



Committee minutes

Community Financial Review Committee		
6.30.2014	6:30 PM to 8:30 PM	Brandywine Springs Teachers Lounge
Meeting called by	Jane Rattenni, Chair	
Type of meeting	Monthly Financial Review	
Facilitator	Jane Rattenni, Chair	
Minutes	Laura Palombo, Red Clay	
Timekeeper	Jane Rattenni, Community Member	
Attendees	Jane Rattenni, Bill Doolittle , Ed Gregware, Victoria Kent , Larry Miller and Tom Pappenhagen, Community Members; Steven Fackenthall, RCEA Member; Jill Floore, Red Clay CFO	
Minutes		
	Jane Rattenni, Chair	
Discussion:	A review of the May 2014 meeting minutes. Mr. Fackenthall moved to accept the minutes and Mr. Doolittle seconded. The motion carried.	
Action Items	Person Responsible	Deadline
Year End Red Clay Financial Reports		
	Jill Floore, Red Clay CFO	
Discussion	Ms. Floore presented the Year End Financial Reports. See Section I attached.	
Action Items	Person Responsible	Deadline
Governor's Budget		
	Jill Floore, Red Clay CFO	
Discussion	Ms. Floore presented the Governor's Budget. See Section II attached.	
Action Items	Person Responsible	Deadline
FY 15 Tax Rate		
	Jill Floore, Red Clay CFO	
Discussion	Ms. Floore presented the FY 15 Tax Rate. See Section III attached.	
Action Items	Person Responsible	Deadline
FY 15 Budget		
	Jill Floore, Red Clay CFO	
	Ms. Floore presented the FY 15 Budget. See Section IV. attached	
Action Items	Person Responsible	Deadline
Announcements		
	Jill Floore, Red Clay CFO	
	The next meeting of the CFRC will be held August 11, 2014 in the Brandywine Springs Teachers' Lounge.	
Action Items	Person Responsible	Deadline



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Red Clay Community Financial Review Committee Monday, June 30, 2014

I. Year End Reports

Ms. Floore distributed copies of the FY14 year-end reports. Ms. Floore explained that the date of the current meeting was changed to facilitate information to the CFRC prior to the tax rate being voted on by the Board. Changes to the fiscal year 2014 close out were still going on today, June 30th including the last tax transfer. Our new balance is \$14,677,948. This matches the estimated budget. Some budgets did have slight overages because of the timing of the last payroll. Payroll hit a week after all system transactions were due. Many teachers don't put in their EPER until the end of the school year and while program managers keep track, they don't know exactly which ones will hit until payroll charges. Ms. Floore could not finish the preliminary budget due to the amounts not being in the system until today. This will not be the case next year.

II. Governor's Budget

The Governor's budget is still being finalized. There were several cuts that are now in place. 1% cut on Division II. When the State realized their revenues are down not only for this year but next year as well, they started looking at the need for cuts. Education sustainment was also cut by 1%. Overall the cuts were minimal and give the districts flexibility in how best to determine by applying them to the most flexible funding lines. Ms. Floore was appreciative of the state's approach to letting each district determine how best to find the cuts.

One of the items in the budget epilogue is the creation of a committee to study financial flexibility. The News Journal has reported on this. Ms. Floore has been vocally opposed to the financial flexibility model for Red Clay and what it represents statewide. It is not helpful for large districts because so many expenses are supplemented by local funds and it would put schools and programs at odds with one another particularly when it is based on the premise that it is budget neutral. She expressed that calling funding flexible with no real change gives the public a false impression. Ms. Floore explains that in a large district, flexibility means layoffs. We are fully staffed with units earned by the State. If we were to use different configurations of those units, some staff would have to go at the end, as no additional money is going in. In large districts like Red Clay, Brandywine & Christina, every one of our State appropriations is supplemented by local funds. We also fund SROs, behavior interventionists, and transportation. Every one of our lines is supplemented by local funds. Therefore, the funding offers no more flexibility than we currently have. If we were to cash in those units, it causes competition over what is needed or desired by a school or department. It also lacks full transparency. Right now, when you have enough units, you earn a teacher or an administrator. Across the State, it's very clear. If you take that off, you take transparency off.



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The committee will be formed to review the process and will be charged with making a recommendation.

