



Committee Transcript

Red Clay Community Financial Review Committee September 12, 2017

I. Minutes & Transcript

The July 2017 Minutes and Transcript were reviewed. Mr. Pappenhagen made the motion to accept and Ms. Doolittle seconded. The motion passed. There was no meeting held in August.

II. Board Members

Ms. Floore explained that Michael Piccio has resigned from the Board of Education. Cathy Thompson will continue on the Committee, but she could not be here this evening.

III. Financial Position Report & Monthly Reports

Ms. Floore distributed the August 31st Financial Position Report along with the monthly reports. The Board approves this form after it has been submitted. This form is submitted 3 times a year. The purpose of the report is reporting your cash flow and estimating your available balance. From June 30th until October, we have to use the money from last year as the taxes are not yet available. Some taxes are paid early, as well as delinquencies from last year that we receive. We'll get a piece at the end of September and the largest portion in October.

The complicating issue is the State's \$3 million in cuts. The cuts were budgeted in Ed Sustainment. We needed to capture it on a budget line as a reduction. The State said that once we pass the September 30th student count and know our students, we can submit our plan of cuts to them. The \$3 million will not change but it will not all be from Ed Sustainment. We can take it from any State funding that we choose. In our case, it will include professional development, drivers' education, vocational education, salary money and other areas totaling \$3 million. That is why in the budget Ed Sustainment is \$997,000 which is a significant reduction from last year. The State fully funded 90% of it. There is 287% of revenues received in that column and 29% received in Division II. All of this is a reflection of where that State cut will come from. When the final budget is done in December, Ed Sustainment will go up and the other groups will reflect the cuts.

The Financial Position Report shows that with the available revenue we had, we will have enough to get through October to meet our obligations. Last year we ended with \$2 million more than expected, which was \$9 million. But the \$11 million is now \$8 million with the cut. Also, add in the fact that October is a 3 pay month which means it must stretch further but we will make our obligations.

Mr. Miller added that at some point we will see the adjustments in the numbers and percentages. Ms. Floore agreed that these are place holders for the category but the bottom line will be the same. Mr. Chase asked if the committee will be shown the final



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cuts. Ms. Floore will give the committee the plan that is submitted to the State and explain by line the final budget.

Mr. Pappenhagen asked about the delinquent taxes from the GM plant. Who pays the taxes when the purchase goes through? Ms. Floore explained she sits on the New Castle County Advisory Council as a citizen. At today's NCC meeting, this was discussed. The School CFOs have spoken with the County and stated that when there is an assessment appeal with a significant reduction in taxes, they wanted to be informed. The problem is, when someone files an appeal, it stops and taxes are not paid and show as delinquent. If they lose the appeal, they are assessed penalties. It's a gamble. There is nothing that prevents them from doing this. At today's meeting, it was stated that because it is no longer a plant, it was assessed at a 75% reduction in value. That means we don't have to give back taxes received, but that property will have a credit until 2019. The funding we were expecting from that property will not be realized.

Mr. Miller asked that assuming that the property remains at its current status and a purchaser who converts it into a functioning property with increased assets, we'd be looking at an increase in the future. Ms. Floore agreed. However, with this property, it is a 10-year plan. Much will depend on how long it takes and what investment is made. Mr. Miller said to be optimistic, maybe the property will become even better in assets.

Looking at the Monthly Reports, our revenue is off due to cuts as discussed, but we are still in good shape and on track as the start of the school year.

Ms. Floore explained that not only do we have cuts, but we've asked managers to be considerate to the cash flow. Last year we had spent 14.5% and this year we are slightly under at 13.4% expended. We've spent \$28 million as opposed to \$29.4 million.

November 30th is the deadline for many of our federal programs. The rule for Title 1 is by September 30th we must spend 85%. As of August 31st, it was 73.5% and we have to use 10% or ask for a waiver. We are working on that plan right now. We have submitted our consolidated grant and some of those monies are in. We are still finishing out the old year on that.

There is an error. The tuition information is incorrect. It was updated but not saved. We do not have \$25 million in tuition funds, that is from last year. It will be corrected for next month.

