AGENDA
SCHOOL BOARD OF SANTA ROSA COUNTY
WORKSHOP
July 21, 2016-5:00 PM

Items for Review and Discussion

A. Presentation of Proposed/Tentative 2016-17 Budget

Note: The complete proposed/tentative 2016-17 budget presentation can be viewed at http://santarosacountysdfl.swagit.com/play/07212016-1004

Superintendent Wyrosdick welcomed Board members to the workshop and stated that this first glimpse of the 2016-17 budget will give us an idea of revenue but it will be changing all the way through September. The Superintendent introduced Susan McCole, Assistant Superintendent for Finance, and commended Ms. McCole and the entire Finance department for their diligent work on this year's budget preparation. He asked Ms. McCole to introduce her staff who were present at the meeting: Lynn Rogers, Budget Analyst; Linda Ellis, Accounting Specialist; and Melissa Bullard, Accountant. The Accounts Payable department, Data Processing, and Payroll have worked diligently on the budget at the same time they are completing year-end processes for the 2015-16 budget year. Ms. McCole also mentioned Marilyn Brown and Kathy Strickland who have been working on the AFR (Annual Financial Report). Ms. McCole expressed appreciation to all her staff for their hard work.

Ms. McCole began her presentation by pointing out that this is a proposed/tentative budget and will change throughout the year. A public hearing will be held at the School Board meeting on July 28 and the final public hearing on the proposed/tentative budget will take place on September 8 at 6:30 P.M.

One key thing that is different this year from previous years is that we have a self-insurance plan (established in January 2015) covering our employee health insurance. The plan runs from January through December with revenue shown as it is collected/earned and expenses shown as they are paid out; these funds are included in the proprietary fund. The Board contributed approximately $12,700,000 for employees' insurance for fiscal year 2015-16 and also contributed $2 million to the Self-Insurance Fund per Florida Statute to cover future run-off claims.

Our projected unweighted FTE for 2016-17 is 26,330 students. This is an increase of 215 students for the 2016-17 school year.

In 2015-16 we collected $7,839,454 in sales tax revenue which is an increase of $567,297 over the prior year. As Ms. McCole received these increases she let Jennifer Northrop (Accountant in Administrative Services) know and the funds were recorded in capital projects. Superintendent Wyrosdick pointed out that this is from the 1/2 cent sales tax not the general sales tax.

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.*
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).*
4. *Assigned - Portion of fund balance that is constrained by the government's intent to be used for specific purposes, but are not restricted or committed (Board projects and District office budgets).*
5. *Unassigned - portion of fund balance that is available for the Board to be used as needed.*

Every year we look at the District Cost Differential (cost of living factor); looking back at 2011 there was a huge gap but it is coming closer together which means prices have increased in our area. The State makes the determination on a county by county basis based on costs in a given area - grocery/gas costs, etc.

The next slide lists seven counties including neighboring counties Escambia and Okaloosa with a comparison of funding per student. At this time, based on the second calculation, we are funded at number 55 out of 67 counties. We have moved up; at one time we were the lowest funded. We are funded at $7,031.82 per student per unweighted FTE; Escambia is funded $58.73 more per unweighted FTE; Monroe is the highest funded at $9,086.47 per unweighted FTE ($2,054.65 more than we receive); and Suwanee is the lowest funded at $6,749.55 per unweighted FTE ($282.27 less than we receive). If we were funded the same as Escambia we would receive an additional $1.5 million; if funded the same as Okaloosa we would receive almost $6 million more; if funded the same as Suwanee we would receive $7 million less. If we were funded at the state average, we would receive almost $4 million in additional funding. There is a big difference in the districts when looking at overall funding per unweighted FTE.

We received notification Friday afternoon (July 15) that for this year our State required local effort tax millage is 4.692 which is a slight decrease of .362 from 2015-16. If we did not charge the required local effort tax millage we would lose mill compression of almost $5.3 million dollars. The Board option millage is the same as last year at .748 and the discretionary and capital outlay will remain the same at 1.4. The total operating millage is 5.44; if we charged 1.5 mill instead of 1.4 the District would collect an additional $908,829 in tax revenue. Total millage this year will be 6.84. Last year it was 7.202 so we have experienced a decrease.

The next chart showed a millage breakdown - 68.6% is State required; 20.4% is capital outlay; and the mill compression rate is 11% (.748). Last year the state required millage was 70%; this means that the State is paying more and we are charging our citizens less.

The next chart listed examples of proposed tax changes for 2016-17 and how it would affect homeowners based on home value. This is a slight decrease in property tax amounts.

Ms. McCole reviewed the fund types and balances on the next chart (showing 2016-17 as compared to 2015-16). It shows an almost 1.3 million decrease in our operating budget from 2015-16 to 2016-17. We received additional funding this year from the state ($2.4 million dollars more) but the reason for the decrease is we had about $4.2 in non-recurring dollars for 2015-16 that we will not be receiving this year. Our capital outlay increased due to additional sales and property taxes; our debt service decreased partly due to bond refinancing; special revenue is not all received at this time from federal and State projects.

