

AGENDA
SCHOOL BOARD OF SANTA ROSA COUNTY
WORKSHOP
July 24 2014-5:00 PM

Items for Review and Discussion

A. Presentation of Proposed/Tentative 2014-15 Budget

Superintendent Wyrosdick opened the workshop by stating that this is a tentative budget for 2014-15. We will have a series of workshops/presentations and will continue to adjust the budget through September when we have final recaps of 2013-14 and a projection for 2014-15 based on revenue versus expenses. Mr. Wyrosdick spoke of the diligent work performed by Susan McCole, Assistant Superintendent for Finance, and her team in preparing this budget within a very quick turnaround after they receive information from the Property Appraiser, Tax Collector, State Department of Education, and the State Department of Revenue. Ms. McCole introduced Linda Ellis, Accounting Specialist, and Lynn Rogers, Accounting Analyst; both of these finance employees were very instrumental in preparing the 2014-15 budget. This is Ms. Ellis' first year assisting in this process.

Ms. McCole began her presentation by talking about some of the positive news for our budget this year. She informed the Board that Friday evening a large deposit (from beach tax settlement) was received that necessitated recalculating the budget – which she and Linda Ellis happily did. The past two years we experienced a decline; last year our Financial Condition Ratio was below 3%; this year it is above 4%.

This is a “proposed/tentative” budget and will change throughout the year. We are on a different schedule/calendar from many other agencies. The first public hearing on the budget is scheduled for July 31, 2014. The final public hearing is scheduled for September 11, 2014. The date process is set up for agencies that have an October 1- September 30 fiscal year. The time lines for the budget are set by Florida Statute. Since the school board fiscal year is July 1- June 30 we are well into our year before the budget process is complete.

Florida Retirement System raised the contribution the District is required to contribute on behalf of each eligible District employee for 2014-15. This contribution can vary each year as determined by the State. The increase is an additional cost of approximately \$360,000 to the District; this is not paid by employees. Last year the increase was greater.

Our projected unweighted FTE for 2014-15 is 25,335. This is a decrease of sixty students for the 2014-15 school year. Bill Emerson, Assistant Superintendent for Curriculum and Instruction, talked about changes in the FTE process this past year that were dictated by the legislature. Mr. Emerson has been working closely with DOE and our Data Processing department to accurately forecast FTE; this is an ongoing process. Now that the year is over, we will receive what we actually earned.

The Board contributed approximately \$12,000,000 for employees' insurance for fiscal year 2013-14.

In 2013-14 we budgeted sales tax revenue of \$6,300,000, but actually collected \$6,692,423.

Ms. McCole reviewed the five fund balance categories. These categories are looked at closely by the Auditor General's office and DOE.

- 1. Non-spendable – Portion of fund balance that cannot be spent because of the form (inventories).*
- 2. Restricted – Portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions (state categoricals and projects).*
- 3. Committed – Portion of fund balance that represents resources that have been earmarked or whose use is constrained by limitations that the governing body has imposed upon it (school based budgets and board projects).*
- 4. Assigned – Portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is not restricted or committed (district office budgets).*
- 5. Unassigned – Portion of fund balance that is available for the Board to use as needed.*

Ms. McCole shared information on the District Cost Differential (cost of living factor). This year Santa Rosa received .9602 cents on the dollar; last year we received .9537 cents on the dollar; the gap is getting smaller. This is good news for us; it means we are funded closer to the actual dollar. Last year we were funded at number 66 out of 67 districts in Florida; this year we moved up to number 63 out of 67 districts. This is the highest we have been ranked in a number of years. If we were funded the same as Escambia County, we would have an additional \$1,500,000 of funding; if funded the same as Okaloosa County, we would receive an additional \$5,400,000. Our funding increased this year by \$215 per student which is a 3.3% increase.

This year we have a slight decrease in the State required local effort tax millage of .305 or 5.6 (2013-14) to 5.295 (2014-15) mills. The total millage rate for 2014-15 will decrease to 7.443. The total Board option millage stays the same as last year at 2.148. The actual tax roll amount last year was \$8,243,519,287. This year it is \$8,665,370,772; a difference of \$421,851,485. Our actual tax roll millage went down .305; the actual tax roll amount went up.

The next chart showed examples of proposed tax changes and how it would affect homeowners with varied home values; just because the millage rate has gone down doesn't mean real estate tax will go down. (If home increases in value, taxes may increase.)

*The next chart illustrated our total available budget by fund type as compared to 2013-14. Total Available Budget for 2014-15 is \$199,955,774; this is an increase of \$8,200,969 from 2013-14 which was \$191,754,805. **This will change throughout the year.** The total available represents the fund balance carried forward from the prior year (2013-14) in addition to new year revenue. Total budget (all parts) for 2014-15 is \$269,999,512. Special revenue (including state and federal projects) is not in yet; we must wait until we receive award letters so the District is not obligated for those amounts. The increase in the operating budget is due to increased funding from the State as well as an increase in our*

fund balance from this past year.

Superintendent Wyrosdick asked Ms. McCole if this increase also includes an increase in state categoricals; she responded that it does include state categoricals which doesn't necessarily translate to free cash. We had an approximate \$4,000,000 dollar increase in non-earmarked funding but also had increased expenses from additional instructional and educational support staff (approximately \$2,000,000), FRS employer contribution rates, cost of diesel fuel, cost of contracted services, and increased utility costs. These increases alone are currently budgeted at \$3,200,000.

The next chart covered our budgeted revenue and illustrated the amount and percentages that come from Federal, State and Local sources. Revenue by Type (Operating only) for 2014-15 is \$182,069,706. Revenue by Type (Total Budget) for 2014-15 is \$230,614,496.

