



# Committee minutes

--Community Financial Review Committee			
11.10.2015		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, Monica Henry, Larry Miller, Tom Pappenhagen, Jane Rattenni Community Members;		
	Mike Piccio, BOE Members; Jill Floore, Red Clay CFO;		
	Henry Clampitt, Community Attendee.		
Minutes			
	Jane Rattenni, CFRC Community Member		
Discussion:	A review of the October 2015 meeting minutes. Mr. Doolittle moved to accept the minutes and Mr. Miller 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 October 2015. See Section I attached.		
Action Items	Person Responsible	Deadline	
Expenditures related to Referendum to Committee Members	Jill Floore	11/13/15	
Tuition budget	Jill Floore	12/8/15	
Referendum			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore gave an update on the referendum lawsuit. See Section II attached.		
Action Items	Person Responsible	Deadline	
WEIC			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore gave an update on the WEIC proposal and finance committee meetings. Section III attached. Mr. Doolittle made a motion for the CFRC submission to the BOE be submitted to WEIC as public comment. Mr. Pappenhagen seconded. The motion carried.		
Action Items	Person Responsible	Deadline	
Announcements			
	Jill Floore, Red Clay CFO		
Discussion:	The next meeting will be held December 8, 2015 in Baltz DO Board Room at 5:30 PM.		
Action Items	Person Responsible	Deadline	



# Committee minutes

## **Red Clay Community Financial Review Committee Tuesday, November 10, 2015**

### **I. Monthly Reports**

Ms. Floore distributed the monthly reports for October 2015. This month's report shows the majority of revenues were received for local property taxes. This includes what was already there in the prior month. We are 99.51%. We will get more in as late payments arrive. We will more than likely go over 100% as we factor in a delinquency percentage. This is consistent with prior years. We are \$326,000 short of the budget estimate on local revenue. Because the tax money transfers at the end of the month, it is dropped into a holding account called Match Tax. There are several components to Match Tax. We will move the money this month and it should be seen in the proper lines of budget next month. Indirect costs of our federal funds has not been transferred at this time. Income from fees, we are ahead from last year. This is funds from facilities use, i.e., athletic fields, gyms, etc.

Needs Based Tuition is funding for intense and complex students within their schools. These tuition funds follow the students who are no longer in one school. It is an increase over the line from last year. We did make a significant transfer of \$4 million to support the costs and will make the remainder later in the year.

Division I percentage is slightly lower than it was last year. The front loading of funds by the State is based overall budget of last year. Our budget is larger this year as we moved expenses from the special schools to the feeder school due to inclusion. The same is true with Divisions II and III funding. But they are all within the 70-75% preload amount.

Technology follows more closely as it is based on units not budget. Transportation follows a separate formula and is at 89%. Education sustainment closer to the 75% preload. Summer school crosses the fiscal year. At this time we are showing 58% means that funds for some classes were collected after July 1<sup>st</sup>. We do have payment plans for students in summer school. We use what we collect for the classes.

In State All Other at 98% is in large part reflects the \$366,000 per priority school. We had expected it to be loaded as Federal funds but it came in as State funds. It was in the budget under Federal funds. In the final budget, we will reflect the 3 priority school budgets of \$366,000 broken out.

Our total revenues are 80.78%. This is behind from last year due to the State salary line which is 5% lower than last year's budget while we received more funding than last year. We received \$67 million as opposed to \$66 million. The local revenue last year was at \$54 million, and we are anticipated \$10 million from the referendum tax increase, so we



# Committee minutes

are \$65.7 million. There is small .5% growth in assessed values in year to year. We came in close last month as we said we would. We are no longer deficit spending as we said would be the case after the referendum.

On expenditures, we would expect to be at 33%, 4 months into the school year. Mr. Pappenhagen asked about legal fees for the referendum lawsuit, would they be in legal fees. Ms. Floore said yes, but she will talk more about that when we discuss it later in the agenda. Legal services is line 47 with a \$500,000 budget which we have expended \$132,000 with 48.3% of budget.

Ms. Floore highlighted expenditures related to the referendum. Much of the referendum funds are filling our gap between expenses and revenues keeping the programs we currently have continued in the budget. We knew what we would have to make significant programmatic cuts had the referendum not passed. With the passing of the referendum, we were able to continue with the initiatives in place. I.E., SRO's. Curriculum & instruction, library & arts, and assistant principals. The math textbook adoption was \$1.5 million. This is found in the increase in Curriculum and Instruction and new math materials are already in place in all of our elementary schools. It was a significant part of the referendum.

The next was technology and tech instruction. We had this line before in 2008 when we passed the operating referendum. At the time, there was no tech refresh in the operating budget so when old computers died there was no dedicated source for replacements. The 2008 referendum established a tech refresh separate from the operating technology budget which pays the salaries of those who support our technology labs, servers and hardware and daily use. Kristine Bewley gave an earlier presentation to this Committee regarding the funding lines. We are now adding to the tech refresh with the 2015 referendum. Approximately \$450,000 has been purchased in Chrome Books thus far as they develop the plan for 1:1 technology devices with the rollout starting in grades 3, 6 and 9. They are working through the plan, the insurance, if the students take the devices home, pay a security fee, etc. There are pilot programs going on now. The IB program at Dickinson has iPads that the students have access to and take home. They are being worked out not by the Technology Department but by a Technology Committee. That committee is comprised by a wide range of representatives similar to this Committee. The Curriculum budget is similar in the fact that it existed before the referendum and has gotten the boost from the referendum. The problem with having separate lines is that ultimately, in 20 years, we will grow exponentially into many lines. Curriculum is also supporting the Talented & Gifted (TAG) program.

Another major initiative was hiring full time behavior interventionists at the schools which we have done. We did an RFP and contracted out to an organization who trains and provides the staff. Positive Directions is a local company located in Wilmington. The encumbrance you see in the salary line is for this contract to Positive Directions. We only encumbered enough to get us through October salaries. Now that our funding is in, we will encumber the full year. Those were the main initiatives or additions and exactly where they can be found.



# Committee minutes

Once we get through December, we can go back on schedule of having presentations to the Committee. Ms. Floore doesn't believe the WEIC and Referendum will need to be static items at that time. Especially for our new members, if there are areas you would like more information on, requests for presentations from specific departments can be made. We have been having these presentations since our inception in 2007. It is good to have the information directly from those department heads.

The Board of Education is at 75%. The largest expenditure from that budget is for the one-time payment of the School Board Association dues. The total expended and encumbered is \$32,000.

The \$36,000 is the State grant we receive to help support the First State Hospital. That is why it is at 100% expended and encumbered.

Human Resources is at 83%. That is due to the legal issues we've had in HR with the visas for our teachers. There are different visa requirements depending on the type for a particular employee. This one requires the employer to be the sponsor. These teachers work at Lewis in our dual language program.

Student services is over 100%. Ms. Floore will be bringing a recommendation to the Board to increase that for the final budget. There was a decision made to increase our support that we were receiving from Communities in Schools. These are employees working in our high schools. Part of the timing is when the support is available.

For this point in the year, we expect to be at 33%. We are currently at 32.6% expended and encumbered.

The largest line for us is salaries. We watch the line very closely by category. Right now it is under at 31.7% expended, 32% expended and encumbered. Payroll does not follow this schedule. We have 26 pays in a year. Right now, rather than 33%, we have had 9 of the 26 payrolls expecting to track at 34.6%. 2.6% is a large percent. We are not \$1 million under budget. It is due to moving RPLC and Central to the regular schools. That movement hasn't happened in its entirety. Looking at Page 8 looking at Division 58 lists local salaries at 61%. Central School no longer exists. However, RPLC still exists with the PreK, students with autism and 5<sup>th</sup> graders. Part of the new school year's payroll didn't start until September. There are 3 pays between September and October. Therefore Division 32 is under, and Division 58 is over. Right now we are watching how it transpired and we will adjust for the final budget. In total the two division salaries are within budget.

This is the year we are spending a significant amount of time moving and tracking to make sure the tuition funds are following those students. We are capturing the tuition costs differently under inclusion with the intent of capturing the services for these students and this is the funding following them.



# Committee minutes

We are in a new fiscal year in looking at the Federal Grants. In Fiscal year 2015 you are seeing the end of the funding. The start of the FY 2016 funds begin. The Federal calendar is different than the school district fiscal year. We are in month 1 of those grants.

Tuition funds are set by the Board. We are now at 96% received. Very similar to the local funds. Last year we were at 92.68%. Mr. Doolittle asked if some of the tuition revenue is shown in the operating income. Is the total tuition tax added to those two budgets? Ms. Floore explained that the tuition tax shows everything that has been collected under tuition. That is actually a reflection of a portion of this budget. \$24 million is split to Meadowood, RPLC, ELL, private placement, consortium, First State School and needs based funding. That funding is in the operating budgets and Division 54 and 58. Mr. Doolittle asked if we had enough carryover as \$6 million. Ms. Floore explained yes. In the budget the carry forward budgets for each line. Ms. Floore also explained that Mr. Doolittle was looking at State funds as well. First State School is our largest expenditure, but it is not all Red Clay students, therefore, it's our largest tuition bill that we send to the other districts to repay for their students.

