



# Committee Transcript

**Red Clay Community Financial Review Committee  
September 11, 2018**

## **I. Minutes & Transcript**

The July 2018 Minutes and Transcript were reviewed. Ms. Thompson moved to accept the minutes and Ms. Zimmerman seconded. The motion carried.

## **II. Monthly Expenditure Report**

Ms. Floore informed the Committee that Eric Loftus, Financial Analyst for Red Clay for 10 years, has taken the position as CFO in Appoquinimink recently. Therefore, internally, we moved people around within the department. Stephanie Guy, a Specialist who worked on major capital projects and other duties in the business office, was promoted to Financial Analyst. She is bringing over some duties while we realigned others. We are down grading the open position from a specialist to a financial secretary and we are freezing that position depending on unit count and the overall financial situation. We took the opportunity to shift responsibilities and reduce salary costs.

This is Stephanie Guy's first expenditure report. Ms. Guy will attend some of our future meetings. Dr. Daugherty, our Superintendent, has also given his notice as he is taking an opportunity out of state. Our Board is beginning the search for his replacement.

The financial report does not have a lot of information this time of year as August is only two months in. Some expenditures are getting ready for school, but our taxes aren't in so there is limited spending until they are received. That is why it is so critical that we have the carry forward balance. We did have a board workshop where Ms. Floore presented the 3-year forecast. The forecast is the numerical presentation of what we discussed at the last meeting in terms of not needing to go to referendum this year and postponing until next fall. In addition to having a year with a tax decrease, this is fortuitous, as we did not want to be hiring a Superintendent while going for a referendum in the same year. The new person will have to focus on it their first year. The 3-year forecast has us ending next year in the same place we are at now if all assumptions hold true.

We haven't received much in taxes so far. The tax warrant was as late as it could possibly be based on timing. The 2<sup>nd</sup> Thursday of July fell later this year and therefore, not many taxes have been received. With State funds, we are currently figuring out the \$3 million give back depending on final September 30 unit count. The State always takes it from Division II initially. Usually, they fund us 75% of the prior year, but in this case, it is less than 50% due to that take back. After September 30<sup>th</sup>, we will submit our plan on how we cut that \$3 million. At that time, the Division II funds will come back up. This is also why in our budget, you see Ed Sustainment budget was assumed by the State to be the full amount, but we budgeted as if some of that \$3 million would be coming from that amount. That is why Ed Sustainment is at 115% funded. The adjustments should all be completed by the December report in time for the final budget.



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We received our bill for the charter pre-load, so we will see that reflected once our September taxes come in.

Right now, we are at 56% revenue received, which is higher than we were last year. In a lot of respects, this was due to the fact that Division 1 was funded 90%, which is \$93 million, which will swing the overall percentage higher because it is the largest revenue number in the budget.

The expenditures are in the infancy of the budget year. There are no concerns at this point. Technology is at 48% expended. They had done a next year purchase order to get ready for this year they had a purchase order in place for Chrome Books. This is line 66 Referendum Technology. Technology by itself is the operations of the department. The Referendum Technology line is strictly the one-to-one technology voted on in the referendum.

We have a rule that you cannot spend more than 30% of your budget until the taxes come in. In some cases, however, it would be harmful to wait. Ms. Thompson noted that Nurses expenditures were at 36%. Ms. Floore explained that Nurses replaced all of the defibrillators (AEDs) in the buildings. Ms. Zimmerman asked about the Drivers' Education summer program. Ms. Floore noted that Drivers' Ed has to purchase vehicles, so that is a big charge at one time. The program consists of the instructors, the manuals which are inexpensive, and car and gas. The summer time is the perfect time to transition to the new vehicles.

Ms. Rattenni asked about the FY 2018 expenditures may have an incorrect number at \$16 million. Ms. Floore answered that would be corrected.

Ms. Floore spoke to local salaries. It is \$11 million compared to \$8.9 last year, but that is the difference in the number of pays. This year we had 3 pays in August. It all depends on the pay cycle.

Last year we were at 13.4% expended and this year we were at 17% but nothing that is concerning at this point. Overall, we are in a strong position starting the year.

The federals are different as we are coming to the end of our federal fiscal year. There has been some controversy from some of the school districts. The Dept. of Education, at the end of May, sent the allocation for FY 2019 with the true up for FY 2018. For whatever reason, there are small adjustments of between \$1,000 and \$10,000. But for multimillion-dollar grant, that is immaterial. The FY 2019 allocations came out and then one month later, the business managers received a transfer document. For Red Clay that was pulling back \$230,000. Christina's pull back was over \$300,000. DOE stated that they were provided guidance on how they were calculating our IDEA allocation was inaccurate and that was the fix. We told them you cannot do this, as we are 11 months into the federal fiscal year. Their position is that is the way it is. It was \$230,000 for last year and slightly different for this year. There are also districts that receive the pulled



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back funds, DOE doesn't keep it, it is a net zero program. The receiving districts were also concerned. The CFO at Appoquinimink left to become the Associate Secretary at DOE, so he understands both sides. We have established that the business managers are going to have regular meetings with the secretary to iron out matters such as this. Ms. Zimmerman asked if the receivers have to use this new funding in a limited period of time. Ms. Floore explained that is correct but they still technically have another year so it won't be a problem for them. We hadn't totally expended the grant and now will have to start using the new grant earlier. October is the funding cycle. Just like there is a balance on the local side, you don't want to run the budget so tight that you cannot pay salaries. We've always had the cushion and this has narrowed the cushion. Ultimately, we will cut the budget to make up the difference. Even though the grant is FY 2018, the funding period is until November 30, 2019 to fully expend the funds. We are coming to the wire on some. 81% on Title 1 and IDEA is 99% due to the cut.

We've had the FY 2019 grant approved, you'll see those funds appear. Others will close and the cleanup will be done through Debbie Roberts in our office. Ms. Thompson asked how you find the \$230,000 cut in the report. Ms. Floore answered; it simply disappears from the funding line on the revenue side. .

The business managers feel that the way it was communicated needs to be improved. The information was buried in a spreadsheet and then a transfer document was sent. Ms. Floore and the others felt it should have been communicated personally along with an explanation, as the amount was so large.

On tuition, we have received \$369,000 of the \$26 million. The FY 18 is wrong and will be corrected. Tuition, as the others, is still in its infancy in the year.

We haven't touched minor capital at this time. We are finishing the 2018 funding.

One thing we are watching closely. We have a new substitute vendor. Downstate, the districts run it themselves. The upstate districts use Kelly Services. We are now contracted with ESS. We had trouble with the fill rates and service from Kelly. We felt they were stretched too thin. We have such low unemployment; it is hard to find substitute teachers at all. We had the same issue with transportation drivers. These type of positions have no benefits or pension. Substitutes receive \$104 per day. It is all out of local funds, and the rate hasn't changed in over 11 years.

Ms. Thompson asked if we have had any success in recouping the delinquent taxes. Ms. Floore is on the County Finance Committee. That committee has completed the paperwork, but they have not transmitted the data from June. They don't know all of the details, but they have seen some positive impact but it is very early. Ms. Thompson stated that we don't pay anything unless the company collects. Ms. Floore confirmed. NCC has a new CFO as well and this was his first meeting. The County raised the county taxes by 15% with a limit, which brought it back to 7.5%. They have to take action to keep the cap on the amount or it will increase 7.5% again this year. We decreased our taxes but residents see the increase from the county.



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Kim Williams has a bill that eliminated the senior tax credit and made it a rebate. You've always had to make an application for the program, but now the residents will pay up front and apply for the rebate. The State will means test the application as some may not be eligible. The rebate will come with your taxes. The bill has not been signed yet. If a bill passes both houses but isn't signed, the bill becomes law after so many days. It's a lengthy period of time. If it isn't vetoed, it becomes law. But Ms. Floore doesn't believe it will make it into this fiscal year.

### III. Financial Position Report

Ms. Floore went on to discuss the cash balance on October 15<sup>th</sup> from the Financial Position Report. It is a signal to the State on what is their position going into the period where we are at our lowest funding level. We need to be able to prove that we can meet our payment obligations prior to the taxes coming in. We must have one month of payroll available to use at October 15<sup>th</sup>. It is pretty arbitrary because those can be flexible as it doesn't take into account when the 3 payroll month hits.

