



Committee Transcript

Red Clay Community Financial Review Committee Tuesday, September 20, 2016

I. Minutes

The Committee reviewed the July 2016 meeting minutes. Ms. Henry made the motion to accept and Mr. Piccio seconded. The motion carried.

II. Monthly Reports

Ms. Floore distributed the August 2016 expenditure reports.

On the revenue side, we have received 46.66%. On the local revenue FY 16 was just \$1 million and this year is \$1.4 million. We have 3 pay checks in September. For July the second Thursday of the month fell as late as it could possibly on the calendar, therefore the tax payments were lower than in the past because the bills went out later. Both together make it very tight cash flow for September. We didn't put restrictions on the schools and departments, so our expenditures reflect that. Last year our expenditures were 6.4%, this year is 14.5%. Not unusual for this time of year, but more than in years past. We have the necessary resources to meet our obligations through the receipt of taxes.

The State prefunds 75% of last year's allocation. In Division 1 Salaries is 73% is 75% of last year's number. They prefund charter schools the same way. The lowest received for us is the 2.03% on the local side. We will catch up as taxes come in.

The Federal fiscal year is coming closer. FY 2014 is completed, the expiration was 8/1/15. The FY 2015 funds expire on 9/1/16. Some funds are at 100% or 98%. FY 2016 we have until next year to expend.

Looking at Page 6 for tuition programs. We haven't received the taxes on the local side, therefore, our taxes are not available for tuition funds either. The difference, however, is due to the carry forward balances. The tuition programs have a larger carry forward balance in order to cover the required summer program salaries. The \$5.8 million is mostly carry forward balances. Slightly less than last year. Expenditures are also slightly lower than last year.

The other programs are right on track for this time this year. Meadowood is at 16.5% expended vs. 15% last year. RPLC is at 14.2% expended vs. last year at 35%. Last year RPLC was projected to decline but then it didn't due to the increase in preschool children and the additional autism program. The 35% was due to the much smaller budget. We have spent \$1.3 million vs. last year's \$2.3 million. They are right on target as well.

Mr. Piccio asked if the "income from fees" is rental income. Ms. Floore confirmed that it is. The rental of our auditoriums, gyms and fields.



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Mr. Chase made a motion to accept the expenditure report and Ms. Zimmerman seconded. The motion carried.

III. Financial Position Report

Ms. Floore presented the Financial Position Report as of July 2016. This is in line with receipt of taxes. One month of payroll is \$4.3 million. In a 3 payroll month, it is closer to \$6.5 million. The projected available balance of October 15, 2016 is \$2.5 million. Therefore there is enough to make that payroll until taxes come in at the end of October.

This is exactly where we said we would be in our report to DOE as well as previous financial forecasting. This is the reason we needed the referendum. This year our operating tax was an additional \$.10 per \$100, as we are trying to build our balance back. We ended this year with \$9 million. Next year is \$.05 per \$100 and then no increase. Mr. Miller stated that is when we do our analysis to see how long the funding will last and when it will be time for another referendum. Even though we receive taxes every month due to late payments and sheriff sales, we count on September and October for the majority of our funding.

Ms. McIntosh made the motion to accept the Financial Position Report and Mr. Miller seconded. The motion carried.

IV. WEIC Update

Ms. Floore gave a recap of when the CFRC last met. June 30th ended with a bill giving the WEIC \$200,000 and a mandate to study the fiscal impact of moving the students, even though the WEIC Finance Committee spent a year doing just that. That was the final bill that passed. Nothing in the final budget changed in unit count, children in poverty, or redistricting. The questions from our Board is whether it is WEIC studying and does Red Clay agree. We were contacted and Ms. Floore and Dr. Ted Ammann, Red Clay Assistant Superintendent of District Operations will be on the adhoc Committee to study the impact of moving the students from one district to another. This study narrows the focus to solely redistricting. Our position all along has been that moving the children and changing nothing, will not improve the education of the students impacted by redistricting. All along we have asked for the additional resources to educate the students who are impacted by this including ELL and students from high poverty and trauma to target those resources. WEIC agrees with us, however, the law as written is narrower.

The most difficult part is the WEIC plan stated the first year was to study and plan. Meaning, if the redistricting happened, we would be using this year to plan. We would go out to the community and meet with parents and educators talking about what we would do in the buildings. Currently, we have a campus model of K-2, 3-5. Would we consider that? Or a 6-12 magnet school. We can only do that with assessing interest and speaking with the community. Conrad was designed the same way, with assessing what is needed. Mr. Miller was part of that process as the Head of Del Tech at the time.



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At the end of the year, after the assessments, we would have a price tag of what is needed to make the changes. In the case of Conrad, we needed to build science labs.

This year would have been the planning for the 4,500 students, and feeder patterns as well. The most important piece is that we don't know what it will cost because we don't know what program(s) we would do. The State wants the cost prior to the planning. There will be demographic projections. Some students may be considered grandfathered in Christina as they would like to finish their education at Newark High School for example. Which means they get to stay there. It may also depend on how many kindergartners we had, so all schools may not be going at the onset. We will have to come up with assumptions as to campus models and programs available. We will be coming up with a figure based on these assumptions.

The meeting should be in October. The report is due to the State in March.

Ms. Zimmerman asked if some of the schools from Christina will move over as well. Ms. Floore stated that everything right now is on hold. The proposed legislation was that the students in the City of Wilmington will now attend Red Clay. Some of the buildings would have to come over as well; Bayard, Pulaski, and Stubbs. We have City of Wilmington students who attend McKean, Dickinson. We would have to look at the feeder patterns for those schools. Ms. Zimmerman asked that since the schools coming over to us are elementary and middle schools, could they be changed to a high school. Ms. Floore explained that will be part of the discussion. There are no definitive feeder patterns at this time.

This group will work for the next 6 months on this program and Ms. Floore will continue to report.

V. Charter Funding Update

This was reported on in the News Journal. In April the DOE said they were doing a review of the local per pupil calculations. There is an automated process based on the numbering of appropriations. Each allocation has its own line. As in Voc Ed gets an allocation, and those funds can only be spent on Voc Ed. All of those lines roll up to our budget.

The appropriation number 98000 is local funds. All of the 98 appropriations are considered local funds. All of the 99's are excluded as tuitions. The automated process at DOE includes or excludes appropriations to figure the local per pupil based on expenditures. It is that local per pupil that drives the charter school payments.

The review was done, and in August DOE stated that there were changes to inclusions and exclusions of appropriations. The largest one for us is all of our expenses for match tax. Match Tax is for those programs the State has cut from the budget but allows us to tax on what the local portion would have been had they not been cut. These were our Minner reading teachers and specialists in our high needs schools as well as minor



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capital, technology and extra time for teacher led after school student programs. Extra time is not for sports, but for our strategic plan clubs and after school academic support. That has always been excluded as they are very specific and not relegated to the school day.

In the process of reviewing there was an appropriation in Christina that was approved through DOE and excluded for a number of years. Now it was to be included which resulted in the issue raised in the News Journal article. DOE reversed the original decision and went back to the appropriations as they existed and will resend us the charter billings.

Mr. Piccio asked what would the implications be for Red Clay, how much more would it cost. Ms. Floore explained that if Christina's local per pupil went up, and we are a net importer of Christina's students, therefore our bottom line would go up. If our match tax was included, however, it would have cost us an additional \$400,000 more than previous bills. Ms. Floore stated it's larger than just this issue however and this is not the only thing wrong with the formula. First, on the K-3 unit, basic education students are included. There are three tiers of special education; complex, intense and basic. They have an I.E.P. with the services that come with that and make them more expensive. When we went to needs-based funding, K-3 basic are in the formula and we lost \$2 million. However charter schools serve a significantly lower percentage of basic special education students than traditional schools. They received a huge gain under the formula for students they don't have. Secondly, and another very complex issue, Brandywine School District was the first district to go to needs-based funding. This resulted in more students being counted under the formula in the past so they received a larger share of the tax pool negatively impacting Christina Colonial and Red Clay who had the same kids but counted in a different way. Students in special schools were historically excluded but now they were not for Brandywine. It wasn't intentional but the inclusion efforts resulted in a great inequity in the tax pool calculations. When the formula is reviewed Ms. Floore believes all factors must be included in the discussion to have a complete view of the issues and inequities in the formula and hopes there will be a combined DOE and legislative review that includes the districts and charters.

VI. Unit Count State Audit

Ms. Floore provided copies of the State of Delaware Auditor's Account State-wide eSchool Plus Inspection. There are no findings in it for Red Clay. This is a somewhat unusual audit in that it was released and then pulled. Then a staff member at the auditor's office was placed on leave and the audit was released again in a different form. This copy is the most recently published.

The audit looks at the 30th Count procedures and finds Red Clay fully compliant.



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VII. CFRC Bylaws

Ms. Floore was asked to review the regulations and confer with legal counsel. Ms. Floore reported there are inconsistencies with the Administrative Regulations. The bylaws were written in 2008 and in 2010 the State gave regulations for finance committees. We were grandfathered in, but our bylaws are not consistent with Delaware administrative code. This is the concern that Mr. Klampett raised at a previous committee meeting and also with the Superintendent.

Ms. Floore distributed the proposed changes. The copy distributed does show “tracked” changes. The requirements for membership doesn’t change the makeup of our group. It states we will have 6 committee members who reside in Red Clay, an RCEA representative member, a BOE member, and the CFO who doesn’t vote. The regulations state you should be residents representing parents. It doesn’t change what the committee does in terms of practice. However, the process for selecting members does. The regulations suggest they don’t want the Board to select members but instead have an independent body to do that. Red Clay has changed board policy to comply with the selection committee language. The selection committee is appointed by the Superintendent and needs to include a Board member, two community members and an RCEA representative independent of this group. In the past it would be if there was an opening and someone asked to be a committee member, their letter of interest and resume would come to the committee and it would be voted on for addition. In the future, that resume would now go to the selection committee.

