



Committee minutes

		
9.8.2014	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, Lynne McIntosh, Larry Miller, and Tom Pappenhagen, Community Members; Steven Fackenthall, RCEA Member; Mike Piccio, BOE Member; Jill Floore, Red Clay CFO; Ted Ammann, Red Clay Asst. Superintendent; Jim Comegys, Red Clay Director, Curriculum & Instruction; Henry Clampet, Mandy Gonye, Yvonne Johnson, and Nate Schwartz, Community Attendees	
Minutes		
	Jane Rattenni, Chair	
Discussion:	A review of the August 2014 meeting minutes. Mr. Fackenthall moved to accept the minutes and Mr. Miller seconded. The motion carried.	
Action Items	Person Responsible	Deadline
Referendum Presentation		
	Jill Floore, Red Clay CFO	
Discussion	Ms. Floore presented information on the upcoming Referendum in 2015. Please see Section I attached. Mr. Miller made a motion to recommend the referendum to the Board and Mr. Fackenthall seconded. The motion carried.	
Action Items	Person Responsible	Deadline
A statement will be constructed and read at the October BOE meeting.	Jane Rattenni	10/15/14
Monthly Expenditure Report		
	Jill Floore, Red Clay CFO	
Discussion	Ms. Floore presented the end of August 2014 expenditure report. Please see Section II attached.	
Action Items	Person Responsible	Deadline
Financial Position Report		
	Jill Floore, Red Clay CFO	
Discussion	Ms. Floore presented the July 1, 2014 Financial Position Report. See Section III attached. Mr. Fackenthall made a motion to accept the Financial Position Report and Mr. Doolittle seconded. The motion carried.	
Action Items	Person Responsible	Deadline
Announcements		
	Jill Floore, Red Clay CFO	
	The next meeting will be held October 13, 2014 in the Brandywine Springs Teachers' Lounge.	
Action Items	Person Responsible	Deadline



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Red Clay Community Financial Review Committee Monday, September 8, 2014

I. Referendum Presentation

Ms. Floore distributed a presentation on the upcoming referendum that was previously presented to the Board of Education.

Mr. Miller stated the district did a great job at the board workshop in presenting financial information related to the referendum and what resources are most needed by the district.

Ms. Floore explained our history on our budget since 2008. Since that time there have been many changes in State and federal funding. In 2008 and 2010 there were cuts to the State budget. That is when the stimulus money from the federal funding came through. A portion of the state cuts were put back in Education Sustainment funding but we have less state discretionary funding now than we did in 2008 and at the same time we have more students.

On the local side, our tax base is near flat. We have seen less than .5% increase in assessed value over time. However, expenses have been increasing. Our district budget is 85% people. With contract salary increases, pension increases, health etc., expenses increase but the revenues do not. A referendum is not just about new things but catching the tax rate up to fund what you have already been funding. The cycle of referendum includes an initial increase of funding. In the beginning you have more revenue than expenses but over time you get to the point where expenses exceed revenues. It is inevitable. This is deficit spending but because there is still a sufficient balance you are able to live off that for a time. When that balance is depleted, districts go back out to referendum. We have a strong track record that we were able to stretch the last referendum for 6 years. The referendum must be set higher than expenses the first year or the process would include a referendum each year. Because expenses increase, you can't easily cut your way out of a referendum. If you cut \$2 million the first year, you'd have to cut 2 more million the next just to get back to even.

Cutting isn't a way out on its own, but very important as we look to contain budget growth. We annually review budgets and make adjustments. Our average expenditure increase is 2.18%, but that is misleading because it also includes enrollment growth. On a per pupil basis, our average budget growth has been just over 1% from 2008. When you have average employee/salary growth which includes OECs and pension over 4%, every year and your expenses are only increasing by 1%, each year we've made reductions or cost savings efforts like the energy conservation project to assist.

In 2012, our expenditures started to exceed our revenues placing us in deficit spending. Deficit spending is inevitable in Delaware school funding. Otherwise, we would be out



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for referendum every year. Referendums will always happen when you have flat growth. It is such an enormous expense of time and resources to go out for referendum so districts try to minimize the frequency. Ms. Floore thinks we should move to a process where there is a regular referendum cycle.

