



# Committee minutes

--Community Financial Review Committee			
10.13..2015		6:30 PM to 8:00 PM	Brandywine Springs Teachers' Lounge
Meeting called by	Larry Miller, Vice Chair		
Type of meeting	Monthly Financial Review		
Facilitator	Larry Miller, Community Member		
Minutes	Laura Palombo, Red Clay		
Timekeeper	Larry Miller, Community Member		
Attendees	Bill Doolittle, Monica Henry, Lynne McIntosh, Larry Miller, Tom Pappenhagen, Community Members; Mike Piccio and Cathy Thompson, BOE Members; Jill Floore, Red Clay CFO; Henry Clampitt, Community Attendee.		
Minutes			
	Larry Miller, CFRC Community Member		
Discussion:	A review of the September 2015 meeting minutes. Mr. Doolittle moved to accept the minutes and Mr. Piccio seconded. The motion carried.		
Action Items	Person Responsible	Deadline	
Monthly Reports			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore presented the reports for the end of September 2015. See Section I attached.		
Action Items	Person Responsible	Deadline	
Referendum			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore gave an update on the referendum lawsuit. See Section II attached.		
Action Items	Person Responsible	Deadline	
WEIC			
	Jill Floore, Red Clay CFO		
Discussion:	Ms. Floore gave an update on the WEIC proposal and finance committee meetings. Section III attached.		
Action Items	Person Responsible	Deadline	
Announcements			
	Jill Floore, Red Clay CFO		
Discussion:	The next meeting will be held November 10, 2015 in the Brandywine Springs Teachers' Lounge.		
Action Items	Person Responsible	Deadline	



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## Red Clay Community Financial Review Committee Tuesday, October 13, 2015

### I. Monthly Reports

Ms. Floore distributed copies of the September 2015 Monthly Expenditure Reports. It is still very early in the school fiscal year. As being 3 months in, we would expect to be at 25% expended. However, our revenue does not follow that timeline. Most of our collected taxes are deposited into our account at the end of this month. Therefore, the revenues will show up much higher on this report next month. Late payments do come in throughout the year with the initial deposit in late September. Our revenues on the local side are \$8.5 million or 12.8%.

Last month the Financial Position Report showed how low we were coming into this quarter. We will be able to fully satisfy our obligations including the charter school preloads which were made. However, as forecasted we have had to monitor our cash flow very closely until we receive the taxes in October. We will then do the full transfers of the MCI Technology and others that are at 0 now. Income from fees is funding from the rental of our facilities and fields. Match Tax extra time is the carry over balance as we haven't received the revenues yet.

Within the budget we have transferred funding from two of our special schools. Central School which has closed and Richardson Park Learning Center grades K-4 due to inclusion in the feeder schools. This increased the overall size of our operating budget moving funds to Division I and we are still in the process of transferring the salary coding to the appropriate schools. The state is still funding their preload percentages based on last year's budget so the number is lower. We have a greater number of salaries that have moved to our general operating budget. The State normally prefunds 75%. We are at 70% as opposed to 74% last year due to the movement of students between schools. The state will fund their obligations by the end of the year at 100%.

Division II and III also follow that same logic. They will be fully funded to our unit count. We just finished our September 30<sup>th</sup> count. We are 100 students down, yet our unit count is within 1/3 of a unit. We were at 1106.5 last year, we are 1106.23 this year. The reason we can be down in our number in students but not change in our unit count is the fact we receive more for intense and complex students and therefore, the lower divisor counts the students at a higher weight. Our overall growth is up as to the number of students Red Clay is paying for as we have more students in Red Clay that are attending charter schools.

State Ed Sustainment is very close to 75%. That number hasn't changed and it is not related to a salary number, but the unit count.



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Total revenues are 49.5%, slightly below where we were last year but right on track to what is anticipated.

