

**AGENDA**  
**SCHOOL BOARD OF SANTA ROSA COUNTY**  
**WORKSHOP**  
**July 24, 2018-9:00 AM**

Items for Review and Discussion

A. Presentation of Proposed 2018-19 Budget

**Note: The complete proposed/tentative 2018-19 budget presentation can be viewed at**

**<http://santarosacountysdfl.swagit.com/play/07242018-597>**

*Board Chairman Dr. Diane Scott opened the workshop for the 2018-19 proposed/tentative budget. All Board members were present; Superintendent Wyrosdick led us in the Pledge of Allegiance to the Flag and in a moment of silence.*

*The Superintendent reviewed the process that started a year ago when we began revenue forecasting and what the legislature might do during session. We also worked through FTE cycles and student enrollment projections; Finance is now in the midst of closing out one fiscal year and opening a new one - this will be a fluid close and opening with the budget being finalized in September (although it may change some after that date). This is our first look at the budget for 2018-19. Superintendent Wyrosdick shared that he wants to emphasize three things.*

- 1. Santa Rosa School District takes great pride in prioritizing classrooms and schools as our highest need.*
- 2. This budget will change; it is not complete because programs have not concluded. Grants and in-kind contributions are not there yet.*
- 3. We celebrate our Finance staff. They have worked nights and weekends and provided a quick turnaround. Literally from (the past) Friday afternoon when they received information from DOE they have been working the weekend and nights to complete the budget.*

*The Superintendent continued that he is pleased with where we are right now; this is not a lot of dollars but they are consistent dollars.*

*Assistant Superintendent Susan McCole came forward to present the tentative/proposed 2018-19 budget. She began by expressing appreciation to her staff for their hard work on this budget. She continued that this is a proposed/tentative budget and will change during the year. We do not have our June 30, 2018 numbers finalized; we're waiting on interest from the State, have to book receivables/payables, and make insurance adjustments. This should all be complete by September when we will have the final budget and annual financial report. Ms. McCole shared that during the Board meeting today (after*

*the workshop) we will be requesting approval to advertise the first public hearing for the budget on August 2 and the final public hearing for the budget on September 10.*

*The first slide showed a projected Unweighted FTE for 2018/19 of 27,922 which is an increase of 471 students for the 2018-19 school year. If our numbers do not "make" based on the "third calculation," our funding will be affected. If we have fewer students, funding is reduced; if we have more students, funding may be increased based on the number of students and how many other districts have had an increase; it may be prorated.*

*Ms. McCole noted that the District is self-insured for health insurance; this past year the Board contributed approximately \$15.6 million toward employees' health, life, and dental insurances.*

*She spoke of our half-cent sales tax revenue and how appreciative we are to our citizens for passing this tax. The District collected almost \$8.4 million in sales tax revenue in 2017-18 which can be used to help with capital projects but may not be used for raises or employee salaries.*

*Ms. McCole reviewed the five categories of fund balance:*

- 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 (including State categoricals, donations, State and Federal projects). (Ms. McCole pointed out that this includes "carry forward" at year end as well as textbooks and Safe Schools money.)*
- 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 seven-period day resolution). (Ms. McCole explained that this includes money sent to each school; the school may choose to save some of this each year to purchase a big ticket item; we do not pull it back at year end.)*
- 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 (Board projects such as: steam initiatives, utilities, OT/PT Speech contracts, etc.)*
- 5. Unassigned - Portion of fund balance that is available for the Board to use as needed.*

*Mrs. Boston asked a question regarding the "assigned" fund balance; she wanted to know if "assigned" funds could be moved to another category or fund once they're assigned. Ms. McCole responded that they can be moved.*

*The next slide showed the DCD (District Cost Differential) by neighboring*

*Districts. The DCD is a "market basket" calculation based on the cost to purchase the same items, district by district (gasoline, groceries, property values). Ms. McCole pointed out that our DCD went up this year; instead of receiving .96 per dollar we will receive .97 per dollar.*

*Dr. Scott asked if there is one particular element that is making a difference. She recalled a few years ago when we were funded at 66 out of 67 counties; we're now at 43 out of 67 counties. Ms. McCole stated that property values are going up in our area and that is affecting our DCD.*

*Superintendent Wyrosdick pointed out that this is a negative as well as a positive. When property values increase, we pay more real estate taxes; it costs more to live in Santa Rosa County. The DCD matriculation lags behind 2-3 years so we don't receive the additional funding right away. When DCD falls it can lag behind with the exception of 2011 when our funding was reduced right away. That's why fund balance is so important and we try to maintain solid funding.*

*The next slide compared our funding per Unweighted FTE to neighboring districts as well as the lowest funded district. Santa Rosa's funding per Unweighted FTE is \$7,338.66; we passed Escambia this year who receive Unweighted FTE funding of \$7,289.22 while Okaloosa receives \$7,464.26. Walton receives \$8,001.36 per Unweighted FTE; if we were funded at this amount we would receive \$18.5 million additional dollars. If we were funded at the same amount as Marion County (the lowest funded district) we would have received \$6 million dollars less. We are closing the gap; a few years ago we were funded at 66 out of 67 counties; for 2017-18 we were funded at 50th out of 67 counties, and we are now funded 43 out of 67 counties. Ms. McCole pointed out that this can change in the third and fourth calculation depending on whether we meet projected FTE, adjustments needed during the year, and proration.*