Mr. Fackenthall asked if the 7 years between operating expense referendums due to Red Clay's planning or federal funding that has come through. Ms. Floore stated that she feels they have managed the budget very closely and carefully but that federal stimulus funds played a minor role in stretching the time because they were backfilling state cuts. Race To the Top, however, was supplemental funding and does not support the operating budget so it is not the reason for the referendum. It was outside money for new programs and supplies but it was an extra. The referendum is about the core services throughout the district.

Mr. Schwartz asked what the typical raise was for a teacher. Ms. Floore explained that the last contract was 1.5% the first year and then 2% the following year and 2% the third year. There have been years of 0% and another time it was a one-time payment of \$500 so it did not add to the salary base. They have been very limited since 2008, as the private sector has been as well.

Mr. Schwartz asked what the referendum cycle history is for the past 20 to 30 years. Ms. Floore explained there is a track record of stretching it out as long as you can. The danger in that is difference in what you need to make up becomes that much steeper. Our last operating budget referendum was 2008, and before that it was 2004. Christina School District was 2003, 2006 and 2010. Brandywine School District was 2002, 2007 (failed), 2007 (failed), 2007 (passed) and 2012.

Ms. Johnson also asked regarding Race To The Top, are we still using local funds to fund those positions? For example, the SAT programs. Ms. Floore explained that if something we paid for with RTTT was determined to be important and fit in with our Strategic Plan, we kept it but that meant something else would have to go. Preschool is a slightly different example. The district elected to continue preschool through federal Title I funding. Nothing extra was funded. In order to save a program, something else had to be cut.

Mr. Comegys stated that SAT programs will fade this year. Last year we received a \$70,000 grant for the State, but this year we cannot sustain that and will have to prioritize. Mr. Miller stated that is one of the concerns the Committee has. If we meet the budgetary goals, we know that there are things that need to be done that will be deferred. If there is a cycle of 3 years as a replacement that is being extended to 6 or 7 years we continue to defer items to meet the budgetary limitations that we have. When we lose federal funds, there is not funding in the district level or state level to replace those funds.



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Ms. Floore explained the majority of our budget is in State funds that are not discretionary. Discretionary funds from the State are fewer than we had in 2008 as the State has had to cut as well. Right now we received \$25 million from the State in discretionary funds, and part of that is transportation which is truly not discretionary. In 2008, we were receiving \$27 million. Mr. Doolittle pointed out that these are the non-entitlement funds. This explains why local is being asked to cover more.

Many people are concerned as we went out for a referendum in 2012 for Capital budget. Dr. Ammann has presented to this committee on the status of that funding. The referendum in 2008 was an operating budget referendum. There were specific items listed in that referendum, i.e. full day kindergarten, but the biggest item was catching up revenues to expenses. We tracked to make sure the funding was spent in the programs it was requested for.

Our budget is based on the Strategic Plan. 85% of the revenue goes to the basic classroom teachers, paraprofessionals, administrative staff and custodians. The rest is directed by the Strategic Plan. It was directed by the 2008 referendum. A large part was between technology and curriculum. We said we would fund library books; performing arts, textbook adoption, as well as technology refresh replacing older machines and placing us in a doable cycle of replenishment. Safety and security was also a significant item in the referendum. This included School Resource Officers (SROs) in the high schools and security cameras as well as playgrounds and amplification systems in our schools. We are proud of the things we are doing and our record in accomplishing our goals.

The Board has heard this presentation. We are hearing it tonight and we are having a community meeting on September 22nd. This is all in preparation of the vote by the Board in October for the referendum.

Ms. Johnson feels that the community will be confused by the recent events. Last week the Governor placed 3 Red Clay Schools under priority turnaround. Even though it is advertised in the news as \$5.6 million but it comes out to \$200,000 per year per school. She's concerned that the public won't understand those are different funds and people will feel Red Clay doesn't need additional tax money when we are receiving government funds. She feels we need to make a big effort to explain that this money is only for those 3 schools and highly targeted for what it can be used for.

Ms. Floore explained that we have talked within this committee about our 3 year forecast. In the FY 2016 budget, the projected ending balance is negative \$1.2 million. Therefore, something needs to be done now. We don't have an option of having a negative balance. The difference between revenues and expenditures is \$8.7 million. This is a forecast using the data we have now. If FY2015 comes in lower, that deficit is less. Mr. Schwartz asked if there was a 10%, 50%, 90% scenario? Ms. Floore explained that risk is included in the estimates but there is only one forecast. Mr. Pappenhagen asked what



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the legal requirement is. Ms. Floore stated that the legal requirement is that you have one month of payroll on hand at the end of the fiscal year but that is unrealistic because it doesn't account for the 35% charter preload we must make in the beginning of the year. For Red Clay that would be \$8 million for both the one month of salaries and the charter school uploads.

Mr. Miller stated that we cannot have a deficit at all. Beginning any school year knowing you're going to outspend your revenues creates a problem in planning. Ms. Floore stated it is inevitable but she agreed the minute you start to deficit spend is when the Board should be looking to a new referendum. The problem is with the balance and having to explain why you are going to referendum with a fund balance. The public generally wants to see that as close to 0 as possible but that would mean going to referendum every year. Mr. Miller stated that just because the funding is in the bank doesn't mean it isn't committed. But that can be confusing to the public. The immediate rebuttal is to cut. We can do that, but it will be painful system-wide. Even with \$2 million with cuts, it doesn't fix the problem as you'd have to go out again as the salaries go up the following year and that's more cuts just to stay where you are. In order to have 0 deficit we would have to cut \$9 million. But even doing that you are still \$1.6 million short the following year and would need to cut more. \$9 million in cuts would be system-wide and painful-including staff, middle school athletics, elementary school programs, high school athletic programs, alternative school programming, school resource officers, and academic deans. Ms. Johnson asks how \$1 million can be cut from curriculum if we are instituting new curriculum due to common core this year. Does that mean this year it wouldn't be spent? Ms. Floore explained that it is just an illustration of the amount that would have to be cut next year FY16. Professional development, library books, performing arts, strings and other items. It is real but it is also difficult people you want to present the true picture without appearing like we are threatening. Financially it is what will need to happen. Mr. Schwartz asked if \$200,000 was the entire strings program budget. Ms. Floore explained no it is the itinerant elementary program.

Ms. Johnson said the one thing parents care about is their safety at school. Mr. Schwartz also added that examples should be given of technology and what would be cut. Ms. Gonye also added the public will want administrative positions cut before things for the kids. Ms. Johnson stated there should be a list of the cuts we are making. Mr. Pappenhagen asked if this is an equivalent of an across the board 10% salary cut as other businesses have done? Ms. Floore stated it is not quite the same because there is not the discretion to cut across the board so it would have to be more targeted to anything that was considered supplemental. Ms. Rattenni reminded the committee that we are restrained by the collective bargaining agreements. Ms. Floore will also highlight programs and projects we've had over the last 5 years that were cut or implemented to save money. We have the ESCO project which we have spent money updating our buildings to save money on utilities.



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Ms. Floore stated that most of where we are is a flat revenue base. We can constrict in different ways, but a 10% salary cut across the board, the next year you'd have to do an additional 2.5% and the next another 2.5%. Mr. Clampet asked if there was any merit in comparing tax rates across other districts. Ms. Floore has them with her to discuss tonight. We are \$.30 lower than Brandywine School District \$.20 lower than Christina School District and both of those districts are also discussing going out to referendum. Mr. Schwartz feels this information should be placed before the community earlier than later.

We always want to move forward, we want to improve. We have a strategic plan in place to help improve our achievement. It's not about just staying where we are. Mr. Clampet asked how about any other revenue generating ideas? Universities and private schools have an alumni association. The members and public can donate to our schools. Ms. Floore stated that we currently have the Red Clay Education Foundation which is very specifically set up for that. They have helped in funding Conrad School of Science, the distance learning labs. It is an aggressive, fantastic group of business and community members. However, you cannot fix a budget problem with donations. Between that and grants, they are supplemental funding and can't fix the core tax base issue. Part of the answer is lobbying the state for more resources. We are paying for a number of programs that were once added by the state that they are no longer funding- SROs, after school programs, reading specialists, etc.

