



Committee Transcript

**Red Clay Community Financial Review Committee
December 13, 2016**

I. Minutes & Transcript

The November 2016 meeting minutes and transcript were distributed.

II. Bylaws

Due to the lack of quorum at tonight's meeting, the vote for approval of the updated bylaws has been tabled until January's meeting. As a few members were not in attendance at the last meeting, Ms. Floore briefly went over the proposed changes.

III. Tax Delinquency

Ms. Floore had a question on delinquent taxes posed by Mr. Pappenhagen. It is unfortunate that the news media would come out with a news story about Odessa National so close to a referendum. This is not breaking news. They have been appealing their assessment for quite a while. It is their choice not to pay. If they lose, they still are assessed all of the penalties. They don't get out of paying.

Mr. Chase asked about the Boxwood Road plant. Was there some agreement where they didn't have to pay school taxes? Ms. Floore explained that no, the state and county can offer tax incentives. They have no authority to discount school taxes, only the school Board can do that. Before this, the property was GM. This goes back to the assessments and appeals. There was a credit for GM. If the county agrees that the property was assessed in error, the county would never refund the taxes, but they will provide a credit. Fast forward and Fiskar takes over. They paid the taxes every year. Now, XM owns the property. They've paid the taxes up until this year thus far, but the year is not over. They have the year to pay plus the penalty. The first delinquencies are reported as of June 30th. Mr. Chase thought it was tied up in bankruptcy. Ms. Floore explained we would receive it all upon sale. The property has always had an owner. We are only owed this year. Eventually, the taxes will be paid. If the property is sold, County gets the taxes before anyone receives a purchase price. Even in bankruptcy, taxes are the first thing paid. They never are written off or disappear.

Ms. Floore reported that as far as delinquencies are concerned, this time of year is when they are the highest and will be paid down over the course of the year.

IV. Expenditure Reports

Ms. Floore distributed the November 2016 expenditure reports. Ms. Floore explained that the 104% of revenues received in local funds is deceiving. There is a note in the far column as the Charter schools payment is no longer an expenditure but a revenue transfer. That transfer will happen in December, therefore, bringing down the revenue. In total, it is about \$7 million. Our payment is \$11 million. We have made a \$4 million



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preload in September to get the charter schools started for the school year. The 104% will go down.

The State is about 75%. We have the unit count finalized which is part of the final budget presentation. We grew by 31 units. The state will be making the true-ups. The January revenues will be closer to 100%. We are higher than we were last year at this time.

We are 5 months in and expect to be 41.6% expended. We are at 42.7% expended and encumbered and 39.9% expended which is right on track. We did some major summer purchases and therefore we are running a little ahead. Related services is over encumbered right now. These are all of our contracts for speech and OT, PT services for special education. They are 19% but 110% expended and encumbered. We are working in our office to see where we have over encumbered. We will watch closely.

The only other one is summer school. It came in at \$56,000. However, since the revenues came in at \$56,000, that is how much is used. We never use more than we bring in. Half of summer school is in each fiscal year.

Mr. Chase asked about the one-to-one technology line item. Ms. Floore explained that as that is an item specifically in the referendum, it is in the line Referendum technology/Tech instruction. Mr. Chase asked about the funding for the service of these computers. Ms. Floore explained that comes from the technology department budget. The Referendum Technology had a plan for that which was three pronged. There was the purchase, training for staff (curriculum had a large piece of professional development), and service for the purchases. The funding for the purchase is in this line, the professional development is in the curriculum line budget and the service is in the technology line budget. All three had components of the initiative. Mr. Chase feels there isn't enough manpower for the service of these devices. Ms. Floore explained that last year the issues were with bandwidth and access points. Those issues have been addressed. Mr. Chase stated that when they have issues with the Internet, it has been district or statewide. Now, however, the repairs are taking some time. Much of it is dropping of the items and there aren't extras in the buildings. Ms. Floore added that the district is supplementing with state contract vendors on repairs. Mr. Chase stated that some items are sent back to the manufacturer and some are better at returns than others.