*Superintendent Wyrosdick shared that we make adjustments on a monthly basis; it's a fluid picture as we try to maintain FCR. He also noted that a \$3 million dollar difference (for example, Okaloosa) multiplied over a few years is a huge difference. Since we have a more narrow margin we have to be more fiscally prudent. Ms. McCole added that we are looking at state funding; it all depends on where your funding comes from. For example, Escambia receives more federal funding than Santa Rosa. Mrs. Boston pointed out that Okaloosa also receives more federal impact dollars than Santa Rosa; Ms. McCole stated that they also have higher property values which brings in more local tax dollars.*

*Dr. Scott mentioned that this Board (for years) has gone to Tallahassee and lobbied for more funding for our district. She continued that we were told by our lobbyists that we didn't have enough "political horsepower" in the panhandle to fight this. Superintendent Wyrosdick noted that he spent several days the*

*previous week with superintendents from across the state who are not pleased with the DCD. There is a strong feeling that the DCD needs to be addressed; this formula has been in place for over thirty years.*

*The following slide showed proposed millages for 2018-19. The Required Local Effort for 2017-2018 was 4.435; the proposed Required Local Effort for 2018-2019 is 4.151 (which is a decrease). The proposed Board Option will stay the same at .748 and proposed Capital Outlay stays the same at 1.400. The proposed Total Millage for 2018-2019 is 6.299. The Required Local Effort is set by the state; this is what we have to charge. Ms. McCole pointed out that our Actual Tax Roll Amount went up by almost \$800,000,000 which will bring in more local dollars.*

*Ms. McCole shared that she receives questions regarding the Capital Outlay of 1.400 because some districts charge 1.500 Capital Outlay. The difference in what we receive would be approximately \$1 million. Many years ago our Board pledged to the citizens that we would not increase this millage if they approved the half-cent sales tax. This is a great benefit since we're receiving \$8.4 million from the half-cent sales tax vs. receiving \$1 million in additional capital outlay millage dollars. Mrs. Boston pointed out that Capital Outlay millage is required to be used for capital outlay while the half-cent sales tax dollars can be moved as needed.*

*The next slide showed a millage rate breakdown for 2018-2019 with 65.90% State Required (4.151); 22.23% (1.4) Capital Outlay; and 11.87% (0.748) Mill Compression.*

*Ms. McCole discussed questions she receives regarding property taxes - citizens ask if their property tax will decrease. The School Board portion will probably be lower but the total amount may not be since other things are added in. The County portion may change, fire district amount may change, and home value may increase which could mean it will vary by citizen. Superintendent Wyrosdick clarified that if home value increases (as established by the Property Appraiser) then property tax revenue will go up; volume can also affect it. The BOCC agenda included approval of additional homes (increased volume) which generates more revenue but also increases the number of students; this is both positive and negative. Dr. Scott added that is reflected in the number of projected new students (471).*

*Ms. McCole reviewed the budget by fund type and emphasized that the 2018-2019 numbers will change. She explained that the number is calculated by adding estimated revenue to the fund balance as of June 30, 2018. Since we do not have the final fund balance effective June 30, 2018, we can't finalize the proposed budget. Also, we don't have all of our grants approved and don't have our carry forward amounts from the state approved. She noted that the Operating budget appears that we have \$2 million more than last year but that number includes Restricted and Committed. Superintendent Wyrosdick noted*

*that an example of this is the mental health and safety dollars allocated by the state; this is Restricted and used for an important purpose. Ms. McCole continued that the Debt Service shows an increase of \$2.6 million (this was transferred from Capital Outlay to pay 2006 COPs early since we will be acquiring more COPs to build the new K8 school). Superintendent Wyrosdick emphasized that paying this debt off early will benefit us by having a lower interest rate and keeps the debt ratio down.*

*Ms. McCole spoke of the Capital Outlay decrease; these funds have been used to build additional classrooms, lease buses, and provide new technology. Proprietary includes our self-insurance fund - this will change since our final numbers are not in and we don't know exactly what our premiums will be at this time. She pointed out that our claims have improved over the last couple of years and we will have a more accurate number in September (when the budget is finalized).*

*Superintendent Wyrosdick spoke to the expense of health insurance; it increases by approximately 18-20% per year. We try to manage it and balance benefits with cost. We appreciate the Board approving contributions to the self-insurance fund to ensure that we have a solid program for employees.*

*The next slide showed budgeted Operating Revenue by type including 72% from the State, 27% from Local, and 1% from Federal. Total revenue (Operating) projected at this time is a total of \$217,706,861.*

*The following slide showed budgeted revenue by type (total budget) including Federal - 8% - \$22,860,693; State Revenue - 54% - \$158,040,368; Local Revenue - 38% - \$113,474,209.*

*Next Ms. McCole reviewed the numbers of employees budgeted for 2018-2019 including all budget parts (based on the position allocation system). From 2017-2018 there is an increase of 25 instructional, 15 classified and blue collar, and 4 administrative employees. It's important to note that this includes special revenue - this is not all taken from the operating budget; some are funded by grants. Included in the four administrative positions are the Director of Safety and Director of Mental Health - two positions that are now required and funded by the State. There is also an Administrative Intern at Central School (which is K-12) who was added during last school year; and a Principal who is retiring soon and currently training their replacement. (When the Principal terminates the number will decrease.) Ms. McCole pointed out that employee/payroll projections will be adjusted through the year based on schools' needs; this is a snapshot at this time.*

*The next slide showed our budgeted expenses for 2018-2019. Salaries and employee benefits makes up 74% of our operating budget; purchased services are 16% of our operating budget and includes our bus, cleaning, CPA, and OT/PT contracts. Energy services are 3% of our operating budget, material*

*and supplies are 5%, and capital outlay (equipment, furniture) is 2%. Other expenses are low and do not show up on the graph but the dollars are included in the Total Operating Budget of \$224,796,201. It is important to note that this will fluctuate throughout the year as we have expenses that are not budgeted for as well as expenses that may go down.*

*The following slide showed all budget parts for a total of \$318,156,562 including salaries - \$141,015,531; employee benefits \$39,025,011; and other - \$138,116,020.*

*Our budgeted fuel and electricity was reviewed next. Our unleaded fuel expense has remained about the same for the last few years; diesel fuel expense went down but has slowly started to climb back up as prices have increased and we've added bus routes. Electricity dropped around 2013 when Mr. Harrell implemented cost saving measures but has been increasing as we've added square footage and we've experienced rate increases from Gulf Power.*

*Dr. Scott asked if we expect fuel expenses to go down as we have a new fleet of buses that may be more fuel efficient; Superintendent Wyrosdick responded that we won't likely experience savings in this area since we will be adding routes.*

*Our unassigned and assigned fund balance based on geography (including Bay, Escambia, Okaloosa, Walton, and Santa Rosa Counties) was presented showing 2014-2015, 2015-2016, and 2016-2017. Audited figures are not yet available for 2017-2018. For the year 2016-2017 Bay County's unassigned and assigned fund balance is \$24.8 million; Escambia County's is \$33.5 million, Okaloosa County's is \$44.3 million; Walton County's is \$22.2 million and Santa Rosa's is \$17.1 million.*

*Mrs. Boston asked if these counties received BP funds and Ms. McCole responded that some of them did; depending on how much each county received this could still be affecting their fund balance.*

*Based on audited figures for 2016-2017 Financial Condition Ratio (FCR) for our neighboring districts is as follows: Bay - 11.87; Escambia - 11.28; Okaloosa - 18.76; Walton - 27.07; and Santa Rosa is 8.57. Ms. McCole pointed out that we are a lot lower than our neighboring counties. Mrs. Boston asked if it's still an acceptable rate as far as Standard & Poors and COPs; will this have a negative impact? Ms. McCole responded that we are stable at this time. She recalled a few years ago when our FCR dropped below 3% and how tough that was with the state oversight and numerous calls from DOE and the Auditor General's office. If Standard & Poors sees a trend that we are spending more money than we are taking in they will give us a negative outlook which affects our loan interest rate and COPs. She emphasized that a half percent difference in interest rate over 30-40 years makes a huge difference.*

*Superintendent Wyrosdick asked Ms. McCole what the required FCR is; she responded that the state requires 3%. The Superintendent emphasized that 3% is not enough to sustain us. Ms. McCole shared that some government organizations recommend an FCR of 5-7% and some recommend 7-10%. Three percent is not a comfortable place to be; one unexpected expense can put the district under the requirement. The Superintendent reiterated that 3% is mandatory; it is not safe or appropriate. The Board has set aside 5-7% and this is what we try to maintain.*

*Our estimated fund balance effective June 30, 2019 is \$23,054,357.15. The majority of the drop in fund balance is coming from the restricted fund balance. Ms. McCole is projecting a Financial Condition Ratio on June 30, 2019 of 7.5%. Note - this will change.*

*Ms. McCole moved on to the slides showing capital outlay projects totaling \$26.5 million including a list of capital outlay projects by school site. This was reviewed and approved at a prior School Board meeting; it may be adjusted depending on emergencies/school needs.*

*The final slides in the presentation included a "Certification of School Taxable Value" from the Property Appraiser followed by legal ads and a "Notice of Proposed Tax Increase" including notice of a public hearing on the tax increase to be held on August 2, 2018 @ 6:30 p.m. Superintendent Wyrosdick pointed out that there was a change in the legal advertisement to reflect the tax increase. Ms. McCole explained that **millage decreased but property values increased**.*

*In closing, the Superintendent offered that if anyone has questions about the budget, we are here to answer them - just call us.*

*The workshop was adjourned. The July 27 Board meeting will begin at approximately 10:10 A.M.*

SCHOOL BOARD OF  
SANTA ROSA COUNTY

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Chairman

ATTEST:

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Superintendent of Schools