Dr. Ammann spoke about the technology needs of our district and why it is included in the referendum. We are not proposing a one-to-one ratio with technology but it will be close and designed by grade level and needs. We feel that younger students should be interacting with other students rather than strictly with technology. There are 4 pieces of technology. First is the applications as we need to know how the technology will be used. Next is bandwidth. The items purchased must be able to work within our environment. Capacity is necessary to support the hardware. The teachers need to be trained on the hardware and software. And lastly, the devices themselves. Our piloting has proved to us that one size does not fit all when it comes to devices.

Mr. Comegys explained that technological devices are great to have, but you need applications that work, work consistently and that the students can use. These are not toys, but a tool that supports the achievement of a student academically. We are bringing a reading intervention program that is showing student improvement already. We are proposing school interventionists and reading coaches that we worked into RTI positions. We have an international baccalaureate program that is heavily supported by technology. When a student graduates with that certification it can serve in place of an SAT and is more widely accepted. We know we can improve our talented and gifted program in our urban schools. Our STEM program in the summer has a budget that gets tighter each year. One thing we always need to be in front of is the textbook adoption cycle. Some math text books in our elementary schools are going on 12 years old. They are in a cycle but the cost of the materials and upgrades got beyond what the cycle could handle. We



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are looking at a \$2 million textbook adoption. Costs have gone up over the years and we want to make sure that our technology is ready and enhancements can handle the new material. The State has adopted new Science standards and that will come with costs as well. With our ESL program we've found students learn better from their peers and not in a targeted class. But that comes with intervention as well; therefore a two-fold approach is needed. We have a lot of things we need to do to keep level and more to move our students forward.

Ms. Johnson asked about growth assessment. Mr. Comegys answered that smarter balanced is a spring only assessment but the State is mandating that we have a growth measurement. Therefore we had to purchase a program from Scholastic at a cost of \$120,000 to measure pre and post assessment progress. Ms. Johnson thought that would be a State expense. Mr. Comegys stated that State measures will not be available to us so districts had to scramble and get a program in place.

Mr. Fackenthall asked that if we got the technology for the students, then we would then need more upkeep. Would that need another referendum to support this? Dr. Ammann stated that upkeep is in the referendum budget put before them, as well as teacher training and technicians.

Mr. Schwartz asked that technology applications and bandwidth, is there a budget for each of 4 areas. Dr. Ammann stated yes, that is in there separated out. Mr. Schwartz asked if we considered leasing rather than purchasing. Dr. Ammann stated yes we did look at leasing. It is advantageous in some areas; however, it assumes you are replacing more often. A lease is for 3 years and it is not a lease to own. If we then had a great financial issue in 3 years, the devices would be taken away and we would be left without. Plus, our technology refresh is 4 to 5 years so it may not always match the cycle.

Ms. Johnson asked about grant funding. Dr. Ammann stated that they have grants for technology and they were very helpful, but then they go away and there is no sustainability. We don't stop going after them. Mr. Schwartz asked about "grant watch". It is a listing of the grants available. Dr. Ammann also stated you have to weigh the time it takes to search and apply for the grants for the amounts given. Mr. Comegys stated that they go after the larger grants. Ms. Floore stated that we currently have grants, i.e., Dept. of Labor, Consolidated Grant, 21st Century Grant and the Early Learning grant to name a few.

Ms. Johnson asked Mr. Comegys to put into the presentation to the public the last time we bought textbooks in ELA and math. The public will want to know and understand.

Ms. Floore explained that the result is \$.25, \$.05 and \$.05 increases get us on the path. The first tier is eliminating that deficit and continuing our investment in Strategic Plan. Years 2 and 3 become the operating use increase, curriculum and technology. And they change as you need training, planning and staff development. These three tiers will



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provide a \$7.7 million income which is the number we need to meet all our payments have room for small growth. The subsequent years are about \$2.5 million each. The full amount up front is because we have been deficit spending for 3 years.