Mr. Miller stated that this process would switch the focus from the state to the school districts. Ms. Floore agreed. Mr. Doolittle stated that when the funding follows a special needs student, the tracking with the new system would be more difficult. Ms. Floore stated that her fear is that the 98% rule would no longer apply. The 98% rule means the district must use 98% of those units in the school in which it was earned. With the flexibility program, those rules would possibly come off.

Mr. Fackenthall read the article in the News Journal and interpreted it differently as saying the districts will get the funding they need. Ms. Floore explained that no additional funding will be brought to the districts. It is a re-distribution of the current funding. Mr. Miller asked how much flexibility is allowed if 85% of the budget is accounted for? Ms. Floore stated that salaries are placed into the flexibility. Will class sizes be allowed at 28 students per class? There is no basis for making that determination in a diverse district. Mr. Miller stated that the State's revenue is going down. We can't be revenue neutral at a time when the State may have to make cuts. Mr. Doolittle stated that the only way you come out ahead is if you feel you have too many positions held by employees funded through units, and you can redistribute those into other positions. Ms. Floore also explained that class size drives most staffing decisions and directly follows the units.

Mr. Doolittle asked if the committee will be an internal working group. Ms. Floore explained that the members will include members of the legislature, superintendents, and business managers (1 must be from vo-tech), DOE members as well. Mr. Doolittle noted that it doesn't include teacher or voter representatives from the broader community. Mr. Fackenthall checked the epilogue language online. There are no parent representatives, but there is one DSEA representative. Mr. Fackenthall stated it sounded like a great idea because the district could obtain more counselors, etc. Ms. Floore explained that you could do that, but you would give up a classroom teacher and possibly not meet class size legislation so its flexibility but at a price.

The budget funded step increases and a salary schedule raise of \$500 effective January 1st. It is actually a \$250 raise as we have 26 pays beginning July 1st. Mr. Fackenthall asked if it was one-time. Ms. Floore said that it will go into the base salary, not a one time. This budget is being voted on tonight, June 30th.

III. Tax Rate

The Board will receive the Tax Rate on July 9th as the County requires it on the 10th. In 2011 we went to capital referendum for renovations of \$100 million. Our Debt Service is exactly what we expected by in 2011. Therefore, we are asking for a .5 cent increase.



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Even though we are bringing on considerable capital improvements, we are retiring old debt so we have been able to keep the debt service rate nearly level. Because our taxes don't come in until October, we have to estimate our debt through that time. Minor capital stays the same. The State bond bill puts in \$1.2 million for minor capital improvements which we are able to set a match tax. It is a 60/40 split which brings our local to \$810,000. The old Minner Teacher match and Extra Time match is a fixed rate, so overall the match tax will have no change.

The other change is in tuition tax. Ms. Floore is recommending a 2.5 cent increase. The revenues for tuition funds are \$18.1 million at the 2.5 cent increase. We do have tuition billings and state revenue which makes the total \$22.5 million. The changes in payments came as a decrease. Part of the problem is Brandywine and Colonial School Districts have not billed us as yet so that will be a carry forward balance. The FY15 estimate is \$2.7 million for tuition payments. The largest program is the DAP program. We have seen an increase in unique alternatives and private placement programs. The consortium was over budget all year. We still have not received that transportation funding, so it will remain over budget until we receive payment.

The Meadowood Program has an increase of \$150,000. The Intensive Learning Center also has an increase of about \$750,000. ELL has an increase of \$200,000 and First State School of \$100,000. Needs based funding for students who attend their feeder school and not the special needs schools, has increased. All together it increases by a 2.5 cent increase. A 1 cent increase equals \$500,000 for the district. It also includes estimates for staffing and training as the district continues to work on plans for inclusion.

With the debt service .5 and 2.5 tuition, the total tax increase is 3 cents per \$100 of assessed value.

Mr. Doolittle asked that when inclusion comes fully into use, how that will affect our taxes. Ms. Floore explained that of the 2.5 cents, .5 cents was for normal cost increases. The 2 cents is for salaries through the various programs built in for inclusion. Mr. Miller asked if there is the assumption that inclusion will be approved. Mr. Doolittle stated there is a mandate from the Board to have a plan to vote on in September. The assumption in the budget is that development will continue. Even if the vote fails, that does not mean training and ongoing work ends.