There have been several emails to the Board regarding financial tracking of our transactions and reporting on referendum funding. Part of referendum funding is included in the budget. Separate budget lines were created so we could track that funding. We haven't received the revenue from the referendum as it comes in our taxes the end of October. Some of the figures are embedded within the budget. For example, salaries. We used some of the referendum to save positions such as SROs. For one-to-one technology, we are rolling it out to 3<sup>rd</sup>, 6<sup>th</sup> and 9<sup>th</sup> grades. It is a 2-12 district initiative. Our Technology Manager gave a presentation to this committee earlier this year regarding this initiative. Much of the referendum, however, was saving the programs we currently have.

On the expenditure side, we have been watching the legal fees. We have not looked at increasing the final budget of that line as yet. The only area that is excess of 100% of expended and encumbered is Line 78, Student Services. Ms. Floore will be bringing a request to increase that budget in the final budget as we have a contract to increase the support to our high schools by Communities and Schools. These are staff members from an outside agency working in collaboration with our high schools.

Because of our tax flow issue, we have asked our departments not to encumber for the entire year at this time. We want to make sure we make our payroll. That's why we are lower expended at 19.7% versus last year at 21%. Not a major difference as the majority of our funding is in salaries.

In reviewing our federal funding, last year there was considerable discussion on the timing of the receipt of these funds. We have submitted our consolidated grant application. The money for Title I, poverty students; Title III, ELL Students; and IDEA, special needs students all have been loaded last Friday. Looking at IDEA as of the end of September is 98.1% expended which is expected. The federal fiscal year cycle is different from our school fiscal year. Title II is in revision status. The State has released the other funds while we work on Title II.

The Priority School funding has been loaded at \$366,000 per school for this fiscal year. It is not loaded under federal funds but under State funding. In the final budget, there will be a category for this funding. There will be a recommendation to the Board to add this budget line into the final budget. Mr. Doolittle stated that the Christiana schools will also be funded without them having to file the approved plans as Red Clay did. Ms. Floore explained that she was not aware that Christina was awarded any funding on their schools.

The tuition schools also have a carry forward balance for summer salaries. Tuition funds do not have the fluctuations that the operating funds go through with referendum. For a period of years, operating expenditures are below revenues but with a fixed tax base they



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eventually cross over and then districts begin planning a referendum. Tuition funds maintain a steadier balance. Those carry forward balances, like the other funding lines, are to cover the salaries until the receipt of the new taxes. We are at 38.68% revenues received. We have not done the tuition billings as yet. They are done in the spring for students who come to our tuition eligible programs from other districts. The largest one for us is the First State School located in Christiana Hospital.

The State revenue is for the yearly contracts for Unique Alternatives. When a student goes through ICT review, and is in private placement for special needs, the State funds 70% and the district funds 30%. The State does put in their full amount at once. Ms. Thompson asked if the split is always 70/30. Ms. Floore explained that yes, unless the child is a ward of the State, then it is 100% provided by the State. There are some legal settlements where the funding would fall 100% under local. It is a result of the settlement. The reason the First State School is highly expended and encumbered is due to the significant contract we have with Christiana Care for the school. We will do the full encumbrance when all of the funds are available.

We have talked about minor capital in the past with a presentation. They are two year funds. In order to spend out of minor capital, you must have a match tax. That is part of our match tax we set for the school taxes. We cannot expend out of this line until we receive our match tax within the full tax deposit. The majority of the work is done during the summer or winter break when the schools are accessible. Debt Service is 50% expended which is based on our debt repayment schedule.

Meadowood is 24% expended under salaries. Meadowood's units have increased. Some of the students at RPLC and Central School were evaluated through the inclusion process and it was determined that Meadowood was the best placement. Meadowood sites are at the regular schools through inclusion. They are 20.9% expended and 23.1% expended and encumbered. RPLC and Central school have large changes. We are at 50% expended and encumbered vs 20.6%. This is related to how the inclusion salaries were moved. At this time, we are still updating our system to teacher and para locations. To complicate it further, some teachers transferred to a non-special education position through the voluntary transfer process. We want to make sure those teachers' salaries are charged accordingly. September is the first pay of the new school year. Our goal is to have this reconciled in time for the final budget projections.

Ms. Thompson asked about the tuition contingency. Ms. Floore explained there is a contingency within each budget area. In the case of tuition, you could have a student who is identified or moves into the district after September 30<sup>th</sup> count. Therefore, there is no budget source. We have planned for the students we know about. If a student moves in after September 30<sup>th</sup>, we do not get the State side of that funding but we are still expected to educate the student and service any special needs they may have. That comes through local tuition funding. At the time the Board of Education had voted on class size waiver, we were tasked to solve it. This impacted the budget as the paraprofessionals hired to alleviate larger classes were funded strictly under local contingency funds.



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Mr. Doolittle asked if RPLC preschool would remain in Division 58. Ms. Floore explained yes as well as the 5<sup>th</sup> grade still at the school. The elementary autism program is also at RPLC with a middle school program at Skyline Middle School. Ultimately, we will have a need a high school site as well. It will be similar to the Meadowood program.

Ms. Thompson asked why Dickinson was 61% is expended and encumbered. Ms. Floore explained that the largest part of a high school's budget is athletics. In Dickinson's case, we have a brand new middle school. And the IB program is very expensive. In the past, when a school expands, they've been given a school expansion budget. For the final budget there will be a recommendation to add \$50,000 to their budget for that expansion. It is in line with the expansion of BSS and Conrad's expansions.

Ms. Thompson did not realize there is a Board of Education budget. Ms. Floore explained that is typically for the Delaware School Board Association fees as well as the travel to the National School Board conference.

Ms. Thompson asked about legal services. A problem is we don't know what lawsuits will occur in any given year so it is always an estimation. We didn't plan for the lawsuit that has been brought against Red Clay. Ms. Floore explained that this Committee has watched this line item grow over the past years. The budget is based on past experience as you cannot determine when a lawsuit will occur. The past year we exceeded the budget and we were very close to exceeding the year before. At that point we actually raised that budget. The question is do we raise the budget number for the final budget not knowing what to expect. We do know our referendum lawsuit fees will continue. Ms. Thompson would like to look at the legal services fees. The counseling fees have been increased and Ms. Thompson would like a procedure in place as to when and how we engage the legal team. Ms. Floore explained that Mary Norris, now retired, was in charge of the legal budget. Now, that budget has been broken into sections. Ms. Smith of HR in charge of HR issues, Ms. Celestin is in charge of the special services and Dr. Ammann of facilities issues. Laura Palombo in the business office tracks the legal fees by case. We presented this to the committee in the past with the case names redacted broken down by type of case. Ms. Thompson would like a copy of the tracked cases. She would also like to see the rate at which we're charged as well. Ms. Floore stated it was 3 years ago we went to bid for this service. This spring the RFP will need to be sent out again.

## **II. Referendum Lawsuit**

Ms. Floore explained the ACLU suit with Red Clay for the referendum procedures. Our attorneys filed a motion to dismiss. A Motion to Dismiss is not argued on the merits of the case. The judge ruled not to dismiss. The judge added to his ruling that we could avoid a trial with a revote.

The Board will receive the advice from the attorneys on the process moving forward. Ms. Thompson also said there will be discovery, which will be expensive. We could ask



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for summary judgment. She further explained that there was talk about appealing to the Supreme Court right now. It will get very expensive really fast.

Mr. Clampitt asked what would happen if the claimants prevail? Ms. Thompson stated we lose the referendum. The collected money would be in question. Mr. Piccio asked if the collected money is being placed in escrow. Ms. Floore explained that there was no “stay” on the tax ordered. We are using that money for salaries and supplies and those things promised in the referendum. Mr. Piccio stated that whomever loses, will appeal. Ms. Thompson stated the people who brought the case to the ACLU aren’t paying the fees. Mr. Clampitt asked to we have any idea of the cost of an election. If we simply had another vote, we could avoid all of the cost. Ms. Thompson stated we could hold another vote without the events we had at the time of the first time. Ms. Floore explained that Christina held a referendum on the same day as ours, with events and their referendum did not pass. The factual elements in the judge’s opinion are not correct. Ms. Floore has not had any conversations with the attorneys. Mr. Clampitt believes that the Board should have this information so they can do a cost analysis and make a decision based on that. Ms. Floore said we cannot go back in time to February 2015, the conditions that existed at that time, no longer exist.

Mr. Pappenhagen stated that the last time we made the case that we were at the bottom of the reserves. We needed to increase the funding for technology. If we ran it again, it is a different case. If they take the referendum funding away, what does it do to the reserves for this year? Ms. Floore stated that is the real case. Taking the funding away would be beyond devastating. Mr. Doolittle also commented that going out to referendum now with the WEIC uncertainty would be a deadly for any effort.

Ms. Floore asked Ms. Thompson if she had any ideas on how long a court case of this nature would take to cycle through. Ms. Thompson stated that being chancery court will make the process faster. However, we still do not have the full plan for discovery. There is no jury for the trial as it is Chancery Court. It will be close to a year in her opinion as the discovery will take some time.

### **III. WEIC Update**

Ms. Floore serves as the Co-Chair of the Funding Student Success Committee. There are 5 committees within the WEIC Commission. They are Charter Collaboration, Parent & Community Engagement, Needs of Students in Poverty, Redistricting, and Funding Student Success. All of these groups are working on the overall implementation of the WEIC plan. It is all predicated on the fact that the Commission is coming up with the plan. The plan will be voted on by the State Board of Education sometime in January. The last possible date for a vote is March. This is all written in House Bill 22. The vote then goes to General Assembly who by concurrent resolution can pass it and result in redistricting. Ms. Thompson stated that opens them up to a lawsuit as it is unconstitutional. Mr. Doolittle stated that the State might not defend it.



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There is a WEIC recommendation. There is the implementation plan. That is what the five committees are working on. The district was requested to have a plan. We are looking at 4,500, students with 1,500 of them in charter schools. Many people discuss WEIC as Red Clay receiving schools. We will receive several schools, but the students who attend the other schools who live in that area as well. Just as we have city students who attend our middle and high schools outside the city. Part of our implementation plan is to decide where those students would attend school.

As an example. We have a middle school IB program at JDHS. We have a high school IB program at JDHS. The natural extension of that is to have an elementary IB program called “early years” giving you a K-12 program. We’re not saying we will do this, but to use as an example. If we did want to do this, it would be part of the planning. No will know the answer until we move through the planning period.

The larger question is what changes. How can we move 2,500 students (1,500 will more than likely stay in charters)? The funding committee has worked on two levels. We meet every week for 4 weeks. The 2<sup>nd</sup> component is the student tax rate, the actual logistics of moving that. On top of that is how will the world look different? How do we presume that Red Clay will do a better job of educating students? What are the demands, and what will the State offer to contribute. Ms. Floore had a draft listing of what is considered for fiscal year 2017 budget. It was a draft distributed by Dan Rich at the Funding for Student Success meeting as well as at the Redistricting meeting. It will also be distributed at the WEIC meeting.

The WEIC recommendation said students in poverty are woefully neglected in our system. The committee is in unanimous agreement that while the unit structure works, the system has significant missing pieces. Units are transparent and currently attempt to address the needs of special education students. However, it neglects completely, students in poverty and ELL students. Delaware is one of 4 states in the country that have no funding for ELL students. The initial WEAC commission stated there needs to be a commitment to look at funding students in poverty. The same formula for funding a suburban school, such as Forest Oak, which is a typical school with a diverse population, earns 30 units. A similar sized school in the city, however, has higher needs in the way of social workers and psychologists and extra support. The funding formula treats everyone the same except for special education. The committee took a great deal of time looking at weighted unit funding. What does it look like and how might it work. This is an initial step. The concern is not just funding schools that have a higher condition of poverty, as once those students reach middle and high schools, the population of those schools is more diverse. Percentages can be deceiving and it could overemphasize elementary schools. The national research states that the secondary weight should be higher not lower than elementary. Mr. Doolittle stated this would help with Title I.

The Governor’s budget comes out in January. That would be around the same time the State Board would be asked to vote on WEIC. What work and/or requests need to be made in order to make any of these plans successful? Just changing the name on the school, does nothing. Mr. Miller stated if you are willing to recognize there is a need that



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is not being met, then we lay out the plan. The original endorsement from WEIC was House Bill 117, which states for every 250 students in poverty, you were earn one additional unit. For 2,500 students for Christina, we would earn 10 additional units. Ms. Floore stated that won't change much of anything. The committee made it very clear they didn't support it. Statewide that bill is over \$10 million. That's a state-wide impact, but for a district such as ours, it doesn't make a dent.

