



Committee Transcript

**Red Clay Community Financial Review Committee
January 17, 2017**

I. Minutes & Transcript

Ms. Rattenni noted two changes to tonight's agenda. Mr. Michael Simmonds was unable to attend the meeting. Therefore, his presentation on Federal Programs is postponed until the February meeting. The Bylaws vote will be tabled to February due to lack of quorum.

The December 2016 meeting minutes and transcript were reviewed. It's not an official vote without a quorum. However, with members present, a vote was taken to accept the minutes and transcript. Mr. Pappenhagen made the motion and Mr. Miller seconded. The motion passed.

II. Monthly Expenditure Reports

Ms. Floore distributed the December 2016 expenditure reports. We are at a 50% benchmark.

Last month, we were at 104% of revenues. However, the Charter transfers have been made, and our revenues are currently at 97.63%. We will continue to collect the delinquencies over the next 6 months. We are higher than we were at this point last year.

On the State side, Division 2 and Division 3 funds are normally trued up at this point. The State gives us a pre-load based on last year's student count. Then, after September 30th Count, we are trued up in these funding lines. However, that will happen in January this year. We are at 82.14% which is slightly less than what we were at this point last year. We are fine on the revenue for this year. Next year may be in question.

Several people have asked Ms. Floore about future cuts to the budget for this year which may help with carryover for next year. Ms. Floore explained there have been no formal requests from the State to the districts looking for funds. As a general rule, school districts spend their State funds before spending our local funds. Therefore, the funding has been spent by this time. 85% of our budget is people. We cannot cut loose people who are on contract. The only ones not on contract are bus drivers and technology professionals. This does not give a lot of options for the State to make mid-year cuts in the districts. The deadline for teacher contract renewal for the following year is the end of May. The State works very hard to give us a number prior to that even though the Governor's budget isn't final until June. As we go through the process, Governor Carney will be reviewing through March and April. There was one year in the past that cuts were given early information. The State did live up to their information and didn't cut more than that.

Looking at Expenditures, total is 49.7% expended and encumbered with 47% expended. There are a few lines we've discussed in the past. Summer school is one where we spend what we bring in. If the revenues are higher than the proposed budget, then the



Committee Transcript

expenditures will be higher. The revenues come in during June and the program crosses the two fiscal years with most of the expenditures in July.

The other program to make note of is legal services. Due to the trial regarding our referendum, we are at 111% encumbered. The trial bills will continue as the briefs are due. There aren't closing arguments in the Court of Chancery, it is all done through briefs. Their side had 30 days to prepare theirs and then we will have 30 days answer, and then their side will have 15 days to answer. Therefore, these legal bills will continue to rise. Mr. Pappenhagen asked if there was an estimate given for these costs. Ms. Floore explained there was an estimate at the start of the trial, but we have exceeded that. The question may come up in Executive Session of the Board meeting tomorrow as our lawyers are present at those meetings.

Mr. Miller asked if the legal services would be covered by our liability insurance. Ms. Floore explained that has been accounted for, this amount is over and above. Mr. Miller added that the true cost is over and above this stated amount. Ms. Floore explained, yes, that Liberty Mutual covered \$100,000. Ms. Rattenni added that this figure on the expenditure report does include other cases. Ms. Floore agreed, these costs include student cases and human resource cases. Mr. Pappenhagen asked if it is fair to say the overage is due to the referendum trial. Ms. Floore stated yes it is. Mr. Miller asked if we were being supported by the State Attorney General in this case. Ms. Floore explained that we were not. Mr. Pappenhagen asked if the AG had taken any position. Ms. Floore explained there was an Amicus Brief, a friend of the court. Dr. Ammann may know the answer to this question as she does not know if an Amicus Brief was submitted. Prior to the filing of the lawsuit, the AG office conducted an investigation into the allegations. Karen Peterson had submitted her complaints to them. They found no wrongdoing. The laws are different as well. The AG office is not looking at constitutional claims, but did the district break the law. The court case is a constitutional claim if this was a free and fair election. Mr. Miller asked if we assume we will get no support from the AG on this trial. Ms. Floore agreed. Mr. Miller added that these are state-wide implications on this outcome. Ms. Floore stated that the Dept. of Education and the State of Delaware were not a party to the election, so they were not named in the suit. We are not represented in any way by the AG office. The recent lawsuit naming Christina also named the Dept. of Education, therefore the AG worked for DOE and Christina had Dave Williams on their behalf. Ms. Floore added that even though we receive more State funds than local funds, it is the fact that we have local funds that drives the suit. Ms. Floore asked Mr. Miller if Delaware Technical Community College was represented by the AG's office. Mr. Miller explained that they used to be, but then they had to do to local counsel as they were supported by tuition dollars. Ms. Floore explained that the crux of her testimony was how devastated the district would be if we had to pay the money back or rescind the tax increase. It would be 500 positions. Mr. Miller stated losing 500 positions would affect the education of the students. Would the State then have to take up the position of educating those students? Ms. Floore imagines that many people would come together to have a conversation. Ms. Floore has informed the Director of OMB informing them of the trial and the implications. The ruling will come out after this administration has