Mr. Chase asked if one of the grants has money left over after the end date? AIMS has only spent about 70% so far of the focus plus money. Ms. Floore explained that there is an end date and then you have 3 months after the end date to liquidate the purchase orders. You cannot have a new purchase, but you can pay old bills. Mr. Chase asked wouldn't that be listed under encumbered. Yes, but we can still encumber until November 30th and then we have 3 months to pay after that. The largest balance we have right now is the SMART Academy grant and SIG Grant. We are working with DOE to extend the end date until 2018. There is often overlap with federal funds. The SMART



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Academy is at Highlands, Richardson Park and Warner Elementary Schools. They are also priority schools. So, you have priority school plans, focus school plans and maybe SIG money and SMART Academy. Focus money is being used for immediate needs and they may want to stretch the other funding to cover future needs. Therefore, we are asking for extensions. Our goal is to never turn back a dollar.

Mr. Chase asked if the end date comes and there is still money left, we have to send it back. Ms. Floore answered yes, and we have sent back a couple of dollars. We've never sent back a large sum. These reports are used internally for managers, principals and our business staff as well as Dr. Daugherty. There may be several funding sources for each school or department and they need to be managed separately. Vocational ed, drivers ed, building budget, accommodations, strategic plan grants, and they all come with different rules. Mr. Chase asked if they work with Ms. Floore on how to spend the funding. Ms. Floore answered that they typically do not. They have ideas on how to manage their funding and may ask for help to make it work.

Minor capital is 0 as we are still finishing summer projects. This funding will not be used until next summer when the facilities are available and not full of students.

Mr. Pappenhagen stated that Legal looked in good shape for a change. Ms. Floore stated that is temporary. There has been no decision on the ACLU's petition for payment of their legal fees which are over \$900,000, to be reimbursed as they "won" the lawsuit. They didn't win on all counts as we didn't have to pay them back, but there is a lot of lawyer discussions happening regarding payment of their fees. We are going to mediation. We did receive a letter from our insurance company denying our claim. They covered \$100,000 of the initial case. Typically, we use that for special education cases. That is now pushed to local funds.

Mr. Miller asked about variables that impact the cuts. If, in fact, we have to pay out that money this year, that will impact the budget. The second variable is the students who enroll after October 1st. Last year, that number was over 200 students that had to be absorbed into local funds. Knowing that those things happen, that they will impact the funding we've raised through the referendum.

Mr. Miller asked about the student who come after October 1st. Obviously, if they stay for the next calendar year, we count them and get the funding for them. But after October 1st, the State has no responsibility to compensate the district for those students. Ms. Floore answered the State's response is, then the money would have to come from the other district if it was a district transfer. These are not 100% from out of state students. We did have some from Pennsylvania. But you can't take it from the other district as the teacher has been hired, materials have been purchased. Ms. Floore has suggested to the State that there be a special State funding that a district could apply for in these cases when the student(s) late arrival severely impacts a district. Possibly a pot of 25 units that could be applied for after the September 30th count. Truthfully, we could get a student from another district, but it doesn't impact us negatively under some circumstances. Mr. Miller stated this is great information, however it doesn't change the



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local politics. When these students enter, we have to use local funding that wasn't intended for that use. Ms. Floore states she does reserve a contingency for that, but last year the increase was so great, we used our contingency and some of our ending balance. The increase then was necessary for the tuition tax rate.

Mr. Miller stated that he is worried about these issues especially not knowing what the revenues will be for this year. Ms. Floore is also worried for the current fiscal year, as the State has made it perfectly clear that they could come back to us this year asking for more cuts.

Mr. Doolittle made the motion to accept the monthly reports and Mr. Chase seconded. The motion passed.

IV. Match Tax

Christina settled the law suit regarding match tax with charters. We were included in the settlement as if you include your per pupil for the charters, it is included for all of the school districts that Christina sends students to in the Choice program. The traditional districts reached an MOU with Christina. The State now states that our Match Tax funds that have always been excluded, should be included in our local per pupil calculation. They made this determination the day after our tax rate was submitted to the County. The Tax Warrant was set, the budget was already done, for us it was a significant impact. So, we've challenged it as have other districts. We haven't challenged it in court, but the basis we believe is that DOE is overstepping their authority and the funds are levied by the boards for a restricted purpose. When the Match Tax was provided it was when the Minner Teachers were given to the traditional schools to help with reading. They were not given to the charter schools, and they were elementary only. If you put this in the calculation, what does DMA have anything to do with the original intent of the funds? When the State gave us the teachers, they let us use Match Tax to pay for the local portion of those teachers' salaries. The State has long since cut their funds, but they have allowed the districts to keep raising their funds \$.05 which is \$2.5 million. They are not saying that the \$2.5 million should be in the per pupil calculations, and we vehemently disagree with. We don't know what will happen. Kim Williams and 13 legislatures wrote a letter to the DOE challenging their determination it was not the legislative intent or understanding of what should happen. Mr. Miller stated they could introduce a bill to correct this. Ms. Floore answered that they could, but they need the support for it as well.

