



Committee Transcript

Red Clay Community Financial Review Committee June 9, 2020

I. Minutes

The May 2020 Minutes and Transcript were reviewed. Mr. Chase moved to accept the minutes and Mr. Schwartz seconded. The motion carried.

II. Monthly Expenditure Report

Ms. Floore shared the screen of the May 2020 Expenditure Report. On the revenue side, Ms. Floore highlighted those lines that are not at 100%. The local revenue is at 101%. We bill in a delinquency factor in the budget. We did receive another installment recently of taxes, and it went up slightly. Indirect is at 65%. There is one more June allocation for \$25,000; therefore, it won't be too far off. CSCR, which is cost recovery, is typically for services that are Medicaid eligible. Even though we are doing all of the therapies through remote instruction, there is not the in person nursing services that can be reimbursed from Medicaid. There is also issues with paperwork. Parental permission forms are required for any recovery of payments from their Medicaid eligible benefits. It is not a large line, only \$150,000. We already received \$112,000. We do not expect to get to 100% this year. We may receive 75% but not much more by the end of the fiscal year. That is directly related to not having in person services. CSCR is Children Services Cost Recovery Program. We provide it as, for example, a nurse or occupational therapy, but it is covered under a Medicaid plan. Red Clay provides the service and is reimbursed. Mr. Schwartz asked if we knew where the gaps are. Ms. Floore explained it is across the board due to the lack of paperwork and the lack of in person signatures and in person services and therapies. Tele-therapies are being provided but it is harder to be reimbursed under cost recovery. We are having fewer nurse visits and no in person therapies. Mr. Schwartz stated he has experience with electronic signatures but it may not be across the board. Ms. Floore added that just as we have seen with student inequities, there are inequity issues with reaching parents and access the electronic signature.

Division I salaries are the same as last month. We are not at 100% but we have two pay cycles to go in this year. We will expect the State to load those as we go through June. The State has their own cash flow.

Summer School is the summer school program that we charge for, credit recovery. Students take those classes in order to get credits. The program is given at a fee. The fee has been significantly reduced due to COVID. The fee is \$30 to participate in the program. This program borders the two fiscal years as it begins in July. We collect the revenue in June. That will not be at 100%. We will offset the expenditures in July with the CARES funding. We will use the federal funding for the summer students who, for whatever reason, did not pass the required courses.



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For state grants, we received more revenue in State All Other. We are over on expenditures, but because we received the grant for the Ed prep, with Indian River for the yearlong residencies, that additional funding will come on the expenditure side. It is one of those fundings that after the budget was finalized; we captured it here and the expenditures below.

We are at 98.5% revenues received. Last year we were at 98.65% which is very close. The difference between 98% and 100% is the \$4 million in Division I salaries that will be fully funded. Therefore, except for summer school and Cscrp, we expect to be directly on target for June 30th for our revenues. Much of that happened back the fall with our local funds. The good news is that there were not dramatic or any State cuts in the current fiscal year.

On the expenditure side, Ms. Floore highlighted those discrepancies. There are no major changes from last month.

The State has loaded in the Consolidated Grant Application the CARES funding. The CARES funding comes with a controversial provision. A significant portion impacts Red Clay due to the number of private schools that are within our boundaries. Private schools are eligible under the equitable services provision. It is the same in the consolidated grant. There is controversy and a difference of opinion on whether or not it's the formula follows Title 1 or Title 2 and why private schools are eligible. While the State is mediating what that answer is, they have held 20% off the top in reserve. We can now apply for 80% of our CARES funding. For us 20% of \$5 million is a significant portion of funding. The CARES money was legislated very quickly. At the US Dept. of Education level, the regulations and guidance documents, Delaware DOE believes, conflict. There is the law, there is the guidance, and the two are not the same. We're holding out hope for new guidance but it is unlikely which means we will have \$4 million rather than the \$5 million for the CARES funding.

The State has just opened that allocation as they were waiting to see the difference between the guidance and law. We, as a district, have made the decision to not rush, and we will make the application in July when the system reopens. We are getting ready not for fiscal close out. That money is eligible as FY20 funds, and what that means for the finance committee is it means we're going to carry the expenditures through June 30th. The contingency you see is fully reimbursable through the CARES act. However, the way the department did it is similar to that of the consolidated grant. We have to lay out the budget for all of the plan for the CARES funding, and we can be very generic. The State wants the money out the door, but we are working on the re-entry plans and the summer plans. We're not 100% there yet as re-opening changes almost daily. We don't want to rush to do this and have to make amendments on the back end. We will make our application in July. The local funds will be reimbursed in the next fiscal year.

The contingency is specifically for the Chromebooks that were purchased in early March. Ms. Kristine Bewley, Technology, put the order in so that we would have them available for the next school year.



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Copy center is negative because there is so much that is billed back to the department or school. The packets that were distributed during the home instructions were printed in house and paid for by Curriculum and Instruction. The copy center funds itself. Ms. Thompson asked if the money spent on home packets would be reimbursable under the CARES funding. Ms. Floore agreed that it would definitely qualify.

Ms. Floore spoke to summer programs and re-entry plans. As the Governor and DOE review plans for re-opening, it is difficult to plan for summer school. We have 12 month ESY where summer school programs are required. Remote learning will continue on that platform until we are in Phase 3 for the State reopening. We are aligned with the State phased openings. The District also has their own reopening committees. We will be looking at accelerating opportunities and opening in the fall. What happens during the summer and looking toward the reopening will all be reimbursable through CARES. For example, the sanitizing, Plexiglas installment and wipes.

Mr. Schwartz asked in terms of returning students back to school, what phase do we need to be in from a district standpoint. Including riding buses, entering buildings, is that Phase 3 or Phase 4. Ms. Floore answered that the guidelines speak to the virus R Factor and if it is greater than one, are cases increasing over a 14-day period. Ms. Thompson stated she believe it is Phase 3. Ms. Floore added that we could be in Phase 3 but schools could not be open. It is conditionally dependent on the virus status. It is not a clean cut answer. The statewide committee is supposed to be done by mid-July. This would be a minimum of 1-month guidance for opening in the fall.

Mr. Schwartz asked Ms. Thompson if there is any talk of reopening in the State Board of Education. Ms. Thompson answered that it is not their decision but there are members on the committees. Mr. Schwartz who was representing Red Clay on these committee? Ms. Thompson stated there are three different committees. There is no specific Red Clay representation. Ms. Floore answered that Kristine Bewley of Red Clay is an official member of the Operations Committee. Ms. Thompson added that these meetings are done Facebook Live and there isn't a way to input comments. We can enter them on a website and phone center and the committees are taking those comments into consideration as well.

Mr. Schwartz knows that everything changes daily. From a parent standpoint, we need to the the safest thing for all of the children. The right decision will be made at the end of the day. Many parents heading into next year wants to do the right thing, but we would like to know what is the general thought at this time. Ms. Thompson stated the BOE stated that they are planning three scenarios. One is full on, one is remote and the third is a hybrid of odd days of the week with remote the rest of the time. It will depend on what the Governor permits. Ms. Thompson added that parents will not be able to go to work if their children aren't in school.

Mr. Chase asked if anyone has heard of a scenario of all the elementary children attending spread out through the schools with the middle and high school students



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attending remotely. Ms. Thompson has not heard that idea. It may be on the State level that it is being discussed. Even at the middle and high school level, it has been difficult for students, even at the advanced levels, to learn remotely. Learning chemistry remotely is not easy. Mr. Chase stated his own children did well, but they felt they did better learning in school. Mr. Schwartz added that the high schoolers are much less hands on for schoology and zoom than the lower grades, in his experience.

Mr. Chase asked about the steps and lanes of the teachers and other union members being frozen, will the local portion be frozen as well? Ms. Floore stated there isn't an across the board decision on that, it will depend on each individual school district and the individual collective bargaining units. The State cannot waive that. We would not do that in Red Clay. It will be very difficult to have people at two different steps. The State does have a trigger in the language of revenue. If they reach a level of revenue in the fiscal year, it would be implemented. It is a pause, not necessarily a permanent freeze.

Looking back to the expenditures, you can see a large part of the technology budget is higher. It depends on if and when the students turn in their Chromebooks. The decision was based on need. Do we leave the Chromebooks home all summer or leave them for those who are participating in the summer programs. The decision was based on need. The students who are participating in the summer programs and online instruction, they have coordinated for those students to keep theirs. The technology department was very concerned there there is a lot of breakage over the summer. There isn't a lot of time over the summer to wipe and clean them and prepare them with the software for the fall. If we go back or a hybrid of instruction. We did have the other students return them. The summer school students kept them. Mr. Schwartz stated his child does have one for summer school instruction. It was a decision based on the instruction being online. Ms. Floore added that there are some people who decided the opposite. They would only participate if it were in person. With COVID, there are different levels of comfort and parental oversight on what the students and families are doing. These are tough decisions.

Ms. Floore pointed out related services. We have seen an uptick in the services for therapies, as they have continued with online instruction. It is another area that is trending. The expenditures are at 100% but the expended and encumbrances through the summer are at 126%.

We are at 89.4% expended and 92% expended and encumbered. Compared to last year, many of our school budgets are lower than expected, but due to the two large technology items, we are slightly ahead than where we were last year.

Federals haven't changed much. Tuition bills have gone out to the other districts. Based on the number of students from other districts who attend our schools. The early years as well as students in the First State School. The State will load funds in a different fiscal year every once in a while. The budget had only \$3 million budgeted estimated, and we only received \$2 million. Then, the State added \$1.5 million in 2019 funding. They must have had leftover 2019 funds so they made the decision to do that. Ms. Thompson asked



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what difference it would make. Ms. Floore answered, no difference except if you were looking at a 2019 fiscal report, it would not show up. It looks like it is short on revenue. Ms. Thompson asked if we could spend it in 2020. Ms. Floore stated that is the nature of federal funds. They have multiple spending periods for the funding. All of the rest is right on target.

Looking at insurance. Our insurance costs have been creeping up. It is a measure of the market. Our renewal is in December. It is not related to COVID. We don't know what they will look like come next year. However, with not as many people in the buildings, we're not having as many claims. This is a function prior to March. The State has sovereign immunity, but because the district has local funds, we do not have the same insurance provisions as the State facilities. We do buy our own insurance. It is for liability and employers' insurance as well.

The COVID related line is for items we are tracking separately for the reimbursement. What we're using for the facilities, working with the custodians, but we didn't want to charge them to their budget. \$123,000 within the number of facilities and employees. Ms. Thompson asked about the other money related to the CARES. Ms. Floore stated that these are funds that don't have their own line. Technology, curriculum and instruction, they are all on their line, but we are tracking those costs as well.

Ms. Rattenni asked if these items were PPE. Ms. Floore stated that some were. For example, facemasks, Plexiglas, hand sanitizer. The other day, New Castle County was testing at Baltz. Ms. Rattenni added that they are at Stanton and Conrad this week. Ms. Thompson was at Marbrook and felt it was well orchestrated. Ms. Rattenni added that the tests are coming back quickly.

Ms. Thompson had a question regarding 9558, was not that RPLC. Ms. Floore answered that is now the Early Years Program because the program was completely redesigned. RPLC used to include Early Years and Autism K-5. Autism is now in traditional schools. Early Years only has the Pre-K. Ms. Thompson asked if it really beneficial to spread it out that way as we may not get as many units. Ms. Floore explained there are pros and cons. Early Years are tuition eligible programs so it is much cleaner for them to be separated. We have in Division 32 the needs-based funding, so there is tuition funds in Division 32. Also, it is because Early Years, as Meadowood, are so large. They earn their own administrators, so it absolutely makes sense. Because they are approved special programs, anything in the school, tuition funds can be used for. Ms. Thompson stated that our budget is \$226 million, but that does not include Nutrition, for another \$11 million. Ms. Floore agreed and added that it doesn't include federal programs either, or major/minor capital funds.

III. Governor's Budget

Ms. Floore shared the Joint Finance Committee Fiscal Year 2021 Budget Mark Up. It is an overview of how the State is proposing to fund the FY 21 budget coming up. They are estimating to end this fiscal year with \$39 million unencumbered. The Governor's



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budget Operating budget was \$4.6 billion, one-time appropriations of \$9.9, general cash to the bond bill of \$233, grants in aid of \$55.1 leaving a total over/under (only allowed to appropriate 98%) with a total of \$455.5.

What they typically do is start with the Governor's recommended budget and walk back from there. Normally, if they had additional revenue, they would add, but in this case, there is no additional revenue. The adjustments to the Governor's budget are then in negative. They will revert some funds from forced expenditure/special funds, deposit of realty tax/public utility taxes to general fund that support open space/farmland preservation and energy programs, as well as \$76.3 from the budget stabilization fund. That fund was just established, it is not the rainy day fund. It was established over the last two years to cover any pitfalls. They are eliminating any discretionary fund increase that was in the budget. In education, there were a number of factors. For example, there was an increase cost to the transportation formula, health position at the department level, a cloud-based filtering project. Anything that was an add for the Governor's budget was removed, not just from education but across the board. They basically funded what is funded now, but no discretionary increases.

They also eliminated the no pay policy for all State employees. They are calling it a pause to collective bargaining salary contracts and a pause to step increases. You can see the value of that in the spreadsheet. Ms. Thompson asked what is the no pay policy. Ms. Floore explained that is a raise. There will be no raise, though there was one in the recommended budget. Ms. Schwartz stated that his company has the same restriction this year. Ms. Floore added that other employers are speaking of pay cuts. Mr. Schwartz stated there are also furloughs. Ms. Floore added that there are many companies and restaurants fighting to come back or closing depending on the industry.

Mr. Schwartz asked if these are overall reductions to the State budget, what portion will on Red Clay. Looking at the money taken from the bond bill, there are school districts that have ongoing construction that will be effected by this. Our employees will be effected by the no raises. They have not cut any of the current programs. For example, the Opportunity Grants. The Governor's budget had an additional \$3 million going to the expansion of the program, and that was eliminated. Anything that was added was eliminated from the final, but there are not district level proposed cuts other than the cuts across the board from the salary level.

Ms. Thompson heard that there wouldn't be the \$3 million give back that we do to the State every fall. Ms. Floore hasn't heard anything about that. Ms. Thompson clarified that there was no additional give back. Ms. Floore agreed. We give that former cut and it will continue. It is called a give-back because districts are allowed to choose where to take it from. Mr. Matthews stated that the steps aren't happening this year, but if everything is back the following year, he was told they may skip two years to catch everyone up. Ms. Floore has not heard that. She added that they are being very careful in the language of pausing them. If there is a true recovery, there is a mechanism and language that would restart them. It depends on revenue. The State would have to have the money to do that. Basically, our experience is that they have not touched steps



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before. We feel if the revenue increases, it would be one of the first things restarted. Mr. Matthews also stated if the State has a \$50 million increase, they will reinstate the pay increases. Ms. Floore added it specifically relates to receipt of taxes.

Mr. Schwartz asked if there was any information on what the federal government will do as per COVID 19 heading into tax season. In terms of credits or a tax benefit to tax payers for our district. Ms. Floore answered it depends on who you listen to. The political parties are in disagreement on whether there should be any additional funding for COVID. This is at the federal level.

Ms. Floore will bring the preliminary budget next month. She feels it will be status-quo. Salaries will only change by student numbers. There is concern of receiving property taxes in the fall, but we will have to see what happens. Our Payroll department is beside themselves with the idea of no steps on one side but going forward on the other side.

Mr. Pappenhagen asked about the COVID insurance. Did the reopening strategies take in to account the liability of the district being sued when a child comes down with COVID or spouses getting sick? Ms. Floore answered reopening plans could add the provision for people to exercise their right to keep students home without penalty. They are working on the teacher aspect as well. We have had custodians in the buildings since Day 1, as every school district has. We have people who have been exposed, people in high-risk categories, people who have had doctors write them as “out” for a specific amounts of time. Those considerations are part of the opening committees.

Mr. Schwartz asked that since the stay at home mandate is from the State, have we spoken to our own attorneys to ask their opinion. Ms. Floore answered that there is a Statewide HR directors group, which meets every week and includes an attorney on the call every week. They review all of the proposed policies. It is incredibly complicated. Since the time they have enacted the emergency federal leave, what happens if school is not in session, which is a factor for custodians, there are emergency leave provisions up to 12 weeks where you earn two-thirds of your salary if you don't have childcare. There are several scenarios. Some may change with reopening. The provisions are in place and don't expire but they are only one time. So many of the custodians have used it or worked through it. You only get to use that once. If there is reopening and resurgence, the employee may be out of the time to use. Teachers, because they were home, would still be eligible because they hadn't used it. There are a lot of people involved in those discussions including the attorneys.

IV. Public Comment

There was no outside public comment.

Ms. Thompson spoke as a member of the public and shared her background and that she is running for re-election for the School Board. The date of the election has been changed to July 21st.



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V. Announcements

The School Board meeting is next week. Tomorrow is the last official student day. Christina's referendum is today.

The next meeting is July 7, 2020 at 6:00 PM. It will be held via Zoom as schools and offices are still closed by order of the Governor. Next month will be a review of the preliminary budget. Our meeting is early, so the statewide planning groups are closer to the middle of July.