The total operating budget includes 74% spent on salaries and employee benefits; 15% on purchased services; 4% on energy services; 4% on materials and supplies; 2% on capital outlay; and 1% on other miscellaneous expenses.

*We have budgeted for a total of 2,694 employees for 2014-15; this is an increase from 2013-14 of 30 instructional and 14 educational support employees. Our total breakdown is as follows: 1,828 instructional staff (69%); 772 classified and blue collar (28%); 88 administrators (3%); and 6 superintendent/board (0%). **Note: We have hired seven instructional employees since this presentation was completed (for a total of 1,835).***

Ms. McCole presented a chart showing our budgeted energy history and utility budget. Our electricity cost for 2013-14 increased although our kilowatt hour usage increased by only 3,000 kilowatt hours district wide. Gulf Power rates went up and we are heating/cooling more square footage. Diesel fuel costs went up slightly; unleaded went down a little – this remains somewhat steady.

Next we reviewed examples of categorical and committed projects with carry-forward balances from 2013-14. These are a few of the projects that have a substantial carry-forward balance from 2013-14; does not include them all. These balances must be re-appropriated to these specific projects for 2014-15 either because of legal requirement or the funds are obligated for specific purposes; these balances cannot go back to the operating budget. The total of the examples listed is \$3,719,103. Superintendent Wyrosdick pointed out that this balance affects our June 30 Financial Condition Ratio and also affects our FCR in August. Examples cited include Safe Schools, Extended School Year/Summer School, Textbooks, School Improvement, Reading Allocation, School Recognition, School Based Budgets, Career Academies, Advanced Placement, Driver Ed Safety Act, Wellness Insurance Credit, Voluntary Pre-K, and ITFS, Wireless One. Note: School Improvement Funds increased due to receipt of lottery money late in the year.

Board member Jennifer Granse asked why we received the lottery funds this year and not last year; Ms. McCole responded that it has to do with school grades/recognition. If fewer schools are eligible to receive lottery money, there is money left over and it may be allocated to this area.

The next slide showed budgeted salary and benefit expenditures for 2013-14 from project

910. This project is closely monitored to make sure there are not excess funds sitting there. The balance this year (difference between available and used dollars) is only \$11,654.96.

Ms. McCole talked about some of the items that increased our Financial Condition Ratio; many of them occurring at year end. We received additional tax revenue above 96% (taxes and delinquent tax certificates) of \$1,100,000; non-recurring tax revenue from ten-year beach settlement and other delinquent taxes of \$2,890,663; Blue Cross profit share \$800,000; Blue Cross wellness program \$150,000; reduction in Pensacola State College costs \$255,000; recoding of IDEA paraprofessionals \$200,000; reduction in employee costs (retirements, vacancies, unpaid leave) \$850,000. All of these added together total \$6,245,663. Our Financial Condition Ratio improves one percentage point for each 1.5-2 million of revenue.

Superintendent Wyrosdick stated that he spoke with Property Appraiser Greg Brown and Tax Collector Stan Nichols; this is the culmination of a 13-14 year old lawsuit. He emphasized that we are happy to have these windfalls; but they are not necessarily recurring revenue.

Ms. McCole explained the next few slides which give an overview of our Financial Condition Ratio. Marilyn Brown, Accounting Supervisor, prepares the fund balance analysis based on what she has at that particular time. The financial statement will not be finalized until September; this is also when the final budget is due.

The Financial Condition Ratio is calculated by adding unassigned and assigned fund balances and dividing them by estimated revenue; then subtract foldback/encumbrances included in the unassigned estimated fund balance. On June 30 our Financial Condition Ratio was 7.11%; our FCR without foldback and encumbrances was 5.91% (includes unexpected windfalls). That is where we truly were on June 30, 2014.

Looking forward, our estimated unassigned fund balance on June 30, 2015, is \$7,094,018.59; our assigned estimated fund balance is \$883,989.86. By adding these together and dividing them by estimated revenue (as of July 24, 2014) of \$177,720,818.26 our projected Financial Condition Ratio for June 30, 2015 is 4.49%. This is positive news since last year we were at 2.17% and were on the state monitoring list; this should remove us from that list.

The board was presented with a 2014-15 Capital Outlay Project priority list to review and copies of the budget ads as they will appear in the newspaper. It has been four years since the district has received Public Education Capital Outlay (PECO) dollars. The \$513,106.00 we are expecting in 2014-15 has been included in the estimated revenue as of July 24, 2014.

In conclusion, the 2014-15 tentative operating budget is \$188,905,900.78 with a total budget of all parts of \$251,121,629.99. Our first public hearing on the tentative budget and millage is scheduled for July 31, 2014, at 6:30 p.m.

In closing, Dr. Scott expressed her appreciation to Susan McCole and her staff for their hard work on doing and then re-doing the budget. Superintendent Wyrosdick again emphasized that these numbers are subject to change as we work through the year but this is a good trend.

The Superintendent then asked Karen Retherford, Coordinator of Risk Management and Benefits, to address the Board regarding the issue of self-insurance since this will have a fiscal impact. The goal is to keep insurance rates as flat as possible. The self-funded subcommittee has made a recommendation to the District insurance committee to transition from fully insured to self-funded. This recommendation will be presented to the Board at this evening's meeting. Dr. Scott asked if we must have a specific amount of dollars up front and Mrs. Retherford stated that we do not. We have to be sure we have funds appropriate to pay claims that have been incurred and we must have two months of surplus at the end of 2015. Board member Hugh Winkles stated that the timing is right for this - while we have Mrs. Retherford's expertise to guide us through the process.

The workshop was adjourned. The July 24 board meeting will begin at 6:30 p.m.

School Board of

Santa Rosa County

Chairman

ATTEST:

Superintendent and Secretary