Ms. Rattenni asked that if the inclusion vote passes, would that be an additional or separate referendum. Ms. Floore explained that no, the tuition tax is set by the Board. It gives the opportunity for this year to work its way through. If the referendum goes out in February, then this time next year, we'll be talking about tuition as it relates to the work of this committee. Ms. Floore stated the tuition tax is done every year, and we don't set those future taxes but set them on a year basis based on what is needed. Mr. Miller stated that the prior discussions ensured that facilities and personnel will be utilized so that the cost increase would be minimal. Mr. Doolittle stated that it should be revenue



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neutral, but the implementation costs he feels are the potential issue. Ms. Floore agreed and said some would be a one-time cost.

To conclude, the current expense tax remains constant at \$1.226, tuition tax increases by \$.025 to \$.352, debt service increases by \$.005 to \$.141 and the match tax stays constant at \$.052 with a total increase of \$.03 making our new tax rate \$1.771 per \$100 of assessed property value.

Ms. Rattenni asked if there was a cap on the tax increase that can be set. Ms. Floore stated no. Operating tax and debt service tax are approved by the voters through the referendum processes and there is no cap on tuition tax which is set by the Board. Match Tax is the smallest category and in theory is capped because the formula only allows a specific match or rate that was set by the state.

There was a bill that was proposed stating that Boards should be able to set a limited tax rate increase outside of a referendum but it does not appear to be getting much traction. Referendums will always be required of school districts in Delaware because property assessments remain fixed so while expenses go up, revenues do not.

IV. FY15 Budget

The preliminary budget information will be available to the CFRC early in August prior to the Board vote. The final budget had \$14.6 million (\$14,652,093) and we came in at \$14,677,948 which is a \$25,000 difference. Because Payroll hit last Friday and there were stipends in that payroll that were not previously identified, some programs went over budget. Because we are closed for the year, we cannot reduce an encumbrance to have the program come in on budget. It isn't a lot of money, but anyone in that category was sweating when they saw it. The biggest item is that we were \$1M over on salaries. That is 2% of our budget. The biggest factor is overtime from the snow days.

Mr. Miller asked if we are in deficit spending at this time and how far into the future will this take us? Ms. Floore stated that we are in deficit spending now by \$2.4 million. The BOE had asked for a 3 year forecast. Ms. Floore presented it to the Board and it is currently online. Ms. Floore will send it to the CFRC members. Based on the current projections in the 3 year forecast, next year we will be deficit spending by \$7.4 million. This is due to the fact that the \$2.4 million is added to the deficit of next year with increased expenses. Our revenues are flat, or with modest increases of 2% or 3%, our budget growth hasn't been big since 2008. We are continuously outpacing our flat tax base. Next year will be FY15 will deficit spend by \$7 million. We are in fine shape for FY15, but we need to go to referendum. Our projection shows FY16 will end without sufficient funds to meet our obligations, which is impossible so without a referendum the district would have to cut dramatically only to be in the same place the next year.



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Ms. Floore explains that there is not low hanging fruit, but the most discretionary things would be SROs, academic excellence teachers, alternative placements, or after school activities which are all highly valued at the schools. If expenses go up 2% even after all of those cuts, you're back deficit \$2 million. \$2 million also equals the local share for 25 teachers- it is not the recommendation but an illustration of the difficulty in cutting \$2M in discretionary spending because that equates to one teacher per building.

Mr. Doolittle stated that the when we go to referendum, how long a curve will have to be decided. Ms. Floore stated that the Board is having a workshop on the referendum in August. They will more than likely involve this committee. The past referendum for operating expenses was 15 cents, 5 cents and 5 cents over 3 years. That gave us a window and we have made it 7 years. You don't want to raise it all the first year and hold the money to be spent. The ideal would be 4-5 years. Mr. Doolittle stated it would be ideal for a 10 year plan, but that is not agreeable to the voting public. Ms. Floore state that would be good in terms of the referendum expenses borne by the public, but the problem would be having a huge increase that turns into a hole so big it would take an enormous tax increase just to get back to even.

Mr. Miller stated that going to referendum is made more difficult by the instability of the State funding system. The deficit in FY15 is \$7.4 million which is .15 cents increase to become even with inflation.

V. Announcements

Our next meeting will be held at Brandywine Springs School teachers' lounge on August 11, 2014 at 6:30 PM to review the preliminary budget. There will be no July meeting.

There have been no public inquiries to the CFRC.