

Red Clay Community Financial Review Committee
Monday, September 12, 2011

Meeting Minutes:

The Community Financial Review Committee met on Monday, September 12, 2011 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Jane Rattenni – Committee Chair
Jill Floore– Red Clay Chief Financial Officer
Bill Doolittle – Community Member
Kari Peyser – Teachers Union Representative
Kim Williams – Board of Education Member

Others in Attendance

Jack Buckley – Community Member
Eric Loftus – Red Clay Financial Analyst

I. Introduction and Opening Comments:

Ms. Rattenni opened the meeting and welcomed everyone.

II. Minutes

After a review of the August meeting minutes, Mr. Doolittle moved to accept them and Ms. Peyser seconded.

III. Financial Position Report

The purpose of this report is to show the projected balance as of October 15th. The report essentially answers the question whether from now to the estimated time we receive our taxes, do we have enough balance to cover local salaries? If it's negative, a float from the state would be required. While the cash balance is important, there are certain things to help manage it. When programs begin each year, you can limit them monthly how much they can encumber for the year. We have done none of that this year as our balance is healthy. Our projected balance is \$18.1 million through October. The Financial Position Report will be presented at the next Board of Education meeting for approval.

Last year at this time it was \$13.7 million. We ended at a higher reserve because we did not use our contingency and many budgets did not spend to 100%. It will be done again February 1st. That report will be looking toward the June 30th balance. The reports are done 3 times a year.

IV. Preliminary Budget 2012

The Preliminary Budget was distributed to the Committee. On Page 10 is last year's unit count. The budget development process involves looking at FY11 actual to budget. We develop assumptions based on that knowledge. The state budget cut \$5.3 million in funds to Red Clay. That is mostly Tax Relief, the flexibility block grant and the transportation cut. The \$8 million spoken of previously is not a direct cut but a \$5.3 million cut and direct expenses we now have to increase such as the 1.5% pension increase which is similar to a straight salary increase. The pension is based on the investment portfolio performance. That is a state rate, not specific to Red Clay. The 27th pay is currently being negotiated at the bargaining table so it is unknown at this point. That is 3.8% on salary. Mr. Buckley asked the amount in dollars. About \$2 million. We planned for it in the budget but it also is subject to current negotiations. Also, the federal funds, state stabilization funds are expiring. Many meetings are in the works with program managers regarding these programs and funding especially as they relate to positions.

Needs Based Funding is fully implemented in FY12 meaning the language is in with no exclusions for Red Clay. The budget is based on last year's unit count. If a school or organization grows, it is reflected in the final budget. We're close to last year's number of students but the needs based programs are growing. We are still hiring at this time but mostly one-on-one paras. We have used all but two units at this time. If 5 children enroll at a school, another unit could be earned. In special ed, it could be one student.

At the next board meeting there will be a presentation on the strategic plan. How we fund based on priorities. Operational needs are also a factor. Converted purchase orders are giving us an issue in that FY11 and FY12 are co-mingled. Some of the funds encumbered in FY11 were converted and are now listed as encumbered in FY12. The state is working on correcting it.

Mr. Doolittle asked how students in Category 3 were handled in the unit count. Were we able to differentiate them out? Ms. Floore explained that eSchool does separate them. So they stay with their group. Mr. Doolittle pointed out that there is no "basic" category in Grades K-3, so all of those students are placed together in the count. That is correct.

School budgets are about \$2,500 per student. Because of the carryover, it gives a disjointed look at how much is spent per student. Ms. Williams asked what the carryover limit was. Ms. Floore explained that it was 15%. The only exception to that was Lewis Elementary with 45%. This was due to a new principal taking over.

Ms. Williams asked about the total units being rounded down. Ms. Floore explained that we get funded by the number listed. But by school, there may not be a small percentage that can be used. Last year you had 70 kindergarten units and 215 regular units. When a school gets staffed, you cannot have a percentage of a staff member. The number they are staffed at may not be the number on the list due to the fractions. However, those fractions are given in the way of educational diagnosticians, etc. who serve several schools. Therefore, the school does receive their number of units.

In our staffing meetings, the process is laid out. Second grade has more than first and more than third. In some schools you couldn't place another teacher because of actual classroom availability. Therefore class size becomes a staffing priority. Sometimes a para in the classroom is the answer to breaking off into another classroom. There is a rule that means you have to use 98% of the units in the school where they are earned. Most of our one-on-one paras are at Meadowood and the RPLC. We have fewer unique alternatives funded from the state because they are now funded in Division I units. Ms. Williams asked that even though they earned 28.5 units, they only received 28. Ms. Floore explained that there are also academic excellence units that come into play for a school nurse, and the educational diagnosticians, band teachers, and more. The schools get their units but it may be that they are divided differently than another school based on the additional support categories. AIHS has 2 nurses and Brandywine Springs has 2 as well.