V. School Consolidation Task Force

Mr. Doolittle had nominated Ms. Floore to serve as the PTA rep to the School Consolidated Task Force. They are hoping to have results of the study in January 2018.

Ms. Floore has attended the first meeting. Many citizens have voiced their opinion to have fewer school districts believing it will save the State money. We have 19 school districts in Delaware. There have been dozens of previous task forces on this topic. We



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just had two years' worth of WEIC that was trying to consolidate one school district and five schools. That would cost \$100 million.

The main task force has met once. There are 4 subcommittees: finance, parents and students (which she is on), structure and staff. The structure subcommittee is trying to view models, but how many should they study? The staff subcommittee is looking at salaries, union contracts and how the merge would work. Much of that work was done with WEIC, reflecting Red Clay and Christina, but could easily be extrapolated. Ms. Floore attended the finance subcommittee as a member of the public.

The structure committee did a survey and the results were in. Many believe we have too many districts to save money, others say leave it alone. Others say, the vo-techs should be combined into one. There are a lot of questions on how to achieve efficiency. Studies say 5,000 per district is the most efficient. They don't have the University of Delaware staffing the committees like WEIC had so the work will be slower going.

Ms. Floore will send out the schedule to the committee if they would like to attend the meetings. She feels it would be beneficial for the task force to hear from those who have lived through the changes and know the data that has been compiled in the past.

Mr. Miller stated that many people feel we should have fewer administrators. Yet federal regulations require that we have them. Ms. Floore added that we already have joint purchasing among districts.

Mr. Chase asked if the task force is looking at other states. Ms. Floore stated that Fred Sears talked about Maine and how they were forced to do it. Mr. Doolittle added that many states have distance issues that we do not. Mr. Chase added that it sounds like they are doing everything from scratch. Ms. Floore stated that the survey was a starting point. Fred Sears talked about going to three districts. Mr. Doolittle added that they can't just adjust the Sussex districts using the 19 to 15 model, as that would appear unfair. Ms. Floore described the many suggestions from using number of students and even that Red Clay and Christina are too big that they need to be broken up. One suggestion was that each district should have one high school. All feeders leading to one high school. Mr. Miller added that one of the arguments was that Manhattan in New York and Boston in Massachusetts have one school district. If that could be done, why can't we? He said the bureaucracy and results aren't what we want. Ms. Floore added that they tax dollars in those areas are higher as well.

Ms. Floore added that there are so many ways we are consolidated that people aren't aware of. We're all State employees so we use a combined payroll system. We use a statewide accounting department. Our State level does the bond sales. Mr. Pappenhagen asked if they were including charters in the consolidation. Ms. Floore answered that they say they are but they really don't seem to be. There are more charter schools working as their own school district. One of the suggestions in the survey is that the charter school should be under the umbrella of the school district that they are in. Which is complicated as they have their own Boards. We authorized two charters, and Red Clay residents get



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preference, but they have their own Boards. We can only say whether they meet the law and revoke their charter. Mr. Pappenhagen asked why did DMA come to us and ask to build a building? Ms. Floore answered that they came to us to increase their enrollment which is part of their charter. The building was based on enrollment. A district authorizes a charter and defines the rules under which they will operate. If they want to change the rules, they need to come back with the request. The Charter School of Wilmington did the same several years ago.

VI. Public Comment

There were no public comments at this time via email.

VII. Announcements

The next meeting will be held Tuesday, October 10, 2017 in the Brandywine Springs School Teachers' Lounge.

Red Clay is sponsoring a hurricane relief effort. Two Men and A Truck have donated a truck and their movers and time of driving the supplies down. It is on our web page the supplies they are collecting and drop off sites.