Our 17 federal grants are in their infancy. We are at 6-7%. Our close outs are at 98% of the older grants.

Our charter payments are not in tuition funds. Therefore, our revenue of 97.49% and doesn't follow the same pattern as current expense. State revenue for unique alternatives is 89.9%, which is lower than last year. Our tax receipts are right on, but the state hasn't made the full load yet. They do their own cash flow as we do.

The tuition programs, consortium and ELL are all tracking, as they should. Meadowood has an issue 234% summer school. Their expenses for summer school were higher than



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the budget. Ms. Floore has made a recommendation in the budget to reflect that. These are services provided to special needs students, which is an 11-month program. It is required in the students' IEP. Even though we are required to provide it, families can refuse it in light of vacations, etc. RPLC in a similar position. Last year we were at 64.8% expended, which was the fluctuation of inclusion and where they were going to be seated. We are at 34.9% currently. Mr. Pappenhagen asked what the Central School is being used for. Ms. Floore explained that is the Groves School for adult education. There are some curriculum staff housed there as well. It is convenient right on the bus route.

Next year will be the last year of the referendum at 5 cents. Then we begin the cycle once more. Ms. Zimmerman asked for clarification on the Dickinson High School gate budget. Ms. Floore explained that gate receipts are what is brought in for sporting events. They then can use that money for sports equipment and sport field improvements. It has nothing to do with PTA or Boosters. Those organizations have their own tax id and board for the programs. The gate receipts, however, is separate from that. It is usually the athletic director and principal of the particular school making the decisions on spending the funds received on gates.

Mr. Chase asked about the Charter School of Wilmington paying of rent. Ms. Floore explained that they never used to. However, in 2010, the state auditor's office came out with a report stating that they should pay rent. However, his comparison was based on commercial property and not the fairest comparison for a school. Therefore, the Board and CSW went into negotiations. We do a charter renewal every 5 years. We had just gone through a major capital improvement program for the building from the 2004 referendum. We then had additional improvements from the 2012 referendum, especially the theater (but CSW doesn't really use the theater). Ms. Floore went through the bond payments for all of those improvements. We pay those like a mortgage. CSW now pays about \$350,000 a year to Red Clay. At one time we would withhold it from their charter payment, but now it is a separate payment. Over the course of the year, we will share custodians, librarian, maintenance, so we have a signed lease agreement. Ms. Zimmerman asked if there was a third school there. Ms. Floore explained it was Groves but they have since moved over to Central.

V. Charter Settlement

Ms. Floore explained when the State does the calculation on what we spend per pupil, there are inclusions and exclusions in the formula. For example, child nutrition is excluded. Christina School District, in 2004 had a two part referendum. The first was operational costs and the second was for specific additions including pre-K for at risk students, a technology initiative, and 2 other items. Both measures passed. Through a process with DOE in 2013, that designation of \$5 million was in excluded from the local per pupil calculation. Charter schools disagreed as their payments went down. Christina cut \$9 million in expenditures last year so everyone is getting less from their fiscal year. DOE weighed in and recalculated the bills to include the funding. Then they decided it shouldn't be included and recalculated again. The charters then sued. Christina entered



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into a principled settlement with the charters. From now on the \$5 million will be considered separately. We have to spend the money on what the voters voted on and it is not into the general operating budget. The Charters agreed. The \$5 million will be calculated outside the general budget, but the charters will get a share of it based on their Christina students. The money will follow the students that come from Christina but it will need to be tracked to insure it is spent on the 4 things the voters voted for. The settlement is only between Christina and the charter schools. We were not part of the lawsuit. However, DOE contacted Red Clay with the determination that the agreement doesn't just apply to charter schools and every district who receives a Christina student will get a part of the \$5 million for that student and it will need to be tracked. There is an allocation for the \$230,000 in the budget on those services. We are working with the technology department for those one on one devices. Mr. Pappenhagen wondered how much that would be from Christina. Ms. Floore figured the \$5 million would be over one million from Christina total. The issue is off the table for prior years. There was no decision on match tax which will likely be debated in the current year. Match tax is the local share for MCI (minor capital improvement), Minner teachers, extra time programs and discipline (our SROs). For years since the beginning of the match tax, it's been excluded.

