



Committee Transcript

**Red Clay Community Financial Review Committee
March 10, 2020**

I. Minutes

The January 2020 Minutes and Transcript were reviewed. Ms. Thompson moved to accept the minutes and Ms. McIntosh seconded. The motion carried. The February meeting had been cancelled.

II. Monthly Expenditure Report

Ms. Floore distributed the February Expenditure Report as well as the Financial Position Report that was submitted last month. The Board did vote on it last month. The predicted ending balance is slightly different than the final budget at just over \$16 million.

This reflects all of the approved numbers of the final budget. It is slightly different in that a small percentage can be significant. Of the 12 months of the fiscal year, it is 66.6% or 2/3 through. However, the number of payroll runs on a different cycle of 26 pays. As of 2/29/20, we were at 18 of 26 pays, 69%. That is a significant number though a small percentage. On the two salary lines, it is higher than the 66% at 68% and that would be concerning if not in line with the pay schedule. Line 41 is 69.6% which is a tad higher but where it should be.

On the revenue side, we are 93.27% of revenues received and 99.69% of local revenue received. There have been a lot of questions that have come in to the office regarding the Boxwood Road property. Ms. Floore was at the County Finance Committee meeting and they have \$1.6 million in permits for construction. Red Clay doesn't see any of that money, but they are certainly moving forward with the property. Our answer is that we are following it closely. If you recall, John Allison tracked it from General Motors, through Fiskar and then the XCompany and who was paying taxes. When Ms. Floore began 14 years ago, there was a credit on the account for that property. The credit was due to the property being reassessed at a lower value. We weren't receiving school taxes due to the credit. The money wasn't returned to the property owner. The Board of Assessment has been granting these lower values. There was a case by Christina that the Supreme Court remanded it back to the lower court for the Wilmington Office buildings that needed to include the vacancy rate for terms of the assessed value. That is a whole new layer of complexity. Philosophically, we can talk about whether it should or not be, but the judge's decision is overdue by a few months.

GM's credit meant we weren't getting the taxes. When the property was sold to Fiskar, many weren't happy with the incentives given to the new company. The State nor the County cannot give away tax abatements or incentives for the school district, only their own. Red Clay did receive taxes but at a lower value. Then the property was sold to the Chinese company, and we verified that they were paying the taxes. Now, with the Amazon or subsidiary owners of the property, the same applies. We won't see anything



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until there is a new assessment of the property. The value is only going up from here. There have been a lot of public inquiries as to what it means for Red Clay. We don't know that as we don't know what the valuation will be for Red Clay. We know what they intend to build. We don't know in market value, as we have to back it to what it would be in 1983. We would have to see what GM was assessed at in 1983. What it means next year, construction won't happen overnight. It will take a while to see any increase in assessment and taxes due to that increase. The public asked if the Board has granted any credits. Our Board hasn't been asked that because they don't control assessed values of properties. That goes into the philosophical discussion of whether the County should be responsible for collecting taxes for the school district. But is it redundant to have taxes collected in two places? The way we see it is that it can only go up.

Ms. Thompson stated that if they are taking into account the vacancy rate when assessing, other properties could be going down. Ms. Floore agreed. Mr. Schwartz asked if the vacancy rate just for one particular site or in general. Ms. Floore stated it was in this one case of an office building. Ms. Thompson added that vacancy rates matter a great deal from a commercial standpoint and a real estate standpoint as they value the property from the rental income. That is quite troubling, as in commercial properties, there are high vacancies. Ms. Floore added that this is coming from the Supreme Court. The County did an RFP for Artificial Intelligence. One aspect is to do assessments without site visits. Can it be done more cheaply and efficiently with drones and aerial views? Other companies have stated it needs "boots on the ground" because it's been so long in between assessments. Aerial can be done afterward for upkeep, but not for true assessments. Then we are back to the \$20 million cost of reassessments.