Ms. McCole explained that the proprietary fund balance looks unusual because the 2015-16 balance includes premiums that 10-month employees paid in June for their summer coverage; this number will go up and down as money is collected through the year; at this time the self insurance fund is looking better than last year - hopefully this trend will continue but it's too early to be sure. Typically there is an increase in claims in August-September. Superintendent Wyrosdick added that we had 67% (for insurance claims) in May and 116% in June. Ms. McCole stated that she had talked with Pam Smith, Coordinator of Risk Management and Benefits, regarding the estimated Board portion of insurance costs for the upcoming year. She already budgeted $300,000 but has put aside an additional $350,000 for the Board portion of insurance costs if needed (based on the Insurance Committee's decision).

Superintendent Wyrosdick pointed out that this will be based on medical loss ratio; he has asked Mrs. Smith to provide this information as late as possible in order to get the most accurate information possible; we are hopeful that the $650,000 budgeted for insurance renewal will remain flat.

The next chart showed our budgeted revenue and illustrated the amount and percentages that come from Federal, State, and Local sources. Revenue by Type (Operating only) for 2016-17 is $190,841,562; revenue by Type (Total Budget which includes everything) for 2016-17 is $238,899,154.

For the 2015-16 year we had a proration adjustment of approximately $330,000 and close to $667,000 *due to McKay Scholarships - totaling almost $1 million reduction in revenue. This year's second calculation has resulted in a reduction of $53,943 with expected further reductions due to proration. Proration occurs when the State of Florida has more students than projected; the State then comes back to school districts and reduces our original funding per student resulting in a reduction in revenue. Superintendent Wyrosdick spoke of frustration with the process; our district wants to project more students but the State will not allow us to do this (resulting in a greater number of students than projected and the State implementing proration).*

The following chart shows that we have budged for a total of 2,857 (including 1,922 instructional and 836 educational support) employees for the 2016-17 year which is an increase from 2015-16 of 16 employees (13 instructional and 3 educational support); this can change based on enrollment and special needs. Conni Camley, Assistant Superintendent for Human Resources, and Bill Emerson, Assistant Superintendent for Curriculum and Instruction, both work closely with Superintendent Wyrosdick to determine if additional staff is needed. Note: Administrative staff numbers includes Principals, Assistant Principals, and District Staff; not just District level administrative staff.

Dr. Diane Scott asked a question regarding the planned increase in instructional positions; are they mostly south end additions? Mrs. Carnley responded that these increases are primarily due to the population increase in the area of Exceptional Student Education; some in the extreme behavioral units.

Superintendent Wyrosdick added that this is a very conservative staffing plan based on economic news from the legislature this past January/February and understanding that may be a trend over the next few years; it's important for us to be as conservative as possible although we do expect some increase. We do not anticipate overcrowded classrooms but some ancillary programs may be limited until we know where we'll be economically at the end of the year.

The total operating budget of $200,721,533 includes 76% spent on salaries and employee benefits (75% in 2015-16); 15% on purchased services (includes any type of contracted service); 3% on energy services; 4% on materials and supplies; 2% on capital outlay; and less than 1% on other miscellaneous expenses. ***Ms. McCole emphasized that this will change.*** *She noted that the Financial Condition Ratio (FCR) projected for July 2017 is 7.29 but this will change once we have employees in place based on their insurance choices, etc. Last year at this time the FCR was 7.31 and it went down once we had actual employees with accurate salaries and benefit choices in place. For example, if employees are hired with 10 or 15 years of experience who choose a family benefits plan this expense may fluctuate greatly. We have no way of projecting this so we must estimate.*

Ms. McCole presented a chart showing our fuel and electricity history. Unleaded fuel has remained flat while diesel fuel was high in 2010 but has continuously decreased which is good. Electricity expenses had dropped but are slowly creeping back up due to rate increases from Gulf Power as well as square footage additions throughout the District. Food Service reimburses the District for some of the energy costs from the kitchen areas; this past year the reimbursement amount was approximately $437,000.

The next slide showed some non-recurring dollars that our District received.

The general fund received $4,682,983 broken down as follows: $746,017 (tax revenue collected above the 96% State required amount - we are only allowed to budget 96% tax revenue even though we have collected more than that the last few years); prior year taxes $1,844,497 (which is not something we can budget for since we don't know that we will receive the payment). The majority of this came from a lawsuit with a company that had property in Jay; these tax dollars are divided between the general fund and capital outlay fund. We received FEFP funding (from the third and fourth calculation) of $499,699. Our final payment of almost $1.6 million was received from the BP lawsuit. Approximately $4.2 million of these additional revenues are non-recurring.

The capital outlay fund received $180,011 of tax revenue collected above the 96% State required amount; $419,993 from prior year taxes (majority from the lawsuit but this is not "broken out" so that we can see the exact amount from the lawsuit). Dr. Diane Scott asked if these prior year taxes were related to the Navarre Beach lawsuit and Ms. McCole responded that small amounts may be from that but most Navarre Beach residents were already paying although the disbursement wasn't processed until the lawsuit was decided. Additional sales tax revenue of $539,454 brought us to a total of $1,139,458 of additional capital outlay fund revenues that we were not expecting.

Ms. McCole then presented the proposed/tentative budget summary. At this time the unassigned fund balance is $17,442,167.89; the restricted is $2,767,884.45; assigned is $595,416.53; committed is $1,235,990.73; and non-spendable is $39,160.42. This leaves us with a fund balance on June 30, 2016, of $22,080,620.02. Our estimated revenue for the 2016-17 year is $190,841,562.03 with appropriations of $200,721,532.59. Estimated fund balance on June 30, 2017, is $17,026,329.46.

These numbers are estimates based on where journal entries are at this time; we are still waiting on information from the State. Superintendent Wyrosdick pointed out that the numbers shown will change drastically as we work through to September.

The following slide showed Financial Condition Ratio by budget part and fund. Financial Condition

Ratio is calculated by adding unassigned ($13,450,800.27) and assigned ($458,008.26) budget parts; then dividing this by estimated revenue ($190,841,562.03) resulting in a projected Financial Condition Ratio of 7.29% on June 30, 2017. Ms. McCole went on to explain how the percentage value of each fund balance category for 2015-16 is calculated and then used to determine the Financial Condition Ratio for June 30, 2017. Last year at this time the Financial Condition Ratio was at 7.31% but was down to approximately 5% by the time of the final budget presentation in September. Ms. McCole stated that at a recent financial workshop she attended the message was to be conservative; this has served our District well and helped with our Financial Condition Ratio. We are in a good place compared to a few years ago when our FCR was in the "2" range. She received good news from Standard & Poor's (financial rating organization) who contacted Ms. McCole to let her know that based on progress in the past year we are being classified back to "stable." This is good news and will help us with COPS/bond funding over the next few years as we begin to build schools.

Superintendent Wyrosdick emphasized that we will strive to maintain the FCR between 6 and 8% over the next couple of years in the midst of relatively low revenue increases and some increase in expenses. He stated that financial stability has been a Board objective over the last few years and encompasses many facets; from Assistant Superintendent Joey Harrell's installation of a chiller plant which costs more up front but reduces electricity costs for many years to come to managing teaching units in creative ways; our four Assistant Superintendents and staff have done a tremendous job of giving guidance to that along with the Board's support. We would love to see the FCR remain at 7.29% but we know that it will change. It's been a hard road but is much better than those years in the past when FCR dipped to 2% or below. The Superintendent expressed appreciation to the Board for their support.

Ms. McCole moved on to the slide showing Capital outlay projects and thanked Jennifer Northrop in Administrative Services for her work in preparing this information for the Finance department. Capital outlay is transferring over almost $8.3 million dollars; without this our FCR would not be as favorable as it is. Of that $8.3 million, approximately $4.8 million is going into operating covering our property and casualty insurance, bus lease, and paying for over $2 million of technology (upgrading computers, etc.). In addition, $3.5 million is being used for a COPS/bond payment. Ms. McCole pointed out that Assistant Superintendent Joey Harrell is generous to move that money over to the operating budget when possible.

The next several charts/slides show a wish/priority list that Mr. Harrell receives from each school which includes repair and upgrade requests.

The remaining information shows the budget ads that will be in the Santa Rosa Press Gazette on Saturday, July 23, 2016. We will be advertising for our first public hearing for the proposed/tentative 2016-17 budget to be held on Thursday, July 28, at 6:30 P.M.

Superintendent Wyrosdick noted that this is a workshop and an opportunity to address any questions or concerns the Board may have regarding the proposed/tentative budget for 2016-17. ***This is a first glimpse and the budget will change.*** *The budget is very conservative and meets our needs - not necessarily all of our wants. We will move forward with due diligence to save every dollar we can. The Superintendent thanked Assistant Superintendent for Finance Susan McCole and her staff for their hard work on the budget. He then asked the Board for any questions/comments they might have.*

Board Member Dr. Diane Scott asked a question regarding the Triumph money and if we are seeking any of those funds. Superintendent Wyrosdick responded that we are receptive but are not expecting any of the funds. He went on to explain that we will continue to look at this but found early on that these funds are very project specific and that we may not be in the genre for this to be a good fit.

Board Chairman Jennifer Granse expressed her appreciation for the good job that Ms. McCole did in presenting the proposed/tentative 2016-17 budget.

Superintendent Wyrosdick expressed appreciation to Ms. McCole and staff for their work on this year's budget while closing out the previous year's budget.

The workshop was adjourned. The July 21 Board meeting will begin at 6:30 P.M.

SCHOOL BOARD OF
SANTA ROSA COUNTY

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Chairman

ATTEST:

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Superintendent of Schools