This has been reviewed by our legal counsel to be compliant. In the length of the terms of committee members, our bylaws differed from the regulations. They are grandfathered as to when you came on the committee. New members have 2 year terms but can be renewed for a total of 8 years. Vacancies will be advertised through the Superintendent. Ms. Zimmerman asked who votes on the extension of the terms. Ms. Floore stated it would be this group, not the selection committee according to the revised By-Laws and Regulation.

Ms. Floore did make some slight changes based on current practice of the committee such as that meetings would be monthly with the exception of August. She omitted the official secretary as Ms. Palombo was not a member of the group and uses technology to compile the minutes and post them online. If the committee feels there should be a secretary, we could add one, but it is not in the regulations that we have one so it is more just capturing the current practice.

Mr. Piccio thanked Ms. Floore for the research and work with legal counsel to develop the changes so that the committee is compliant. This review will be on the agenda and a vote at the next month’s meeting.



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VIII. Abandoned Property

As we get closer to October and November, the State Budget starts to develop for the next year. This year with an election, the current Governor is putting together a budget which is a place holder for the incoming Governor. Mr. Miller asked about the abandoned property case and its potential impact on the overall budget and schools. Ms. Floore reported that DEFAC just had a revenue subcommittee meetings and the estimate is down meaning the budget is already at a loss. The current budget is \$163 million less than what it needs to start the next fiscal year and that is without any necessary increases. While the escheat is still being challenged in court, the major loss was in personal income tax and corporate tax but not as a result of the abandoned property.

In terms of the out years, Ms. Floore quoted the Comptroller General's office in stating that in next year's 2018 budget it is projected to drop \$65 million to \$460 million. After that another \$20 million and flat line at \$440 million. The good news it isn't wiped out entirely but it is going down substantially unless something changes in other court challenges.

Mr. Miller asked if that reduction was part of the \$163 million or in addition to it. Ms. Floore explained it was part of the \$163 million. Mr. Miller added that there are increases that hang over and could get to \$250 million.

Mr. Miller wanted to add that what concerns about WEIC given the overall budget picture. The piece concerns him the most is the district will have a hard enough time coming up with a number that it needs to absorb the students from another school district into the system and provide services. What they can't do is tell the state what it will take to coordinate the services from other entities that those students will need. For example, when the schools are closed for the summer, there are many services provided delivered by many entities. How do you create that interface making it work so a child has a path for the future. Without those pieces in place, you have a limited strategy to student success. Once those changes are made, the pressure placed on the school district to deliver and improve performance without having the resources needed or any control over some of the things they need to do.

Mr. Chase added that even though these students are currently taught by Christina, they are also serviced by these other entities. What is to stop us from looking at those costs and believing they would be similar if the students were ours. Mr. Miller explained that the district is not providing those after school services. It's almost like having a case worker to coordinate those programs. Someone else is absorbing those costs. Mr. Chase added that those students getting the program would continue to get them. However, Mr. Miller stating that many are not getting those programs like others do and the students are finding the wrong places to be.



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IX. Tour of Conrad Schools of Science Upgrades

Marcin Michalski, Red Clay Manager of Facilities, gave a tour of the major capital improvements made to Conrad Schools of Science.

Conrad had fewer improvements this major capital renovation than the last time. This time it was \$2.8 million by the referendum and certificate of necessity. This includes architects and designers as well as the materials and labor. Much is done behind the walls and cannot be seen. We have been fortunate and have benefited from cost savings of almost all of our projects. We then used those funds to make more improvements.

The unit ventilators not yet replaced were done. We replaced the boiler burners, not the boilers themselves. The electric panels. Many things behind the scenes. When making the plan with the architects, we had additional plans in place in case funding became available through first plan items coming in under budget. The goal was to use it with this funding. If the funding was not available, then we already had a design and plan in place for when it does.

The tour will include things in that second plan. At Conrad a new secure front office and the seating in the auditorium seating for example. The balcony seating was on the first list, but they were able to renovate all of the auditorium seating, sound booth, paint, stage, etc. The new security offices are in all buildings. Lewis and Central are the only schools that have not had the original referendum plans completed. Lewis was late and high in bid items so it was not done last summer but there are plans for next summer. Central is up for discussion as only the Adult Education program is the only thing there at this time. We are still continuing at HB Middle, Highlands and Baltz. Baltz has the roof being done now and the windows are on schedule. Now, we can do more windows than first estimated. HB Middle is having an office renovation and HVAC is wrapping up. The same at Highlands. Next month we will see Richardson Park.

X. Public Comment

There were no public comments at this time in public or via email.

XI. Announcements

The next meeting will be held Tuesday, October 11, 2016 in the Richardson Park Elementary Library at 6:30 PM.