



# Committee Transcript

**Red Clay Community Financial Review Committee  
June 12, 2018**

## **I. Minutes & Transcript**

The May 2018 Minutes were reviewed. As there are only three members present at the meeting, no action or approval was made. Minutes and transcript will be posted with note of not yet approved.

## **II. Monthly Reports**

Ms. Floore distributed the May 2018 Expenditure Reports. Ms. Floore explained that on the local side, our revenue is in over 100%. However, we only budget in 99% anticipated. This is the first time in 11 years that our revenues are lower than they were in the prior year due to a decline in assessments. We did have our 5 cent increase, however, our assessments are lower. Our tax rate has increased, but the assessment base has been lowered. It has always increase in the past by even a small amount. Due to the appeals and challenges to the assessments, which were discussed at the last meeting, our assessments are lower this year than they were last year. The County has gotten through their backlog. Boxwood road and a number of other properties. It is very concerning for the New Castle County districts.

We are behind where we were last year, but over 100%. The indirect cost payments are as they were last year, we'll make the last one in June. Indirect costs are the administrative rates allowed to be charged to the consolidated grant. Our rate is extremely low. It is based on administrative rates and we are charging less than 2% now. The other revenues are where we are expected for this time of year at 98%. We will receive another tax deposit in June. The State is waiting for the last payroll to hit, and then they will true-up what they need to pay for that.

Ms. Thompson asked about Summer School paying out. Ms. Floore explained that summer school breaks even. They collect the revenues in June, therefore year-end will show an imbalance. Summer school crosses the fiscal years. Programs then have their expenditures in July and August.

Mr. Chase asked about Cscrp. Ms. Floore explained that Children's Services Cost Recovery Program. The State went through an audit and froze their process for recovering the funds. There are services that school districts provide, i.e., physical, occupational and speech therapies, nurse office procedures that are Medicaid eligible. Cost recovery is billing back against Medicaid. It is recovery of expenses that is State wide. We have State of Delaware employees located in our offices working to recover those funds. The State receives a portion and we receive a portion.

The State went through a federal audit. What they could recover changed in what was allowable. At the same time there was a new form each parent had to sign. Parents



# Committee Transcript

didn't understand and they were worried allowing districts access to Medicaid. Therefore, last year there were 0 dollars recovered, as the program was frozen awaiting guidance. We had no way of anticipating what may be recovered or even if the program would be unfrozen. The budget, therefore, was 0. We used to recover \$300,000 to \$400,000 range. Well, they have turned it back on and we received \$131,000. Which is better than nothing, but nowhere what we used to receive.

Our total revenue is 98.66 and last year it was 98.67. The largest outstanding is the \$2.5 million from the State. Where are we where we need to be with the great concern of declining assessments? Ms. Thompson asked if we have to pay back money to the state. Ms. Floore stated the way we pay back was not to ever receive the money after we gave the state our plan. We had 13 teaching units, 3 administrative positions and 2 clerical position, which we stated, were part of our give back, so the State never loaded the funding for those positions. Therefore, it is not captured in that amount coming. Ms. Floore lowered the revenue expectation knowing the funding would not be coming. But it is something we would have otherwise received it. We did not just take it from salaries, we also took some from Ed Sustainment, Voc Ed, Division 2, Drivers' Ed and professional development. Mr. Chase noted that he can see the \$2.5 million but there are other deficits like transportation. Ms. Floore answered that is because we are down routes and it's still going on. For June we are looking at overall but in July we will see what really happened and why we were short. In the area of Ed Sustainment, we will not receive any more. That is not a cut, it is an estimate based on our share of State-wide units, so that can change. When other districts grow, our share gets less. Mr. Chase if next year's projected numbers be different? Ms. Floore answered only slightly.

On expenditure and encumbered we are in good shape. The only areas we are over is related services and special education. We receive State money for Meadowood, RPLC and students in various schools and it all comes through one funding source of Related Services. We are currently sifting through where the services have been utilized and will have them listed in 32, 54 or 58 and Related Services will not be over budget. Special Education is the same. Some of those expenditures are ELL related. We call June the clean up looking through every operating unit to ensure the expenses are listed in the departments they were used. All purchase orders and requisitions were shut down last week. No more purchases can be made.

In our Legal budget line, what a difference a year makes. Our legal is at 49.3% compared to 125% last year when we had the referendum law suit. Ms. Thompson asked about the current costs are they for special education lawsuits. Ms. Floore answered that they are and some HR lawsuits as well.

We just finished two RFPs, one for the alternative school which was critical as we needed it in place for the start of the school year. This month, the Board will receive the recommendation for the substitute teacher service. It is a new vendor called ESS/Source 4 Teachers. They do not serve banking or retail, only schools. Mr. Chase asked if they used Aesop, which is the requester system. Ms. Floore stated that they do and that was very important as they wanted the transition to be an easy one.



# Committee Transcript

Ms. Thompson asked if an RFP for legal would go out. Ms. Floore answered it would go out this summer.

Mr. Chase asked about the alternative school RFP. Ms. Floore explained that the Board approved it last month. Typically, they are not low-bid. That is for materials. Professional services are different as they are scored on qualifications, years of experience, and more. Our process is to have one every three years, or to have one acceptance and allow up to 3 one-year extensions. It is labor intensive and time consuming, but you want to insure you are receiving the best service. It was unusual for us to go to bid one year later for substitutes but we were very concerned about the low fill rates by the previous vendor. For the alternative school, Pathways had been with us for 4 years. There were 2 vendors that submitted proposals. The recommended one is Transforming Lives and it was approved at the June Board meeting. Mr. Chase asked if these are students who are expelled. Ms. Floore explained that those students go to Kingswood and Parkway which are also bid schools run by the New Castle County Consortium and we all buy seats in it. This alternative school is a K-8 program for students who need to be placed outside the regular classroom but are not expelled.

Ms. Thompson asked about school based intervention. Ms. Floore explained that it used to be where the priority school funding was listed. This year the State decided that it was federal funding. The State had funded \$333,000 at each school. They gave it to us from a federal appropriation. We assumed it would be funded the same way it was funded the prior two years. However, this year it is federally funded. Therefore, it is listed on the federal funding pages. Now, the State has given us Opportunity Grants. We didn't have an operating unit for those and we weren't aware we were going to receive one. Richardson Park got an Opportunity Grant that was funded with State funds. Therefore, it was placed in that operating unit on Line 71.

Ms. Thompson asked if we had spent all of the priority school funding. Ms. Floore explained it was. We hope that the opportunity grants will pick up those funded by priority school but it will depend on guidance provided by DOE. We believed they would identify priority schools again; however, the State is using this year's data to identify schools next year so there is no continuation of the Priority Funding. With ESSA, there are new rules and new criteria. There will also be Level 1 and 2. Mr. Chase asked if FOCUS was still in place. Ms. Floore explained that money is finishing as well.

We are 89.8% expended and encumbered. Slightly below where we were last year. Salary side we are coming in ahead which is good.

This is not a critical time of year for the federal funds as they end in October. There are a few fluctuations but you can see the FY 2017 funds are completed. We are now using FY 2018 funding. Michael Simmonds and his team as well as Sarah Celestin and her team and the consolidated grant team are working on the grants that are due in July. The application is submitted in July. It is the majority of the federal grants.



# Committee Transcript

Tuition is in good shape. We have sent out all of our bills. The line which reads budget vs. actual. We never know what they will be because the tuition bills true-up last year and calculate this year. Just like the choice and charter bills fluctuate, these are the same. What drives it is First State School. You can have 3 students from Appoquinimink one year and none the next. It fluctuates, so the estimate was we would bill \$1.5 million and we only billed \$910,000 which was our actual. We don't lose the money, it was just an estimate to begin with. It also means that we have less money going to Christina for the DAP program. The tuition is where our students would attend other districts in the special program, not choice and charters. Much of it is preschool and a lot of it is dependent on daycare. You can be in our RPLC preschool special education program if your daycare is within our district as it is a half day program. The agreement is that we will bill the feeder district for it. Ms. Thompson asked about the other preschools. Ms. Floore stated that it is called the RPLC program, but they have sites at other schools like Mote, Marbrook and Warner. There are also typical students who also attend when there is space and they pay tuition. These programs have certified teachers. Ms. Thompson also asked how typicals get in. Ms. Floore stated they have to apply. We can add that to our presentation list next year. It is our fastest growing segment along with autism. For next year, we are also putting in more preschool and at least 6 more autism rooms.

Meadowood and RPLC tuition programs are in good shape coming in on track and under budget. RPLC has been growing. Their utilities budget is over budget. When they earn more units, we earn more energy money. We encumber more if we have more. How much energy you use is not necessarily dependent on how many units you have. It is spent on utilities. We used to use local funds on utilities, but now we use the State funds first.

Ms. Thompson asked about the special education students. The principal of RPLC is supervising the pre-K students at all of the sites. The Meadowood principal oversees those students at all of their sites. Who is supervising what were Central School students? Ms. Floore answered, it would be the principal of the feeder school they attend through inclusion.

The last sheet shows where we are and the one we track very closely is substitutes. We are at \$1.5 million expended, \$1.6 million expended and encumbered. We still have a remaining balance but our June bills still have to come in. Last year we spent 105%. The most important thing to note is that we would be in the same place as last year if the company had been able to fill the positions. On any given day, 20% of the requested substitute positions were not filled. Ms. Thompson asked how the classes are covered. Ms. Floore explained that schools have different plans. Mr. Chase shared that at his school each teacher takes 10 minute to fill in for the teachers missing. It is not an ideal situation, but needs to be covered.

Ms. Floore feels in good shape heading toward June 30<sup>th</sup>. No surprises. We will come in under on expenditures but slightly under on revenues. We will have about \$13.5 million for carry over.



# Committee Transcript

## III. State Budget

The State was sued by the ACLU for a number of things including the funding formula, how funds are distributed, lack of reassessments as well as the overall system. It is a lengthy lawsuit. There was a motion to dismiss and their answer. The judge is reviewing that now. It is a constitutional claim. A review of the case was in the News Journal.

The Governor's budget included more money for Opportunity Grants. \$26 million was cut from education last year. They are starting to put it back, but not in ways, that replaces the cuts. They put in the Opportunity Grants, which is an investment of \$6 million. She will have the exact number for the Board meeting. At the same time Kim Williams, Yvonne Johnson, PTA, and DSEA all did a campaign to fund the K-3 bill. At the same time Harris McDowell introduced a bill to have reading support in high needs schools. Everyone is lobbying and the mark up of the budget happens. Superintendents thought they would talk about education one day and it was earlier and it was voted and done. State raises were in the governor's budget but they added \$500 bonus for everyone including casual and seasonal employees. It is a \$1,000 raise for employees in the secretarial, custodial, nutrition, paraprofessional and bus driver groups and 2% for education employees. The bill has not passed yet.

The vote passed to put in the School Success Block Grant, which is \$2.8 million to fund K-3 basic special education and \$3.6 million to support reading assistance for K-4<sup>th</sup> grade. The State did inform Red Clay what our share would be so we could set our local tax. \$337,000 is K-3 special education. \$793,000 for the reading resource. Last year we had a \$3 million give back. We looked through all of the State appropriations and cut from several. We still have to do that, but at the same time, they add these in.

Ms. Thompson stated that the K-3 bill wasn't passed, but it was placed in epilogue. Ms. Floore agreed. Ms. Floore presented the epilogue in full. The Opportunity Grants are pending approval; approximately \$6 million will be allocated to schools. It is not a competitive grant, but a formula grant. They gave us the formula and Red Clay will receive \$1.8 million. This is based on elementary schools. But not all of our schools. It is based on ELL and poverty including Richardson Park, Lewis, Baltz, Mote, and Marbrook, Highlands, Shortlidge, Warner, Forest Oak.

Mr. Chase and Ms. Thompson asked about the end result of the pending lawsuit. Ms. Floore answered the best result would be reassessment. The County now has an RFI in place to determine the cost of reassessment. Mr. Chase asked that wouldn't change the funding, though. Ms. Floore answered Maryland bases on income tax and if you want something special, you go to referendum. The problem in Delaware isn't reassessment is rolling. It needs to provide some component of growth. The biggest problem right now is with declining assessments you need a referendum just to keep doing what you are doing.



# Committee Transcript

## **IV. Board Workshop**

Ms. Floore explained the August Board workshop is when they will discuss the 3 year plan. The path forward and referendum will be discussed. Ms. Thompson stated that she will not be able to attend and asked if she could have any information available ahead of time. Ms. Floore agreed.

## **V. Public Comment**

There was no public comment. No emails were received via the CFRC page this month.

## **VI. Announcements**

The next meeting will be held Tuesday, July 10, 2018 in the District Office Board Room at 6:30 PM.