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Red Clay Community Financial Review Committee
Monday, October 10, 2011

Meeting Minutes:

The Community Financial Review Committee met on Monday, October 10, 2011 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Jill Floore– Red Clay Chief Financial Officer
Bill Doolittle – Community Member
Lynn McIntosh – Community Member
Larry Miller – Community Member
Kari Peyser – Teachers Union Representative
Kim Williams – Board of Education Member

Others in Attendance

Ted Ammann – Assistant Superintendent, District Operations
Jack Buckley – Community Member
Chris Weedleton – Edison Learning (observer)

I. Introduction and Opening Comments:

Mr. Miller opened the meeting and welcomed Dr. Ammann and the committee.

II. Minutes

After a review of the September meeting minutes, Ms. Williams moved to accept them and Ms. Peyser seconded.

III. Major Capital Improvement Presentation

Dr. Ammann distributed a Major Capital Improvement Plan packet and presentation. Pictured on the front is A.I. DuPont Middle School. It is our oldest school which is over 100 years old which brings with it specific challenges for renovations as they need to keep with historical requirements. On average our buildings are about 50 years old with North Star Elementary as the youngest school. The last major capital project was 2002 and it was never intended to be the last renovation- just like any house or home improvement projects, there are others to be done but they can't all be done at once. It was done on a priority list. Since then, there's also been an additional 10 years of wear and tear from over 16,000 students housed in the buildings.

Over 3 years ago we started looking at our needs. We went through the list of needs with architects, engineers and our maintenance department. They gave an insight as to what is required. We went to the DOE for a Certificate of Necessity (CN) which is required for a Board to go for a referendum. The DOE was involved as early as last November. Their

team came here and looked at our buildings and even questioned why we weren't looking to do more.

We thought the CN would be here for a vote in October 2011 but it was delayed. They have been requesting information which we have provided and are anticipating approval at any time to move forward. We are looking for 2 CNs which is required by law; one for renovations and one for a new school. The list of what renovations we are looking toward is listed in the packet. It was based on the most critical needs. Highlands Elementary is listed as last, but they were first the last time around. In each project HVAC is listed. The last renovations included air conditioning, now we are looking to replace boilers. Many of the companies that made our current boilers are out of business so maintenance is difficult. Auditorium upgrades and exterior doors are also needed. Those doors are to be replaced due to the need for badge only access as well as weather resistance. Windows are also in great need for replacement- with old windows any energy savings is lost. Sprinklers were not upgraded in all schools last time, so they are needed this time.

The second piece is for a new school. On Page 4 there is a list of all schools and numbers regarding capacity. The columns list design capacity, program capacity and enrollment. Capacity is based on a state formula. Ms. Williams clarified that the BOE approves the capacity but they do not set it. Design capacity was set on square footage. However, because the space is used in another way such as in Baltz housing the District Office. Program capacity is configured without that space. Brandywine Springs has a design capacity for the actual school, and then the program capacity includes the trailers on the property. The school was not designed to hold that many students, so we require the trailers. Highlands is designed for 284 and program capacity is 356. Dr. Ammann explained that the capacity is found through a formula. From time to time the district goes through the school and finds ways that the school can utilize space that is not in the design of the building and therefore not in the formula used for space. The state formula is 712 square feet designates a classroom. If you have a room less than 712 Sq. ft., DOE does not count it as a classroom. But, for example, if we have a room of 700 sq. ft., we may have felt it is close enough and use it as a classroom. Mr. Doolittle commented it is repurposing a room and the DOE formulas are antiquated especially concerning special education needs. Another school is Richardson Park Elementary that has a design capacity of 889 but a program capacity 581. That is because it does not include RPLC, which is an entire program served at that side. So DOE only sees it as RPES. This came up in the legislative session that we need footnotes on these capacity listings to better explain there is not excess space in existing buildings. Mr. Miller suggested that the design number is not what educational space is being utilized. So, that number does not reflect what space is being utilized solely for instruction. If you showed the actual number it would be more easily understood. Mr. Miller asked that you could (A) allocated to administration and (B) allocated to instruction. Otherwise it creates the illusion that there is extra space in one building and not in another. Dr. Ammann explained that this is a DOE report that is published and unfortunately is out there for misinterpretation so the intention was to try to better explain rather than have conflicting reports.