Committee Transcript

changed over. Ms. Floore has also informed Governor Carney prior to him taking over the Governor's office.

Mr. Chase asked if the Red Clay Transportation line includes the contract buses or just our own. Ms. Floore explained that this list is alphabetical. We have a contract transportation line and our own. Our fleet is about half and half. Most of the Red Clay drivers have special routes with special education students. Meadowood and RPLC are often not contracted routes. We are trying to move to more contracted routes. However, the rates for contractors is so low. We have a great contractor, Sutton Bus, but yet another that is so difficult to work with who simply dropped routes. We needed other contractors to pick up the routes. Our buses are easier to move around to routes that need to be covered. Mr. Pappenhagen asked if there was talk of expanding our bus fleet. Ms. Floore explained that no as contracted routes are cheaper. We don't pay the employee benefits for those routes and those drivers are non-union. We only have full time drivers with our full day kindergarten, those drivers are available after morning routes to do field trips to return by the afternoon routes.

Federal funds came in October. Many are closing out as new ones have begun. That is the presentation Mr. Simmonds will make next month. There is a great deal of discussion on the Federal level on restructuring Title 1.

Tuition is 96.76% in revenue. Last month the local went up as charter payments hadn't been made. Tuition is different as tuition is not transferred from that funding. Therefore, the revenues are more closely matched at this time.

We are in the process of tuition billing. That funding will come to us in April or May. First State School is our school program at Wilmington Hospital. That is a special school designation. The total cost of the school is divided by the number of the students attending. The sending school districts will then receive a bill for their portion of that cost. In the Meadowood program, our biggest biller, even though it's the smallest program, is the Hospital school. We receive tuition bills from Christina for the DAP program, Brandywine for the Pre-K program. There are two parts to a tuition bill. There is an estimate for the current year as we do the bill in January, but students come and go. We also do a true up for the prior year. If a student left or a new student arrived after last year's bills that would be reflected in the true up portion.

State revenue is two part. We receive a flat \$314,000 in the budget every year for First State Hospital. The State supports the program with units, but they also directly support the program with that funding. Then the unique alternative program, which is private placement, the State funds 70% to our 30%. Those programs run closely with the billing cycle. The consortium, First State, are under budget. However, the expended and encumbered will show that we are running closer.

Minor capital is always running a year behind as most projects are done in the summer months. We are still spending 2016 funding.



Committee Transcript

Debt Service at 46.8% is running right on track. Those are bond repayments for the year.

Meadowood summer school budget has been adjusted to \$25,000. It is reflecting 96.3%. There may be some expenditures this coming June for the next summer school. Related services is currently over. We are looking at all of our contracts. We will receive State allocation for the units that we cash in. That will decrease the amounts. RPLC Related Services is under 100%

Mr. Pappenhagen asked about the substitute line. Ms. Floore explained that she stated they estimate how much they will pay Kelly Services. We encumber the money ahead of time. However, with larger service contracts, we don't encumber it all at once tying up the funding. The true estimate is the amount in our budget. We encumber a smaller amount and then as taxes come in, and as services are rendered, we use a PO modification to increase the PO to match the need. We do not do that with other contracts. Just the largest ones like Legal, consortium, and substitutes.

It's not an official vote without a quorum. However, with members present, a vote was taken to accept the expenditure reports. Mr. Miller made the motion and Mr. Pappenhagen seconded. The motion passed.

III. Governor's Recommended Budget

In the absence of a presentation, Ms. Floore brought a few items requested by CFRC members to discuss. The first is the Governor's Recommended Budget. Tony Allen is the Chair of WEIC and is also the Chair of Governor Carney's transition team in education. All of the school business CFOs got together, 19 members, to discuss policy areas. They put together a document of priorities of school funding listing the strengths and weakness of our current system and where they believe things should go. They strongly recommend keeping the unit count, that it is a fundamentally understandable effective means of distributing funds. The cost and turmoil of implementing a new system could actually be worse, dangerous and irresponsible. There are groups advocating for the weighted student funding. The school Business Managers philosophy is that weighted student funding by itself makes sense if you believe there is a base level of support that every student should get. The problem is that it doesn't assume there's a base that's ok. With the current funding, schools with teachers with 20 years of experience, shouldn't have them. It redistributes teachers putting a cash basis to the value of an educator. It says that every school would have a specific dollar amount. You would have a school like Richey which has several teachers with 20 plus years of experience. But you would look to the school salary cap and not have enough money, therefore, needing to excess those teachers. The teachers may then have to teach in the city where the schools currently have newer teachers not costing as much. However, those experienced teachers may not have the right skill set or be interested in being there. So, it takes the existing pot and redistributes it. The redistribution means there are winners and losers. Every CFO believes not everyone will then get a basic level of support. We recognize there are problems with recruitment and retention in the city. However, sending a 20 year teacher who doesn't want to go there isn't the answer. The answer is working on new strategies



Committee Transcript

and retention. In many cases, as we've learned through our priority schools, the teachers need release time and psychological and behavioral supports. Then, we will have a stronger environment where teachers are less burned out. Through WEIC, the Finance Group stated we have an issue that the system doesn't recognize students in poverty or ELL. It treats them all the same. It would be OK for the base, but not for students who need more. Other states in the Nation have the supports for these higher needs kids. Delaware states they don't have the funding for that, so they consider taking what they have and rearranging it. The CFOs don't believe that's the way to do it. We don't have a school that is over funded or has everything that they need. We have schools with extra teachers, but we do have schools with teachers who want to stay there longer and work on an environment. This is the first time they have all sat down together to take a stand on anything. The other issue they agree on is referendum reform. We cannot continue to destroy the community by having the divisiveness. They continue to place taxes on us, like the tuition tax which is growing so much. We raise that without asking for it. They are trying to place \$1.6 million onto the district as a cost shift in transportation. That would be \$.03 per \$100 of assessment for our residents. They do not take the consequences when a referendum fails. It shouldn't be without safeguards and controls. We shouldn't have these swings of going up \$.30 but should grow incrementally.

Mr. Miller doesn't believe that we should have ever have referendum. If the funding formula was as strong as they said it was, we wouldn't need a referendum, because the budgetary process would address the issues of the individual. Because no one has the courage to push the decisions for what is needed in education, to the County or the State, it falls to the school boards and administration. We have competing needs. How do you argue between a child that has learning disabilities as opposed to an ELL student and choose. Also, how come these decisions are never held in regard to our prisons? There's no discussion on the needs there. So, the children are bearing the brunt of this issue. He understands the politics and the players. He understands as employees of the districts, we cannot bring this discussion. We can roll out our papers, the formula may be the right vehicle, but it doesn't have the components necessary to meet the needs of the changing demographics. There is no difference between the changes in Sussex County and Wilmington. Ms. Floore added that they make that point when they are addressing the point of ELL and high poverty units through WEIC. It is not just one local. Mr. Miller asked if WEIC address what happens to the children after they leave school during a school day and during the summer. Ms. Floore answered no. Mr. Miller mentioned the food trucks that some school districts provide through the summer.

Ms. Floore went on to explain that the budget covers many areas: reassessment, consolidation, Department of Education and infrastructure. It states that we can only speak to funding. The superintendents are talking as well as the school boards. We're hoping they look not just at a tiny tweak or fix, but a total change in funding for the students to level the playing field. All of these policies and decisions will make every referendum harder.

Ms. Rattenni stated that a collective campaign for advocating for the formula and referendum changes should be brought up. She's not sure how that would be put



Committee Transcript

together. Mr. Miller added we would need a group that is very cohesive to move that forward. Ms. Floore stated one of the most cohesive groups is the PTA with active members and parents.

There was press coverage on this budget. Looking on Page 3, the deficit is listed as \$350 million. Part of reason for the deficit are increases in the budget. The first is \$28 million in unit count which is growth in units State-wide. \$8 million for early child initiatives, which was called Race to the Top and is now the Stars program. \$7.5 for WEIC which wasn't in the newspaper coverage. It doesn't state what that covers. \$3.5 million for people transportation where contractors received an increase. Related services is also for unit growth. Other education is unclear. Personnel, pension and steps for teachers and all education employees is \$9.2 million.

Ms. Rattenni pointed out that there was a \$9 million increase in the Dept. of Corrections. Mr. Miller added that the DOC did not receive any reductions. Ms. Floore mentioned not in the healthcare side but there was a reduction elsewhere for DOC of \$126,000.

There is a chart to show the deficit. \$56 million program cuts. \$25 million from the senior property tax credit. \$23.9 in employee and retiree healthcare cuts. \$19.5 million for other reductions and \$12.8 in grant aid. In addition, they use those \$137 million in cuts and a revenue package recommended at \$212 million. The base program cuts are shown with the agency and how much they receive. The Dept. of Health and Social Services is the 2nd largest at \$9.4 million with the Dept. of Education at \$16.1 million. Education is 1/3 of the budget. Education is impacted as the \$25 million in senior tax credit will make it exceedingly harder to pass a referendum as those seniors will no longer be receiving \$500 discount from the State.

This budget is a starting point from Governor Markell for this administration. Governor Carney will be making his changes as well. There is a poll on Delaware online to add an opinion. She believes the poll stated that the cuts didn't go far enough, and there shouldn't be an increase in taxes. Mr. Pappenhagen noted a cut in paramedics. Ms. Floore explained that cut is really a shift in costs to the County. She sits on the County Finance Committee. Which means the County will have to raise taxes. Ms. Rattenni stated that \$4.7 million is New Castle County of the \$10.8 million in the budget. Community agencies are Grant and Aid.

Ms. Floore explained what you don't see in the budget, is a cut to transportation in Education. We receive State money for contractor transportation as well as for our own buses. We pay close to 40% for the driver and the bus. The State figures a route costs, say \$10,000. The State believes they should pay \$10,000. Unfortunately, because our pay scale is higher than the State scale, and OECs, the route costs \$15,000. We contribute about \$5 million in local funds to our transportation. The State feels that they support 100%. Back in 2009, the Governor stated there was no incentive for the districts to manage their transportation costs. We have no incentive to manage our \$5 million. The State put in a cost share of 90/10. Now, they need \$15 million cost cuts from education. DOE proposed they take it from the districts Ed Sustainment. The Chiefs sat



