

MEETING MINUTES
SCHOOL BOARD OF SANTA ROSA COUNTY
WORKSHOP
July 23, 2015 – 5:00 P.M.

Items for Review and Discussion

A. Presentation of Proposed/Tentative 2015-16 Budget

Superintendent Wyrosdick opened the workshop by expressing his appreciation to Susan McCole, Assistant Superintendent for Finance, and her staff for the work they have done in putting this budget together. The Superintendent stated that this is an aggressive budget built to meet the needs of our students, faculty, and employees. This is the first presentation of the budget; it will be finalized on September 10, 2015.

Ms. McCole began by stating that she has exciting news – the budget has increased as well as the Financial Condition Ratio and fund balance. She also introduced her staff members who have been instrumental in putting this budget together: Linda Ellis, Accounting Specialist; Lynn Rogers, Accounting Analyst; and Tom Turman, Management Information Analyst. Information needed to assemble the budget was just received from Tallahassee this past Thursday evening which has made for a hectic week. Ms. McCole emphasized that this is a proposed, tentative budget and it will change several times during the year. Additional revenue and/or expenses that have not been budgeted for will affect the budget and the Financial Condition Ratio. Tonight is the first presentation of the budget as well as a request for advertisement. The first public hearing will be on July 30; the final public hearing will be on September 10; these dates are set by Florida Statute. The school district fiscal year is from July 1 – June 30.

Ms. McCole noted that the school district established a self-insurance plan in January 2015 which covers employee health insurance. The plans year runs from January through December; revenue is shown as it is collected and expenses are shown as they are paid out. These funds are included in the Proprietary fund. Florida Statute requires that \$2,000,000 of this fund be set aside for future run-off claims and listed as restricted; the other part of the balance is listed as assigned.

Our projected unweighted FTE for 2015-16 is 26,004 students. This is an increase of 169 students for the 2015-2016 school year.

The Board contributed approximately \$12,000,000 for employees' insurance for fiscal year 2014-15 which is consistent with the prior year. The same amount has been budgeted for this coming year.

In 2014-15 we collected sales tax revenue of \$7,272,157 which is an increase of \$580,000 over the prior year. This is due to an improved economy and will be used to help with capital projects in 2015-16.

Ms. McCole pointed out that the Financial Condition Ratio in September 2014 was 4.19 but as budget amendments are entered and/or additional revenues are received, the Financial Condition Ratio changes accordingly.

Ms. McCole reviewed the five fund balance categories.

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 .9630 cents on the dollar; last year we received .9602 cents on the dollar. Our Board and Superintendent have been working on this for several years; we are continuing to close the gap. Last year we were funded at number 63 out of 67 districts in Florida; this year we moved up to number 55 out of 67 districts (as of the first calculation). If we were funded the same as Escambia County, we would have an additional \$740,000 of funding; if funded the same as Okaloosa County, we would receive an additional \$6,200,000; if funded at the state average we would receive an additional \$3,500,000.

Superintendent Wyrosdick pointed out that District Cost Differential (which controls our ranking) is a double-edged sword. While we appreciate that our funding/ranking is increasing, it also means that it's costing more for our citizens to educate a child in Santa Rosa County. Later in the budget presentation information will be provided on military-connected students and the additional FEFP component our district receives to help with the needs of these students; this has contributed to our improved ranking.

This year we have a slight decrease in the State required local effort tax millage of .241 or 5.295 (2014-15) to 5.054 (2015-16) mills. The total millage rate for 2015-16 will decrease to 7.202. The Board option millage stays the same as last year at .748. The discretionary and capital outlay (1.4) have stayed the same. The actual tax roll amount last year was \$8,665,370,772. This year it is \$8,901,431,536; a difference of \$236,060,764. Our actual tax roll millage went down approximately 4.5%; the actual tax roll amount went up.

The next chart showed that 70% of the millage is state required; 20% is capital outlay; and 10% is mill compression. Last year the state required millage was 71% which means that the state is funding us more this year – this is good news for our citizens. Ms. McCole noted that if we do not charge the state required millage rate, we would lose the mill compression, which accounts for \$4,800,000.

The following slide listed examples of proposed tax changes for homeowners (assuming \$25,000 homestead exemption and no increase in home value) for the upcoming year; this is a slight decrease in property tax amounts.

*The next chart illustrated our proposed total available budget by fund type as compared to 2014-15. This includes fund balance carry forward on June 30, 2015 as well as new revenue. **This will change throughout the year.** Total Available budget for 2015-16 is \$211,920,125. This is an increase of \$7,725,041 from 2014-15 which was \$204,195,084. Ms. McCole reviewed the fund types and balances: debt service is slightly down; capital outlay has increased. Special revenue is down because we haven't yet received all of our state and federal grants. Proprietary (which includes self-insurance) is down at*

this time since we have just paid some large invoices and have not yet collected contributions from July payroll. Total budget (all parts) for 2015-16 is \$291,176,860. Our operating and total budget-all parts increased; this is good news.

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 2015-16 is \$192,757,453. Included in the Operating revenue is a new funding source called Federally Connected which is used to support military families and students (\$1,200,000). Revenue by Type (Total Budget – includes everything) for 2015-16 is \$244,682,015.

We have budgeted for a total of 2,784 employees for 2015-16; this is an increase from 2014-15 of 5 instructional and 27 classified and blue collar employees. Note that this includes all budget parts; some of these increases are paid for with state and federal grants as well as IDEA. The increase in educational support employees is partly due to additional ESE students and compliance with IEPs. Ms. McCole noted that we did not fill all instructional vacancies during the 2014-15 year. Our total breakdown is as follows: 1,880 instructional staff (68%); 806 classified and blue collar (29%); 92 administrators (3%); and 6 superintendent/board (0%).

The total operating budget of \$194,264,136 includes 75% spent on salaries and employee benefits (73% in 2014-15); 14% on purchased services (includes any type of contracted service); 4% on energy services; 4% on materials and supplies; 2% on capital outlay; and 1% on other miscellaneous expenses. Total budgeted expenses for all budget parts is \$260,806,576 (includes all projects and grants).

Ms. McCole presented a chart showing our budgeted energy history and utility budget from 2009 – 2016. This line chart shows an increase in 2012 and a sharp decrease in 2013 when Joey Harrell, Assistant Superintendent for Administrative Services, implemented a number of cost savings measures. The cost has gradually started to increase but not because usage has gone up; rates have increased as well as additional classrooms. When we normalize the data we have expended less based on the number of heating and cooling days. We will continue to work on energy conservation. Ms. McCole also talked about fuel costs – both unleaded and diesel. Diesel costs have gone down; partly because the fuel cost has decreased and partly due to changing bus routes. Unleaded gas costs have gone down slightly.

The next slide showed our Financial Condition Ratio changes and projection. Ms. McCole shared that when she presented the budget in September 2014, the projected Financial Condition Ratio for the end of the year was 4.19%. During the year we received additional unexpected revenue including tax revenue above the 96% state required budget amount. Florida Statute will only allow budgeting at 96% when Finance projects taxes and budget. This year we collected above 96% but we've had years in the past when we collected 94-95%. As of June we collected \$214,075 (which Finance added to our revenue) over and above the 96%.

We also received \$1,600,000 from a tax certificate sale. These items/revenue cannot be predicted. Superintendent Wyrosdick had a conversation with Property Appraiser Greg Brown; this is a sign of the times – coming out of the recession. Properties that have become a tax burden to the county are now selling; this can't be predicted and will balance out. School Board member Dr. Diane Scott pointed out that this can't be counted on. Ms. McCole stated that the prior year we received additional revenue from Navarre Beach lease fees but we haven't received any this year and we do not have an escrow account

for Navarre Beach tax fees. We did receive additional FEFP funding. Although the fees from Locklin and Santa Rosa Community Schools are shown in our revenue, fees collected at those schools are budgeted for the school programs for the next year; we do not keep those dollars in our fund balance. We charged a higher indirect cost rate which provided additional revenue and also received a refund from Navarre water. The refund from Navarre water is a one-time source of revenue. Mr. Harrell explained how the refund came to be. During a changeover in meters, the wrong multiplier was used. Lore Conway, Fiscal Assistant III in Accounts Payable, brought this to Mr. Harrell's attention, and after the research process was completed, a refund was issued. We also received additional Medicaid claiming revenue of \$372,834. All of these additional revenues equated to \$3,923,835, which had an effect of 2.15% on the Financial Condition Ratio.

Reduction in costs included terminal leave payouts (fewer payouts than anticipated), dual enrollment costs, diesel fuel costs, employee vacancies, and insurance credit. All of these added up to \$1,000,195; which had an effect of .55% on the Financial Condition Ratio. During the year, as projections change and vacancies may be unfilled, Finance makes budget amendments and pulls the extra money back into the fund balance.

At the end of the fiscal year we had \$2,100,000 in unassigned/assigned fold back which increased the Financial Condition Ratio by 1.12%. **This fold back includes funds that will be scheduled right back to the specific program/site that it came from as soon as the new budget year opens.** Ms. McCole reviewed the slide which listed fold back amounts and programs. The Financial Condition Ratio on June 30 (including fold back of \$2,100,000) was 8.01%.

Ms. McCole then presented the proposed/tentative budget summary. At this time the unassigned fund balance is \$14,647,519; the restricted is \$3,006,365; assigned is \$393,873; committed is \$1,008,070; non-spendable is \$106,842. This leaves us with a fund balance on June 30, 2015 of \$19,162,671. Our fund balance increased in part due to unexpected additional revenues, reduction in costs, as well as fold back. Our estimated revenue for the 2015-16 year is \$192,757,453 with appropriations of \$194,264,135. Estimated fund balance on June 30, 2016, is \$17,665,988.

The following slide showed Financial Condition Ratio by budget part and fund. Financial Condition Ratio is calculated by adding unassigned (\$13,418,551.41) and assigned (\$370,775.76) budget parts; then dividing this by estimated revenue (\$188,528,945.10) resulting in a projected Financial Condition Ratio of 7.31% on June 30, 2016. Ms. McCole shared information regarding how this can change from one calculation to another; from the first calculation to the second calculation our projected revenue increased by \$2,000,000 which raises the Financial Condition Ratio by 1%. During the third calculation this past year the state reduced our funding by \$900,000 for proration and \$700,000 for McCay Scholarships. Superintendent Wyrosdick explained that funding was reduced by the state in November and February due to proration; proration occurs when the entire state has more students than they project. This reiterates how important it is to get the projected number of students right; we have historically had more students than we project for. Assistant Superintendent for Curriculum and Instruction Bill Emerson explained the two different types of proration; one is when the state does not project the right amount of FTE; the other is referred to as recalibration (when the District sends projected FTE to the state and the state then decides how much the District will be allowed per student).

Board member Jenny Granse asked why the McCay Scholarship funding would be reduced. The Superintendent responded that this also has to do with projections and can vary from one district to another. Mr. Emerson stated that the impact of McCay Scholarships in the last ten years has gone from approximately \$100,000 to \$700,000. This is typically when an ESE student chooses another entity to receive their education; they may choose a private school which means the private school will receive that funding.

Ms. McCole addressed the class size penalty. This was originally approximately \$300,000 but after Mr. Emerson wrote an appeal to the state it was reduced to approximately \$19,000; kudos to Mr. Emerson.

The Board was presented with a 2015-16 Capital Outlay Project priority list to review as well as a detailed list of projects by school/work site. The total estimated amount for Capital Outlay Projects is \$24,800,000. This was followed by the Certification of School Taxable Value showing millage; and then a copy of the actual budget ads as they will appear in the Santa Rosa Press Gazette. Ms. McCole asked if anyone had questions regarding the budget presentation.

Superintendent Wyrosdick expressed his appreciation to Susan McCole and her staff for the hard work (including long hours) they have done in preparation of this budget. The Superintendent pointed out that this is a very aggressive budget; we are benefitting from revenue from additional students/FTE (approximately \$900,000) and the unexpected revenue received in May and June. This is non-recurring revenue and we need to be cautious since this can't be counted on or anticipated in the future. This benefits us greatly; we do not have to watch every dollar but we do have to budget carefully in order to maintain financial prudence. The Superintendent stated that he is optimistic about the coming year and feels that this budget will enable us to do some things we have been wanting to do. First and foremost, we need to take care of our employees and students. It is also positive for our constituents since this may result in a reduction of property taxes. The increase in the FCR is positive; he believes that the state legislators responded to our concerns since education received more funding than many state agencies. **This is the first look at the budget for 2015-16; it will change throughout the year.**

The workshop was adjourned. The July 23 Board meeting will begin at 6:30 p.m.

School Board of
Santa Rosa County

Chairman

ATTEST:

Superintendent and Secretary