Ms. Thompson stated that at the DE State Board Association meeting, Mr. Marinucci attended and spoke about the current lawsuit being settled. Ms. Floore stated it makes perfect sense that is what is causing the delay. There was no indication of how it would be settled, but how else but by reassessment. Ms. Floore stated the General Assembly was close in their vote in the early 2000's. There was a plan and they believe it should be statewide. We are separate counties, but one statewide education funding. It cannot operate independently as the equalization formula is based on the assessments. Which is a significant line in our funding stream. The idea was it had to be statewide. It is clearly in code that it is the County's responsibility, even the cost. Ms. Floore stated it is the same people le paying for it regardless of who is running it, the taxpayer. The belief is it has to be statewide to be fair. When is a better time that now that the State has one-time money. It isn't surprising that it is being discussed now and that we haven't seen a ruling from the judge as yet.

Mr. Matthews asked if it is a good time for the one-time money to pay the settlement. Ms. Thompson answered it is a good time for the one-time money to pay the re-assessment. Ms. Floore stated that the ACLU lawsuit was split by the judge into two separate questions. One, the assessed value of properties, and secondly, the school funding formula. The second is still in deposition phase. The assessment question went on the faster track as it was cleaner, but they did try it, and the decision was due in January. It is delayed as they are speaking to settlement.



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Back to revenues. The all told 93.27% in revenues. The reason we are slightly lower than last year at this time is Division 1 salaries. We're at 89.5% and this year we're at 87%. The State puts it in as needed. They will fund 100% on their timeline. They will not let teachers not get paid. All other State lines won't change. We will receive State Transportation, which is currently slightly higher than this time last year. In revenue, we are in good shape.

On Expenditures, the first you see in the negative is because they back bill their services, so it just happens as to where they are in the cycle. Mr. Matthews asked if the bill backs were to building budgets for copying. Ms. Floore stated that it was but also to departments like Curriculum and Instruction for copying projects. It is meant to show efficiencies as it is done online. Mr. Matthews added that teachers can put in orders over the summer to prepare for the upcoming school year. Ms. Floore added that the copiers at the building level are leased and we pay charges. They were not meant to handle the volume that the print shop can.

Ms. Rattenni asked about Related Services. It is in the negative right now. Ms. Floore explained that it is in the negative as per encumbrances. We increased the related services in the budget as we had so many new units. We have contractual obligations for physical, occupational and speech therapists as well as psychologists. We do get allocations from the State for related services. When we get to the end of the year, we will reduced the encumbrances. They may be used at Meadowood or Early Years. We have several contracts for each school.

Ms. Thompson asked about Red Clay Transportation being high at 99%. Ms. Floore explained that we put both together, local and State. The Drivers' salaries initially get charged to the State line. Look at the two lines together. We use up the State line first until we are out of the State funding. Then we use the local funding. You will see the local line increase over the rest of the year. Red Clay's feet is half our buses and half contractor buses. The local buses we run, we receive State funding for. The operating unit is named by the State. Mr. Chase asked if we were still decreasing our contractor fleet. Ms. Floore answered that we are as we are able to receive buses. We also contract with Odyssey Charter School to make some bus routes. Mr. Schwartz added that we do some of their maintenance. Ms. Rattenni asked if we will recoup the rest of the revenue from the State. Ms. Floore explained that yes, they will add the money as the year progresses. We are currently at 79%, which is consistent with where we were last year at this time. Ms. Floore added that when you hear the State funds transportation at 90% that is not true. Under Governor Markell, they convinced them that they funded it 100%. We were then cut 10%, but that was just on the local. To Ms. Rattenni's point, we were already funding multimillion dollars, as they don't fund the drivers' scale fully, nor driver aides. Ms. Thompson asked what is the correct amount. Ms. Floore answered 64%.

We are at 66% expended and encumbered is more as we are reserving the funding. We are a little bit ahead of where we were last year.



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Federal Grants are on a different cycle and it's very early in that cycle. We have finished the 2019 grants and are into the FY2020. Title 1 still has \$2.7 million and that runs through November.

Tuition is good shape. With the Board's support in the Tuition Tax for the autism program, Meadowood, RPLC, ELL and the First State School. Expenditures are at 41% because tuition bills are at the end of the year. Meadowood is at 58% or 62% expended and encumbered. Early Years and PreK has the same concern of Related Services and mapping out the contracts for the rest of the year. They are at 62% expended and 71.3% encumbered.

Substitute teachers is at almost \$1 million. We aren't even in the 90% fill rates. We are talking to our vendors and other districts if they are having better luck. We are \$200,000 higher than last year but the fill rate has not increased. Ms. Thompson asked if other districts are doing better with Kelly Services, who we dropped as our vendor. Ms. Floore stated maybe 1% or 2% better. Mr. Chase added it is because we are a bigger district as well. Ms. Floore added that some substitutes work for both Kelly and ESS to choose where they work. Ms. Floore met with a group of substitutes every month last year while an interim Superintendent. We raised the rate for Class B substitutes, anyone with a college degree. Class A substitutes, with a teaching degree, were outraged. We did it in an effort to increase recruitment as there are more candidates with a degree rather than a teaching degree that aren't already working. It wasn't a slight, but an effort to attract and recruit. She didn't get the idea that the two companies are very different in their benefits and what they offer their employees. Mr. Matthews stated that every day teachers lose planning time and lunchtime covering classes, but they've come to accept it.

Mr. Pappenhagen asked if it was a pattern of schools that are hard to cover. Ms. Floore explained that the high school is more successful to attract substitutes. It could be the content. People aren't certified teachers, they know the content. There are number of factors that play into it. There are late callouts. It is rare that someone wakes up sick, you know its coming. The unfilled positions are late callouts. Some is our own professional development. You can't predict it will be a bad flu week. We can try to schedule PD around winter months, but that's hard, too. Every stone has been turned over. We do pay the substitutes more, it is a supply issue. It is like our therapists shortage. We have a critical supply issue in the education field.

Maybe Ms. Smith will come and do a presentation on Human Resources. She could speak to you regarding the pipelines we pursuing. We have been successful with the para to teacher pipeline working with Wilmington University.

III. Governor's Recommended Budget

Ms. Floore distributed copies of the Governor's Recommended Budget. It was a highlight provided by the Department of Education. This is a statewide view of the operating budget highlights in education. The salary policy is 2% for educators and State



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employees as well as steps/lanes. They are both funded in the Governor's Recommended Budget, which has to go through the legislative process. The JFC hearing for education did happen. There were several hours of testimony on HB 400, which is for mental health. There is a lot of conversation and dialogue as well as visits to many of our schools. The focus this session for many of our legislatures seems to be mental health. Whether that is social workers or clinicians providing psychological support and emotional support. This is not the wellness centers, but targeted needs in the schools. That will come out through the legislative process. The price tag as it is currently written is very large. It will be funneled down. As in the current K-3 spec Ed, it was funded incrementally. It is not in the budget as yet.

Mr. Matthews spoke to the 2% that everyone is going to receive is not a one-time payment, but will be included in the scales. Ms. Floore agreed. That is only the State salary, the 60% of a salary. It will be the base of the salary. The State often does a 2% or a \$1,000 or \$1,500. Just today, the White House is speaking to a payroll tax. We didn't see it until 2009 in our paychecks. We have lived through it before. Ms. Thompson stated it was a decrease. Mr. Chase thought it was a 0%. Ms. Floore stated that was a holiday from taxes. It wasn't for the full year. It was to stimulate the economy. It would be a Payroll holiday. Mr. Matthews stated for someone making \$8.75 per hour that would mean a great deal. Mr. Pappenhagen stated that most of the taxes come out of the State.

Ms. Thompson asked what the pension rate decrease was. Ms. Floore explained that the State pension plan is on a five-year smoothing. That suggests that performance in the fund has been good. The market has been good until the last month or so. The pension is strictly as good as how well the fund is performing. She served on the County Pension Board and served as an analyst for the State Pension Board. It is a very diversified portfolio. They have an investment committee as well as the pension fund advisory committee. It is a very dynamic, intelligent group of people. They have consultants that work with the fund on investments. There is investment policy on how much can be in low risk, high risk, etc. Usually, the pension rates are truly a function of how the fund is performing. To get around spikes like this, they do a five-year smoothing so that you won't see rates react dramatically. This is the same rate the State uses for their employees as well, not just the teachers.

It means for every dollar of payroll, we have to add 22.95% to it. If we put in a salary for a tuition funded teacher of \$100,000 (which would include benefits), but it might be \$70,000 plus OECs which is 33% (FICA, unemployment, etc.). Then you add healthcare on top of it adding to \$100,000. Right now, it is 22.95% and it may not end up there. It didn't decrease from 32% to 22%. Mr. Matthews explained that taking their salary and add the OECs. Ms. Floore added that doesn't include the local side or the stipend of flex credits. State employees don't receive those. State employees do not receive dental or vision benefits, employee pay all. Only people, who tend to select it, need it. Your healthier people make up the larger pool. Mr. Schwartz stated that is at a lower cost. Ms. Floore and Mr. Matthews explained that we get our healthcare from the State, but we go out and make our own contracts for dental and vision. We have so many people, we can



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negotiate. Ms. Floore explained we go out as all the school districts together, but we are valued by our experience. Because we are large, we have a diverse population, but a pool with a lower experience will get higher rates.

This is what is happening at the Dept. of Education, it doesn't affect us directly. \$17 million is going into the General Contingency for a projected unit growth of 190 units. This is where every year, we put more money in education than ever before and it's because the state is growing. The number of students is growing. By formula, you have to put in more. It doesn't mean discretionary has changed at all. It is the same level of funding as it is currently, but we do experience unit growth.

\$11.3 million in public school transportation. This is part of the formula. Mr. Schwartz asked if we had a decline in population, that number would go down. Ms. Floore explained that it would. Mr. Pappenhagen asked if all of the numbers are in millions, there are some figures with no value after them. Ms. Floore answered that the \$17.1 million and the others would be thousands. \$215.0 is \$215,000. If it doesn't say million, it is thousands. Ms. Thompson added it is \$121,000 for trauma informed training and \$58,000 to increase training wages.

Many of the items like \$4 million in academic excellence. That is not new as it is associated with the formula. Different though because it is one for every 250 students, not the unit count per se. Here is where they are initially funding. There is a bill to put in \$3 million additional funds in opportunity funds to expand mental health supports to schools with a grade configuration containing K-4, greater than or equal to low SCS. The good news we made all of the formulas in the first round and they are expanding the net. However, we're already in it. This money is statewide not Red Clay. Great for the students in other districts. We were in the first round as so many of our students are high need. Ms. Thompson asked if it is just \$3 million in opportunity funds, or an additional. Ms. Floore explained it is an additional. It was put in for 3 years from one-time money. Ms. Thompson asked if the \$3 million a year was statewide or just Red Clay. Ms. Floore explained that is just for Red Clay, but we are up to \$4 million now with K-3, K-4 and all of the opportunity State discretionary money.

Ms. Thompson asked if we can use our opportunity grants for mental health supports. Mr. Matthews answered that we already are. Ms. Floore agreed that it is in some cases. In the way, the grants were written you have your choice. At the building level, it was discussed as to what was needed more, reading specialists or mental health. The biggest issue is who is out there to find. Can we find a social worker or a psychologist to hire? Another part is this grant isn't approved until June, and that is very late in recruiting. If we don't know the funding, we don't know what to offer. We do know now as it was on for 3 years. Mr. Green is on the committee to study the effectiveness of the opportunity grants. It is very hard to know the effectiveness in treating mental health when you can use it for mental health or reading. If everyone used it for reading specialists, how far have you moved the needle for mental health?



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\$2.8 million for private placements, these are statewide numbers. School leadership development with a smaller amount for safety awareness. The big-ticket items were already done. We were surprised during an election cycle that more wasn't done with the money that is available. Then, again, if they are looking at the lawsuit or maintaining the opportunity funds, it all has to go through the legislative process. Ms. Floore believes the mental health number will expand. This is the time when advocacy matters. We can become disillusioned too with the process.

Mr. Chase asked about the \$50 million for a new high school. Will it be a Christina High School? Ms. Thompson stated it is an elementary school. Mr. Matthews thought it was for a high school. Ms. Thompson believes it will be K-5 or K-8. Ms. Floore stated that they do not have a plan. Mr. Chase believes it will be a high school. Ms. Floore looked up the press conference verbiage and it was listed as a new school. It looks to be an elementary that could be a K-8.

Ms. Thompson stated that the Redding Commission continues to meet. They've met with Tizzy Lockman and there was a workshop. They are trying to come up with a plan for the City of Wilmington. There are currently three alternatives being discussed. One is a River plan splitting the city between Brandywine and Red Clay. They have missed a few meetings and they are currently working on redistricting plan. Another plan is like WEIC where the students are divided. And the third plan is a Wilmington School District like an innovation zone overseen by a separate board in the city. They let Tizzy know that if they come up with a plan by April, the Commission as it exists isn't made up of people who can make that decision. The superintendents need to come back to the Boards and vote on what they will agree to do. Mr. Green has spoken up about that. Ms. Thompson believes they need a 60-day cycle as it gets raised at one meeting and voted on the next. There is a huge price tag, which WEIC proved on the transitional costs never mind the ongoing operational costs. The city kids need something, but we want to make sure the Red Clay taxpayers aren't unfairly taxed. Mr. Schwartz asked if they could just impose it. Ms. Thompson stated that they can under the law. If the assembly approves it and the State Board approves it, it's done. The State Board has told the commission that they don't want the responsibility they have been given and are hesitant to act if the School Boards aren't in agreement. We hope that's true. If it really starts rolling, we'll have to have our voices heard. Ms. Floore will look for the power point from WEIC stating how much the transition costs were going to be.

Ms. Floore added that Mr. Matthews served on the WEIC finance committee. There was a lot of work done on that. There was nothing followed up on. Ms. Thompson stated they couldn't staff a finance council when they were using the people on the redistricting council. Ms. Floore asked how do you come up with a plan by April if you don't know how much it costs. Ms. Thompson stated it is not moving in any way that makes you believe they will come up with a plan by April.

Ms. Floore added that Christina is about to not have a Superintendent or the top 4 people of the school district. Mr. Matthews was told they are voting on an interim



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superintendent tonight. Ms. Thompson stated they are voting on the DOE plan tonight as well. It makes no sense to have an interim when they've known since October they needed someone this July. Mr. Matthews believes it will be Aaron Selekman who will be named interim superintendent. Ms. Thompson added they are going to referendum in June. The last one that passed was 2015-2016. They have had two since Dr. Andrejewski and both failed. Ms. Thompson believes the Redding Commission will become urgent for us. Mr. Matthews and Ms. Thompson mention the State needed to step up for WEIC and it wasn't done.

Ms. Floore stated that if Red Clay were to go to referendum, with the markets as they are, it would be February 2021, one year from now. It would be a combined capital and operating budgets. One of the things we have benefited from is our budget has increased dramatically in special education. That is the one tax our Board can control. We would be in dire trouble right now in need of a referendum if not all of our growth was in special education. Looking at needs based tuition, last year it was \$7.5 million and this year it is \$9.7 million. That is a significant increase. Not funded by a referendum. That has been an advantage from a referendum point of view. This will be the direction of the Board and Superintendent. There are some facility needs. We can only go so long with the older buildings without addressing roofs and HVAC. There are some must haves and the list is growing. We are doing a needs assessment right now. We can do a small operating and combine it with a capital and get some needs met. The longer we wait, the more expensive the needs are. If we could get away with not having a 40 cent increase, that would be great. With debt service, you finance it over a long period of time. We will have those conversations this summer as we see what the needs are, how the final budget shakes, out as well as the market and interest rates. We can project out a year from now will be get the same bond rates, probably not. All of those will come in to play.

Ms. Thompson has to pat the Board on the back. We went into inclusion knowing we could raise the special education tax. We could get the resources we need. What she has learned is that we are one of the few boards willing to do just that. Most boards are fearful of raising the tuition or match taxes. Ms. Floore explained that they were voted in to keep the tax rate low.

Mr. Matthews asked if we could have a presentation about technology. The Chromebooks for the referendum in 2015 for one to one technology. Was there a plan to obsolescence of the devices and are there refreshers. Ms. Floore stated yes, absolutely and there are refreshers. He believes it is extremely slow in his school. Ms. Floore stated there are several components including the devices and the switches. We were way ahead of the State in replacing the switches. There is replacement of the devices as well as the infrastructure in the building built into the program. High Speed coming into the buildings has been increased as well as access points. It isn't one-time money, but a permanent operating expense increase. It is monitored closely and it is in the budget as Referendum Technology Tech Instruction. Ms. Floore stated as a parent with a child in high school and a child in middle school, her middle schooler is quicker as she's had it longer with more exposure.



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IV. Public Comment

There was no public comment

Ms. Floore state that we had some questions on Coronavirus. There is talk in corporations that there have been significant delays in production. This came up when we were speaking about Chromebooks and if they would be delayed. We are looking into the availability as we're fine right now but we're concerned for next school year. Chinese New Year shut things down. Mr. Schwartz stated that his Chinese colleagues returned to work just recently. Shortages of hand sanitizer is another. There is no shortage at the school level at this time.

We are also discussing travel and other measures. Every institution is in another place. Ms. Thompson stated that Red Clay is cutting out travel. Mr. Pappenhagen asked if we had contingencies on deep cleaning. Ms. Floore explained that the facilities department has been discussing that. We are aware and working. Ms. Thompson stated that Mr. Green told the Board that we follow what Department of Public Health says. Right now, it is low risk, wash your hands, don't come to school if you're sick. Mr. Green feels we need to have more and is constructing plans. The first is to cancel all travel. Even at the national level is changing the protocol on cleaning to "air out" before we clean. The Superintendents are speaking twice a week on this. Ms. Floore added that as we are a County with Choice, we don't believe one district or one County would close without the rest.

Ms. Floore stated that the Superintendent in Washington decided not to close. Ms. Thompson stated that Mr. Green has 4 or 5 levels of what will happen as we monitor the situation. We are in process. Ms. Rattenni stated that University of Delaware has gone to online classes for large lecture classes. Ms. Thompson stated there will be an equity issue for online learning. Westchester University is online for the rest of the semester as well. Mr. Matthews stated that many have this contingency for some time as geographically it makes sense.

Ms. Floore added that another State agency sent around the Federal Government idea of 14 days of guaranteed sick time for quarantine. Financial hardships to stay home if you have no sick days. We don't know what we'll see at the State level or what closures we have coming up. Our problem is students not having access to the internet.

Mr. Chase stated that graduations may not be happening. Ms. Thompson added that sports venues are closing as well for finals. Maybe for just the players and immediate families. Not sure what they will come up with.

Ms. Thompson stated that there is a school board race coming up. She is running again and it is a contested race between herself, Bill Doolittle and a UD Junior, Grace Utley. Ms. Thompson will speak tonight and at the board meeting. She is asking for the



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Committee's support. She is a 30 plus resident of Red Clay. She has worked in Red Clay. Her children went through the Red Clay school district. She was highly involved in their schools as well as continues that involvement in the board today. She is on CFRC, Board Policy, Wellness, Code of Conduct, Dropout prevention and diversity committees as well as the Delaware School Board Association. There is a lot of good we are doing in Red Clay and she would like to continue to be a part of it. She would appreciate the support. Martin Wilson is also running in a contested race. The vote is scheduled for May 12, 2020.

V. Announcements

Next time we should have a Human Resource presentation. The next meeting is April 7. We would like Brandywine Springs at 6:00 PM.

CHANGE:

The next meeting will be held on April 7, 2020 via Zoom at 6:00 PM.