



# Committee Transcript

## Red Clay Community Financial Review Committee January 14, 2020

### I. Minutes

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

### II. FY 2020 Final Budget

Ms. Floore distributed copies of the FY 2020 Final Budget power point presentation and budget document. The final budget is tweaked based on the enrollment data from the September 30, 2019 student count. This year, some was anticipated, and some was in excess of what we anticipated. Ms. Floore went through the enrollment changes. The bottom line doesn't change too much, but it is more than tweaks this time due to enrollment changes. The net revenue impact is only .7% from the preliminary. Therefore, the budget isn't changing substantially, but there are pockets that are changing.

In years past, when new charters opened, we would see large shifts. When CSW and DMA changed to Red Clay first policy, we saw significant numbers. In the choice and charter numbers, we have leveled out. We see little fluctuation.

A school budget is based on a formula. There is so much for textbooks, building leadership teams, etc. and it is based on unit count. The high schools have larger budgets than the middle and elementary schools and it is driven by enrollment. We are halfway through the year. A school that had a decline in enrollment, we cannot take away funding as their purchases have been made and it would harm the school. Therefore, a school that has increased would receive more funding, and a school that decreased would be held harmless. They will see it reflected in the preliminary budget for next year, however, as that budget is based on this year's enrollment. We don't change it mid-year. They don't have large budgets as we budget so much centrally, like transportation, print shop, nutrition and technology. Their budgets are supplies and materials at the school level. We also have a half years' experience to see how they are spending. Was there an unanticipated event such as a boiler?

The final budget does include the \$3 million State give back. The give back is taken at the beginning of the year out of Division II funding. Then, we provide the State with our plan on how we are going to distribute it. Some of it are positions and the rest is taken from budgets such as Voc Ed, Professional Development, Driver's Ed, Division II and Ed Sustainment. That is why during the first part of the year, Division II funding numbers looked skewed. The numbers are loaded this month. You will see 170% of budget in some revenue categories because part of the give back will come from those budgets.

Our final needs based unit count was 1183. 38 units up from last year. Normally, it has an increase of 5-7. Student count is 15,520, which is up from 15,414. It is the first



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increase in student count since 2012. That is with more students attending charter schools. 100% of our increase was in special education.

The numbers of students over last year are down 5 in Pre-Kn, down 7 in K-3, down 66 in 4-12<sup>th</sup> grade regular education. The increase in students are 32 more Basic, 96 more Intense and 56 more Complex. Mr. Pappenhagen asked if that is why our unit count rose. Ms. Floore explained that 106 students drives the 38 units. Normally, with an increase in student count, you don't necessarily see a significant increase in academic excellence units or an increase in related services. Academic excellence units are earned 1 for every 250 students regardless of category. Therefore, our academic excellence units are only fractionally more. However, our related services is driven by special education for our occupational, physical and speech therapists, and psychologists. Because we have so many more intense and complex students, we have an additional 10 related service units. We are almost up 50 units from last year's budget. It isn't unexpected. Ms. Floore explained that when she presented the tax rate last July, we anticipated many of the students were coming back from the statewide autism program or moving up from the Pre-K program. We budgeted a significant increase in autism classrooms and Pre-K classrooms and anticipated some of the unit count. We didn't anticipate 38. This 38 isn't new people from the fall. We staffed in September to the students who were here. However, we get to use more State funding for those positions rather than strictly 100% tuition. When we set the tuition tax, it was accounting for the increase in units and some 100% funded positions. In anticipating 25 new units coming in, that tuition funding was for the local portion for the intense and complex kids. While we have 48 new units, we had already built some into the budget. It is the distribution of State and local and tuition funding that has changed.

Ms. Thompson stated that we should have a surplus in tuition now. Ms. Floore said only partly however, because some of the increases are happening in the Early Years Program post September 30<sup>th</sup> count, we are using that in tuition. We had to add \$500,000 to the EYP budget for the post September 30<sup>th</sup> identifications that we have to pay 100% tuition. Therefore, in theory, we should on one side, but we don't because of the net effect. The operating budget will show \$500,000 but it is being moved to EYP.

The discussion now with school boards and legislatures are looking at a mid-year unit count. Ms. Thompson added for that would be for unit growth. Ms. Floore explained that unit growth is problematic. Ms. Floore believes the legislative bill that is being working on is toward unweighted growth. For example, we had students last year that moved from out of state. Both had IEPs and both required one-on-one paraprofessionals. Two children cost over \$100,000 due to the para and the classroom teachers. Raw data in terms of enrollment, those students get lost and don't show the impact. Ms. Floore believes when speaking to a mid-year unit count, there is a case to be made for the situations. If we had children enter second grade, and that class had 20 students, there's no additional cost. It all depends on what is going on in the classroom. However, two students in an autism classroom, is profoundly different.



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Ms. Floore explained that in the WEIC days, if the State set aside \$2 million for a mid-year unit count, we should have to make our case. In Appoquinimink's case, they can state that from September 30<sup>th</sup> to January 1<sup>st</sup>, they had 200 more students move in and where they attend and what hiring was needed. Our situation is different. But we could make the case that after September 30<sup>th</sup>, we had 100 more Pre-K students identified because they turned 3 after September 30<sup>th</sup> and here are the classrooms we had to add. But it won't just be 100. If the student is complex, there is more need. Are they looking at the weights and complexity of the students? Ms. Thompson stated that they are supposed to look at that as per the bill. We just want to be sure that both situations are taken into consideration.

Choice and charter did not have significant changes. Red Clay students choosing out to other districts decreased by 5 students. 163 students leave Red Clay. Students from other districts choosing into Red Clay increased by 13. We have overall 1,425 students who choose Red Clay over their home district in seats we have available as those schools aren't at capacity. It is a significant number of our population, but it changes very little year to year. The same is true for our charter enrollment, which increased 86 students over last year. There were years we had a 300-400 change. Our charter payment from the prior year is \$762,000 more and \$373,000 more than the preliminary budget. That is the number you will see for the change of 86 students. The presentation includes a chart of where the students are going. Odyssey is one of our largest populations of where our students go and they are up 30 students from last year and continue to grow. They are number two for us after the Charter School of Wilmington. Delaware Military Academy is 360, which is half the number for Odyssey. Odyssey, however, is grades K-12.

Mr. Matthews related to the group that a few summers ago the Governor and Secretary of the Dept. of Education went for a federal charter school grant. They won \$10 million to grow seats at successful charter schools. He doesn't believe it will change us much, but it is concerning that the Dept. of Education is considering charter modifications for the Sussex Academy and Newark Charter School in March. Newark Charter School wants to add 750 student seats K-12 and Sussex Academy wants to open K-5. This may not be for this Committee, but the school boards should be heard. We are going to lose students and funding to these schools who pick and choose students based on discriminatory radius around the school and ability. He believes Newark Charter will completely destroy Christina School District. We have 44 students of Red Clay attend Newark Charter. When he was president of DSEA, he advised Governor Carney not to apply for this grant. Defining a successful charter school is test scores and kids who are privileged. More changes with the haves and have-nots. He will be writing a letter to the State Board asking for the change to these modifications. We will lose money. He doesn't know if there are other charter schools wanting to make changes as well. He doesn't believe the districts have been strong enough in voicing their concerns in losing students and funding to these schools which discriminate. He is hopeful that John Marinucci and the Chiefs will be working on this. Ms. Floore stated that CSW and DMA would have to come to the Red Clay Board for modifications as we hold their charters. Odyssey would not.



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Ms. Floore spoke to the choice chart of students. A significant amount of our choice students come from Christina. Of the 463 who leave, those in Appoquinimink and Capital are more than likely due to the fact that a parent works there. Christina is 119 coming from Red Clay. 463 students come out but 1,425 come in. The largest one out is Brandywine School District for their gifted program. We don't know what their preference program is. We also have many who live in Red Clay but work in Brandywine, so they bring their children with them near where they work.

Turning to the budget document Page 16, depicts the revenue side. In looking at the current expenses, we're not estimating that we're going to receive less tax revenue. We are estimating that based on receipts so far, the senior tax rebates increased since last year. More seniors are either qualifying or applying. It goes up \$175,000. If they get the rebate tax, the State gives us the funding. When one goes up, the other goes down. Ms. Thompson stated that she needs to apply. Ms. Floore added that there is a deadline of when you have to apply for the following year. The amount is \$400.

Ms. Floore explained all of our funds sit at the State and go through the State Treasurer's Office. Three years ago, we saw a significant decrease in the interest credited to the school districts. That has now increased. We are cautious in increasing our budget until we see a pattern over time. Since we have seen the increase, the final budget on interest earned is an increase of \$150,000. Ms. Thompson stated that is odd as interest rates are going down, is it apportioning it differently. Ms. Floore answered yes and we have maintained steady balances. We also have the bulk of our taxes at one time and pay it down throughout the remainder of the year.

In Choice income, we had an increase of \$288,000. The small changes were highlighted.

We have a surplus in tuition as Ms. Thompson stated. However, it is moving as we received more State funding for the increase in units. Instead of having 100% tuition funded units, we have State/tuition split units. \$500,000 is moving out.

The total local funds is \$435,000 less than the preliminary budget based on those changes. On the State side, it reflects the 48 units' revenue. The increase is estimated at \$1.8 million. Remember, some of that was estimated in the preliminary budget.

When Division 1 units go up, Divisions II and III are associated to it in formula. It is not proportional as we used those divisions in part of the State give back. Ed Sustainment is based on unit count, and therefore, we are at \$97,000 more.

All of these are positive. In years past, our units have gone down. They don't have a hold harmless at the State. When the units go down, the funding is also down. The total increase this year in State revenue is \$2.1 million for a total change of \$1.7 million or .8% of budget.

Ms. Thompson asked if we were cashing in our academic excellence units. We earn one unit for every 250 students. We don't end at exactly 250 students. Last year we earned



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60.2 and this year we earned 60.58 so we cash in the fraction, not the actual units. We do include all categories in the State giveback. Teachers, clerical, custodial and administrative positions. That means part of Division 1 includes salary reductions in positions that we do not fill. We are 100% on the academic excellence and 100% in related services.

On the expenditure side, there are small changes in the school budgets. Warner, Mote, North Star, and Cooke increased with their unit counts. Copy center printing is being reduced permanently by \$25,000. With the one-to-one technology Chromebooks, schools are printing much less than before. It still is a sizeable budget. Ms. Thompson noted that the John Dickinson School increased.

In looking at Division 1 salaries, if revenue is increasing, then so are the expenditures.

School Opportunity grants contained a mistake. On the school revenue side, in the preliminary budget, all of the State revenue was there, but we did not include the one-cent match tax. The change reflects that increase in expense. Mr. Matthews asked if this was the program that Governor Carney has been championing. Ms. Floore stated that it was. Mr. Matthews would be interested in learning how that money is being spent. Is it counselors, social workers or after school programs. Ms. Floore explained our program was in the stack of grants she brought to the last CFRC meeting. There is K-3 Basic Special Education, K-4 Reading, and Opportunity Grants. There are three rounds of Opportunity Grants. The first round went to ELL and high poverty and they named them by school with a specific amount by school. Then, the following year we received the same, but with an increase and flexibility in spending. Then, mental health was added. Mental Health was based on the schools that earned ELL and high poverty funding, so we couldn't use it at the middle schools. That is why we did the match tax to cover the PreK and the middle schools to cover the gap. There is also some resentment that an ELL student received \$500 and a high poverty student received \$300. The new formula was different. The mental health funding could be used for psychologists and counselors, social workers or reading specialists.

Mr. Matthews added that it is a good thing to have these positions in our schools. However, what happens when we have a fiscal downturn, and these positions aren't added into our unit count? Will these resources be pulled from the schools when the Opportunity Grants run out? Ms. Floore explained that is why the CFOs are believers in the unit count as it is a weighted formula that reflects a student's needs. And it is guaranteed. Ms. Floore explained that just the State share of salary alone of one unit is \$70,000 and then add on Division 2 and 3, and then it is about \$85,000. Funding \$500 doesn't compare. Where we have specific weights for special education, there is the belief we should have weights in the unit formula for ELL and poverty. Bill Doolittle has done a lot on this issue. But what is the right number? Unfortunately, how we determine the right number, is how much money is available.

The total expenditures change mostly because the State's salary line is expected to increase by \$1.6 million, or .7% change from the preliminary budget is driven off the new





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State units that we earned. Mr. Matthews reiterated that if you take the last few lines, looking at the revenues of \$241 million and the expenses deducted leaves \$16 million is the carryover. Ms. Floore explained that the line above revenues over expenses, right now we are anticipated to have a surplus of revenues less expenses. That will contribute to a very slight carry forward balance next year. We need the larger balance, as we don't receive next taxes until November.

Ms. Floore explained that we are in negotiations with contract employees. We have been able to fulfill our obligations, keep our promises, and increase our services through opportunity grants. It is also an election year with the State. For the long term prospects she believes we will be looking at a combined operating and capital referendum in the future. She does believe there are combined facility needs along with operating costs. Ms. Thompson stated she hasn't yet seen the 5-year plan. Ms. Floore explained that it is currently being worked on. With our older buildings, we need updates. We have been fortunate that with the tax structure, the Board has been able to address our current needs through the tuition tax. And our tuition tax is lower than many other districts.

Ms. Thompson asked about the negotiations. Ms. Floore explained that we just received the letters asking for the meetings that will go on in late spring.

Mr. Matthews asked if see all of this growth in students, we receive the State portion of the teacher salary and then the Board sets the tuition tax for the local portion of the salary. Ms. Floore explained that every salary has a State/local split other than those 100% funded through tuition. The only place we can have a 100% funded tuition position is in serving intense and complex students. That would happen most often in the specialized Early Years Program and Meadowood and autism programs. We may earn 50 State units, but 100 employees in those schools. The State believes the split is 70/30 but the cost is more 60/40. On average, there should be 60% from the State and 40% from the operating balance. But for intense and complex positions that 40% is from tuition.

Ms. Floore explained that this is where inclusion came into play. This needs-based category is new within the last 5 years. At one time, there was zero tuition dollars going to our regular schools. It was all at Meadowood, Central and RPLC. Now, the autism program is intertwined in our traditional schools. It follows the students. Ms. Rattenni asked if we plan for this increase each year. Ms. Floore explained that Dr. Celestin gave a presentation to the Board regarding the change. Parents are leaving the Delaware Autism Program to come to Red Clay for our program. Looking at the preliminary budget, we had over \$1 million reduction of tuition payments we make to DAP. Some is getting students that were our own already. However, we are building a second 18-21 program so the numbers in special education are changing.

Mr. Matthews made the motion to accept the FY 2020 Final budget and Mr. Pappenhagen seconded. The motion carried.



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## **III. Monthly Expense Report**

Ms. Floore distributed the December 2019 Expenditure Report. The opening balance for revenue is 91.7% received, which is slightly higher than we were last year. In the last few months, we were over 100%, and now the charter payment has been made. The charter payment is not made on the expenditure side, but as a revenue reduction. We will still receive late payments throughout the year. We believe we will hit our 100% target. Some of the other categories of over 100% are due to the State give back not being taken from all of the separate categories as of yet.

On the expenditure side, December is the 50% of our school year. It is also 13 of 26 paychecks. We are at 51.3% expended and encumbered and 48.3% expended. We are right on track. On Division 1 salaries, we are over. That is why the budget was increased.

Ms. Floore explained that Red Clay, working with ESS, has tried very hard to recruit and retain substitute teachers. As well as looking at the reason for the need. Is it created by our own professional development? During flu season, we really shouldn't have professional development, as we need to cover the absences. We have spent over \$200,000 more in substitutes this year than we did last year. Part of that is that we are paying a little more. We did make the raise last year. We are filling more than we did last year. The State guarantee of 12 weeks of maternity/paternity leave has also increased our outage numbers.

Mr. Matthews mentioned there were a number of teachers moving to another district in the middle of the school year. When a school has to have a substitute to cover that teacher's class while a new teacher is being hired, does that go under a different line of funding? Ms. Floore explained that long-term substitutes go under a different line. These are daily substitutes. We very strictly enforces the 30-day hold between districts.

## **IV. Public Comment**

There was no public comment.

## **V. Announcements**

The next meeting will be held on February 11, 2020 in the Baltz District Office Board Room at 6:00 PM.