



Committee Transcript

**Red Clay Community Financial Review Committee
Tuesday, November 15, 2016**

I. Minutes & Transcript

The Committee reviewed the October 2016 meeting minutes. Mr. Miller made the motion to accept and Mr. Piccio seconded. The motion carried.

II. Federal Reports

Ms. Deborah Roberts, Red Clay Supervisor of Accounting, distributed her presentation on Federal Grants for the Red Clay School District.

The first page is the timeline of the current FY 2016 consolidated grant. It doesn't expire until next year and it is just starting to run out. We have received our FY 2017 funding and have not had to use it yet, but will begin soon. The grants run 27 months from the date of award. This span is over 3 years to cover the 27 months. Ms. Rattenni asked about the fiscal year. Ms. Roberts confirmed the grants run on our fiscal year and not the federal fiscal year which begins in October. DOE awards on the Delaware fiscal year.

On the summary page, Ms. Roberts listed in the comment section of each grant a description of the grants. Mr. Pappenhagen asked if the grants come from the federal part of the DOE or another part of the government. Ms. Roberts explained they come from the federal DOE to the State DOE and then to us. Each LEA is a district. Every charter school is its own LEA. Even if the charter school is within the district, they are reapportioning the money to follow the students. Ms. Roberts explained that Title I & II and IDEA make sure the non-publics get their portion as well, out of our allocation. Ms. Thompson asked if the \$5.1388 is in addition to what the non-public would receive. Ms. Roberts answered no, the non-public is part of that funding. Ms. Thompson asked what percentage is non-public. Ms. Roberts stated she didn't know as it is based on a formula. Title II is a bit easier as there is a spreadsheet we calculate in writing the grant. This year Title II's nonpublic allocation was \$60,000 out of \$1.2 million. That is for their teachers to receive professional development. The IDEA is special education which also includes non-publics. Ms. Thompson asked how they are captured initially. Ms. Roberts explained that it is the student data from DOE, as well as Child Find and census based on where they live. Mr. Miller asked about the 27 months of the grant. The last three months of those grants are the follow-up for the 2 year use of the grant. Ms. Roberts confirmed that is correct. Mr. Miller asked about the closing out while new funding has begun. Ms. Roberts confirmed that we are currently closing out the grants while the next year funding has begun to be used. Sometimes we have FY 2015, 2016 and 2017 running at the same time. We make sure we use up the oldest funding first so that the least or no funding is returned to DOE

Ms. Thompson asked about the priority school money. Ms. Roberts explained there are State funds that are priority money, but there is a carve-out in Title 1 that is priority



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money. That is not additional money, but a reallocation of existing Title I funds. Ms. Thompson asked if 21st century grant is priority money. Ms. Roberts answered it is not. The consolidated grant programs are in listed at the top, running from Title I to Perkins. The grants below are 21st Century, Smart Academy and Focus, etc.

Ms. Floore explained that Mr. Simmonds is the new Manager of Federal Programs. Malik Stewart has been in to our meetings in prior years detailing the programs. Michael Simmonds now holds that position. The extra academic support for the teachers in the elementary level is in Title II as those funds can also be used for class size reduction. Teachers can be assigned where they are needed. Shortlidge has some of the smallest class sizes we have in the early grades for example.

We have an application through Data Service Center that allows us to break down the grant by budget categories. When the grant is awarded and we receive the documentation, Ms. Roberts keys it into the Data Service Center. It captures the expenditures as we make them through the coding. i.e., Title I can be broken down through Administration costs (academic dean), Homeless, Equitable Service, Focus, etc. Instruction is for the teachers Title I is supporting. Parent involvement, priority school and professional development are more sections of Title I. Mr. Pappenhagen asked about the account numbers. Ms. Roberts explained that they are the type of expenditure. Salaries, OECs and benefits, etc. The accounts capture all the schools in that category. In some categories just have a \$1 budgeted as there is no identified budget there. It's a place holder to open up the category in case you need to spend there and write an amendment to your grant. Mr. Chase asked about allocations per school. Ms. Floore explained that there is an allocation by school. However, each person isn't the same amount of money due to steps and lanes. If you get an allocation for \$50,000, you may need to adjust. It's the same argument made with unit count. One body regardless of the salary amount, you'll have to make that up elsewhere.

Ms. Thompson asked if the Homeless category was mostly transportation. Ms. Roberts said yes that Account No. 55000 is contractual services and that covers transportation. It may also be services provided directly to students. Account No. 56000 is supplies and materials.