On Page 12 we talked about showing the carry forward balances. You can see the balances and their expiration dates. In the case of professional development, most of that takes place over the summer months so they wouldn't expire until after September 30th. This is not new money or unknown money. Minor capital, for example, is kept over time in order to facilitate a new roof, etc.

On Page 14 we see last year we took in more than we estimated. We spent less than we expected, so we ended with a surplus without program cuts. This year's first estimate budget summary is that we will take in \$188 million. We will spend \$166 million.

In Revenues for local, there was no tax increase as the referendum is over. The estimate is that, due to the tax pool and our factor going down, we will lose \$166,000. Mr. Buckley asked if we lowered the delinquency factor as expected. Ms. Floore answered yes, from 2.5% to 2%. We came in higher than expected last year so we lowered it. Interest is a category that has experienced significant change. In 2007 when there was not a lot of local funds available, we received \$1.2 million because rates were so much higher. This year, even with a cash reserve, we're expecting a significant swing and only \$368,500. A new category is Choice Payment. Last year we didn't get the state's choice payment before June 30. Therefore, it is in this year's budget but will not be in next year's budget so it is listed as a one time payment. This anticipates we get this year's during this year. Like last year, Charter school payments are shown as a revenue reduction, not expenditure. The actuals were \$5.3 million but the preliminary has it going down to \$5.1 million. That is due to the fact that Charter School of Wilmington didn't get their lease payment in time so that, too, was added into FY12. The opening balance from last year was \$23.8 million of local funds so the total of local revenues is \$83.8 million.

On the state side the budget shows a significant increase in Division I salaries. We're going to receive \$80.2 million. This is \$1.6M higher than actual for last year. Mr. Doolittle asked if that was due to 27th pay. Ms. Floore explained that some is due to 27th pay and some is needs based funding. There is also a 2% increase for employees in January from the state.

On Divisions II and III, they increased due to the number of units. Needs based funding is also giving us funding in these categories as well.

Transportation had a 10% decrease in net, which amounts to a little under \$800,000. We then get the Conrad choice transportation back in. It is bad, but it could have been much worse. Now it is \$586,000.

School improvement money. More schools didn't make AYP. The numbers then go up this year. Mr. Doolittle asked about partnership zone. Ms. Floore explained that none of this is in the operating side in terms of funding as it is her understanding any funding would come through federal RTTT dollars. Ms. Williams asked how much a school gets for lower AYP. Ms. Floore explained last year it was about \$37,000. How is that money used? Sometimes it's training for the entire staff of the school, sometimes it is for targeted staff assistance. Malik Stewart heads up these programs.

Ms. Floore then explained the state reductions. Two years ago, the state cut state funds but gave state stabilization funds. That money was already missing from the FY11 budget. The federal funds expire this year and we no longer have the state fiscal stabilization funds to cover the cuts from last year but it appears as a federal cut and not a state cut since that happened in FY10. Ms. Williams asked about school improvement as for Stanton. With doing a partnership will they exclude that money? Ms. Floore explained that no and it will be included in their overall plan. It's not a guaranteed funding, but applications are currently being written.

On expenditures, the funding priorities go back to the referendum and the district. Curriculum and instruction as well as technology refreshment (wireless in every building). When the referendum goes away does the support go away? No, these programs aren't being cut, but they aren't going to grow. Operational costs did increase. Ms. Williams asked what is the difference between the funding programs for the high schools between the sports programs and academic programs. Ms. Floore explained that there is a great deal of funding going toward athletics as there are several facets to the program, buses, etc. Ms. Floore will send her an example of a school and how it is laid out. Over \$100,000 is dedicated to sports. Cab Calloway gets additional performing arts funding and they get funding to pay Charter school of Wilmington for their students to participate in the sports program. Ms. Williams informed the Committee that Charter school of Wilmington is charging their students \$150 to participate in sports. Will they charge Cab students? If you were a Red Clay student at Cab you should play for free as their counterparts in other schools. Ms. Floore stated that she wasn't aware and she will check with Ms. Rumschlag how that will be handled.

Ms. Peyser asked about the budget for Highlands last year was \$85,000 and now is \$76,000. Ms. Floore explained that is due to last year having more carryover. Highlands' actual budget has not gone down. Ms. Floore will bring everyone's carryover figures to the Committee of what they brought last year vs. this year.

