



# Committee Transcript

## Red Clay Community Financial Review Committee June 8, 2021

Ms. Rattenni opened the meeting thanking Faith Newton for her service to our Board of Education. She welcomed Kecia Nesmith as our newest member. The CFRC looks forward to working with her and offered the Committee's support. Ms. Floore added that she tries to meet with all new Board Members as their first meeting involves a vote on the next year Tax Rate. This year's Tax Rate will only have changes on the smaller portions of the rate as no referendums were involved. It is a daunting task for a new Board Member. Ms. Rattenni stated that many new Board Members take the opportunity to be a member on our Committee. That is always an option.

### **I. Minutes**

The May 2021 Minutes and Transcript were reviewed. Ms. Matthews moved to accept the minutes and Mr. Chase seconded. The motion carried.

### **II. Monthly Expenditure Report**

There isn't a great deal of change from last month. The close out of the school year will be reviewed at the July meeting. That is typically one of our longer meetings due to the review of the Preliminary Budget and Tax Rate.

The last day of school is June 15, 2021. The State closes the financial system early. Therefore, the last day to submit purchase orders is Monday. We had the building level approvals done by Friday so we can handle any issues that come up by Monday. Even though it isn't June 30<sup>th</sup>, much of our school financials are done.

We are at Division 32 revenues at 99.43% received. We still have to process the Senior Tax Rebate from the State. We will tip over 100%. Last year we were at 101%. It will be very close. All of the revenues are close or slightly below. Overall we are at 99.32% which is further than we were at last year. The State has trued up with their transfer making it closer to what our budget was and ultimately top over 100% based on the increase in units we had and positions. There was a change due to the unit loss that was made earlier this year. We are on target to be 100% which is amazing given as much uncertainty that we have lived through this year.

State Transportation is one we are watching closely. Because of the number of days when the students were not in looking back in September October and part of January. We believe it will be closer to 90% but not at 100% but the expenditures are also down.

Ms. Medine commented that since it is the revenue, it is a good thing that we are higher than last year, speaking to the total, not the Transportation. The total is more important than the individual lines. There are still last minute transfers going on in Transportation, and true-ups, but the final number will be shown by the next meeting. Ms. Medine asked



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that if we do not get 100%, what the consequences are. Ms. Floore answered that we have a \$3 million reserve as well as a Contingency line. That Contingency is for the emergencies. If we fully expended our revenue, including the Contingency, we would dip into our reserve. We have to supplement from the reserves, which would impact the reserve for the next year. Part of our overall financial plan includes receiving indirect expense payments from the large federal fund programs that we will be receiving, will support it.

Ms. Medine asked if there was a minimum for the reserve. Ms. Floore explained that there is not a minimum. Some school districts have no reserve. Some districts have Board Policy set their reserve amount. We don't have a policy. This group has spoken to it in the past. Mr. Larry Miller, former CFRC member, suggested a \$3 million reserve. Mr. Schwartz recalled that Gateway had a 2% contingency. Ms. Floore explained that our contingency is for emergencies, like boiler or pipes bursting. We used it fully when we had the lawsuit and had to reimburse the ACLU for their legal fees. When the suit was decided, there was no monetary award, the trial was concluded and we had to pay the ACLU their legal fees upward of \$1 million. That was the only time we have had to use the contingency in full. Our contingency is a percentage and is smaller than our reserves. Those are significant release valves. In our current year, we have not touched the contingency and those funds will go back to our ending/beginning balance. When we end the year spending less than we budgeted, we grow our reserve funding.

Ms. Rattenni commented that the contingency has grown over the years. How do we budget for the contingency funding? Ms. Floore explained that we base it on the percentage. It is a formula - \$1.4 million is 2% of our preliminary budget estimated local receipts.

Ms. McIntosh asked if Red Clay will receive any funding back from the "give back" of \$3 million we allocate to the State each year. Ms. Floore explained that the State finished mark up this year so we know the broader amounts, but we don't know Red Clay's share of it yet. Opportunity funds is one example. To our knowledge, the extra funds are not part of the give back. We will still need to go through the exercise this year. It is our discretion where we give the funding back from. The Governor's biggest initiative is the Opportunity Grants as a result of the lawsuit. However, HB100 is to support school counselors. There is an amendment to the bill to phase it in as K-3 was phased in. There is place holders in the mark up. Mark up is where the legislature goes through the Governor's Budget and makes the adjustment bringing it forward for a vote. It has been approved by the Finance Committee but not by the Senate or House. Normally, the changes will be made via epilogue. It is 99.8% done at this point. It may make sense to eliminate the give back, but then they wouldn't get credit for following the settlement and putting funding in low income and ELL students. Hopefully, one day it will go away, but not yet.

In July, Ms. Floore will give an overview of the State Budget as it will be finalized. We will know what funding will be coming to Red Clay at that time. Ms. McIntosh knew that the \$953 million in revenues should come to the schools in some way. Ms. Floore



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also stated that the State is giving each employee a supplemental \$1,000 in addition to the salary policy which offered 1% teachers and different amounts depending on where you are in the state. That doesn't happen until November based on employment through October.

On the expenditure side, the practice is to review those that are over budget. The contingency we used last year was for the technology we purchased before everything shut down due to COVID. This year, however, we have not touched the contingency.

District-wide services we are getting close to budget. Division 1 salaries as well. We should be at 91.67% through the year. We are running slightly ahead at 93% which is based on the units we earned.

Some of the schools we looked at last month were low, and now are meeting expectations. The schools are allowed to carry over 20% of their budget.

Maintenance is 89.9% expended but 101% expended and encumbered. At the start of the year, we will do a \$2500 purchase order to Shone Lumber as we build throughout the year. We do that across the board for electrical supplies, lumber and other building. It makes it easier for our staff to go to the supplier and pick up just what is needed for a specific job, like having a line of credit, but with the purchase order to back it up. At this time of year, we know what will be used before the end of the year. We have encumbrances that we will release knowing we won't be using it. The Maintenance department is looking very closely. We can carry over purchase orders and it is tracked on previous year's expense. We try very hard not to do that.

We have Red Clay Transportation and Contractor Transportation. They work together, so we don't panic when we see the one line until we've considered the other. We are looking at what expenses belong to the line. There is a belief, even by the State, that the State fully pays for transportation, but that is untrue. The State was 60% and local funds 40%. The State fully believes they pay for transportation, therefore, they put in a 10% match on any State funds. There is a State bus driver scale, but we pay our drivers more based on a state and local amount. The State put in 10% to charge to local transportation but pulling that out and transferring it to Contractor transportation is cumbersome. The total of the two. If the revenues are short, you like to see the expenditures lower as well.

District-wide services. It is at 103% and it will stay over budget. The interesting thing is due to substitute teachers. In each school, this year, the substitutes were woefully inadequate in the number the service was able to provide. However, we did an initiative and put building based substitutes in every building. We had teachers who were home zooming in and we had to hire classroom monitors to be in the classroom with the students at the secondary level. We had adjusted the budget due to COVID. We are going over the adjusted budget. Next year, we will go back to the previous budget with an increase. The school teams and the district are ironing out the programs in the fall. We were able to find enough substitutes and classroom monitors to be full-time substitutes in the buildings. It is weird, but we are pleased we went over the budget in



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order to support the students. This is something we've talked about with the CARES funding to support building-based substitutes.

Technology is over. We are going to be reimbursed for that through the CARES fund. However, based on the timing, it will happen in the next fiscal year. We've spoken with Ms. Bewley, Manager of Technology, to place the orders now so as to be ready for the opening of school this fall. We are intentionally going over this year and leaving next year's where it is. Mr. Schwartz asked if the thought is to use the contingency again and use the CARES to reimburse us. Ms. Floore explained that we can do it out of the technology budget or to contingency. It depends on what purchases have to be recoded and the staff time it takes to do that.

The last one is State Programs. The reason we spent more is because we received more. We were an increase on revenue, therefore, we spent that funding we received. Those are specifically for State grants like immersion, teacher residency and others.

We are slightly ahead on the revenues and slightly below in expenses but exactly where we were in expended and encumbered as last year. The final close out will be at the July meeting.

Division 54 is Meadowood and everything is on track. The State wants us to dissolve Division 58. They aren't going to make us do that by July 1<sup>st</sup>, but we have to do it by January 1, 2022. Which is good as we've already coded staff to start working summer school in Division 58. We have six months to prepare and plan to disband Division 58. Mr. Schwartz asked if that includes the special education portion. Ms. Floore explained that the entire division will move. It will need to be built into the Division 32 operating budget like the First State School is. It is a coding just like, for example, Cab Calloway. The difference is everything will need to be funded out of tuition. The funding is still there and the units, but we will no longer able to have it all tidy in Division 58.

Early Years was over budget and will continue that way through the end of this fiscal year. We do have a tuition contingency to cover it. Just like with the operating side. When a student turns three, they are eligible for services. This is the only program where students continue to enroll throughout the year. Other programs start at the beginning of the school year. That is why EYP has so much flux in enrollment and staffing. It makes sense, on the parental side. Mr. Schwartz stated it is a wonderful program for early intervention, it is critical. Ms. Floore explained that is why the entire program is over budget. The good news is we can develop the coding and structure for moving it over.

Mr. Schwartz asked if we could break it out in the different schools. Ms. Floore explained that the program runs at a few different sites, but it is its own school. It is not special education making the decision. It is the Division of Accounting. They are not getting rid of Meadowood as it serves state-wide students. We did make the request to make the autism program a tuition program. We are waiting to hear on that.

### **III. CARES Update**



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CARES funding in the report is just the first cut of it. The American Recovery Plan is the additional funding dubbed CARES 2 and CARES 3. We, at the district, wanted to do a very holistic needs-based strategic plan with the funding. It wound up being for us an incredibly invaluable process and a lot of work. We sent out grant applications and solicited ideas from every department and every school. We have \$63 million as well as the CARES funding that we spent in the first round. This is one time money. We don't want to hire staff that we would have to let go and it's disruptive to the system. That happened with prior federal funds and we don't want to go through that again. We are sifting through the applications. It has been a valuable process as it turned into a strategic planning of where we are and where we need to be as a district.

CARES is only one piece of the funding. We discussed referendums and where we are with that. There will be a Board workshop to discuss any plans for the future in July. All of these pieces relate to one another. Our grant application goes to the State in August. 20% of it off the bat has to be applied to learning loss. This includes after school programs, tutoring, social and emotional supports in addition to the staff we already have. Some schools had 20 ideas for one school, some had new CTE pathways, and we asked them to think big. CTE would not be funded through the CARES funding, but it was an opportunity for people to think about where they wanted to see growth outside of managing the world we're in. We will have more to report when we get through the applications.

Ms. Floore commented that Mr. Green stated at the Board meeting that the plan is for the students to return in person in the fall. The question districts are grappling with is whether or not what type of version be available should someone really want that. Is it an online or an alternative placement, all of the different safe return to work groups have been meeting? Right now, we are also getting ready for summer school.

Summer school is the perfect time for recouping some learning loss. Teachers are going to be paid at their hourly rate which is higher than the EPER rate as we're worried about recruiting enough people to work all of the summer programs that need to happen.

## **IV. Public Comment**

There was no outside public comment.

## **V. Announcements**

The next meeting is July 6, 2021 at 6:00 PM. The July meeting will review the FY 22 Preliminary Budget and the FY 22 Tax Rate. There will not be a meeting in August.

We are planning on meeting in person starting in September. We are looking to meet at Baltz Elementary Board Room. Mr. Schwartz would like a Zoom option due to travel of members. Ms. Floore commented that Mr. Green is looking at the legal parameters of Zoom use for public meetings.