



Committee Transcript

Red Clay Community Financial Review Committee December 11, 2018

I. Minutes

The November 2018 Minutes and Transcript were reviewed. Ms. Thompson moved to accept the minutes and Mr. Pappenhagen seconded. The motion carried.

II. FY 2019 Final Budget

Ms. Floore distributed the FY 2019 Final Budget Power Point presentation and the operating budget.

The purpose to do a final budget in December is because we are funded based on September 30th student count. We never know year-to-year how many students will be enrolled. We do an estimate and set the tax rate in July with the preliminary budget. Once September 30 happens, and we go through the changes set by the state based on our units, we then can do the final budget for approval.

The tax rate is already set. Even though, we may have more students or less students, the tax rate doesn't change. The only things that change are the units and the state funding based on unit count. We also have 5 months of experience through November 30th, therefore, we have a better projection of what we will spend based on these 5 months. It is not just our unit count, but that of the choice students and charter students and where they fluctuate. This includes the State give back of \$3 million. We have \$2.6 million in the general operating budget. Another \$136,000 in Meadowood and \$149,000 in RPLC. The State givebacks are from the year when the State cut \$26 million statewide. They allowed us to pick where it came from. We then wait until September 30th and in December, our final give back plan is submitted to the State.

The overall summary is there is a net 0% change from the preliminary budget. However, there is a slight change in local and a slight change in State. The important thing on units on the school level is that we hold harmless. If a school dropped units from the prior year, which many of our schools did, their budget is not penalized halfway through the year for that. They keep their units for that year and we start up the budget for next year would be as per the student count of this year. It is hard for a school to prepare not knowing how many students they will have and then have their budget decline in the middle of the year. This is a local practice, not mandated by the State.

Our biggest decline in students is in A.I. High School this year. Our overall unit count is 1145, which is an increase of 2.5 units from last year. However we went down 327 students. The type of students changed, and that is how we increased. In Pre-K students, we went down by 3 students, K-3 students went down 117, 4-12 students went down 281. It is hard to say the majority is secondary. We are down in 4-12 basic students.



Committee Transcript

However, we are up 35 in intense and 46 in complex students. This change in type of students increased the unit count by 17.69. 35 complex students equate to 5 units. The interesting thing is that we did add special education teachers this year. We didn't have a RIF or attrition or a cut. Those schools with an estimated unit decline made class size waiver. Those units would have been cut, but we received the K-3, K-4 funding and opportunity grants for \$3 million back. We targeted that and it enabled us to make low class size within the district. There is the possibility the governor will increase opportunity grants so if schools stay the same enrollment, we would have more funding.

Ms. Thompson and Ms. Rattenni asked how we are losing students when we appear to be growing. Do we know why we are declining in number of students? Ms. Floore answered some of it is the charter school population. The largest decrease went to Academia Antonia Alonso with 43 more students this year than last year. Charter School of Wilmington increased 25.

For projections we are watching demographic trends and working with the University of Delaware on population trends. What do we see for 10 years? We've had bubbles within a grade. We would like to long range plan if we can.

We did anticipate the increase in special education. Dr. Celestin anticipated many but not 50 new complex students. Also of note, if the student isn't in our unit count, but moves into the district in October, we still have to provide the services necessary and no additional funding comes with the student. We would know for the next year. Mr. Chase wondered if it was across New Castle County or does it mostly effect Red Clay. Ms. Floore will check with her counterparts to see what they are experiencing.

Mr. Schwartz said he would be interested to see if students are transferring out of a charter and back into the district schools or to a vo-tech school. Ms. Rattenni asked if we tracked to private schools. Mr. Pappenhagen asked if we know if these charter school students are coming from private school or district schools. Ms. Floore stated that they know when we receive a records request for the new school. Ms. Floore will follow up with Dr. Ammann on how we track that and with the other districts in what they have seen.

Ms. Floore noted that we had 45 more students' choice into Red Clay than before. Which suggests without those 45 students, our decline would be even more. The vast majority comes from Christina. The only one we lose by net is Brandywine as we have more students choice out to Brandywine than in from Brandywine School District. We are preparing, as early spring is our staffing projections. Ms. Rattenni wanted to clarify, if we accept students from Colonial or Christina and their per pupil is lower than ours, are we receiving a payment based on their per pupil making it a detriment to accept those students. She asked that is there an analysis of how much it costs us to educate these students. Ms. Floore answered there is two components to that. Brandywine's per pupil is higher than ours and the way that the local per pupil is calculated is all of the district expenditures, general categories, divided by the number of students. Red Clay and Christina are neck and neck due to recent referendums. Ms. Rattenni stated that it is only



Committee Transcript

Colonial, then. Ms. Floore stated there has been complaints and there is a validity to it, that these students come with no capital money. This is true of our students attending other schools as well.

Ms. Floore explained that we have seen large increases over the last 3 years in our charter payment. The way that the accounting system works so that an expense isn't double booked, when our revenues come in, and our per pupil is calculated, the numbers come in from the charter schools, a budget transfer is made taking the money from our revenues and move it into the charters' accounts. If we had logged it as an expense, and then the charter schools were using the money to pay expenses, it was being double booked on the state ledger. When we speak to a charter payment, it is really a revenue transfer. When Ms. Floore had prepared the preliminary budget, it was estimated at \$14 million, which was based on historical trends. The last 3 years of Odyssey and DMA, CSW and others increasing the number of Red Clay students, we have seen an increasing number of students going to charters. We used the historical trends as well as the fact that the per pupil was inflated by 2% because they were including match tax in local per pupil calculations. In the last three years, we estimated too low and we had to add money in the final budget. The good news is that our charter expense bill will be \$12.9 million. is a net to the bottom line from the preliminary budget and we are in good position for June 30th. Choice revenue increased by \$382,000 due to the additional students.

Mr. Chase asked if these 3,000 students who are attending charters came back, do we have room for them. Because they are attending charter schools, we do not have to build additional schools. Ms. Floore answered that one of the largest charters, CSW, is in our building as well. But stated Mr. Pappenhagen is correct. DMA, Odyssey, and Newark Charter have built their own buildings. Mr. Chase asked if that means we are saving money and are better off that these students are in charter buildings. Ms. Floore answered we are not incurring expenses but that suggests that we are losing money on the students that we have, and we're not saying that either. The expense is education and facilities. She doesn't see the charters doing it more or less efficiently, but differently using the same funding we would have received. Mr. Chase asked than is it beneficial to be encouraging charter schools to accept more Red Clay students. He understands us encouraging Red Clay students at CSW and Cab Callaway, but DMA and Odyssey we encourage them to take Red Clay students. Ms. Thompson states that we encouraged DMA to accept Red Clay students but we did not encourage Odyssey. Ms. Floore added that it is just the schools the Red Clay School Board chartered. Those schools are Charter School of Wilmington and DMA. Odyssey was ours but then Odyssey went to a State charter because they wanted a facility that was no longer in Red Clay. And then Delaware College Prep School, which went out of business. They handled exactly as Mr. Schwartz noted, they mortgaged the building and paid it out of operating expenses. They had no capital whatsoever. Mr. Schwartz added that some charters rent from the churches as well. While having children in Red Clay, Mr. Schwartz also served on Gateway Labs School Board for 4 years. That being said, there are several scenarios how they fund their buildings.



Committee Transcript

Mr. Chase asked if we are benefiting or losing out with the students going to charter schools. Ms. Thompson asked if it was a net financial gain or loss. Ms. Floore stated it is neither. If 3,000 more students were in our schools, we'd have to determine where exactly how they would fit. At this time, 1,000 are at one school, CSW. We currently have capacity in our other schools for 2,000 students. Ms. Rattenni added that we would close the spots we give to choice. Yes, Ms. Floore agreed, we would have to end choice. She believes it is neither a financial gain nor a loss. The problem comes when there is a rapid decline. For A.I.DuPont High School the rapid decline in students this year meant we were to go down 7 teachers and making those changes close to the start of the school year. We haven't RIF'd in a long time because we are so large and we have retirements and contracts. The predictability is the hard part. There is no real way to pin anyone down earlier especially if they simply move out of district.

Mr. Chase stated that when DMA expands, that will take more students from us. Ms. Floore stated that there are no official correspondence on that as yet. The IB program at Dickinson High School expanded middle school capacity in Red Clay. Mr. Chase stated that is where his children attend school. He likes the program very much. Mr. Schwartz is surprised to see the decline at AIHS with the early college program.

Ms. Floore explained that the last two columns show whether the budget changed or stayed the same from the preliminary budget. Fewer categories changed than stayed the same. The \$596,000 estimate and decline of current expense taxes. Our taxes aren't declining. In June, a bill passed to means test the property tax. The Governor just vetoed it. Originally, we were going to get significantly reduced senior tax credit from the State meaning fewer people would get the discount, but we would have gotten the taxes directly from the taxpayer rather than the State. This line flips it back to where it was, which is receiving the income from the State. It was \$500 but then it was cut back to \$400 for everyone. But the House and Senate passed the bill to means test it and it was vetoed. It goes back to \$400. The seniors receive the \$400 discount, but the State makes us whole.

Indirect is the amount you're allowed to charge your federal funds for administration. A cut here of \$250,000 is because our allowable rate decreased based on a formula. This means we spend that money in the grants. It is not a cut, but instead of taking from the grants and spending in the federal budget, as federal grants require office and staff work for administrative costs.

When we did inclusion, the teachers at Central (a tuition-funded program) would no longer exist. However, the students went to feeder schools, and the teachers followed. Those teachers are funded out of tuition funds helping our students throughout the district. Sometimes the tuition teachers are at Meadowood, sometimes they are at the traditional schools and RPLC. The \$500,000 funding moved from the operating budget to Meadowood and RPLC as that is where the students are being taught. The tax is the same, and we earned more units. Mr. Schwartz asked if Meadowood includes the Meadowood building as well as those complex students at McKean, and HB DuPont Middle. The answer is yes.



Committee Transcript

The total change in local revenue is .8%. The State give back is they ask for \$3 million and we can identify where it comes from. In July, when the budget is set up, they take it all from one line source. At the end of December, we owe them where we want it taken from. The report then has an (*) next to where it was taken from. It is Division I, Division III, State Technology, Ed Sustainment, Professional Development and Drivers Ed. The Division I give back is \$1.5 million. Division II includes a reduction that the State takes to pay our Esco payment. That is our energy savings program which pays for itself, but we had financed it over 20 years for all of the improvements. The energy costs have declined, but we have to pay for all of the improvements and work that was done. It is a success story. Division 3 and State Technology are the true up for the unit count. The school improvement opportunity grants, it was unclear in July when they were working on it what the final number would be due to the formula of calculation. We know now our amount is \$1.7 million. The good news is the State passed as one-time money, is safety and security money. We received \$561,000, which we wrote a plan for safety and security in the buildings. This is one time funding. The State asked the Chiefs and school boards, it has been on everyone's minds and initiatives is mental health, K-3 basic and school security. It was reported back that the Governor would support one time money, as he doesn't want to grow the budget. That not necessarily a bad thing. If this is an important initiative, it should not be just one time money for equipment but SROs. Between local and State, the state is a decrease of 6% and the net change is zero.

On expenditures are fewer changes. Heritage, Mote, Shortlidge, Skyline, Stanton went up in units. Stanton went up significantly. Dickinson increased. We don't penalize the negatives until the following year.

There are small budget increases in maintenance and special education. Division I salaries is the same as the revenue reflection with the State give back. The Opportunity grants we spend what we receive. Any time you give back a salary; there is a local portion that goes with that. That is local estimate of \$718,000 lower than preliminary budget.

Ms. Floore reported there is a critical substitute shortage. Mr. Schwartz asked from a substitute standpoint, do we use vendors versus our own pool. Ms. Floore explained, we try to hire our own long term substitutes through Red Clay and we don't pay the mark-up to a vendor for 90 days. The vendor does the daily substitutes and has for a long time. Smaller districts downstate still do it themselves. Our nurse substitutes are done ourselves as it's a small pool, but they still struggle sometimes. When we go to a sub service, we go to 30-40% increase is call outs than when it is done the old fashioned way of calling in to the principal and explaining being out. Teachers are less likely as they know of the sub shortage. Mr. Pappenhagen added that his school is feeling the shortage. Most days other teachers are filling in during planning periods. Mr. Chase added that his school breaks it down by team with 15 minute increments per teacher from their planning period. Ms. Floore reiterated none of this is being driven by a budget issue, as we would pay them if they were available and the district is looking at all options and ideas available.



Committee Transcript

The budget increased school security and supervision. It is not the entire grant as we did anticipate that there would be some, but we did not know how much. A. J. Nowell's budget had some of the estimate, but it now includes the full amount of the grant. Special education numbers increased, therefore there is an increase in expense of related services. Related services includes your occupational, physical and speech therapies required by I.E.P.s.

Expenses in total are .4% less than preliminary budget. Some of the line items are sizeable amounts of money, but as a percentage of budget these are slight tweaks.

Mr. Chase asked if the slight decrease in Division I salaries is due to the type of teachers or a new mix of teachers being hired. The number of teachers has not gone down. Ms. Floore explained that due to State give back, we did not lower the number of teachers. Looking at Division 1 salaries last year's actual was \$102 million. Our preliminary budget took it up to \$103.9 million. But it came back down to \$700,000 over last year. It is just an adjustment from preliminary to final. We are spending more on salaries than we did last year.

Ms. Rattenni asked for any additional questions on the final budget and asked for a motion to accept. Mr. Pappenhagen asked when the next referendum would be. Ms. Floore answered the earliest would be a year and two months from now. The question will be for the next superintendent. We will arrange an early fall meeting with the new Superintendent when we do a long-range fiscal forecast. The reason to hedge is we don't know how the world will change in a year. The State budget may change. We are not so far in the hole that we couldn't adjust.

Ms. Rattenni asked for a motion to accept the FY 2019 Final Budget with a recommendation to the Board of Education. Mr. Schwartz made the motion and Mr. Chase seconded. The motion carried.

III. Monthly Expenditure Report

Ms. Floore presented the monthly Expenditure Report for November. Being in the fifth month of the school year which is 41.6%. The important thing is based on 26 pay scale. We are in 11 of 26 pays right now, so we should be at 42.3% of payroll. Those are the numbers we track against. We are not at 106% of revenue because of the charter revenue transfer that will happen at the end of December. We just received the bill. It will be back down in the 90%^s. We were in the same spot last year.

We are at 94.3% of revenues slightly ahead of last year. Ms. Floore has a New Castle County Finance meeting tomorrow. She brought the pending assessment appeals with her tonight. Red Clay does have a number of them, including Barley Mill that are sizeable. Mr. Pappenhagen asked about Boxwood Road. Ms. Floore answered that appeal was successful. Mr. Schwartz asked if they are for assessed values. Ms. Floore explained



Committee Transcript

that they are. Our assessed property values are less today than they were last year. We don't have property reassessment, but there was a court case that allows for depreciation.

On the expenditure side, Division I salaries is at 42% where we expect to be. Local salaries at slightly under at 41%. The alternative placement school is over by \$20,000. We are looking into what that payment was for. Total expenditures are at 39.5%. Expended and encumbered are 43%. The schools believe they are halfway through the year, so they are at the 50% range. Mr. Chase asked if Dickinson High School included the MYP or was it a separate line. Ms. Floore explained that it is included in their line.

Federal Grants for 2017 are finished. There is a focus grant that goes to 2020, but the others are completed. 2018 grants are coming to an end with completion dates in 2019. 2019 grants are just beginning. Tuition is almost the same as last year with 98% revenues received. The other categories are where you'd expect to be throughout the year. Minor cap is 0% as the work is always 1 year away and done in the summer. It isn't even loaded until January. Debt service is the bond repayment cycle, but it isn't monthly, but balloon payments do occur and are budgeted.

Meadowood and RPLC salaries are running higher than 42% which means their budget isn't enough and will be depleted by the end of the year. That is why in the final budget, money will be moved into their salary line.

Ms. Rattenni asked for a motion to accept the Expenditure report. Mr. Pappenhagen made a motion to accept and Mr. Schwartz seconded. The motion carried.

IV. Public Comment

Mr. Chase asked about the lawsuit. Ms. Thompson stated there was a motion to dismiss. The motion was dismissed and it will go to trial. Ms. Thompson stated that there is a constitutional right in Delaware to a general and efficient public education. They determined that was a qualitative standard. Based on the DOE's own standards, the students who are disadvantaged, high poverty, spec ed and ELL, are really not getting a general and effective public education. The argument made is the State is failing in its obligation. Two motions were dismissed. One was the county for reassessment. Ms. Floore stated the hardest part is not knowing how to settle it. Ms. Thompson compared it to the one against Red Clay for Referendum. The current one is in discovery. Mr. Chase was reading that Delaware has been forced to do anything its ever done. Ms. Thompson added that we are only one of 4 states in the US without ELL funding.

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

V. Announcements

The next meeting will be held Tuesday, January 15, 2019 in the Brandywine Springs School Teachers' Lounge at 6:30 PM.