



Committee Transcript

**Red Clay Community Financial Review Committee
May 12, 2020**

I. Minutes

The April 2020 Minutes and Transcript were reviewed. Ms. Thompson moved to accept the minutes and Mr. Matthews seconded. The motion carried.

II. Financial Position Report

Ms. Floore shared the screen with the Committee. The May 1 Financial Position report is a calculation of what our balance will be on June 30. This data is reported as of March 31. The report is done quarterly.

Since schools are closed. Therefore, delivery of supplies is an issue. We put in a procedure that if a delivery is necessary, the technology office is open every day and can accept delivery. However, you can imagine that the technology office cannot accept delivery from 27 of our schools every day. If it is not an urgent need, we asked the schools to hold off. There were, however, expiring funds and those needed to be expended as necessary supplies are needed for those programs. We had it come up just yesterday. One high school ordered culinary program supplies, and a pallet showed up at technology. We have modified the procedures now. We asked to be notified in the case of a large delivery to have our maintenance staff ready or have it re-directed to the school. The custodians are in the buildings but they aren't monitoring the door for deliveries as the clerical staff would.

There will be balances as schools aren't able to order everything. They will not be penalized, and they won't lose the money. We may very well may have significant budget cuts next year. Ms. Floore has no announcements to make at this time, as we don't know the answer. DFAC meets again in May. We are staying tuned to what will happen with the State budget. Right now, we are at \$16.54 million the target is one-month total payroll. We estimate our need at \$13 million to safely get to next year's taxes. Ms. McIntosh and Ms. Floore were on a New Castle call this morning as Ms. Floore sits on the NCC Finance Committee. The discussion was that 50% of the tax receipts for property taxes come in after the September 30 deadline. 50% come from escrow. They don't know if there will be a decline in the fall. We don't have another NCC Finance Committee meeting until October as they meet according to the budget cycle. We may need more carry-forward balance. The September payment directly impacts how much we need to carry-over. If that deposit is lower, we'll need that larger carry-over balance. We would not necessarily say this is surplus funding, but we will have a higher ending balance in June 30. It isn't significant. Our budget is \$16.1 so it hasn't changed dramatically. Our expenditure side is over \$1 million in contingency expenditures, which we don't typically see each year.

This is a report required to the Department of Education by May 1. However, it needs to be approved by the Board of Education at tomorrow's meeting. Mr. Matthews asked



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what is the process if 25% of property taxes are not paid because people are unemployed or going through a rough patch. Is there a process if the State would float us a loan. Or do we even know, as this has never happened before. Ms. Floore answered that historically there was a time when Red Clay could only make the June 30 deadline by releasing encumbrances. Then, they took a loan for tuition, a commercial loan. That is when the Financial Recovery Team started, that is when this report was started. At that time, we took a float loan in order to make payroll.

This money will get us through October. We will see the receipts, and if they are less than anticipated, we will not build a budget that is based on 100%. There is every chance that the public will not pay 100%. Mr. Matthews stated that we couldn't build a budget on 100% even if we are owed that 100%. Ms. Floore agreed and explained that we already build in a 1% delinquency. If the receipts are low, we will build in a bigger delinquency. However, the delinquency never goes away. We collect prior year even now. The interesting part, is the cash flow basis, we don't need all of the money up front. If the public makes payments over months, we will watch closely as we go through the fiscal year how close we get. Often in November, we are over 95%. We will track it throughout the year. Building the budget will be based on anticipated revenue. Will the funding be delayed or less in total? We will determine at the July meeting.

Mr. Schwartz asked do we look into building potential scenarios. 50-75-90 scenarios looking at the impact and reduction of certain line items. Since the State budget is 60% of it, we'll need to wait and see the direction they are heading. Ms. Floore believes there will likely be cuts in that budget. Ultimately, it is the Board's decision in passing the budget. That will be known, as the State budget is passed June 30.

The other part is staffing and preparing for how many students we will have. All Saints School is closing as well as those students returning, as parents cannot afford private schools anymore. That is more to consider and make it more complicated to put together.

Ms. Thompson asked how much of a delinquency we will build into the budget. Ms. Floore answered that we do not know how open we will be. If there are signs we are turning back to normal, or if there's a relapse. We build in 99% with a 1% delinquency. Mr. Matthews asked if we build in a bigger delinquency rate, does that hasten us to a referendum. Ms. Floore answered that it does if it is realized. Ms. Thompson stated that we are 2 years out from a referendum now. Ms. Floore stated that it is too soon to say that right now. Mr. Matthews stated that there are too many variables. Ms. Floore explained we don't know how much we will receive from the state. Ms. Thompson stated that Mike Jackson stated that we would be held harmless this year. Ms. Floore believes he meant this current school year, not 2020-2021. Ms. Thompson stated it was next year they were speaking to that was discussed at DSBA.