Mr. Pappenhagen asked if someone could use this settlement in any lawsuit against us. Ms. Floore stated that except for the funds exempt by code like tuition and the debated match tax, Christina is the only one that had the referendum exclusion. There is language in the settlement that states if the general assembly acts in the future, they will have to go back to court on the settlement to be impacted.

The other complication is that Christina has on their Board Agenda, to possibly undo their agreement with the settlement so it is not 100% certain at this point.

WEIC is meeting tonight. Tony Allen is the co-chair for the Governor Elect transition team for Education Healthy Families. There are also two subcommittees. WEIC is developing their recommendations and response to the transition team on education. Any group is welcome to provide information to the team. Mr. Pappenhagen asked what about the directive by DOE for Christina to devise what it would cost to bring their city schools up to our standards. Ms. Floore stated that was the \$200,000 study in the final FY16 budget. They were frustrated that there wasn't a dollar figure associated with the plan, however, the plan said we will spend a year planning determining if we would need to build schools, what does the community want and then we will tell you the dollar amount. Mr. Pappenhagen asked about the study that will bring the buildings up to standards and who is supposed to pay for bringing those buildings up to those standards. The majority of the \$200,000 is going to the facilities assessment. So even if nothing comes of this, it will be valuable to Christina to identify and prioritize their building's needs.

VI. 2017 Final Budget

Ms. Floore distributed the final budget for 2017. The State does a budget as of July 1st and they do not revisit it. It is tracked, but not changed. The County does adjust the



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budget several times throughout the year. We do a preliminary budget in the start of the fiscal year, and then after the 30th count, we make our final budget, which reflects changes in student enrollment.

In previous years, due to inclusion, the final budget changes have been much more eventful. This year does not have that many changes. There is a .05% change and that is due to the 31 units that we grew.

When a school's enrollment goes up, the schools get a credit for that. However, Skyline enrollment went down, and that does not penalize them. Next year, their amount will go down. There is a year bridge. Schools going up do get the impact. We are up by 31 units but we are down by 165 students. This is due to the special education students. Every student is counted. For every 12.8 preschool children you receive a unit. For every 16.2 Kindergarten through third grade student, you receive a unit. That unit count includes the librarian, art and PE teachers. The larger the school, the more you're able to spread your units. Highlands is a good example where a small school struggles with their allotted units. Having an elementary of 600 students is the optimal. Lower than that, it becomes harder to meet the staff needs. Mr. Chase stated that it is the State who decides the units. Ms. Floore agreed and added it's a formula. However, we decide how we use those units. The state doesn't fund separately for librarians. There is also the class size waiver. The optimum is a class of 22. However, if we have 4 classes, with 4 extra students, we can get the librarian or guidance counselor. Mr. Chase asked if it was up to the principal. Ms. Floore answered usually but not always. The best examples are reading specialists. When the Minner teachers were no longer funded in 2009, some principals wanted to have higher class sizes and keep the reading or math specialists. Those teachers work with the tier 3 children helping them achieve. Politically, the Board disagreed and wanted to make meeting class size a priority. State law states you have to use 98% of the units in the building where they are earned. The excellence units earned at the district level are one of the ways we can focus on the highest needs schools. It helps drive the class size down. Dickinson received a number of excellence units as they are trying to build their middle years program.

Ms. Zimmerman stated that in some of the elementary schools, teachers would be dual purpose. Possibly teaching third grade in the morning and library in the afternoon. Mr. Chase stated that the librarian at his school is also the special education push in teacher.