Looking at ours, we have \$5.6 million available with \$4.6 million needed in local payroll. In theory, if you have an encumbrance, you've reserved those funds. If Technology does a purchase order for \$10,000 worth of Chrome Books, those funds are reserved. It doesn't mean it's been ordered. Maintenance is one department that will place \$50,000 on a purchase order for lumber. They know they need lumber throughout the year, they just don't know where or when. In theory, we can close that PO to make cash available.

Therefore, the information relates to what we have in cash. What we have encumbered that we could free up. Some we couldn't but others we could. If we encumber 3 months of energy bills, we can free up some of those funds.

The projected income is what we anticipate we will receive in way of taxes. This number is an estimate based on what we received July through September of last year. Our projected expenses on salary from July 1 to October 15 is only \$7.6 million.

Ms. Thompson asked if this showed just local. Ms. Floore explained it is state and local together. There are some state appropriations that can be used for salary or things. This shows where we expect to use the funding until our taxes come in. The state prefunds us \$93 million and have no cash flow issue on state salaries. Income taxes are paid in time to fully fund the state fiscal year. Ours is dependent upon when the property taxes are paid in the fall.

This report goes to the Board as an action item. Ms. Thompson asked why it had to be approved by consent. Ms. Rattenni answered that it has to be sanctioned by the Board before it can be sent to DOE. Ms. Thompson stated that consent doesn't get discussed and she feels they should be touting the financial position. Ms. Floore stated she is fine with that. In the past, she has been asked not to present, but she has no problem with presenting. Ms. Rattenni stated that it is voted on in this Committee as a recommendation



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to the Board as well. Ms. Floore added that this report is done 3 times a year. Our next one is February 1 to explain where we'll be June 30<sup>th</sup>. And the third is in May to solidify our position on June 30<sup>th</sup>.

Ms. Rattenni asked for a motion to vote on the Financial Position Report as presented showing that we have sufficient cash flow to take us through to October 15<sup>th</sup>. Ms. Thompson made a motion to accept the report and Ms. Zimmerman seconded. The motion passed.

## IV. ESSA Report

Ms. Floore presented the ESSA report. This report shows all of last year's financial data and puts it in different categories. These are new required categories. Through ESSA, they really want to show at the school level.

The report shows how much we are spending per school. What do we need not to look at on the report? First, adult Ed, so take that out of the count. Ccrp which is cost recovery out. Liability account is where we put our benefits money for the vendors. Every pay cycle, money is taken out of an employee's pay. We don't pay the vendors with each pay. Instead, the money is deposited into a liability account. We then pay the dental and vision when they are due. The money is collected with salaries under OECs. It is excluded so that it doesn't get double booked.

Major and minor capital as well as debt service aren't student expenses. Other non-publication or pass-through programs. For example, the Italian Camp. Their expenses come through Red Clay, but they are not Red Clay expenditures. We agreed to be their fiscal agent for the Italian Heritage two week camp every summer. They are housed in our buildings but we do not put any funds toward it. The total exclusions from our \$280 million, we have excluded \$25 million that are not school related.

Then you have district office. These are not charges at a school but are school related. The administrative costs. Then, there are those allocated to buildings. Substitutes is a prime example. We have a central contract for substitutes that we do not bill back to the schools. It's intentional. With a district the size of Red Clay, it is like insurance. If you have a sickness epidemic, the schools aren't charged for their absences, yet they are monitored. Human Resources looks at abuse problems, however, so they are managed. The money is budgeted centrally. We have a \$1.7 million line all expended at school as substitutes. It is an expense that gets credited back to the schools. There is a formula based on the number of students. District office is not as it is considered administration and allocated to the building goes out.

You can see the total building level expenditures and total district expenditures. Total building expenditures is \$249 million. Ms. Thompson feels that 2.27% is a very good percentage for administrative costs.



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The next break out is by school. Teacher salaries and building level expenditures. However, curriculum is not. You may buy math textbooks for elementary and language textbooks for secondary. These are allocated per pupil or program rather than school.

Meadowood is our most expensive school. As in most cases, they have a one-on-one para, which is \$50,000 alone. There are 150 students in the program. Enrollment is on the top. Forest Oak is the highest elementary but that includes students from the Meadowood students. Ms. Thompson would like to see this report without the Meadowood students in the regular school counts. Ms. Floore hopes that this is an interactive report with DOE. It will show that the special schools are driving an unrealistic view of cost per pupil. Ms. Thompson agreed.

Christina will be completely skewed with the autism program in theirs. Ms. Thompson stated that having the special students out of the counts would show the public that we don't have all of the high funding in the suburban schools rather than the city schools, which we knew, wasn't happening. But with inclusion, we also have to take into consideration the different needs of students by school, which is why we look at things per unit verses per student.

Ms. Rattenni asked if there is a direct correlation with the high need schools and the higher amount per pupil. Are we seeing the correlation with staffing or is it strictly expenditures for those students. Ms. Floore explained it is a combination but it is mostly staffing. This report shows all funds. We have always said we dedicate excellence units to the higher need schools, not just Title 1. The other interesting fact is that local funds also includes tuition. We dedicated to full time educational diagnosticians and psychologists and so they are in the high needs schools as well. Those positions were across the board, but the high needs schools would have two where the other schools would have one. And then it would capture those expenditures that the district is expending both in excellence and tuition. So, this average per pupil rolls it up and then we expect to see the request for breaking it down just by local or just by state.

Ms. Thompson stated the teacher number is based on units, not by the actual teachers in the building. Ms. Floore answered that it is based on the actual number of teacher salaries in the building. Ms. Thompson was impressed as the argument is that the experienced teachers with higher salaries are not in the city schools. This proves that many experienced teachers are downtown. Ms. Floore answered that is averaging it all. Lewis has 5 Title 1 teachers. All of those salaries are counted in this report. Local for Lewis is \$1.9 million but they have \$700,000 in federal funds. This report reflects all of the expenses based on the people in the building and the sources of funds they are coming from. Ms. Rattenni asked if this information is from fiscal year 2018. Ms. Floore stated it is. Mr. Pappenhagen if charter schools would also have to provide the same data and Ms. Floore believed the report is required for all charters and districts.

Mr. Pappenhagen asked if other districts had special schools. Ms. Floore stated there are special schools in other districts such as Leech in Colonial, Delaware Autism Program in Christina, and the Busch School in Brandywine. Ours are not statewide programs. DAP



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is the only statewide program and that is in Christina. Our First State hospital program serves the whole county.

Ms. Thompson stated it was very important to see what is spent at each individual school. Ms. Floore thanked Debbie Roberts in her office who worked on compiling this report.

## **V. Meeting Dates**

The meeting schedule for the upcoming year includes information on board planning meetings being held the same night as the CFRC. Ms. Thompson stated that the planning meeting is 5-6 PM at Baltz. Ms. Rattenni stated that we could move the CFRC meetings to Baltz on those evenings. The other committee members had no problem changing the meeting place on those nights.

Ms. Floore had notes that the CFRC wanted a Pre-Kindergarten presentation as well as transportation. Ms. Rattenni asked for a follow-up security presentation. Ms. Floore stated that Mr. Miller will not be here at the November meeting, and he had an interest in the security presentation. We will schedule that for another month. Mr. Pappenhagen would like to know more about facilities usage, in the way of capacity. Dr. Ammann can give the presentation as well as speak on the choice program. Ms. Floore will ask again next month if there are others to consider. i.e., nutrition. Ms. Zimmerman would like to hear about curriculum. Ms. Rattenni stated that July is tax rate and budget and December is budget as well. Ms. Thompson stated that capacity report is done in January and February as we go to choice in March if we want to keep with the cycle. Ms. Thompson stated that January 8<sup>th</sup>, we have a workshop on PreK and early learning. Communications and Ed TV would be a great presentation. Ms. Rattenni suggested that for March. Dropout prevention is another, CTE and Voc Ed. We can work from this list.

## **VI. Public Comment**

Ms. Floore brought with her several emails sent to the CFRC mailbox from Jack Wells. They are not directed to the CFRC particularly. The copies are for the Committee's information.

## **VII. Announcements**

The next meeting will be held Tuesday, October 9, 2018 in the Baltz District Office Board Room at 6:30 PM.