



Committee Transcript

Red Clay Community Financial Review Committee November 14, 2017

I. Minutes & Transcript

The September 2017 Minutes and Transcript were reviewed. Ms. Zimmerman made the motion to accept and Mr. Chase seconded. The motion carried.

II. Monthly Reports

Ms. Floore presented the October 2017 expenditure reports. The majority of taxes are in. As of October 31st, \$66.8 million has been received. There is still more but this is the majority. This year, September 30th, which is the due date for taxes, fell on a Saturday. Therefore, the County allowed the due date to be October 2nd. Those who paid in October, are recorded in the month they are received. The \$6 million we are expecting is due to the payment dates. The Senior Property Tax is \$100 less this year. The State makes that in the fall and should be in December. We have to make the final charter payments, and we will get the choice payments in.

Mr. Chase asked how do we net on the ins and outs of the charter payments. Ms. Floore explained we do the charters on the revenue side. Choice are payments in. Ms. Floore explained our charter payment was \$12.3 million this year. Our choice income is \$3.4 million. The charter payments are revenue subtracted. The choice involves students we have attending Brandywine and other school districts so we pay out. Overall, we have more coming in than going out. The charter payment is all students leaving. Last year it was \$11.7 and every year it grows. First State Montessori is expanding and this year Odyssey is larger as their high school is growing each year. Ms. Rattenni explained that Odyssey is up to 10th grade and will grow for two more years.

Most of the other revenues are filling out at 75%. There is one is 287% for ed sustainment. If you recall, the State imposed the cut, but didn't say where it would be. They told the districts you could take it where you want it. The plan is not due until the end of the year as we're still waiting on what the final number will be. We originally thought the number for Red Clay would be just over \$3 million. But that was based on 2017's enrollment/unit count.

When the preliminary budget was put together, the \$3.1 million will come from multiple places, but for the purpose of having the cut in the budget, the majority was placed in ed sustainment. The State took the cut from Division 11, therefore Division 11 is really low at 29%. Ultimately, the final budget will show where we take the cuts from and the State will fund or cut where we've indicated so it will then match.

On local funds we are slightly below last year at 81.45% due to the tax receipts. In the case of the State funding Division 1, it is funded at 75% of last year's enrollment.



Committee Transcript

On the expenditure side, we are relatively low due to the time of year and the way we receive our taxes. Now that the funding is in, departments and schools are encumbering the funds for the rest of the year. The encumbrances are starting to increase but the expended are slightly below last year. That is also against a lower budget number as everyone's budgets were cut. We are restricting purchases and the budgets are smaller.

Legal is an update that we have discussed in the past. It is lower at 7.3% as opposed to last year 31.4%. The big outstanding case is the referendum. Ms. Floore had updated this committee at the last meeting regarding the ACLU filing a petition to recoup their legal fees. A settlement agreement was reached at half totaling \$415,000. It was paid from our contingency budget. The contingency is for those items that are not expected. This is the first time we have had to use such a large portion in 8 years. There will be a little more on our side as the attorney have to draft documents to complete the process. We anticipate our legal fees this year to come under budget as this case is resolved.

Mr. Chase asked if the contingency budget is always the same amount, or does it grow over time? Ms. Floore explained it is set as a percentage of revenue so it does slightly grow or adjust. Mr. Miller has talked about this in the past. It is not a reserve. It is only a placeholder in the budget in case something unexpected comes up. If you do not use it through the year, it would mean that your estimated balance would be higher than the budget. We hope not to use it. The big challenge in setting a reserve policy is getting a reserve as you'd have to do a one-time referendum for it. Or grow it in such a way in increase in operating revenue. Our balance is what we need it to be. You can't cut your way to it as costs increase. Property assessments are fixed, and prices keep increasing, so you are always going to need a referendum.

Local salary and benefits are slightly lower than they were last year at 31.9% yet we are on a 26-pay cycle. August was a 3 pay month, as well as November, but in November, our taxes were in. The timing can skew the percentage. We are at 30.8% total expended, which is slightly less than 32% last year. The 32% was on a larger budget as well.

We wanted Transportation to do presentation. Because next month is our final budget presentation, can we move Transportation to January? The Committee agreed.

Mr. Chase asked where substitute teacher costs come in? Ms. Floore explained that each operating unit is a department, program or school. Then there are some catchalls. There is an operating unit 99900300 where several things are budgeted. This has its own page as back in 2007, the district had financial trouble. One area it went askew was this operating unit. It went \$2 million over budget. Since then, we monitor it quite closely. This is where the substitutes are budgeted. They are not budgeted in salaries as they are contractual services with Kelly. Kelly now has substitute Teachers and Paraprofessionals. Mr. Chase stated that most people are not happy. He stated that they had a teachers' union representative meeting last night and it was asked if we could go back to STS (Substitute Teacher Service) Company. Ms. Floore asked if it was teachers or paras or both. Mr. Chase has no personal experience with paras, but the teachers are not happy with the paras provided. Did we give Kelly a short-term contract? Ms. Floore



Committee Transcript

stated it is a one-year contract with an opportunity to renew. When we had STS in the past, the teachers complained about them at the time. Mr. Chase asked if it was based on a low bid. Ms. Floore explained that it was not, that they negotiate a price. They go through a process of service, systems and rubric. Mr. Chase stated that one of their executive board members on the committee and it was very late. Mr. Chase stated there was another company but they didn't have current Delaware substitutes and would need to recruit and need a lot of lead time. Mr. Doolittle stated that there is a great problem with substitute paras across the state. Many paras are one-to-one with knowledge and skills for that particular student, so many parents simply keep their child home due to the lack of ability. Ms. Floore stated that we track the reports on paras. Dr. Daugherty has been monitoring the absences in general. Because of the reduction of travel, there is an overall reduction in substitutes. Mr. Chase said there was a lot of professional development last year with many substitutes in the building. Ms. Floore added that we were driving our own costs with substitutes. And competing with ourselves living with shortages we were creating. We have some buildings with 95% plus fill-rate. The high needs buildings have a difficulty filling.