The Committee's recommendations are weighted unit funding and transition funding (the year of planning requires funding) as the first step. If the Governor's budget comes out in January and there is no mention of funding to this end, that is very important to our school board on what can be expected and how much we want to support the WEIC plan. If there is funding in the Governor's budget, however, it will give a sense of the magnitude and the willingness to tackle the issue.

The Transition fund explanation is that we cannot identify what the costs will be for the transition. We know there will be a planning costs. Also, if we allow grandfathering of students to attend their current school for the remainder of their time there, a freshman would then need bussing for the next 3 years. At the same time you'd be providing bussing for those students to attend Red Clay schools. The plan would be to fund the process of planning of feeder pattern planning and school designs. There is also the identification of building upgrades. If this is truly an investment in our state and our students that this funding come from the strategic plan and be funded 100%.

Ms. Thompson stated that the Board passed the priority schools plan and then the funding was cut to a third. She does not trust it. There is a current deficit at the state. How can more funding be in the budget? Ms. Floore stated the Governor could implement a new revenue structure. It could be taxes or an expenditure reduction plan.

Ms. Floore explained that regardless of what happens, we have advocates who have broached a collective conversation on the subject of poverty and how broken our school funding process is. A reassessment of the property is a recommendation from all committees. We are advancing dialogue on issues that have been recommended over and over again.

Mr. Miller stated that while at Del Tech, they raised the same issues. If we don't fund education, we will have to fund prisons, police and welfare. The plan must be something that works and is sustainable. If you don't start the students at the preschool level and keep it all the way through high school. Kids act out in a classroom not because they are bad but because they don't want to be exposed for what they don't know. His thought is that the best thing we can do as the CFRC to put together a recommendation that explains what the minimums would be for our group to accept and a promise to fully fund them. It's not just the unit count but what are you going to do with those units. Mr. Allen is a prime example of a young man who faced challenges and became a success and is giving back. He would like the group to send him their ideas and they would compile for him to give the Board. Mr. Pappenhagen asked if we do something different from what WEIC is doing.





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Mr. Doolittle stated that unless we have hard figures and can let the legislatures know what the cost will be, the matter will pass and then the legislature will disavow any knowledge and state it can't be funded after the redistricting has already been done.

Ms. Thompson feels the information is very vague and not specific enough to make good judgments. Ms. Floore explained that we are fighting because we want the system to be better for all children in poverty. We are fighting for our current kids. It is somewhat vague given the very short time frame. Mr. Miller explained that the Governor's budget is being developed right now so time is critical. Ms. Thompson asked why this has to be done now and not in the next cycle. Mr. Miller explained that there will be a new Governor in the next cycle. Mr. Doolittle stated that is necessary now so we can get the transitional budget in place.

Mr. Pappenhagen asked how many schools we're looking at as well. We are underfunding if we don't include the schools. Ms. Floore explained that what they have is as the system currently exists. We have dug in deep on the poverty weighted funding. Less work has been done on the redistricting and tax rate side. Much of the effort has not been on transferring buildings but making the system better. Ms. Thompson said that looking at the needs based for poverty, our district would only need 68.37 more units for needs based funding for poverty to come up with the \$7 million. We currently don't have poverty data on a student, only on a school-wide level. Mr. Doolittle stated he has asked Dover for a model on how to obtain that information.

Mr. Clampitt noted that the bottom of the Dan Rich's program outline is the assumption that we are going to allow school boards to raise taxes. This is the short term solution while we wait for reassessments. Mr. Doolittle stated this would put us in line with other states in raising school funds as per the inflation rate.

Mr. Clampitt asked about a dollar per student system. Ms. Floore stated weighted student funding was resoundly rejected over weighted unit. So much has been invested in the needs based system and there is a belief that this system is working. Mr. Clampitt stated that yes there is a unit for each level of student but no one knows the dollar amount of that unit as we don't know who fills that unit and their experience level. Why wouldn't we look at the number of units times the average cost of a unit and tell the school to fill the needed positions. Ms. Floore explained that there should never be a dollar incentive to fill a teaching position. Right now under a unit, the principal has the option to hire the best person for that position which would change dramatically if principals were hiring based on salaries.

Mr. Miller stated that while the process is taking place and the Governor is devising his budget, we need to be clear on what the requirements are. Otherwise, someone else will be making the decision. He believes the Board should be making the recommendation. Ms. Thompson believes that is what these planning meetings are, to make the recommendation. Mr. Doolittle stated that these committee meetings are to fit into the WEIC plan.



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Ms. Henry explained that the job of this committee is to make a recommendation to the board. We're here not to bankrupt the district through redrawing the lines to serve the students who are underrepresented that need additional assistance to get through their educational career. The other issue is returning money to the state should Red Clay lose the pending litigation with the ACLU. We can discuss the merits of what needs to be done, but we cannot bankrupt the district.

Ms. Floore stated we are a committee of the board. We need to make a recommendation to the Board before we meet back again. Ms. Floore asked the two Board members what input would be most valuable to you as you go into this process with WEIC. Mr. Piccio reiterated Ms. Henry that we are not here to bankrupt the district. Ms. Floore explained that there are two ways to bankrupt the district: 1. to keep us going on the referendum path. There is a mechanism in this draft to provide for that. To allow referendum for turf fields, or one-on-one technology, but to never have to go to referendum again for inflation. Moving Wilmington students doesn't bankrupt us if we do it right but there are no guarantees. There is a State share and a local share. But there is the question on whether we can adequately do a good job. Ms. Henry feels that in her experience adequacy is not our forte. The State has come to Red Clay because they feel we are best equipped to deal with these students. Adequacy is not an option, excellence is the option and it will cost money.

If we are really moving forward with the excellence plan, what do we at Red Clay need to make that happen? Unless, we know what we need, we'll never going to get it. Mr. Miller agreed. Ms. Floore stated there is also a poverty committee. That could be preschool, social services, etc. The funding committee is about tax structures and grand educational finance. There are still 4 other committees. Mr. Clampitt understands that the other committees are working simultaneously and in conjunction with the WEIC.

Mr. Clampitt stated he doesn't see any resolution from tonight's meeting other than to keep going forward. Ms. Floore agreed. The future of this project is determined if any funding and how much funding is in the Governor's budget. That is the first step. If that isn't there, then it does all fall apart leaving a conversation and needs undone. There is a risk to kids of all districts. As much pressure we can put on the expectation of funding is necessary. We hope that the Board will put pressure on the Governor's budget as WEIC is doing. It's a plan, they don't get to pick one or the other. We failed to do this with priority schools as a collective organization.

Ms. Thompson explained that we will move forward only if there is poverty-based funding, transition costs are covered, major and minor capital improvements costs are covered, changes are made to the tax base equalization and the tax pool. The Board can also vote in a referendum increase. Also, the money for childhood education and the property tax reassessment. The Committee believes all of these items are necessary.

Mr. Clampitt reminded the committee that it is not the entire WEAC book that is the package. The recommendation that goes to the State Board may include some or all of



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the WEAC recommendation. The art of the WEIC in reaching the end of year deadline is to devise a package that will get us as far down the road as we can and can get accepted by the State Board. Any indication to walk away from these items, suggests they are not willing to fund these items. Mr. Miller and Mr. Doolittle feel we have a responsibility to the children to try.

Mr. Doolittle and Ms. Thompson does not believe giving a motion to the Board can wait. We will get an outline together. Mr. Pappenhagen believes the resolution may change next month when more information is known. We will write a motion and circulate it amongst the committee for submission to the Board.

Mr. Doolittle made a motion to get a submission approved and Mr. Pappenhagen seconded. The motion passed pending final outcome of the draft.

## **IV. Public Comments**

There were no public comments to the CFRC at this time.

## **V. Announcements**

The next meeting will be held at the Brandywine Springs Teachers' Lounge on Tuesday, November 10, 2015 at 6:30 PM.