the training. Mr. Fackenthall commented this was very troubling. Also, in June, the State told us to take 10% of the Title 1 funds we receive and designate them to the priority schools which further impacts other programs. Ms. Floore will have an update on priority schools at the next meeting. The three schools are revising their plans for submission.

Technology in theory is more expensive than curriculum. However, technology cannot be properly implemented without teacher training. Curriculum's budget handles the training which will be part of the first year's investment. Technology will go up next year.

For school budgets there are two complicating factors. One is carryover of up to 15%. Therefore the schools can look inequitable depending on what they have available to carry over. In addition to that, the budget also reflect the impact of attendance zone changes. Many schools are shrinking in numbers and did not have carry over. Linden Hill is the exception as it was a new principal allowed to carry over more than 15% to offset the loss of so many students to Cooke. Richardson Park is going up in the number of students. Inclusion also adds to the budget increases. Transportation is impacted by inclusion as we will transport more students. However, transportation came in last year at over \$500,000 under budget.

Local salary and benefits includes steps and lanes for employees. The OEC rate for the state went up .5% which means that rate also must be built into the local portion of the salary. However, if the state gave a raise, only the state side goes up. We did have an increase by contract for the local side. The contracts had a 0% increase for the prior school year, and there is a proposal for the BOE for this school year for a modest increase. Ms. Rattenni asked if the state makes up the difference. Ms. Floore stated, no. If local gives a raise, it only affects local and the same for the state. However, the OECs affect both sides. Ms. Rattenni stated that the state pays 60% is that actually 60%? Ms. Floore stated it is an average. Ms. Floore explained that every teacher has a salary



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schedule and every salary has a state share and a local share. The state only pays their share. When you average out all salaries, the split comes in at 60/40. Every year, however, that average can change even between steps.

Our new ending balance will be what we expected. The costs are going up but it will be offset by the new funding. The projection is to end the year with \$8.9 million. However, the contingency of \$784,000 would hopefully, not be used. And with careful carryover, we could end 2016 with \$10 million balance. Ms. Rattenni asked if we want to take the opportunity to increase the contingency money each year. Ms. Floore explained that it is a percentage revenue, therefore it can be an odd number. The problem would be increasing it after a referendum and then decreasing it every year after because fewer local revenues will be available. The Committee has talked previously about having a dedicated reserve. Ms. Floore will speak to that at a later meeting. Some districts have policy, some have procedures while others have neither. If we place a \$7.5 million reserve on the budget, it will be only on paper.

Ms. Rattenni asked about increasing Legal services budget in light of the case load of the last couple of years. Ms. Floore explained that the last 2 of 3 years we had settlements that shouldn't be there this year. If we go over budget, it makes everyone aware of the costs associated with legal cases. The referendum lawsuit is also over \$100,000 in fees to date and this only entails the motion to dismiss. Trial would be much costlier. Ms. Floore will be coming back to the Committee with a final budget and may request an adjustment at that point. And we also have a new Special Education Director coming on board. Many of our legal costs are driven by special education so it will be an area that is closely watched.

III. Tax Rate

Ms. Floore presented the Tax Rate for 2016. There are four components to the tax rate. The operating expense tax is for every \$100 of Assessed value of the property. The additional \$.20 is due to the referendum vote. Current expense is the largest but not the only local tax category. The Match Tax is where we pay for our local share of state matching appropriations. The state will give us funding for specific projects, and we have the option to match it with our match tax. Former funding included extra time for teachers, Minner Teachers and technology. The funding is no longer there, but by law, we are allowed to continue to levy the local share. Tuition tax is the special education funding. The inclusion changes where funds are expended as funds follow the child, but it does not change how much is being funded. Debt Service is its own tax for the bonds bought by the major capital improvement referendum.

Ms. Floore explained that prior to 1981 we were one Wilmington School District. Then, we were broken up into 4 school districts. The tax rate at the time was \$.468 across the area. Brandywine, Colonial, Christina and Red Clay, to this day, all pay the first \$.468 into the tax pool. Then we receive our share out based on the percentage of students. The percentage of students is being contested because we have now inclusion and some districts are able to count Intense and Complex students while others are not. Under



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Desegregation, our special schools were excluded. Brandywine who went to full inclusion several years ago now gets more credit for students than the other districts. Our overall loss to the tax pool is \$1.9 million. If you did Red Clay tax rate times assessments (\$5.2 million) you would come up with \$1.9 million more than what we're getting from the tax pool. Legislatively, the WEAC is aware of it. We have tracked it over time. Red Clay subsidizes other districts. It will be a significant part of the discussion with the WEAC.

Equalization is not the tax pool. Equalization is state funding intended to "equalize" disparities in taxable assessments and taxing efforts between districts. Equalization is very broken and the formula has been frozen since 2009. Red Clay's unit per value is 6465 as are the four NCC district. For the purposes of equalization, our tax pool is considered one large district.

The State budget left the districts untouched. The discretionary fund was given a small increase in ed sustainment money. Teacher steps were covered but no general state salary increase funded. There is \$117 million structural budget shortfall in FY16 that has not been addressed. They filled the underfunding with one time money from the home sale settlement.

The recommended tax rate increases are: \$.20 for operating expenses, \$.01 for tuition, \$.005 for debt service, and match tax is being reduced by (\$.0002). The total increase will be \$.213 as the increase for school taxes. The average household will pay an additional \$210 in school taxes this year. Local funds account for about 40% of the operating budget. Our overall assessments went up .5%.

Our tuition budget increased. Not all students are leaving the ILCs and going to a feeder school. Some students from Central and RPLC will be in the Meadowood program. Our expenses are expected to increase by \$500,000. Therefore, the tax rate went up by \$.01. Mr. Pappenhagen wants the presentation to the BOE to reveal exactly how much revenue the tax increase will generate. Ms. Floore will make sure the presentation shows the \$10 million of generated income due to the referendum. Ms. Rattenni asked if it should be represented as \$.35? Ms. Floore explained that only the \$.20 is this year with the \$.10 and \$.05 the two following years. You don't want to represent it all in this year. Mr. Weeks noted a typo of \$1426 as a current expense rate with a \$1476 rate listed on the summary page. Ms. Floore will make the change to \$1426. The \$1476 was the amount when we were considering \$.25, \$.05 and \$.05 for the referendum. Ms. Henry asked about adding a footnote on Page 2 notating the \$10 million revenue so it's seen earlier in the presentation. Also noting the \$5 million and \$2.5 million the next two years. Ms. Floore agreed.

In Summary, Match Tax is 3%, Debt Service is 7%, Tuition is 18% and Current Expense is 72%. By law the tax warrant must be submitted to the County by July 9th. The County then sends out their tax bills to the public. Some people do pay early but the majority arrives in September. The Board will vote on the budget the following month in August.



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Ms. Rattenni asked for a motion to approve the budget as presented for 2016. Ms. McIntosh made a motion to approve the budget and Mr. Pappenhagen seconded. The motion carried.

Ms. Rattenni asked for a motion to recommend the tax rate for 2016. Mr. Fackenthall made a motion to approve the tax rate and Ms. McIntosh seconded. The motion carried.

A final budget will be presented to this Committee in December. We will discuss a reserve fund and priority schools in September.

IV. Referendum Lawsuit and WEAC Update

Ms. Floore explained that our attorneys filed a motion to dismiss the lawsuit brought against Red Clay by the ACLU. Oral arguments are being presented on July 9th in the Court of Chancery at 2:00 PM for the motion to dismiss. If we do not prevail, the lawsuit will go forward with discovery and trial.

The Delaware Legislature passed two bills, 122 and 148. Bill 122 establishes WEIC, the Wilmington Education Improvement Commission. The Improvement Commission has until March 2016 to present a plan to present to the General Assembly that includes funding. If the State House and State Senate pass the bill, then the State Board, can redistrict. This removes a need for referendum to redistrict school boundaries. The State Constitution states very clearly that they cannot do that so there is question of a challenge. Ms. Rattenni asked if the District Superintendents are making a statement about that. Ms. Floore explained that is a board determination.

Ms. Floore will provide copies of the bills at the next meeting.

V. Public Comments

Ms. Floore distributed expenditure reports to the Committee. Mr. Piccio had a request from a community member for additional reports to be printed. The reports are expenditures by account code. Coding by account is up to the principal or requisitioner and can mean the same thing appears under two categories. i.e., if we need port-a-potty. One group may code it to athletics as it's for the athletic fields and use while another may code it to utilities. People use their best judgment and the business office attempts to correct as many as possible but given the volume of requisitions it can be an overwhelming task.

Ms. Rattenni stated that when the committee was formed, prior to the state mandate, our roll was to review expenditures not to set policy for the board, nor review the auditors. We developed this monthly report to look at the overall bottom line as well as major peaks and valleys. We determine on a monthly basis where we should be to have the ending balance and pay our account payables.



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There were no public comments to the CFRC directly at this time.

VI. Announcements

Our next meeting will be held at the Brandywine Springs Teachers' Lounge on Monday, September 14, 2015 at 6:30 PM. Ms. Rattenni suggested the topics of Priority Schools and Funding Reserves for the September meeting.

Mr. Fackenthall asked has the administration been in contact with the priority school based committees on revising the plans for priority schools. Was the \$750,000 for all schools or each school? Ms. Floore explained that the plans were written at \$1 million the first year, \$800,000 the second year and \$900,000 the third year. Each school wrote a \$1 million plan per year. As of June, the new plan is for approximately \$1 million total over 3 years.

Ms. Rattenni asked the three community candidates to let the Committee know if they are interested to be full members of the CFRC.