Committee Transcript

down over 4 meetings over the DOE budget, and decided it doesn't provide any service for our districts. They made \$15 million of meaningful deductions that did not impact the classrooms. The budget office didn't take the Chiefs' recommendations nor did they take the DOE recommendation, they looked to the 90/10 split and made it 70/30 cutting 20% out of their transportation support and make the school boards raise taxes to make that up. That is \$1.6 million for Red Clay. Mr. Miller asked that if you go through the categories and noted how the district impact budget and what action needs to be taken. Ms. Floore explained that they provided all of the data. Milford will have to raise their taxes \$.17 to make up that cut. Mr. Miller commented that when the State reduces the healthcare support to the staff, what they have never looked at is the implications of the system. He retired 6 years ago from Delaware Tech. The nurses at that time started at \$65,000 a year at Christiana Care. At the state hospitals made \$39,000 a year. In many cases, nurses went to the State for the benefits and pension. Then Christiana Care upped their health benefits and flexible work schedules. Now, they are having trouble recruiting for the State and they have lowered their requirements as people no longer want to deal with the issues and they have better options. If we take a corporate approach to this, then the other side is that we should assess the positions in the State to see if those people are compensated at the same level as the private sector. That conversation is looking at one view. The whole issue of limiting teachers to what each school can afford, it's absurd. You want to keep outstanding teachers as long as you can. Ms. Floore added that teachers in the hardest schools don't leave to go to the suburban schools, they leave the profession because they are burned out. Red Clay looked at that data, but the State does not. Mr. Miller feels it is important for this Committee to understand and reflect their concerns that if these things are enacted, we are concerned with how it impacts the financial viability of the district and our ability to address the needs of the students.

Ms. Floore stated there should be another Governor's budget at the end of February or the beginning of March. It is a top priority for Governor Carney. Ms. Rattenni added that the JFC takes the Governor's budget and marks it up. Ms. Floore added that they know of education's May deadline for offering contracts. The final budget will be June 30th.

Mr. Chase stated that DSEA has lobbyists. Ms. Floore commented that Christian Dwyer works with us closely. Mr. Chase asked if the district has a lobbyist. Ms. Floore stated we do not pay a lobbyist, but she and Dr. Daugherty work with legislatures all of the time, as well as attend the hearings. There is also a chief of the Chiefs each year. Matt Burrows is the chief Chief this year. He will speak on behalf of the Delaware School Chiefs Association at the budget hearings. DASA has one, too. Tammy Croce will represent the Delaware Association of School Administrators. Mr. Pappenhagen asked if those groups did a letter like the superintendents prepared. Ms. Floore stated they did not.

Mr. Miller asked if we could revisit this topic in February and ongoing as we find out more information. Ms. Floore stated that she may not have any news by February, but would bring all information to the Committee. Mr. Miller feels we should take a position as a Committee outlining our concerns. He also asked if elected officials should be contacted by members of DSEA and DASA. Mr. Pappenhagen asked if it was possible to



Committee Transcript

see the Chief's proposals that were struck down were. Ms. Floore will ask Dr. Daugherty as she is not aware if it is a public document. Mr. Miller answered that the budget shows what was being cut and then, of course, when we come back in February to see what was impacted, we'd know. The PTA would also be a vehicle to make a phone call.

Mr. Chase asked when the 2009 Transportation Budget was cut, was that when the Choice transportation was cut? Ms. Floore stated that was a district decision. It was eliminated with the new feeder patterns when Cooke was built. It was part of the attendance zone committee's decision.

IV. Construction Audit

Ms. Floore presented the audit findings to the Committee. Many years ago, we had a special audit subcommittee as we had several audits needing review. It was decided after a year that the subcommittee was not necessary and audit findings should be brought to the Committee as they happen.

There were no findings for Red Clay in this audit.

V. WEIC

Ms. Rattenni asked if there was anything new with WEIC. Ms. Floore answered that WEIC has this impossible task. The Governor and the new Secretary of Education are coming to the February WEIC meeting. Ms. Floore will let the Committee know the date of the meeting.

Ms. Floore feels that Ms. Thompson will attend. She also reported that Mr. Doolittle would like our Board to take the position that we will not change our borders putting an end to the process. Ms. Floore is still working on the committee determining how much it will cost to move the students from one district to another. Without adding a new formula, the gap is \$14 million, between Christina property assessed values and Red Clay's tax base. That report is supposed to come out by the end of February. The facilities assessment won't come out until March. It is an enormous amount of time and frustration.

VI. Public Comment

There were no public comments at this time via email.

VII. Announcements

The next meeting will be held Monday, February 13, 2017 in the Brandywine Springs School Teachers' Lounge. Mr. Michael Simmons, Manager of Federal Programs will be present as he was unable to attend the January meeting.