Mr. Doolittle asked about prior-year payables. Is it typical that we have \$1 million carryover with only \$50,000 payables? Ms. Floore answered that is not typical. When we finished last year there was a number of departments that asked to save some of their balance due to the cuts coming this year. Instead of spending then, save it. The operating units are not like a checkbook. Each year starts over. The prior year was the bridge. It's not a prior encumbrance but a balance. Curriculum is saving it for the purchase of a new math series. It hasn't been like that before but it was allowed to plan for the state cuts. Last year it was \$50,000. Mr. Chase added that the \$1 million has a lot of attachments to it, it's not just to use. Ms. Floore agreed. The reason it was supported by the district is that we are cutting and wanted the bridge to make it easier for the department.

Federal accounts are closing at this time of year as the federal fiscal year is October as opposed to the school district which is July. The end dates used to be 11/30/17, yet we have a whole year left to spend last year's grant. For the most part, they are winding down. However, we have been loaded with next year's grant. We are starting to spend some of it while we're finishing last year's.

Mr. Doolittle asked about the SIG grants. Ms. Floore answered that the priority schools used to be State grants but now they are funded as Title 1 and they are on Page 5 listed separately by school. They are funded through federal funds. There is another SIG grant for Highlands and that is Federal Line 25 and 26 is Highlands year one and year two. We have until the year 2020 to finalize that grant. Mr. Chase stated that his school's grant is finishing up and he has not heard that a new one was offered. Ms. Floore agreed that a new one has not been offered. We will have a federal programs presentation to this committee in the new year. Mr. Shaw and Mr. Simmonds will come in and give a presentation on priority schools and Title 1 in the Spring. Mr. Chase believes they are still a Focus Plus school and that comes with funding as well. Mr. Doolittle stated that the funds are going down 40% next year as they went from 7 schools to 11 schools. Mr.



Committee Transcript

Chase asked what happens to a focus school. AI DuPont Middle has been a focus school for some time.

We are in the billing process for tuition and charters. Now that the final count is certified, the bills for choice and charter will be finalized. Our tuition billing is estimated to be \$1.5 million. The largest area of revenue this year was the tuition tax. Our revenues are at 92%.

In tuition State revenue, we are at 267%. In the preliminary budget, the estimate was \$823,000. Part of that is for private placement of unique alternatives, special education students. The State has changed their process. In the past, we would pay the local share, and they would pay the State share for some contracts and it got very confusing. Now, they are transferring the money to us for their share and we are making the payments.

Minor capital won't be until next summer for work. And we are right on track for debt service.

III. Match Tax

Ms. Floore explained that last month there was a discussion regarding the Match Tax. The Match Tax is a separate tax levied by the board. It is called Match Tax as it used to be to match the State funding of the Minner Reading teachers and extra time for discipline, our SROs, as there was a House Bill regarding extra time and discipline in schools. The State gave us their portion for the teachers, and school districts were then allowed to set a Match Tax for the local portion of the salaries rather than go to referendum. The State cut funding those teachers long ago, but districts were allowed to still utilize the local match tax. There were over 20 teachers, and now we have 9 as now we cover the entire cost.

When the state was working through the charter suit with Christina, they said that money match tax funding should be included in the local per pupil calculations when they were always excluded before. These are restricted funds only allowed to be used for certain things. DOE gave us the notice after the tax warrants were due to the county. We questioned the timing and the purpose. Also, the Minner teachers were for the elementary schools. Our biggest charters are Charter School of Wilmington, DMA and now Odyssey, which means the money, isn't going to students it was meant for. We met with DOE to discuss. The Secretary of Education agreed to get a legal opinion. The bills have gone out with the match tax included. But it could be reversed based on the final legal opinion.

IV. School District Consolidation Task Force

Ms. Floore updated the committee on the latest task force meeting. Ms. Floore is a member of the task force as a representative of the Delaware PTA. There are 49 members on the task force with 4 committees. The main task force has decided that they will study a few different areas. As a baseline they will look at keeping the same then



Committee Transcript

they will study consolidating by county, keeping the same but consolidating the tax base or also keeping the same but consolidating services. There was a proposal to consolidate the vo-techs and that was voted down. The staffing group was also tasked with looking at the administrative formula.

The four committees are budget, students and families, finance, and structure. Ms. Floore is on the students and families' committee and they are looking at year-round schooling. Finance is looking at the financial implications driven by these models. The structure committee is looking at how to make this consolidation happen. Kevin Carson is the chairman of the structure committee. Mr. Carson served on WEIC, so he knows the complexities involved trying to combine Christina and Red Clay. Few have read the report they compiled over two years with the assistance of the University of Delaware. The task force has to show that consolidation will improve student achievement. Some say it's about saving money.

V. Public Comment

There were no public comments at this time via email.

VI. Announcements

The next meeting will be held Tuesday, December 12, 2017 in the Red Clay Board Room at the District Office at 6:30 PM.