Meadowood follows the traditional expenses. Their salaries are at 33.9%, on target. Meadowood grew this year as some students from Central School did not transition to the regular schools, but are now in the Meadowood Program as well as new students. Meadowood is at 30.2% expended and 35.6% expended and encumbered.

Division 58 is not on track which we have discussed. Percentages vs relative dollar value can skew perception. 2% on the operating side can be a \$1 million while 30% here could be the same number. Together as the funds shift for inclusion, the two total together are on track.

Mr. Doolittle asked what our operating budget surplus will be this year. The estimated carry forward is approximately \$7 million. The original referendum was to be \$.25, \$.05 and \$.05 for three years but it was changed to 20 10 and 5. That margin in the first year is now smaller so to do the things that were promised as part of the referendum and also close the revenue/expenditures gap leaves an ending year balance that is sufficient but about the same as last year. It is enough to carry through us the October salaries.

Mr. Doolittle asked if we've done the SIG applications for Highlands and Shortlidge. Ms. Floore stated that yes we have. We could not, however, do one for Warner.

Mr. Miller wanted to explain for the new members about the ending balance. Ms. Floore explained that this year we started to look at what is a reserve. There is no such thing as a surplus. We operate on a modified cash basis. The teacher's salaries are on a 26 pay. If we closed our doors on June 30<sup>th</sup>, we would still have a considerable amount to owe through summer salaries. That is why we are required to have a carry forward balance. It is obligated, not a surplus. The additional layer on that is, as you build a referendum, you may have additional funds that you use in the out years. As Mr. Doolittle stated, we aren't going to have \$15 million ahead of where we are. We don't have a policy that sets



# Committee minutes

aside a reserve. Everything that is cash, is shown on this report. Everything not spent, is our carry forward balance. This Committee wanted to establish a dedicated reserve. The issue with that is that in order to fund one, we would have to ask the tax payers for one. It would be over and above your operating funds. That is a tough sell to ask people for money to hold it aside. We will bring that discussion back in January. Once the final budget is done, we will know what our net increase will actually be.

## II. Referendum Lawsuit

Ms. Floore reported the insurance company is working with us and our coverage includes a portion for defense costs.

## III. WEIC Update

Ms. Floore gave the Committee an update of the most recent WEIC finance committee. The Board of Education had a workshop after the November 2<sup>nd</sup> meeting. The Board had a 4-1 vote to support the implementation plan. Dr. Daugherty made the comment at that time that without knowing the funding, there is only so much work you can do to prepare. We will know more in the Governor's recommended budget in January. A draft interim report that will be released by the WEIC Commission to the public for comment. That happens on November 17<sup>th</sup>. The draft is being populated by the committees' recommendations. In the funding section there is currently an unfinished section that is being discussed. The full report will be submitted to the State Board on December 17<sup>th</sup>. Between that time, the public hearings and meetings will take place. The information is on the [solutionsfordelawareschools](http://solutionsfordelawareschools.com) website.

Ms. Floore gave the WEIC finance committee information on the revenues that would come in and the expected expenses. The best data we have shows how many students that live in the city attend charter schools, how many students live in the city but don't go to their feeder school and choice out to another Christiana school, how many students live in the city and choice out to another district, and how many attend their feeder school. There is also a group of students who attend a tuition school. The first look at the data lists 4,762 students. 2,255 live in the city and attend their attendance zone schools. This includes the 5 schools in the city and the 464 high schoolers. 1,322 who attend charter schools. 983 choice out of Christina. 202 are tuition programs.

The WEIC Christina property assessment is \$1.1 billion. We are very close to Christina in our operating budget as our local per pupil expenditures per district. They are slightly higher in their tuition tax. Take this assessment times our current tax rates, the available funds would be approximately \$12.1 million. In addition, there would be \$4 million at our tuition tax rate equaling \$16.1 million.

We have a local per pupil figure for K-3, 4-12, as well as needs-based. These students may not easily fall into the categories but it's our starting place. Listing all of the students above as getting average local per pupil times the local per pupil in their age



# Committee minutes

group. Based on our expenses, that cost would be \$21.9 million. There is a disconnect on how much is coming over and how much is expensed out. And these are estimated average expenses. There is no level of extra support yet every district will tell you there is extra support that goes to the city schools.