Ms. Johnson asked if there was a possibility of making the breakdown \$.20, \$.10 and \$.05, believing that the public will have a more favorable response to a smaller amount at the start. Ms. Floore explained that by doing that breakdown, \$2.5 million dollars is lost from the first year. Phase in becomes a choice for the Board. Without that \$2.5 million the first year, adjustments would need to be made. At the board workshop there was considerable discussion on what the public could afford in a referendum and finding the balance between what people want to see and what the public is willing to fund. Mr. Clampet commented that we have 3 stories to tell. What we've done with the last increase, how inflation and energy costs require an increase, and what changes being made, i.e. common core and technology, require the increase. Mr. Miller stated that at the Board workshop, the topic of technology was raised. The Board is concerned that our children may not be competitive in their knowledge based on our current resources.

Mr. Schwartz noted that the public's concern with the charter schools will enter into their decision on increasing our school taxes because we have fewer students. Mr. Doolittle answered that this money follows the student to the charter schools. Mr. Clampet questioned what part of passing the referendum the senior citizen population would hold. Ms. Floore explained that referendums are passed by parents with most seniors opposed historically. Seniors do get a senior property tax credit that is age based with a \$500 maximum. Mr. Schwartz stated that the assessment base of Red Clay is \$5 billion.

Mr. Doolittle stated that we should have been back to referendum prior to this so that our request is not too large. Unfortunately, we cannot go out to referendum with a balance. We did stretch it with a capital referendum in the middle. Ms. Gonye stated that the fact we have held the line on administrative costs should be brought to the forefront.

Ms. Floore explained that for an average assessed property in Red Clay, at the end of the three years, it would be \$280 more than you are paying today annually. The first year would be \$200 more and then \$40 more each year the next two. Mr. Doolittle pointed out that the increase for operations has not been on the table since 2010. Ms. Floore stated that the amounts are based on average and payments are based on actual assessments. For example, a house assessed at \$50,000 would be paying an additional \$175 at the end of the 3 years. And a house assessed at \$100,000 would be paying an additional \$350 at the end of 3 years.

Mr. Schwartz asked if we met with realtors to show how better schools improve home values. Ms. Floore stated that we do meet with realtors as part of the road show. We also meet with civic associations.



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Mr. Clampet asked how closely we work with our senators and state representatives. Ms. Johnson stated that the referendum group will be meeting with them and Ms. Floore agreed that most of them understand the cycle.

Ms. Rattenni asked if a Committee Members had comments regarding a recommendation to the Board. Mr. Miller made the recommendation that we as a Committee support the Referendum. As well as the modifications to the presentation that have been discussed this evening. Mr. Miller made the motion to support the referendum and Mr. Fackenthall seconded. With one abstention, the motion carried.

Ms. Rattenni would like a statement brought to the Board meeting. Mr. Piccio agreed. Ms. Rattenni will contact the other Committee members via email to construct the statement.

II. Monthly Reports

Ms. Floore distributed the end of August Monthly Expenditure Report. Due to the fact we are one month into our fiscal year, there is little to report. We are at 50% revenues received vs. 52% at this time last year. Our percent expended is 13.8% which is the same as last year. We are at 16.6% encumbered and expended. September is the month our tax money will come in. We are exactly where we thought we should be.

Mr. Schwartz asked about our legal division with 35% expended and 65% encumbered. Ms. Floore explained there is a settlement from this summer that was paid. Mr. Fackenthall asked if the legal expenditures are suits that have been filed. Ms. Floore explained that line is everything from student, employee, slips and falls, legal fees, suit settlements, as well as special education cases and on-going fees. The committee will have a legal presentation later this year. Mr. Fackenthall asked if that also includes contract negotiations and Ms. Floore explained yes it includes all legal fees.

III. Financial Position Report

Ms. Floore distributed a copy of the latest Financial Position Report. This report states that our balances are current and we will make our payroll and obligations through October. But like the referendum presentation it also shows we are deficit spending. Mr. Doolittle asked if we would make next July and the answer is yes. However, without a referendum or cutting staff, we cannot continue the same in FY16.

Ms. Rattenni asked if the non-salaried projection contains the payment to charter schools. Ms. Floore answered that yes, the payments are taken from our revenues as a budget transfer.

Mr. Fackenthall made a motion to accept the Financial Position Report. Mr. Doolittle seconded and the motion carried.



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IV. Announcements

Our next meeting will be held at Brandywine Springs School teachers' lounge on Monday, October 13, 2014 at 6:30 PM.

There have been no public inquiries to the CFRC.