The alternative education middle school contract was approved at last month's Board meeting for \$500,500. It was a contract which was bid out. These students are not expelled. This is an alternative school within the district. In addition to that, Student Services has a significant increase. We had a cut in state stabilization funding. School resource officers for example are not cut at Red Clay. They are now being paid for by student services. Next year the \$3.4 million in state stabilization will be gone. Many school districts throughout the state have cut their SROs. Ms. Williams asked if the state pays for any of our SROs. Ms. Floore answered no. She explained that years ago there was a House Bill 247 that dealt with school climate and how the district had to provide discipline. There was also a program called "discipline" funding and another called "extra time" which provided after school tutoring. But then there were funding cuts and the allocations were cut and consolidated into what was called the flexibility block grant. Now that grant is gone. Next year there will be a new conversation on what will need to be cut.

Ms. Williams asked about the Conrad School of Science expansion, isn't it over? Ms. Floore explained that the expansion was so great for their size of the school, the units increased so dramatically, they then received more in a partial expansion funding. The unit count formula in a school usually catches up a school in funding.

Current year revenue over expenses is \$2.1 million. This is the first year we expect to spend into our reserves. Ms. Floore's estimate is that we will end even if the contingency is not needed for an emergency. Serious cuts are coming so our surplus is necessary. .

Ms. Floore feels Red Clay has done an incredible job in staving off those cuts without feeling much pain to date in terms of layoffs. When we have to plan into those future cuts, we will feel the pain.

Ms. Floore referred to the presentation she will make at the BOE meeting. The presentation is available online. There are 2 slides to show the budget breakdown of salaries and expenditures. The salaries are the largest portion of the budget. The central office takes up .7 % of the budget. Staff is 78%. School budgets are 3%, transportation is 4.7%, special services are .7%, curriculum .4%, and maintenance is 5%. 72% of the salaries is teachers. The board will vote this month to approve this Preliminary Budget.

V. Expand Membership of our Committee

Ms. Rattenni explained that last month it was mentioned to the BOE to increase our membership. In reviewing the bylaws, we never revised those bylaws the last time our membership was expanded. We need to change those bylaws as we have Lynn McIntosh on the Committee. The bylaws should be expanded to 5 and we would like to expand it now to 6 community members. Ms. Rattenni asked that if there was no objection, we will have a vote next month on an amendment to our bylaws.

VI. Monthly Reports

The monthly reports are populated with data we know includes FY11 data. It is the best data we have at this time, but we know it is flawed. The numbers reflect the budget, but the budget has not yet been approved by the Board.

Mr. Loftus asked the Committee if they had any objection if we re-ordered the reports in the way they are pulled. If the operating units were listed numerically, it would be easier to arrange but the schools would then be on top. The Committee had no objections. Does the old IBU number mean anything to anyone? The answer is no. It was agreed to change and reorder the lines. Ms. Williams asked if the schools' budgets would be listed in the full budget. Ms. Floore answered yes that will be in the final budgets in December.

Ms. Rattenni asked about RTTT and its sustainability. Was this discussed in the strategic plan? Ms. Floore talked about the process. The committee developed the goals and vision. Tasks and activities that support those initiatives are in the next steps. Funding was not a specific part of the strategic plan at this point but will the activities and help prioritize future decisions. Ms. Floore agreed any expiring federal funds are critical for sustainability.

VII. Referendum

Next month we will talk about the capital referendum. Ms. Floore distributed the presentation to the committee as a preview. This supports major renovations at all of our schools and the building of one school on Red Clay property.

Last Thursday there was a public information meeting at Linden Hill. Why didn't we build on Graves Road the last time? The answer is the sewers weren't available for that parcel at the time.

Ms. Peyser asked when they build the schools they anticipate a student count, why don't they build the school bigger to anticipate expansion. Ms. Floore stated that will be explained but we are dictated by the amount of land available. We worked with the University of Delaware and the Data Service Center for data projections. Ms. Peyser asked why the city schools are overcrowded. Where will they go? Much of the overcrowding was caused by full day KN and now we have preschool as well.

Mr. Ammann will be with us next month for a full presentation. We are speaking at PTA meetings, and school presentations to answer any and all questions. The dates are on the website.

VII. Public Comments

There were no public comments at this time.

VIII. Announcements

Community Financial Review Committee

September 12, 2011

Page 7 of 7

The next CFRC meeting will be held Monday, October 10, 2011 in the Brandywine Springs Teachers Lounge at 6:30 PM. We will discuss the bylaws and Capital Needs will be reviewed. November may be a problem with the board meeting being the same week, but at this time we will still meet on November 14th.

IX. ADJOURNMENT

The meeting adjourned at 8:16 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary