



Committee Transcript

Red Clay Community Financial Review Committee July 11, 2017

I. Minutes & Transcript

The June 2017 Minutes and Transcript were reviewed. Mr. Doolittle made the motion to accept and Ms. McIntosh seconded. The motion passed.

II. FY 2018 Preliminary Budget & Tax Rate

Ms. Floore distributed copies of the Red Clay FY 2018 Preliminary Budget. Many of the CFRC members had attended the Board of Education budget workshop during June where the increases needed under our tuition funding was discussed. We were waiting to see what the final budget would include and it is worse than anticipated. Originally, there was a proposal to cut \$15 million from education from the State budget. There was also a proposal to switch funding \$22 million to a local district match tax. The idea that property taxes as a revenue source being lower than neighboring states needed to be part of the fix for education, but the mechanism suggested during the course of the legislative session was the match tax. Up until the last minute on July 2nd in Dover the legislators were not able to reach a revenue package together. They scrapped PIT and increased RTTT by 1%. The increase of RTT was not enough so some of the cuts in the original budget of grant & aid, fire departments, etc. were made. On the education side, they continued the \$15 million cut plus an additional \$11 million in cuts to districts for a total of \$26 million in education cuts. The ability for districts to utilize the match tax was put aside as there wasn't a consistent message from the districts and school boards.

Red Clay's portion of the education cuts is \$2.96 million. This goes into the preparation for the preliminary budget as well as the tax rate target. The Board will have to approve our tax rate at their meeting, tomorrow. Our proposed tax rate for FY 2018 is 5 cents increase for current expense, which was approved by referendum, tuition tax increase is 9 cents as discussed at the workshop, however debt service and match tax does not change. Therefore, the total increase is 14 cents from last year to this year.

The June/end of year monthly report is reflected in the FY 2017 actual of this preliminary budget. We received more in tax receipts as we budget 99% and more taxes were collected. No change in the MCI technology match. Choice income net of payments is low because all districts have not executed the settlement agreement with Christina. That will go into FY18. It is \$230,000 and next year we will receive \$460,000 for both years and then we will see the income drop back to \$230,000. Income from fees is up as we rented our facilities more often than projected. Summer school we collected more from students as more students needed classes over the summer. Total local funds difference between budget and total is \$86,000.

Ms. Thompson asked if the legislature lowered the senior tax rebate. Ms. Floore explained that yes it has been reduced by \$100 this year.



Committee Transcript

For next year for the referendum increase in expense is 5cents for an estimated \$3.2 million. That is also the slight variation in our assessment rate which went up .18%. Interest we ended with just over \$11 million. We ended with a healthier balance as we knew budgets would be cut and we were hoping to bridge the gap in school years. MCI tax match is set by a formula. Senior tax credit was changed from \$500 to \$400. Last year we received \$2.7 million and we are estimating \$2.178 million this year due to the cut. That difference estimates seniors will be paying \$544,000 more than they were this year. We'll get more on the tax side directly and less from the State.

There are two parts to current expense. The first 46.8 cents goes into the tax pool. The rest is on top of that. The pool calculation is \$23 million and the rest is \$58 million equaling \$81 million.

The other big change is in needs based tuition. FY2017 the revenue in tuition tax was \$5 million to fund intense and complex in the special education services operating budget. The positions themselves are housed not only at Meadowood and RPLC but also the feeder schools. Inclusion changed this. The significant change this year is to place full time psychologists and full time educational diagnosticians in every school. We also had an additional 200 students enter after September 30th. Last year needs-based was \$5 million, and this year it increased to \$8 million.

Ms. Thompson asked why resource teachers funds went down. Ms. Floore explained that we had a balance in that appropriation but we are only allowed to charge the match tax for the amount of local salaries back when it was set for \$759,000. We use that but no longer have the balance available. This year we only have \$100,000 in the carry forward, so we then have \$759,000 to fund those teachers. Therefore, we only had 11 teachers last year and we will have 8 this year. Ms. Thompson asked if they were all locally funded, and Ms. Floore explained that they are funded through this match tax. Mr. Doolittle added that this is all by board decision and no longer State mandated. Mr. Chase asked if those were teachers who retired. Ms. Floored answered that no teacher we collapsed units but were able to do that through attrition. Mr. Doolittle asked if the match tax goes down slowly. Ms. Floore answered that it can only by the local share of 21 teachers so it virtually stays the same each year. We increase it only as much as what would our share be of the local salaries. It is not proportional with the assessment or referendum rate.

Ms. Floore explained the charter school payments. It is a calculation. Ms. Floore has been in contact with the State and right now we have 3,100 students enrolled in charter schools, about a 5% increase. We don't think there will be another large increase. It is a \$500,000 increase in our charter payment. Mr. Doolittle asked if some of that is a natural increase in our local share. Ms. Floore agreed that it was.

Everything is a placeholder as we have to wait for 30th count for our actual enrollment. We will give the State a list of all of the areas they can cut the \$3 million from our budget. Part of that can be positions that we hold vacant for the year. When we hold the position vacant, they will give us \$80,000 for a teacher which includes salary, benefits



Committee Transcript

and pension. The local share to that teacher that we will not spend. So, there will be reduction from the State and local side.