Mr. Chase asked if mental health for the Homeless is in the services. Ms. Roberts confirmed that yes those could be contractual services used if they have written that into the grant. Ms. Floore stated typically those are out of local funding. We have a contract with Brandywine Counseling. Mr. Stewart had supplemental contracts in Title I. Ms. Roberts stated we are school wide assistance vs. targeted assistance with our federal grants. Which means it can blanket the entire school rather than specific students within the school. Ms. Floore added that this discussion is on several levels. In high schools looking at the population, the poverty is less concentrated. There is a mandatory poverty threshold a school must receive funds. Ms. Roberts added that if you went to targeted assistance, the funds for middle and high schools would severely cut into the services of the elementary schools.



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Ms. Roberts also presented the monthly report that she gives to the program managers. Ms. Rattenni asked when the purchase order is requested, is that when the funding is captured? Is that time to make sure the costs are going where they should? Ms. Roberts stated, yes, she reviews each requisition making sure the rules are being followed in coding and use. She keeps a copy of the grant at her desk and she is in contact with Michael Simmonds or the program manager in charge. Sometimes amendments are written.

Looking at FY 2017, many grants are repeated. Some grants have changed names. All of the 1003G, Focus and Focus Plus are carve outs from DOE not part of the consolidated grant funds. Smart Academy is 21st century. Mr. Piccio asked about ELL funds for FY 2017. Ms. Roberts explained that they have not been awarded as yet. We have the immigrant funds but not the ELL at this time. We are working with DOE.

Ms. Thompson asked about the Priority funds being taken out of Title I. Ms. Roberts explained that is at the DOE level. They receive the Title 1 funds and then they break it down before it comes to the school districts. We receive our consolidated grant based on the formulas. They then have another pot of funding that they then put out special which can include state funds. The set aside in Title I for Priority School funding is increasing next year so the total LEA allocations will be reduced. We are starting to get new information and guidance on what will happen next year. Ms. Rattenni asked if there is an application process for the Focus funds. Ms. Floore explained that once a school is identified, you still have to provide you plan and have it approved. Some administrations have been very heavy handed and that process has been difficult as we saw with Priority Schools. Every Student Succeeds Act, ESSA, changed so that the focus is supposed to be more at the district level for how the funds are used. No one knows how the changes in administration in Washington will impact ESSA.

Mr. Chase asked if these grants represent all of the federal funding we receive and how much is that? Ms. Roberts answered it is all the federal other than nutrition and it comes to about \$14 million. About 10%. Ms. Thompson added that most of the funds increased from last year, is it an inflation factor? Ms. Roberts stated that they don't always go up. Ms. Floore stated it is based on Census data which can change allocations across the state. Ms. Roberts stated that TANF or direct cert data is also used with the Census data. Mr. Piccio stated that our ELL funding went down from FY 2015 of \$309,000 to FY 2016 \$280,000 when we have more ELL student than ever. Ms. Floore agreed and stated that \$300,000 certainly doesn't cover enough. There is nothing in the state formula that recognizes an ELL student. That is why the discussion in the WEIC talks were about funding for a student with an ELL background.

Ms. Roberts asked if there were additional questions. Mr. Chase stated that he would like to see how much is going to each school. Ms. Roberts stated that is harder to determine as many things are purchased at the district level and then dispersed where needed. Ms. Floore stated that we could compliment Ms. Roberts' presentation with Mr. Simmonds attending the January meeting to discuss the development of the grant and allocations. Mr. Miller added that those funds don't come close to addressing the needs of students.



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III. Monthly Reports

Ms. Floore distributed the October 2016 expenditure reports.

We are 4 months in expecting at 33.3%. We have now received our taxes. Income has now reached 98.16% received. We will also receive delinquent payments. In some years we have gone over 100% due to our estimate of 99%. Mr. Piccio asked if delinquencies are up. Ms. Floore answered, no. Delinquencies will always be largest now. As they are paid off throughout the year they will decline. Ms. Floore stated have developed a regular dialogue with the New Castle County. The county had sent out the bills as soon as they could, but the second Thursday was later this year and people didn't have as much time to pay them early. We were expecting \$2 million and we received only \$1 million for September. The question was raised if we could set the tax rate in June rather than July starting next year. However, we don't have the State budget until the end of June and many CFO are uncomfortable setting a tax rate until we have the final state budget. It is a narrow window of time and business managers have only from June 30th to the second Thursday to set the tax rate. If we set one in June with a contingency to bring the Board back would be very difficult.