Ms. Floore explained Warner was another example that has a preschool program and a parent resource center not included in the capacity either design or program. These programs are also at Shortlidge and Mote. Ms. Peyser agreed the chart misrepresented what is actually happening in the schools. Mr. Doolittle commented that the schools were built with auxiliary spaces, and we've been slowly stealing those for instruction. Dr. Ammann explained that the formula for new construction is purely a square footage. You don't have the luxury of finding those extra spaces. In North Star the classrooms are small but there are bathrooms, hallways, nurses' office, etc., and the formula only allows so many square feet per student.

There are 3 schools severely overcrowded. In Linden Hill there is a partition in the cafeteria and children are getting extra help on the other side of a noisy lunch room. In other schools storage closets are turned into one-on-one help. Mr. Doolittle stated that the designs were made when we didn't have pull out classes. Ms. Peyser also stated that children are physically larger than before and have more things i.e., backpacks, etc.

Last January the Data Service Center did an enrollment projection. Brandywine Springs, Linden Hill and North Star are seeing the most growth. The projection depicted growth over the next 5 years. It stated a growth of 600 students for the year 2015. Looking at these numbers we wondered where the additional students were coming from. There are two things. There are already 800 new houses approved for New Castle County. Another is the private school enrollment drop. In 2000 Catholic school enrollment in Red Clay was 32%, but in 2009 it was 26% and we know it is decreasing. The Catholic schools are also consolidating, so the parents are now considering public school closer to home.

One question is what have we done in advance of considering a new school to accommodate the growth? We have already closed choice in those schools. In the years since closing choice it has gone down to 26% but feeder pattern student growth has gone up by 44%. The only choice students would be siblings of others choiced earlier. Ms. Williams asked if we were in the 3rd year of closing choice to those schools. Yes, that's true. Many children were choiced within district from one of the 3 closed schools to the other closed schools so it is not the issue of out of district students attending these schools. Going back to their feeder school would not lessen the number of students.

This year we added 6 trailers to Linden Hill. We already had some at Brandywine Springs. We can't add trailers to Highlands due to land space. It is not an ideal way to add capacity and relatively expensive vs. straight school construction. Cost for the trailers is \$93/sq. ft. vs. \$268/sq. ft. for building. That appears to be less but that does not take into consideration the trailers' life span. The trailers are also taking away annual operating money from other minor capital improvement projects. After 5 years the trailers are either picked up or re-leased for the next 5 years. Ms. Williams hopes that they won't be there. Mr. Doolittle also noted that they are more expensive to operate. Ms. Williams has visited the current trailers and feels they are not preferable but better than what was at Forest Oak in years past with a walk outside to get to the trailers.

The other problem with trailers is that you increase classrooms but not space for library, cafeteria space, nurses' offices or parking. There is a picture from Linden Hill showing 150 cars that go through the neighborhood to drop off their children. You can't build for that. A new school would be a 600 plus capacity on Graves Road. We've owned the property for years. We didn't build there earlier as there were no sewers there at that time. It will cost \$19.7 million for the new school. That is driven by a state formula used to build the school. We have to live within that number. It is based on the square footage per number of students. Ms. Peyser asked if when they build it they will look at how to expand. North Star was built that way. Unfortunately, this is not a huge piece of property to do that. This school would be pre-K through 5th Grade. Pre-K would be for special needs students who require instruction, not a preschool per se.

The chart provided in the packet shows what would happen if we had no more growth. The design capacity would still be very full schools. Even with the new school, all of the schools would be above 95%. Most administrators agree that 85% is a well filled school giving space for technology labs, art and music rooms, etc. If we don't build new schools, we would adjust feeder patterns. The most difficult way would be to readjust the feeder patterns and bus the students longer routes. Ms. Williams asked how we could do that for Neighborhood School Act. Dr. Ammann stated that at the time that law was enacted, districts cited that without building they could not meet the Neighborhood School Act. So that was an "out" in the plan and a waiver for the law. Red Clay made the argument that it was a hardship. Bussing students far away from their school is not ideal, but it could be done. The largest challenge is that we have valuable programs in the city that could not work if we placed more students in the schools. Some important examples are the lower class size initiative, same gender classrooms in Warner, or Pre-K programs. If we simply expanded the number of students in those schools, we would have to cut back with those programs. Ms. Williams asked about when RTTT is done, we will then have room in these schools. Ms. Floore commented that Dr. Daugherty is looking for ways to continue these programs and making them sustainable after the RTTT is over. Some preschool programs could be tuition based and there is a Race to the Top grant for PreK that the state is submitting. Ms. Floore also mentioned Title I and rearranging resources which will be considered in the future.

Ms. Floore then explained the formula of 60/40 funding split for when the state approves the CN. The state funds 60% of the bill. The project is phased over the number of years depending on the bond bill. We've discussed with DOE and OMB. The total cost of the project is \$117.6 million. Of that, the state portion would be \$75 million and the local portion would be \$47 million. The schedule given was over four year from 2013 to 2016. Even if approved, the new school would not open until 2015. The local share has to be approved through referendum.

Mr. Buckley asked why we were still in the waiting stage with the CN. Ms. Floore explained that the Dover and DOE staff have changed so there was a longer timeline. Mr. Buckley asked if this was indicative of problems at the state level. Ms. Floore explained no, that the CN is not about politics in Dover but whether we've defined a

need. The bond bill is where the legislators and political process including state funding come into play.

Mr. Miller stated that they are bracing for what is happening at the state level for revenues. Dr. Ammann also stated the contact person we had worked with at DOE had left during the process so we had to re-answer questions to the new management. Mr. Buckley asked about the timing. Dr. Ammann explained that we need 40 days before a vote, so that would put us in the Spring of 2012.

Ms. Floore stated that the project started at over \$200 million. Making it into \$117 million was a lot of work. It's not what we want but what was most needed. Dr. Ammann explained that the phasing of it was due to DOE's and OMB's input. The money isn't coming for some years. Mr. Miller asked about the \$117 million. Is there a document that reflects the deferred maintenance what would it take if we did not make these changes? Mr. Miller stated that the other number would be quite higher.

Mr. Miller suggested that it may be very worthwhile to share with the Board and elected officials that that \$117 million does not fix it all. And we will not be meeting all of the needs. Ms. Williams asked about the items from the last referendum. Dr. Ammann explained that the last referendum had issues with the cost of living increase of 3%, but the construction costs increased well over 3% in inflation so there were items not done last time. Mr. Miller also stated that an inventory of life expectancy for the boilers, etc. would be good information to have on hand. Dr. Ammann is compiling the data as each time we do a project, how long will that last. Whether it is paint, or playground equipment.

Mr. Doolittle asked if it was practical to go through 2 scenarios to present. What it would cost if we did do these projects and how much it would cost if we did not. A roof is one example. Ms. Floore stated the worst part is that Dr. Ammann has a budget he can't go over. In other words, if something needs fixing and the budget is out of funds, those items will not be fixed, or if fixed at a direct cost to something else. Dr. Ammann also informed the committee that minor cap money can't be used for larger repairs. There is a project cap involved. Mr. Buckley asked about the projected increase in costs. Are we timing the projects so that when we get to the end, larger projects would not be done? Dr. Ammann says it is a best estimate- a 3% escalator is reasonable but it was the last time as well. Some school districts came in doing better. Mr. Buckley also stated it is the management of the project. How are we doing it differently? Dr. Ammann explained that we have torn into our buildings now and know more about what we have to start with. Ms. Floore explained that the bid process laws have also changed. Mr. Buckley asked if we are committing ourselves to hiring someone to be a project manager. Dr. Ammann stated that that cost is included in this budget. Timing is key. Mr. Doolittle explained that there were change orders done last time that were greatly different than the projected cost. Dr. Ammann also included the maintenance crew into these projections. We will have to stick to our budget and not go further for aesthetics.

Mr. Miller asked if there were any more questions for Dr. Ammann and there were not. Mr. Miller thanked him for his time and information.

Ms. Floore explained the taxes and operating budget and how critical the timing is. The operating budget is currently solid and is not forecasted to need another operating referendum for at least three years. The last capital referendum was in 2002. We cannot go out for capital and operating at the same time. Since we are strong on the operating side, this is the only time for a capital referendum. This year we lowered the tax rate by 2.5%. We have been working hard on decreasing our tax rate. We are also retiring old debt service so that tax has gone down in years past as well.

This referendum would be an average of 5.8 cents for every \$100 of a home assessed value over 20 years. The highest tax year would be the 4th year at 8.3 cents and then it starts going back down. A typical home in NCC is assessed at \$75,000. The average cost per year would be \$42 and the highest cost at year six at \$63. In the same time, we are starting to pay off debt so we would actually see lower tax increases.

In year one, the tax rate would actually decrease. By year five it would be \$44.

Ms. Williams asked if the current bonds will be done when we go for another operating referendum. Ms. Floore would say no as every year there is a payment but we continue to pay off old bonds. The last referendum would have 10 years to go. The new bond will have 4 maturities as we are not taking them out at the same time.

IV. Monthly Financial Reports

It is very brief this month as we are early in the fiscal year. The 2012 budget and expenditures issues from last month have been fixed in FSF. The reports are in a new order. The revenue shows that we have not yet received our taxes. The state preloads a portion of the state funding and waits until the September 30th count. The expenditure side is low due to the start of the year.

Ms. Floore explained that District Wide Services is for substitute teachers. We have encumbered the costs for the year but low expenditures against it. Driver's Education is encumbered high due to the replacement of 3 cars. Nurses are at 150% as that is an error. The nurses traveled last year for a conference. The reimbursements came in after July 1 so it was coded to the incorrect year. It will move next to prior year expenditures next month.

Encumbered maintenance is high but expenditures are low. This is how programs have been trained to plan their spending. In this way, the funding cannot be used for other fixes if they are encumbered for the planned needs.

Ms. Williams asked regarding Highlands and Lewis as one is over ½, and one is under ½ encumbered compared to significantly lower last year. Lewis Elementary is due to

technology upgrades. The principal had a carryover and then spent it. Highlands saved the carryover for a summer project to be ready for the start of school.

On the 3rd page is print shop. How can you have a negative number? Dr. Ammann and his technology department do a great job of having the print shop onsite. The chargeback, however, takes place now. The chargeback applied to the schools was higher than what was expended prior to school. It will change as the months go on.

Mr. Buckley asked about contractor state transportation, are we changing the way we are handling these payments. Ms. Floore explained that they rebalanced from last year. One was too high and one too low so the current 45% is where it should be. Transportation contract money is all state money.

The timing of the Committee meeting and the FSF report monthly close outs don't give us any time to provide them to the Committee prior to the day of the meeting. The Committee stated it was okay to receive on the day of the meeting.

There is nothing of note to report on the federals. Our expiration dates are in December. Ms. Roberts will come and give her annual report to the Committee. Ms. Williams asked why the Baltz school improvement funds have a balance of \$9,000. Ms. Floore explained that the end date is 9/15 but we have until December to expend it. We cannot make a new purchased but we can pay for those encumbered by the 9/15 date.

New FY12 grants will be starting as they were approved by DOE. Tuition programs show no changes with expenditures. We are still spending last year's Minor Capital funding so expenditures there are low. Carry over funding is now listed on the reports.

The last page lists the breakout of District Wide Services. The facility lease is significantly higher. Our sublease payments come in after the money has been paid for our lease. This will be a continuous issue throughout the year. Our encumbrance for the audit that was approved for Barbacane is listed there.

Ms. Williams asked about the Charter School of Wilmington sports. Ms. Floore reported Charter is charging an athletic fee for the students who play for Charter. Cab Calloway students playing on Charter teams are not being charged.

Ms. Peyser asked about the substitute contract preliminary budget. Is it high because it anticipates teachers using their 10 days of sick time a year? Ms. Floore explained that it is all leaves for teachers. We have been running very close to that cost each year. The cost for extended maternity leaves comes from local salaries as they are placed on the Red Clay payroll. Therefore, making the cost of substitutes higher in reality.

Ms. Williams asked about the Data Service Center. Ms. Floore explained that Dr. Ammann sits on the council for DSC. We pay them 4 quarterly payments. DSC does absence request system, reported time, report cards, iTracker pro, and other technology services. DSC is a partnership with Colonial School District sharing services. As the

Committee has turned over with new members, we could have a DSC presentation. DSC sells their services to other districts. The state purchased the financial application for all school districts and charters in the state. So they also bring in revenue. The more revenue they take in, the more our quarterly payments decrease. They are paid through Colonial's payroll, but we co-own them.

Ms. Peyser asked if we pay for Substitute Teacher Service. Ms. Floore answered yes we pay for the service. Ms. Peyser stated, as a teacher, it is difficult to use the service. Ms. Floore explained that they have gotten similar feedback. There is no competitor at this time that offers a non-automated service. The district will continue to review the service.

V. By Laws Changes

The one page lists how we are changing our community members from 4 to 6. Mr. Miller asked if there was any discussion needed. Ms. Floore stated we posted the agenda within necessary timeframe to change the bylaws.

Mr. Doolittle made the motion to accept the change and Ms. Peyser seconded. All agreed.

Ms. Floore stated that now we will put a recommendation to the Board to accept Jack Buckley as our newest member. Mr. Doolittle moved and Ms. Williams seconded and all agreed.

V1. Public Comments

There were no public comments at this time.

VII. Announcements

The next CFRC meeting will be held Monday, November 14, 2011 in the Brandywine Springs Teachers Lounge at 6:30 PM.

VIII. ADJOURNMENT

The meeting adjourned at 8:15 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary