



Committee Transcript

**Red Clay Community Financial Review Committee
February 12, 2019**

I. Minutes

The January 2019 Minutes and Transcript were reviewed Ms. Thompson moved to accept the minutes and Mr. Pappenhagen seconded. The motion carried.

II. Monthly Expenditure Reports

Ms. Floore distributed the January 2019 Expenditure Report. We are at 93.93% of the Revenues received.

We did receive some bad news in that the Barley Mill Plaza was reassessment was successful and we lost \$10 million of assessed value in our tax rolls. The County has a new procedure now and they notify us when it is happening. The Board of Assessment has some openings. All of the CFOs had a meeting together with New Castle County regarding these issues. They also informed us that the efforts in the beginning were slow in obtaining the delinquent taxes, but they have seen more success than the original estimate. They confirmed that the concern that no elderly person would be harassed, and there have been zero complaints at our level as well as theirs.

Mr. Pappenhagen asked that when the development of the Barley Mill Plaza comes to fruition, should we expect that assessment to rise along with it. Ms. Floore answered yes and that the same is true for the Boxwood Road Plant. Once Harvey and Hannah fit out the buildings, the idea is that the economic development will increase. Although it still will backtrack to the 1983 values until we have reassessment.

We are ahead of where we were last year in revenues. The largest is in Division 1 salaries. We are slightly ahead on the local side. Even though we are ahead, it was budgeted. Mr. Pappenhagen asked how the \$10 million decrease in assessment will translate to our tax revenue. Ms. Floore stated it came to \$176,000 loss to us. That cost could cover three teachers, so it is not nominal. Because we budget 99% of revenue, those types of fluctuations we have been seeing are accounted for.

The expenditure side we are in good shape. We expect to be 58.3%. Because we have 26 payrolls, we would expect to be 57% on the payroll basis. We are lower on that one percent expended, slightly above last year.

This is the time of year we are worried about low spending schools and departments. Generally, the new principals are conservative. They are new to the school and don't know what will come up during the year. Dickinson is a new high school but he is right around half which is appropriate. This time of year, we start making the phone calls and ask what the plan for the funding is. Same if the school or department is running higher,



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we want to know what the plan for spending is. Schools are allowed to carryover 15% of their budget.

Debbie Roberts in our office has been meeting with Curriculum today to go over their spending and what is the map for the rest of the year. Ms. Thompson pointed out that Library Sciences is at 11% and security is at 20%. Ms. Floore explained that security just received a grant and the plan was just submitted for that grant. Ms. Thompson also pointed out strategic plan initiatives. Ms. Floore explained that many of those are extra time programs for after school. Many of those are plays and spring programs. We approve up to the budget amount for the grants that the schools write. It takes throughout the year to spend it. Ms. Thompson asked about Vocational funding. Ms. Floore explained that they have up to two years to spend that funding. Judith Conway heads Library Sciences at 11%. Percentages is one thing and dollar amounts are another. Library has \$234,000 and Ms. Conway will review with the librarians for needs and replenishment.

As we get closer to the end of the fiscal year on the state and local side, because of the October end date, you can see that we are still spending through 2019 funding.

Mr. Pappenhagen asked why the 2017 funds were not used up yet. Ms. Floore explained when different general assemblies or legislatures at the federal government appropriate money, it can be part of the spending plan or an omnibus reconciliation, they put money aside and say it is called, for example, Title 1 SIG. There is a year associated with that money. The State will do the same thing. It is a general ledger thing. That money is designated by a year in the general ledger in which the general assembly or legislature appropriated the money. They then re-appropriate the money later. We were awarded a SIG grant for Highlands, but you can see the end date is 2020 with money that was appropriated in 2017. You have to marry the year it was appropriated with the end date.

The federal grants were all on one page at one time. Now the grants have expanded and smaller grants have been added over time. Some have a 2018 designation, but they are finished. We are working on 2019 funding now. Ms. Thompson asked where the State grants are listed, the Governor's initiatives like ELL. Ms. Floore answered they are in the operating budget on "State All Other" for revenue. They are broken out in the budget. Ms. Thompson added that they could only be spent on certain things. Ms. Floore turned to the expenditure side; it is on Line 61, Other District Programs. That would be K3, K4 and the Opportunity Grants. We gave up \$3 million and received \$1.8 in Opportunity Grants.

On Tuition, we have 98.37% revenue tracking with our other revenue. We haven't done our tuition billing yet as that is done in the spring. The State revenue is slightly behind last year. For every private placement, the State funds 70% and we fund 30%. The State sometimes these revenues aren't reliable. There is a new person in that position in the State, but they will fund us 100% of that line. The private placement schools bill us monthly.



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Related services hasn't gone over budget yet. But in the case of contracts, special education has a lot of pressure. Speech therapists is contracted to Speech Clinic, Therapy Services of Delaware has our occupational and physical therapists and we have itinerant services. As a philosophy in Red Clay, we like to hire our own therapists. We use a contractor when we can't find enough people. If you are a contractor in an area of high demand, you can set your hours in time and flexibility. You then don't have a state pension or benefits. They make more than our employees do because they can command it. There is a push and pull between contractor and employee. Psychologists, bilingual psychologists, and bilingual speech therapists are contracted out as well. Related services, then has almost \$1 million for Meadowood. Some of this will be offset by how much we earn. We earn related services units from the state that we cash in. You will see the amount decline somewhat. The numbers in pre-K are growing. \$1.8 million in expended and encumbered. So, right now it's \$.5 million over budget. That is not going to stay there, as we will get state money to offset that. We added additional money tuition tax in Meadowood and RPLC to account for that. This is not new, as it has happened in years past.

Ms. Thompson asked about utilities being over. Ms. Floore explained that when we earn units, we receive Division 1 funding, Division 2 funding and Division 3 funding. The argument is when we have a student, along with that is the books and materials and all other costs. Our funding formula is based on a unit but that unit comes with Division 1, 2 & 3. With special education, we have fewer students but we earn more units. Where do we earn more units? RPLC. We got more Division 2 money because we have more units. In order to spend the money in energy, we can convert it and use it for Division 1 salaries. We are at 108% because you earned 108% of revenue. It is accounted for in the Division 1 and 3 side. But the Division 2 came in higher than we thought. It is \$11,000. We always spend what we receive in State money.

Ms. Thompson asked if District Wide Services is high. Ms. Floore explained that is substitutes. RPLC is struggling as it is hard to get substitutes and harder to get paraprofessional substitutes. Our numbers from our contractor, ESS, have been improving. Mr. Chase agreed that it has been getting better.

Ms. Thompson noted transportation is higher. Ms. Floore answered that we have more students and we are transporting the 3 and 4 year olds from further distances.

There is a cycle to this each year. As we get closer and closer to June 30th, it shows how we will come in to our numbers on the Financial Position Report. What our balance will be is our main focus. 11 years ago, this Committee did not exist. Red Clay had an oversight committee before it was required. Now, all districts are required to have one. Part of the problem is districts that did not know how much they had and panicked at June 30th. We forecast and project what our balance will be and make adjustments accordingly through the year to make sure we come in on track.

Ms. Thompson stated that if we come in at \$14.5 million. That means we need \$9 million for payroll for July & August. Ms. Floore explained that honestly, the State requires we



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have one month of payroll. They fund us 75% of the Division 3 money and we have to make charter payments. There are many factors in how much you need to end the year with and it isn't reflected in the Financial Position Report. Our monthly payroll is \$4.5 million. We have to have expenses to start the year, 35% of the charter payment and our taxes don't come in until October. Ms. Thompson asked how much we need. Ms. Floore stated that in the past years it's about \$12 million.

Take all your revenues and expenses, charter preloads, start of school, summer professional development, 3 months of payroll and add it all up. We also are prefunded in July on Division 3. We also do an October 1st Financial Position that we review in July. We do a February 1st that looks at May 30th. A whole host of expenses and revenues. To start the year, you would look at this report and add the Division 1, 2 and 3 that come in July. Last year at time, it is \$200,000 different from the final budget we just approved. It's been tracking all year. There will be another FPR in May.

Mr. Schwartz asked when the true up is for the Division 1. Ms. Floore explained it is in the spring. We have to submit our plans for the \$3 million give back. They do not true up until they receive our plans of where to take the \$3 million from.

Mr. Chase moved to accept the monthly expenditure report and financial position report. Mr. Schwartz seconded. The motion carried.

III. Opportunity Grants

Ms. Floore spoke to the Committee last month regarding the Governor's proposal of \$20 million in opportunity grants. It is not truly \$20 million. Last year \$6 million was appropriated so this is an additional \$14 million in one-time funds. It is spread over 3 years. Ms. Floore distributed a spreadsheet to the committee detailing what we are currently spending with the opportunity grants that we received. It is \$1.8 million allocated to Red Clay. Ms. Floore received a draft of the allocation of the \$20 million. There was a note of \$300 per high poverty student, \$500 for an ELL student and \$800 per student if they are both. We are one of four states that has no ELL funding at the state level.

Red Clay was allocated \$1.8 million. The spreadsheet draft Ms. Floore received reads \$2.8 million for Red Clay's share. \$1 million more than we were receiving and not officially, until after the budget is approved in June. Ms. Thompson thought it was \$60 million in the Governor's budget. Ms. Floore explained it is \$60 million over 3 years, \$20 million each year.

We hired many people, and it's how we were able to make class size. The other districts stated that even though they didn't make the concentration, they still have students in poverty and that cannot be ignored. Mr. Schwartz stated that it should be handled like special education, where the money follows the student. Ms. Floore answered that the special education model is by need and this program is by dollar amount. So now, it will go out everywhere. Where it was concentrated in our schools, it is going out everywhere.



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The schools with high concentration will earn less, and our other schools will earn more. The schools that had 40% and 50% poverty will now get a piece of the pie. It is a redistribution of the money and that is why we will go up \$1 million. We studied this for a long time with WEIC. We had a weighted model that said the more concentrations, the more weight you should get. We had bands as in a band of 30% poverty equals what the weight should be. The more concentrating the poverty, the more help the school needed. The State went with a straight dollar amount.

Mr. Pappenhagen asked if the money will get so diluted it won't make a difference. The money is going to the districts and the districts then allocate to the schools. There will still be an allocation process and we have to make a plan for them. Ms. Thompson stated that is interesting as that is not the way Governor Carney stated it. Ms. Floore added that the chiefs asked for mental health support, Pre-K, and other items. The State is giving districts the flexibility to take this funding and support those items the chiefs asked for. We can use the money and focus all on Pre-K or mental health if that is the decision.

Ms. Thompson asked how much we will receive. Ms. Floore explained that the draft she has seen will give Red Clay \$2.8 million in opportunity grants. This year, we received it per school. The handout shows exactly what we did with that funding. People that we hired. Sometimes it doesn't equal a teacher as we don't know how much a teacher will make before we hire them with steps and lanes. At Warner, there is a new teacher, compassionate care, EPER for restorative practices, Akoben for professional development support. We has a team will have to develop a plan for the \$2.8 million. Arguably, \$1.8 is already accounted for. The problem with grants is that you cannot sustain them. Mr. Chase asked if it is only good for a year. Ms. Floore explained it is \$20 million a year for 3 years but it hasn't been approved yet.

Ms. Floore attended the Joint Finance Committee and there were a lot of good questions. There are many new legislatures on the committee. Mr. Schwartz added some are educators. Mr. Matthews said he attended last year and it was very interesting.

Ms. Thompson asked if the Governor's budget reads that all State employees will receive a 2% increase. Ms. Floore explained that yes but only on the State side of the pay scale.

Mr. Chase asked what the pension rate decrease mean? Ms. Floore explained that the pension rate is smoothed over 5 years. The decrease means that the pension rate portfolio did very well in the market.

IV. Public Comment

There was no public comment. There was an email from Jack Wells, community member, received through the CFRC web page. The email was not directed to the CFRC, but copied for information. Ms. Floore distributed a copy of that email to the members.



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V. Announcements

The next meeting was changed to Tuesday, March 19, 2019 in the Brandywine Springs School Teachers' Lounge at 6:30 PM.