Ms. Thompson stated they were talking at DSBA regarding September 30 count if students aren't in school. Ms. Thompson asked if we will talk in August about an upcoming referendum. Ms. Floore stated that we can always do a 3-year forecast, but so



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much can change. Would it be better to talk about it in December as the final budget is in January? That would be a year and a few months away from a referendum. Ms. Thompson stated that we usually do a referendum in February 2021. As last year, we were talking about maybe going last February 2020 but it was decided we could go longer. Now it looks like we're looking toward February 2022. Ms. Floore stated that all depends on what happens now. Ms. Thompson added that assuming that things go smoothly; we can go the extra year. Ms. Floore agreed.

Mr. Schwartz made the motion to approve the Financial Position Report. Mr. Pappenhagen seconded. The motion passed. Ms. Thompson abstained, as she will vote as a Board Member at that meeting.

III. Monthly Expenditure Report

Ms. Floore shared the screen of the April 2020 Expenditure Report. We are currently at 98% received. Local funds are over 100% received as we had assumed a 1% delinquency built in. So, in receiving all of our taxes, we are over 100%. The reason it changed so dramatically from last month from State Salaries as the State deposited another \$10 million and we are up to \$103 million. There is still some time and the State will add more as the fiscal year progresses. That number carries such weight in our bottom line. A small percentage swing can be several million dollars. We are higher this year than we were last year in state revenue.

The State all other is loaded in funds for the yearlong residency. There is a grant that Christine Smith, our HR team and Dorrell Green have been working on an initiative for interns that receive stipends. They are student teachers. Rather than a short period of time, they student teach for a full year and are paid. Normally, student teachers are not paid. In fact, the student pays for the privilege of student teaching through their higher education institution. The grant was received and that is why it is 102% for all others.

The total revenue received is 98.32%. Ms. Thompson asked what is in the State all others. Ms. Floore answered that it includes our Groves programs, the Opportunity Grants, as well as others including paid parental leave funds. However, it was the internship that caused the overage from budget.

On the expenditure side, there is the Contingency. This the first time in 13 years we have gone over. We did a large computer purchase when we saw the pandemic coming. When we saw that China was shutting down, we made a large purchase of the newest generation of the existing Chromebooks. We will recoup a bit, as it will be in the Technology budget next year. However, we don't know what our technology needs will be next year either.

The amounts for schools and departments are lower than they were last year pretty consistently. This is due to the fact that we cannot have delivery. Ms. Thompson asked about the packets given to the students during this time. Whose budget pays for that?



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Ms. Floore explained that is Curriculum's budget. They had \$389,000 in the budget they could use. That is where the funding will come from.

At the end, you can see we are 77% expended vs. 81% at this time last year. We're not ordering as much. We don't have the daily subs or lunchtime monitors either. 77.8% spent at this time and 80.4% expended and encumbered. We are in a good position going into June 30. It speaks directly to the balance on the Financial Position Report.

The Tuition programs are in the same situation. Mr. Schwartz asked if there were any thoughts or discussions on the extended school year program. Ms. Floore explained that there are federal requirements for ESY and standards that we have to meet no differently, than what we are doing in this environment. A lot depends on when the Stay At Home order is lifted. There has been no official decision. If it opens back in June, it would be difficult to pull together. There are requirements we have to do so you may see a hybrid of online/in person. It all depends on what Phase In we are in at that time. Mr. Schwartz stated that he felt the online and Zoom meeting are good for secondary students but for elementary it would be a challenge due to potential access to technology. Ms. Thompson stated that technology isn't as much an issue as Wi-Fi. All students have a device but may not have access to Wi-Fi. Ms. Floore answered that the City and County have been working on hub sites, but the student would have to be driven to the spot and work in the car. Numerous organizations are working on it. There is also the decisions of do we collect the books over the summer as usual, what curriculum would be available over the summer. Ms. Thompson stated that the hot points are Wi-Fi and special education students. Ms. Floore stated that the families are as well. Ms. Thompson added that the special education teachers working with the parents as well. And the families who have no income at this time. Ms. Thompson stated that the European countries are opening up their schools at this time in different ways.

Ms. Thompson asked about the operations in Meadowood at 165%. This looks like a large percentage but it is \$65,000. We receive energy money from the State. We have the ability to cash that in and use it for other things. The issue with people working remotely, there isn't anyone available to take our forms. The money will come out of the school budget instructional budget. Energy costs are way down. But because of the working remote issue, we encumbered the funds and kept it in the utilities line. We will then use less local money to cover these lines next year. We still have \$71,000 encumbrance. They were spending off a prior year encumbrance. Purchase orders can be carried over.

Related services are 110%. It is 66% expended which is lower than 2019. We are still providing these services so that number will increase.

Ms. Thompson asked if the recovery program with the County for delinquent taxes. Is it successful or is anything happening. Ms. Floore explained that it is more successful than not doing anything. The company they hired only makes money if they collect. Anything we receive is more than we had. It didn't bring in millions, but we did see a gain from old accounts. Ultimately, the sheriff sales are happening on older abandoned



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properties. They are not kicking people out of their homes. In settlement, however, the debt gets paid. We'll get paid years later when the property goes to sale.

IV. The CARES Act

Ms. Floore shared a copy of the CARES Act with the Committee. Even though we don't already have the funding. It was passed 10 weeks ago. The latest one is equitable services, we need to share with the private schools as the Title 1 grant. This covers the main points of what it can be used for. We may have it in 2 weeks. Until we develop plans for reopening, we don't know what is needed. We are buying PPE and cleaning, of course. This is for Committee information.

Mr. Schwartz stated that the college and universities have gotten stimulus money. The students are receiving reimbursements from the stimulus money. Ms. McIntosh asked about the free lunch program, has it increased in people coming in for them. Ms. Floore stated that New Castle County has been doing a tremendous job helping people with the Food Bank and community places offering food. We have been provided over 100,000 meals as of a few weeks ago, but she believes the number has held steady. Ms. Thompson stated it was likely over 200,000 by now as it was 160,000 at Mother's Day. Ms. Floore distributed the April Expenditure Report.

V. Public Comment

There was no outside public comment.

Ms. Thompson spoke about DSBA. They are reducing fees for the Board next year. Mike Jackson stated that next school year we would be held harmless. They spoke to drivers' Ed cards and a backlog of students. They are seeking summer school guidance. They spoke to the CARES Act and that Delaware received \$43 million. DOE is keeping a couple thousand and the rest will go to the districts. Ms. Floore added our portion is \$5 million. Ms. Thompson added they spoke to connectivity. The September 30 count is another issue if students are not in school.

Ms. Floore added that the Judge ruled on reassessment and that our current system of funding is unconstitutional. We all believed the ruling was coming. Ms. Floore brought it up at the NCC meeting, and was told that the County feels we won't see anything until 2023. Ms. Thompson stated that the remedy wasn't determined, but they have 45 days to get the remedy to the Judge. Ms. McIntosh was surprised by the projected date. Ms. Thompson stated that the opinion was written that the assessment must be based on true value and it has to be uniform. Our assessments are not based on true value in NCC but from 1983. He recognized that assessments have to happen routinely. When they do that regularly, it creates uniformity. The rates slowly go up, so school districts would go to referendum less often unless they want to introduce new programs. Ms. Floore added that the new system has to be rolling assessments. Ms. Thompson stated what is rolling, every 2 years, every 5 years, etc. so you can have a true value. It also stated that the City



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bears a heavier tax burden than the County. Apparently, the City is bearing a heavier burden than the rest, which is unfair.

Mr. Schwartz asked about the Christina School District. Ms. Floore believes the referendum will be held June 9. There is a plan for cuts in the event it doesn't pass. The senior staff is working on a budget, but they won't be there when the Board approves the budget in July. Mr. Matthews added that they have to have the referendum at that time because as they have to have the tax warrant by July 1. Ms. Thompson added that they can always have an absentee ballot. Mr. Matthews added that the Board is voting on their RIFs tonight. The projected deficit is \$10 million.

Ms. Thompson added that the Redding Consortium is still active. The redistricting sub-committee passed a motion to come back to the consortium with a new revised timeline on redistricting and another motion to reconstitute the sub-committee and swap out the CFOs for the Superintendents to come up with a cost of redistricting. Apparently, we are still looking at this, however, with less enthusiasm. The financial state we are in, we don't know how anyone can afford it. Our task is to make sure that Red Clay doesn't get hit with any of the costs. Mr. Schwartz added there's a big concern for sustainability.

Ms. Thompson stated that the School Board Election has been moved to July 21. There are two contested spots. Ms. Thompson asked for the Committee's support.

V. Announcements

The next meeting is June 9, 2020 at 6:00 PM. It will be held via Zoom as schools and offices are still closed by order of the Governor.