Ms. Rattenni stated that the sheriff's office has been hugely successful going to sheriff sale. They are one of the highest revenue numbers for New Castle County. 2008 may have been high with the foreclosure rate at that time. Since then, the properties that have been vacant, have gone to sheriff's sale and the back taxes have been paid. The financial system that the County is using is newer and can accept several types of payment options.

Mr. Miller spoke to the state deficit. One of the items being discussed is the \$500 tax reduction to senior citizens on school taxes. He is assuming that the money would then come to the district. Ms. Floore explained that we are made whole. If the senior citizen receives a \$500 credit, the State still pays us the \$500. In 2015 just before our referendum, the Governor's Budget came out with a proposal to eliminate this program. Many of the calls to our office are from seniors regarding this credit. If a spouse or family takes over a property or if the senior is delinquent in payment, they lose the credit.

We are 81.59% received revenues. Expenditures are also on track. Line 59 is 10% expended but 81% expended and encumbered. That is due to the contracts for speech, occupational therapies have been encumbered for the year. The total for expended is 32%. The target for 4 months would be 33.3%. Encumbrances are higher than last year.

Ms. Thompson asked about the legal and related services invoices. Why are we encumbered and expended at 48%. Ms. Floore explained that now that we have the taxes in, we were cash flow managing prior to this. Mods have been made to the purchase orders to now encumber the entire contract. Legal services we don't know what are invoices will be. We do an encumbrance and add to it as the purchase order is paid down. We do the encumbrance for the first three months in order to have money on hand for payroll until we receive the large tax payment. We then encumber the rest of the



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year. Ms. Thompson asked what we use to decide what to encumber. Ms. Floore explained we see what bills are coming in and estimate what is needed for the next few months. In the case of therapists, we have a number of hours specific students need and we make a contract. We do not encumber the entire contract in July as that would take all of our available funding on hand. We encumber some for the first 3 months, and then do a purchase order mod when the taxes come in to cover the rest of the year. Ms. Thompson asked if we will then see the encumbrances jump and Ms. Floore agreed.

Mr. Chase asked about the middle years' program. Ms. Floore explained that it is in two places. Every school that changed configuration has had an expansion budget. When Conrad went from 6-12 grades, every year they got an expansion budget for new materials for that grade level. Therefore, there is a line item now for Dickinson expansion. Curriculum and Instruction is who is supporting International Baccalaureate program just like they are supporting the Dual Language program at Lewis. Some also comes through the building budget for training.

Tuition taxes are at 84.86% received. Meadowood is at 31.5% expended and 33.7% expended and encumbered. Richardson Park is at 28.4% expended and 29.4% expended and encumbered. Both are on track.

The Committee discussed substitute costs and recent shortages. Mr. Chase stated that at the union meeting, they wondered if the District would ask Kelly to change their practices. Many people are not becoming substitutes as they have to agree to work 3 out of 5 days and Mondays and Fridays have to be 2 of those days. That turns many people away from becoming a substitute. Ms. Floore stated yes the district will discuss with them. Ms. Floore was told that another issue is that if you accepted an assignment you were locked in. Now, a substitute can shop an assignment. If they accept one assignment they can drop it if another one comes in more to their liking. That will also be part of the conversation on limits and priority. Mr. Chase stated that the fill rate over all was good but specific schools were not.

Ms. Thompson asked about gate receipts. Ms. Floore explained this is money they bring in at the gate for sporting events. The number on these forms are the budget number. They can't spend more than they have. For example, they want to seed the field. Money came in from the gate receipts. We need a placeholder to expense that money as it is not coming from the building budget. Ms. Floore explains that she believes that \$66,000 is a combination of their expansion budget which will need to be changed in the final budget. Cab Calloway does not have gate receipts, the sporting events are through Charter. They have ticket money for events that is deposited into their internal accounts and expensed there.

Mr. Pappenhagen asked why Odyssey of the Mind is in the hole for \$26,000. Ms. Floore explained that there isn't a budget there because we don't know each year how many teams will qualify to go to the national tournament. They have expended that money. Now that we know there are teams that won and traveled over the summer, we will make a line item for that.



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Ms. Rattenni ask for questions or a motion to accept the reports. Mr. Pappenhagen made a motion to accept the monthly financial reports and Mr. Chase seconded. The motion carried.

IV. Referendum and WEIC Updates

Ms. Floore told the committee that the business managers have been told there is a \$300 million deficit at the State level. The districts have been given a target of \$15 million in cuts. The chiefs and CFOs have been in meetings along with the Department of Education on how we would come up with those cuts. Taken as a percentage it would be just over \$2 million in State cuts for Red Clay. It will be a long process with the transition to a new Governor. The goal is to prevent it in any way from not impacting the classroom.

WEIC has had one meeting so far from the legislative manage to study the fiscal impact of moving the students. We have broken into several working groups: local, facilities, and federal and state funds. On the local side, which Ms. Floore is on, the committee considers it a narrow focus. Ms. Floore is concerned any dollar amount does not reflect funding in the future. If you come up with a cost of moving the students, new bus routes, fixing buildings, etc. it is a fallacy if the district is not able to pass a referendum. If the 5,000 additional students don't have the revenues, in two years, then all 21,000 students would be worse off. It's hard to put a price tag based on the cycle of funding. Ms. Thompson is concerned the dollar impact would be underestimated. Ms. Floore agreed.

Ms. Floore gave a brief history of the referendum lawsuit. The trial began on October 31st in the Court of Chancery. The attorneys will complete their post-trial briefs and we don't expect a ruling until spring.

Mr. Pappenhagen asked who pays the legal fees. Ms. Floore explained that our insurance carrier paid the first \$100,000 of the legal fees and we have exceeded that limit. The taxpayers are paying the legal fees now. We are over \$300,000, and it will continue to grow.

V. CFRC Bylaws

Ms. Floore had taken several questions back to our attorneys. The first was whether a secretary is required. The attorney stated that there is nothing in the provisions that require a secretary, however, there is nothing that prevents it and it's a good practice. We always have a Red Clay staff member at the meetings. Therefore designating the CFO or their designee, can be the secretary. This has been the consistent practice. The only reason it was changed in the bylaws is because we didn't have someone acting in person as secretary. We can designate a community member, but the attendance of those members is not always consistent so it should be someone consistent. The one person you can guarantee will be here is someone from Red Clay. Dr. Daugherty is the secretary of the Board meetings which the Committee could replicate. Ms. Rattenni suggests to



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add the Red Clay CFO or designee as the secretary. We would put the secretary responsibilities under record keeping and minutes under Article 4.

The second question regarding Board approval. It is a grey area, but there is nothing to require or prohibit the Board from approving the revised Bylaws. If the Board wanted it, the committee would have no objection to that.

The third question was regarding voting in quorum. Roberts Rules is different than code. Our attorney informed us that it is up to the committee to determine what the quorum would be. Ms. Rattenni stated that 2/3 would be 7 members which is difficult. Mr. Doolittle was also concerned that it was 2/3, that amount is too high. We will change the quorum to half and voting approval to read “majority of the members present”.

The final question about two grandfathered members and language to clarify what their terms would be. Members originally appointed shall be subject to the same terms as the other members.

Mr. Pappenhagen made the motion for the above changes to be made and the vote be taken the next meeting provided there is a quorum. Mr. Miller seconded. The motion carried.

VI. Public Comment

There were no public comments at this time via email.

Ms. Thompson made the motion to move the public comment to the start of the meeting. Mr. Miller asked if the comments would be for certain topics or something seen on the agenda. Ms. Thompson explained that it would be as to what is on the agenda Mr. Pappenhagen believes we should have comment as the topics arise. Mr. Miller explained that person should let us know what topics at the start of the meeting they would like to speak to. Mr. Pappenhagen added that if it's something not on the agenda, maybe they should go first or if it's on the agenda, they should wait until that time of the meeting. It was decided to put it on the agenda for next month for discussion.

VII. Tour of Brandywine Springs School Upgrades

Mr. Marcin Michalski, Red Clay Manager of Facilities, gave a brief summary of the school improvements made through our capital improvement referendum. Many of the improvements were made behind the scenes. This project was just under \$8 million. HVAC was the larger piece of this project. Ceilings and electrical systems, doors and openings. We were fortunate to do a lot more through savings and contingency. The secure vestibule was not part of the original plans. We had the design done, but it was only on the table when the funding was available. We upgraded the library to bring in the middle school levels. There were two offices within the library used for special education and counseling. We changed the hallway configuration so those students didn't have to walk through the library to those meeting rooms. The entire school has



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been painted. Stairwells have been upgraded for safety. The committee took a tour of the improvements.

VIII. Announcements

The next meeting will be held Tuesday, December 13, 2016 in the Brandywine Springs School Teachers' Lounge.