

Red Clay Community Financial Review Committee
Monday, August 12, 2013

Meeting Minutes:

The Community Financial Review Committee met on Monday, August 12, 2013 at 6:30 PM in the Brandywine Springs School Conference Room.

Members in Attendance:

Jane Rattenni – Committee Chair
Bill Doolittle – Community Member
Steven Fackenthall – RCEA Member
Jill Floore – Red Clay Chief Financial Officer
Victoria Kent – Community Member
Larry Miller – Community Member

I. Introduction and Opening Comments:

Ms. Rattenni opened the meeting welcoming everyone. She announced that Mr. Jack Buckley has resigned the Committee due to scheduling conflicts. We will advertise for a new community member through the schools, Red Clay Record and the website.

II. Minutes

After a review of the June meeting minutes, Mr. Miller moved to accept them and Mr. Fackenthall seconded. The motion carried.

III. Presentation – Tax Rate

Ms. Floore discussed the tax rate. June 30th ended and we closed out the year. By law the tax rate has to be delivered by the 2nd Thursday in July. She used the final year close out in order to do the tax rate. The tax rate was presented and voted on by the Board in July. It is one of the only presentations that is presented and voted on in the same night. Based on this Committee's recommendation, the budget was presented 3 months earlier this year. It will be voted on in August.

For the tax rate, the Board approved an increase for the first time in three years. Property assessed values don't change much. By average ½ percent a year by improvements made to homes. Our property values are based on 1986 values. The tax pool was created in 1981 when deseg came about and 4 school districts came to be. The rates at the time were set at 46.8 cents. The tax pool continues to be divided. The tax rate above the 46.8 cents is then applied to each district. Red Clay continues to lose to the tax pool. This year we are losing \$1.4 million to that pool. The equalization formula over the last 4 years has been frozen at the State level. Therefore, we lose further because rates to Red Clay would have gone up over the last 3 years. This is Division III

money. These are large factors that affect our overall tax rate. Our current expense operating tax rate was set by our referendum in 2008. Mr. Miller asked about the \$1.4 million and whether we would continue to see that. Ms. Floore answered that yes, unless there was a change to either the tax pool or equalization formula, we would not see increases in those areas.

We ended the year with just over \$17 million which is good news. FY12 was the beginning of deficit spending. We started at \$20.5 million balance. This was the last year of Ed Jobs funding and the effect of sequestration. The committee discussed the impact of the future loss of RTTT funding which includes Academic Deans and preschool teachers. Mr. Miller asked if termination pays were listed in that as a reserve. Ms. Floore explained that no, we are on 26 pay and they are on contract and paid out within the local salary line. Administrators must receive notice by December that their contract will not be renewed. For teachers, it is May but there is not a payout as they do not accrue vacation time. Many did not come from the bargaining unit to begin with so therefore there are no return rights. A future presentation would be made on the pre-school. There is a great effort to make the preschool sustainable. The program is smaller this year.

Current expense is set by referendum so there is no increase. Tuition tax has a significant increase of 8.5 cents. For Debt Service, since we are expiring old debt as we incur new debt, there remains no change at 13.6 cents.

The match tax is 2.5 cents. Minor capital originally started at the State as minor cap. Every district has a formula. For Red Clay it is a 60/40 state/local split. The state provides the state portion typically through the bond bill and the local portion is made up by the match tax. Over time, new appropriations were added such as technology that we could match tax as well. The State funds went away but we are, by law, allowed to still tax for expense. Another example is resource teachers. These units were introduced by Gov. Minner for a reading teacher in every elementary school and a math teacher in every secondary school. The State doesn't fund the teachers anymore, but we are allowed to tax for the local share of salaries if we kept them. This is our last year of funding for the resource teachers. While we can support the local side, without the state unit, they would be an additional \$2million local expense. Extra time programs are another area for match tax. These programs were introduced by Gov. Tom Carper. The programs were academically focused after school or during the school day. Again, the funding went away, but we are able to use the match tax for the funds even though there is technically no state match.

The largest increase is the tuition tax. It went up 8.5 cents. In FY13, our bill for the DAP program was increased by \$1.1 million. The contingency funds paid that bill. Ms. Rattenni asked if it was a per pupil or admin cost. Ms. Floore relayed that it was explained as expenditures for related services. Christina runs the DAP program. The amount of expenses and services for students with autism is extensive with therapists, etc. Mr. Fackenthal asked how it was billed. Ms. Floore explained it is billed by the number of students it services divided by expenses. RPLC now has an autistic program for the

early years and K-1 which will continue to grow. We will build our own program and use DAP less as the years go on. We will then control the costs. Ms. Kent also stated that the movement of the actual child diminishes safety.

Ms. Floore related that all factors of the tuition tax were hitting at once. In addition to the DAP bill, RPLC staffing costs increased significantly with the autistic program. The Central School had to offer Spanish required by the State. Central also now has offered career pathways. Meadowood increased their therapists for their students. ELL had State cuts. We were covering this out of Ed Jobs which is now gone. Unique alternatives placements increased as well. All of these together produced an 8.5 cent increase.

On the 5 year rate history, we reduced the rate a few years back as needs based funding came in. With the 8.5 cent increase, it is now back to where we were in 2009. Under needs based funding, you can use those funds in any school for a student with special needs, not only those being served in the special schools.

While it is a significant increase, not only does it get us back to the rate in 2009 but comparing us to other districts, we are lower than Brandywine, Colonial and Christina in our tuition funds.

Ms. Floore shared tax rates across the state. However, she explained that they are based on the assessed values and vary because of that and make it difficult for comparison. Kent and Sussex have a different assessed value. Sussex county taxes are based on 1970s assessment, therefore their taxes need to be higher. Ms. Kent also explained that development since those times completely changes the overall picture but is not accounted for. Kent County has 1990 assessments, so their tax rate can be lower.