The changes, therefore, on the local side are the referendum tax increase, the senior tax rebate, and the tuition tax increase to support intense and complex students. This is only for the traditional schools with inclusion. There is another section for Meadowood and RPLC students for tuition.

As far as long term planning, the hope is that we will stretch through this year and next and go to referendum in Spring 2019 for the 2020 budget. Ms. Thompson added that we should go early in case we have to have a second vote. Mr. Piccio added that we will follow all of the new rules in place as well as any new ones.

Ms. Thompson asked if there were salary cuts at the State level or healthcare cuts. Ms. Floore explained there were no salary cuts, but the healthcare did have changes. They cut double State share to 50% and put a placeholder in the budget for \$2M in reductions to the health plan to be identified. Ms. Thompson added that State benefits are better than most, while the salaries aren't as high as the private sector.

Ed Sustainment is very clear as it is going down \$2.2 million based on the state cuts. The vast majority is there and some in Division 1 salaries. Ms. Thompson asked about Transportation. Ms. Floore explained the State left it at its current funding. There is no match and a small increase for the contractors. Therefore, there is a slight increase for Transportation.

Our revenues are going up due to enrollment and steps and lanes. The State argues that every year they put more and more money into education. While this is true, we have less discretionary funding today than in 2007 on a per student basis. They are funding unit count, not extra time or SROS and reading teachers. As the unit count goes up with students, other programs have faltered in funding. Mr. Piccio stated that this is what we need to write down and bring to the public. Telling them the costs that have been absorbed by the district.

Ms. Floore explained that we are going down in Division 2 as there was a cut in that unit as well. Our overall unit count has been going down as our charter enrollment has been increasing. Our estimate is only a slight decrease. Transportation has an estimate for a slight increase. Ed sustainment is the biggest part of the \$3 million cut. CSCR is cost recovery of Medicaid eligible expenses at the school level. We received a notification from the Department of Health and Social Services that they couldn't make the transfer in time for the end of the fiscal year. So, we will get both in this fiscal year. Just like the Christina settlement payment, we will receive 2017 and 2018 in the same fiscal year. CSCR isn't something we rely on; we don't have people associated with that funding. eRate is going down, it will be 0 in two years. This is a tax that consumers pay on their phone bill and the tax is given to the school districts. We have eRate projects such as data drops and enhancements to our one-on-one technology. It is changing to be done as an expenditure reduction. If our budget is \$2 million and we are awarded \$500,000. We



Committee Transcript

will spend the \$500,000 and the eRate would cover those expenditures. You wouldn't see it as a revenue. It is a better accounting practice as there are no high cliffs of revenue.

Ms. Thompson asked about Americanization. Ms. Floore explained it is the Adult Education Program and English Language. The State has made it clear that we are not allowed to cut those as part of the \$3 million. Adult education is a separate funding. Ms. Thompson asked about their local funds. Ms. Floore answered that they receive no local tax funding. They do charge tuition for some adult classes. Mr. Doolittle asked if we charged any facility charges. Our program is at Central, so these classes aren't in our buildings. Ms. Thompson asked if we are increasing our facility rentals. Ms. Floore explained that it is all about recovering air conditioning and custodial costs so it does go up every year and was being discussed by the facilities committee.

Looking at expenditures, with less revenue, you spend less. In trying to not cut employee positions, programs are cut. Ms. Thompson asked if the difference is the difference between fiscal 2018 preliminary and budget 2017. Yes, it is a budget cut. Reductions were taken from everywhere with the largest upwards of 20%.

Mr. Chase asked how some of the budgets went up. Ms. Floore explained that schools are allowed to carry 15% of their budget over. Therefore, there are fluctuations. If someone carried over 15% but they got cuts, it may still look like they increased. Curriculum was cut. Ms. Thompson asked if it was fundamentally a delay. Ms. Floore stated there will still be text book adoptions, so there will be a delay, but there will others that will no longer be done.

Ms. Thompson asked about substitute teachers going up 10%. Ms. Floore explained that substitute teachers went over budget this year. It was an issue. Ms. Thompson had believed it would be lower as many were not leaving for professional development this year. Ms. Floore answered that is the hope but PD was usually paid for out of curriculum. All travel has been put on hold. We are currently out to bid right now for a substitute teacher service. Chris Smith has been pulling data on absences from last year. The request for substitutes has been so high, there were times Kelly has not been able to meet the need. It could be that we had a bad flu/sick season. Ms. Rattenni also added that we are paying a service to provide the substitutes, therefore paying a premium on top of the cost. Ms. Floore stated due to the volume we would need an additional department to recruit and track substitutes in-house.

Legal has been left the same as last year. Ms. Floore added that they did increase the contingency at the urging of this committee. In part, the ACLU has filed to be reimbursed for their legal fees stemming from the referendum lawsuit. That amount is \$900,000. That will go before the judge. We have no idea how much additional expense it will end up costing the district. .