The finance committee discussed alternatives. Right now the 4 district collectively and individually support the city students. This would tip the balance and put even more expenses on Red Clay. This is the issue that is frequently referred to as disproportionate impact.

The tax pool was established in 1981 and said that each district got a percentage of the total pot based on the number of students. We continue to lose money in the tax pool. If Newark is losing the city students, their communities will question continuing to pay for it. Combining the districts creates a mammoth district taking away from the community. Another solution was a county-wide tax going to support city students. Several members of the committee stated that until we recognize the issue of the property taxes of the city property owners does not support the city students, we will always have this issue. Right now Christina is sending money to Brandywine under the tax pool. The system is broken. There has been no willingness to fix it. To take the tax pool away from Brandywine would increase their taxes or be in deficit. Mr. Miller stated we know they are working with a failed formula and moving it to Red Clay.

Mr. Doolittle stated that the State could come up and fill the hole with equalization. There are many complex hurdles this process has to go through. Regardless of redistricting, there are some serious flaws with education funding. Since 2007, when Ms. Floore began with Red Clay, we have been very unsuccessful with having those conversations. The people working on WEIC, however, has been getting that conversation started.

The only precedent we have is 1981 the district was broken into 4. The tax rate at the time was 46.8 cents and Colonial was the poorer district in terms of property values. At the time they could have said, that's too bad Colonial will have to raise their taxes and Red Clay, Brandywine can lower theirs. But they didn't. Everyone continued to pay 46.8 cents and put into the tax pool. Mr. Miller stated that is what the vocational technical schools have. County-wide tax on the cent is \$1.8 million. It closes the gap quickly. Mr. Clampitt suggested we also look at separating residential and commercial tax parcels.

Mr. Pappenhagen asked if we needed to give a vote of support of the WEIC submission. Mr. Floore stated that a statement has already been submitted to the Board. The Board used that recommendation during their workshop. The Board's recommendation mirrored the submission. Moving forward, this Committee would have the opportunity to make an official public comment on the WEIC draft or make the same statement as part of the public record. It is not part of the WEIC public record. Mr. Doolittle stated that the final draft is going to the State December 9<sup>th</sup>. Therefore, if we want to vote tonight it will be in time for the WEIC report.



# Committee minutes

Mr. Doolittle made the motion that this Committee's recommendation previously submitted to our Board be submitted to WEIC as part of the public comment to the State, Mr. Pappenhagen seconded, the motion carried.

Mr. Piccio added that if the Board had the student and expense numbers presented tonight prior, than they may have thought differently.

## **IV. Public Comments**

Mr. Clampitt stated that he had been on the State website and looking at the checkbook, could not find a relationship with this data. Ms. Floore explained that the online checkbook is list of every expenditure to every vendor. The data presented tonight is a summary of the expenditures and the funding lines of where those expenditures come from by operating unit or area of the budget.

Ms. Floore stated that the expenditures on the online checkbook will be in this report, some may be in 32, 54 and 58 budgets, major capital improvement projects, etc. We have many types of coding on the expenditures, and they can be sorted by each one. The checkbook only has it by vendor. Ms. Rattenni explained that the monthly report has evolved as this Committee has asked for the numbers in this fashion. Our focus is to stay on target. We have special topic presentations monthly to drill down in the expenditures themselves. Mr. Miller added that we also have the audits that validate the front line balance and interface with the State budget office and auditor's office. Ms. Floore stated that we had a Financial Statement audit that was done at Red Clay's request. However, we have yearly audits performed by the State in our offices on operating funds, major capital funds and federal funds. This Committee receives results of those audits.

Mr. Clampitt suggested review of the membership policy of the committee. Mr. Doolittle stated we are the only committee defined in regulation. Ms. Floore stated this Committee is grandfathered. Ms. Rattenni stated that when this Committee was formed the by-laws were submitted to DOE for their approval. We've been administering based on those by-laws. Mr. Miller asked for Ms. Floore to get an opinion on our compliance issues. Ms. Floore will follow-up with Dr. Broomall as well as the state.

Mr. Miller mentioned that prior to it formally being required we actually reached a point that the State said we didn't need the committee, but our Board decided to continue it.

## **V. Announcements**

The next meeting has been changed to the Baltz District Office Board Room on Tuesday, December 8, 2015 at 5:30 PM due to a conflict of a WEIC meeting taking place at Warner Elementary at 6:30 PM on our meeting date.





# Committee minutes

If anyone has ideas for presentation topics at future meetings, please email them to Ms. Floore.