Mr. Pappenhagen asked where was the increase of the intense and complex students come from. Ms. Floore stated it came from the inclusion/feeder schools. We had 91 more intense students at the feeder schools. They could be new students as well as our new Special Education director's team now is supplying the resources needed. The IEPs could have been saying the needs were there but it was not reflected in the unit count. It was an effort to say we are serving the students at this level; therefore, they should be counted at this level. 70 complex students had grown as well. This is good news for inclusion because the majority of growth is at the traditional feeder pattern schools.



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September 30th is not just Red Clay, but what students are leaving Red Clay and who is coming into Red Clay. The choice into Red Clay is part of that unit count. It does show as a net. If a Red Clay student attends CSW, they are not in our unit count. Choice went down one student from last year. Those coming into Red Clay increased by 89. We have 1,374 students choosing into Red Clay. Our revenue from choice is \$3.4 million, which is a significant increase, in fact one of the largest increases in the budget. Part of it is the settlement; another is the increase in students. Mr. Chase asked if there was some place that will show us where these students come from. Ms. Floore states they mostly come from Christina. We lose to Brandywine School District. More from Colonial come than go. We have a few Appoquinimink. We have many choice from Christina from the city. You could be in a different school district depending on your street, which is one of the main issues WEIC was addressing.

Ms. Floore answered that some of the charters are growing. Charter School of Wilmington and Odyssey are 73 and 75 respectively. CSW is due to the choice preference as a student from Red Clay has a greater chance of attending CSW than outside the charter district. Odyssey as it is a growing school. Mr. Chase asked if DMA had the same criteria. Ms. Floore answered she's 95% sure, but military families is above the chartering district. CSW is capped on enrollment. If they go up in Red Clay students, they went down from other districts. Siblings also have preference. The net change is 195, which leads to the \$11 million payment. We are at 15% of our budget goes to charter payments.

Needs based tuition local side went up. The tax is capped in July. More tuition dollars are being moved into the regular budget from the special schools budget due to inclusion.

Division I, II and III State salaries increase with the increase in units. If the state has a state tech match, every state gets their share of it. Our share goes up with the units. That's what the final budget is accounting for.

School improvement is not a cut. It is no longer called priority schools. It is focus and focus plus. Priority is from the state funds. Focus is funded from federal. We're not getting less, it's coming from another source and you will see it in the federal side. Mr. Chase would like to see the focus plus budget. Ms. Floore will follow-up.

The year is projected to end with \$10.2 million, which is higher than last year. We will try to buffer that to not have to go to referendum again so soon. If we don't use contingency funds, we will end with \$11 million. That will buy us two more years. Mr. Chase asked if we were allowed to have extra money. Ms. Floore stated yes, we must have a balance to make our summer obligations. There is a lot of talk right now whether Boards should have the ability to raise the current expense without a referendum. Voters are worried Boards will keep raising the taxes. There would need to be a cap. Right now there is no cap. If we raised funding by referendum, but didn't spend it, we would still be accountable to our voters. We want to build up a balance and work within it before we have to pass another one.



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Total budget expenditures are \$265 million. The Board will get this presentation tomorrow night. We will have a February 1st and May 1st Financial Position Reports. They will report that we will make it to June 30th with the balance. Our goal is \$11 million putting us in good shape for 2 more years.

We don't know who the Secretary of Education will be in Delaware as well as at the federal level. We may see vouchers in the future for private school. We are currently doing that with charter schools, but private schools would bankrupt us.

In a regular year, we would have a Governor's Budget in January. Right now we are at a \$300 million deficit. John Carney will have to address. The Chiefs were asked for their scenario of cuts for \$15 million.

VII. Public Comment

There were no public comments at this time via email.

VIII. Announcements

The next meeting will be held Tuesday, January 17, 2016 in the Brandywine Springs School Teachers' Lounge. Mr. Michael Simmons, Manager of Federal Programs will be presenting at the January meeting.