Related Services is up. This is where the tuition money funds the full time educational diagnosticians, full time therapists and psychologists. We have an increase in special



Committee Transcript

education students. We feel confident that we have a strong plan going into next year. One of our biggest issues last year was the influx of special education students moving into our district after 30th count. Mr. Piccio asked if the 9 cents increase in tuition will cover the intense, complex and ELL staffing in the buildings. Will there be more staff in those areas than we have today? Ms. Floore answered yes in those areas, it is a strategic initiative. Last year, we started with \$2.1 million in tuition funds. Based on the additional costs for serving additional students, this year we started with \$765,000 as we burned through our contingency and our reserve. So, part of the 9 cents is building back that reserve. We need to have a plan if more student arrive after count. Ms. Thompson asked how much of a reserve are we allowed to have. Ms. Floore explained that it is not a set amount but how much the auditors deem reasonable. This tax builds it back slowly estimating \$1.1 million at the end of next year. It has a contingency of \$500,000. Ms. Floore believes it is a financially sound plan and provides us with enough for the worst case scenario of additional students. No one would expect a year like last year again. But if you do this, you can keep it steady and not raise it again next year. Mr. Doolittle asked if this anticipates growth in intense and complex diagnosis of students. Ms. Floore answered that it absolutely does.

Ms. Thompson asked if we break even on First State School. Ms. Floore explained that First State has 21 students. Every year the configuration of attendees is different. Some years we have billed out \$2 million and last year our budget was \$1.9 million and we only billed out \$1.5 million. Sometimes they are Red Clay students and sometimes they are from any of the other districts in Delaware. We calculate the per pupil cost at that school and bill out for it to the home district. We recoup the cost for the school, but we could be recouping from our own tuition tax if they are our students attending. Mr. Doolittle added that we are not subsidizing students from other districts. The same is true for Project Search. Ms. Floore will add Project Search as a presentation this year.

Mr. Piccio asked what the 14 cent increase equates to on the property tax. Ms. Floore answered it is \$112 average taxpayer. The average home tax assessment is \$80,500. If they are assessed less it would be less. Commercial properties pay that as well. Mr. Chase asked if you built a brand new house this year, what is it assessed at. Ms. Floore answered it is calculated back to the 1980's value. Ms. Thompson added that Sussex County is assessed at the 1974 value. Mr. Piccio asked if tax assessment was revenue neutral. Ms. Floore answered there are winners and losers. If New Castle County reassesses, it provides an opportunity for rolling reassessment. A house can be assessed at \$100,000, it could be reassessed at new values. You wouldn't have to raise the taxes as the values would increase. That is why they want the income tax proposals that every year grow. There is nothing in our school funding system that has grows. Mr. Piccio stated it was time for all of the school districts to bring a lawsuit for State funding. Other states have been doing it. Let the courts decide how to fix it and follow the law. Ms. Thompson added we'd have to shoulder the cost.



Committee Transcript

The Board will receive this budget tomorrow, but they don't vote on it until August. The CFRC doesn't have an August meeting. The tax rate is required by law in July.

Ms. Rattenni asked for a motion for the acceptance of the FY 2018 Tax Rate proposal of \$2.314. Mr. Pappenhagen stated that 5 cents of that is due to referendum, so we wouldn't vote on that. Ms. Rattenni stated it would be for the total increase recommendation. Ms. Floore stated it is a vote for the tax warrant to the County. Mr. Doolittle made the motion and Mr. Pappenhagen seconded. The motion carried.

Ms. Rattenni asked for a motion for the acceptance of the FY 2018 Preliminary Budget as submitted and reviewed for local revenues totaling a little over \$222 million with a carry forward of \$11 million with expenditures of \$209.5 million. Mr. Chase made the motion to accept and Ms. McIntosh seconded. The motion carried.

III. Monthly Meeting Dates for CFRC 2018

Ms. Floore distributed possible dates for this coming school year. We usually meet on the second Tuesday of the month. Sometimes that falls a week before the Board meeting and other times, just the day before. It has been decided to change the months of November and February to accommodate budget schedules. A full listing will be on the CFRC web page and district calendar.

Topics have been suggested for meeting presentations from the following departments: Adult Education, Transportation, Federal Budget update, Special Schools as First State and Project Search and Priority Schools.

Governor Carney has just announced a new Wilmington office of the Department of Education targeting Wilmington schools headed by the Assistant Superintendent from Brandywine Dorrell Green. Ms. Rattenni stated that there is a new task force to look into the consolidation of the school districts. Mr. Doolittle stated cost efficiency in special education is coming around again next year.

IV. Public Comment

There were no public comments at this time via email.

Mr. Piccio stated he feels we need to let the public know how much this referendum has meant for Red Clay and what the cuts to education mean in an upcoming referendum. Many people aren't aware of the cuts until it matters to them.

VII. Announcements

The next meeting will be held Tuesday, September 12, 2017 in the Brandywine Springs School Teachers' Lounge. No meeting will be held in August.