Ms. Floore reported that the Board approved the tax rate and it was delivered to NCC.

Ms. Floore explained that the State offers a program for senior citizens. However, it is now a due date of April 30th of the tax year. If you are in arrears in any way on your taxes, the tax exemption is unavailable to you. The bill this session states that if you are making good faith payments, you are eligible for the exemption. It is good for the tax payers. The State then makes up the senior tax rebate to us. In either way, the taxes come to us in full.

IV. 2013 Close Out

Ms. Floore distributed the 2013 close out. It is part of the preliminary budget. There are no surprises on the final numbers and it is on target with projections.

V. 2014 Budget

Ms. Floore distributed the FY14 Preliminary Budget. Our ending balance was at \$17 million. In FY13 we received more in revenues and we spent less than projected- exactly

where we like to come out on both sides of the equation. We received 2.5% more than budgeted and spent 2.3% less.

In developing the 2014 budget there was not a lot of new things going into the budget. No new initiatives as we are in the 2nd year of our strategic plan. What worries Ms. Floore the most are the charter bills as we've seen drastic increases including last year. When more Red Clay students go to charter schools, our bills go up. The good news is based on early projections, our charter payments this year are steady and not going up. Ms. Kent asked about the bill that passed on new charters and expansion. Ms. Floore stated that is not affecting us in 2014. Last year we had more students going to charter and the k-3 rate went up. Last year they allowed more Red Clay students into the charter schools. As Newark Charter expands, fewer students from Newark may go to CSW leaving more spaces for Red Clay students. It is an area we will continue to watch closely.

Local revenues are only going up .5%. Regarding local salaries, we are in the 3rd year of the teacher contract with a 2% increase. The State gave no increase. The increase is only on the local side. Teachers will see a step and local increase. Mr. Miller asked if we know when we will see the money. Ms. Floore explained that they fund approximately 75% up front and true up by the end of the year.

The biggest change in State funding is the additional \$608,000 for technology. This was added by the legislature for DCAS testing as well as support for technology. The Board has a technology committee looking into personal devices. Our existing funds cannot support new products. We don't get to use the entire \$608,000 as \$300,000 is earmarked for the DCAS testing computers. We can, however, use those computers for other programs not during testing. The remaining funds will be used to support technician salaries that were formerly supported by EdJobs. There must be technicians in order to support the existing labs and tech equipment throughout the district.

The budget predicts that the expenditures go up due to steps in salaries. Base budget items were covered in the referendum and will be continued. We have put over a million dollars into our own technology refresh program, including lap top carts, Smart Boards, Redcats and servers and infrastructure. We are spending \$1 million that was approved in the 2008 referendum. It keeps us going, but will not bring a big infusion of classroom iPads for example. Security, library inventory, performing arts and after school programs were also supported in the 2008 and continue in the base budget.

We cut district office budgets 2.6%. We had staff changes and other budgets were consolidated following the responsibility of those doing the job. Division 1 salaries are up \$1.7 million dollars. The reason local salaries are a higher increase than state is because we gave a 2% increase and the State did not, plus we had to pick up people that were covered by Ed Jobs before.

The Utility budget was reduced. Our cost savings are starting to show.

School budgets are formula driven by units. However, you will see in the budget two schools with similar units may have a different amount based on their carry over. Schools are allowed to carry over 15% of their budget. They are the only area allowed to do this.

Conrad's expansion is completed. We were able to reduce the audit line. We are completely out of the lease of Linden Park and that was also reduced to 0.

FY14 budget projects expenses go up 3% from what we spent in FY13 due to salaries and technology funding from the State. Budget to budget we go up .59%.

Dr. Daugherty is always conscious of the administrative staff. We had 2 retirements this year. Both positions had their responsibilities dispersed. RTTT was moved to a sitting supervisor as it has 1 more year of availability. Choice was moved to the Information Systems Group. DSC programs and the data placed into Choice are within that Information Systems Group.

This Preliminary Budget was presented to the Board in July and will be voted on in August. There will be a final unit count after September 30th. In November the final budget will be presented.

Mr. Miller stated that the business office does a great job in managing the budget. He is concerned that \$17 million does not include a reserve for the district. Ms. Floore explained there are groups that have what the reserve should be and she will bring back information to the next meeting for discussion.

Ms. Floore explained she does build in a contingency budget but there is no formal policy for a reserve. The contingency is under a million dollars. If you don't spend it goes back to the bottom line. Every year we have not had to touch it and come in under budget. Ms. Kent stated she felt that it is too low due to building issues. Mr. Doolittle stated that the contingency is relevant as to what it serves. Contingency is for anything we didn't plan for. Ms. Floore stated that every BOE is different. Mr. Miller stated that in the facility presentation replacement cycle, there were deferred maintenance issues. Mr. Doolittle asked if we should have operating services separate from the contingency. Ms. Kent then stated that when those funds are "allocated" it gives the appearance that we need to go to referendum sooner which is a drawback.

Ms. Rattenni agrees it would require a new line item to fund and that we should consider as part of the final budget.

Mr. Miller asked if we have a technology number of what is needed in the classrooms. Ms. Floore explained that they are working on this but different scenarios. Smart boards, lap tops, etc. Technology moves fast. The needs are being met. The hardest area is the number of technicians available to solve problems.

VI. FY 14 Presentations

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Major Cap - September

RTTT - October

Preschool - November

Final Budget - December

Rest will be done in the spring

VII. Announcements

The next CFRC meeting will be moved to Monday, September 16, 2013 in the Brandywine Springs Teachers' Lounge at 6:30 PM.

VIII. ADJOURNMENT

The meeting adjourned at 8:19 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary