

AGENDA
SCHOOL BOARD OF SANTA ROSA COUNTY
WORKSHOP
July 20, 2017-9:00 AM

Items for Review and Discussion

A. Presentation of Proposed 2017-2018 Budget

Note: The complete proposed/tentative 2017-18 budget presentation can be viewed at

<http://santarosacountysdfl.swagit.com/play/07202017-829>

Board Chairman Scott Peden opened the workshop for the 2017-18 proposed/tentative budget.

Superintendent Wyrosdick began by expressing appreciation to Finance department employees who have worked extended hours to prepare this year's budget presentation. It is an intense process with some of the data received just two days ago. The Superintendent pointed out that this is a first look at a conservative, purposeful budget as we are careful stewards of taxpayer dollars; we are here to seek input and answer questions.

Susan McCole, Assistant Superintendent for Finance, came forward and expressed appreciation to her employees for their hard work; there is still much to do including the financial statement, cost report, and project end of year reports; this work will continue through September.

Ms. McCole shared that this presentation will show where we have been and where we're at now; there will be lots of changes through the year. This proposed budget will change by the beginning of the year; funds may be moved through the year as needed by the project manager. The first public hearing for the proposed/tentative 2017-18 budget will be held on July 27, 2017 at 6:30 P.M. and the final public hearing will take place on September 7, 2017 at 6:30 P.M.

Ms. McCole pointed out that we have grown by leaps and bounds this year; our projected unweighted FTE for 2017-18 is 27,708 which is an increase of 756 students for this fiscal year.

The Board has contributed \$3.3 million to the self-insurance fund over the past three years so that employees would not have as large an increase in their premiums; the Board contributed approximately \$13.8 million toward employees' health insurance for fiscal year 2016-17.

As the economy has improved over the last few years our sales tax revenue has increased. During 2016-17 the District collected \$8,199,498 in sales tax

revenue; an increase of \$360,044 over the prior year. Ms. McCole expressed appreciation to our citizens for passing the half-cent sales tax that was voted on in April 2017.

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, donations, State and Federal 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 seven-period day resolution).*
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 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.*

The next slide showed the "DCD" - District Cost Differential (cost of living) by school district (Bay, Escambia, Okaloosa, Santa Rosa, and Walton Counties) for the last three years. Ms. McCole pointed out that Okaloosa County's DCD is higher than ours; the higher a district's DCD the better off they are. A DCD below 1.0 reduces the funding a district may receive. The following slide showed the District Cost Differential for Santa Rosa and for the highest district (Palm Beach County). The graph shows that the gap is increasing; our DCD was at .961 while Palm Beach County increased to 1.0426; their funding will increase. Superintendent Wyrosdick discussed the number of factors (more than twenty) that affect the DCD and base student allocation; the differential is how much funding districts receive relative to the students they serve based on all those factors. Dr. Scott pointed out that we have lobbied in the past to have our district funding increase and have gained no traction. Superintendent Wyrosdick noted that it's hard for our county to get an increase since it would mean another county would have to decrease in order for that to happen. Since this is not likely we need to be good stewards of the dollars we have.

As Ms. McCole presented the next slide she called attention to the base student funding; it is the same for all districts - \$4,203.95. But when you add in other factors (DCD, declining enrollment, sparsity, millage compression, etc.) the slide shows the gaps between these counties. We are funded at 54 out of 67 counties (2017-18) as of the first calculation; we were funded at 52 out of 67 counties for 2016-17; at one time we were the lowest funded. We are funded at \$7,133.05 per student per unweighted FTE; Monroe is funded highest at \$9,301.00 per unweighted FTE (\$2,167.95 more than we receive); and

Suwanee is the lowest funded at \$6,783.16 per unweighted FTE (\$349.89 less than we receive). If we were funded the same as Escambia we would receive an additional \$872,000; if funded the same as Okaloosa we would receive \$6.1 million more; if funded the same as Suwanee we would receive \$9.6 million less. There is a big difference in districts when looking at funding per unweighted FTE; from highest to lowest unweighted FTE there is a 37.12% difference.

Ms. McCole then reviewed millage; our State Required Local Effort tax millage went down this year to 4.435 from 4.692 last year. This is what the State requires that we charge; if we don't charge what the State requires we lose our millage compression which is \$6.3 million this funding year. After adding in the Board Option (.748 - the same as last year) the Total Operating is 5.183. The Capital Outlay millage will remain the same at 1.4; this brings the Total Millage to 6.583 which is an overall decrease in millage of .257. Our tax rolls increased but the millage rate went down resulting in a projected decrease of \$373,829 for property taxes in our operating budget. The capital portion of the budget will increase by approximately \$529,842 since the tax rolls increased (if all is collected). Ms. McCole noted that the operating side of the budget is used to pay bills (utilities, benefits, raises).

Superintendent Wyrosdick discussed the decrease in Required Local Effort; this has been the legislature's intent and is reflected in our budget. State lawmakers have stated that real estate taxes on homes should be frozen; this is not a market driven decision and if it continues will create a deficit in our district and state wide. The Superintendent shared that in the fall we will meet with our legislative delegation to discuss how they intend to fund public education appropriately. As a State, we have to figure out how to work through this. Ms. McCole agreed that it puts us in a difficult spot.

The next chart showed the millage rate breakdown - 67.37% is State required; 21.27% is capital outlay; and the mill compression rate is 11.36% (.748). The following slide listed examples of proposed tax changes for 2017-18 and how it would affect homeowners based on home value. This shows a decrease in property tax amounts (unless a home increases in value).

Ms. McCole reviewed the fund types and balances on the next chart (showing 2017-18 as compared to 2016-17). Our operating budget for this fiscal year is \$235,983,226 (an increase of 3.84%); debt service went down by 1.23% and our capital outlay increased by approximately 8% to \$45,926,712. Special revenue shows a decrease but that will likely change depending on when we receive grant funding and projects are input. The proprietary budget increased noticeably since we included projected revenues and appropriations instead of waiting for collections to be made. The "trust & agency" budget includes flex and some school budget accounts. The total available represents the fund balance carried forward from 2016-17 plus new year revenue.

The next slide showed our revenue by type including operating only and total budget. Ms. McCole pointed out that most of our revenue comes from the state; we have a total operating budget for 2017-18 of \$203,130,559 and a total budget of \$268,311,115.

Ms. McCole then presented the slide showing the number of employees budgeted for 2017-18 compared to 2016-17. The date used for last year (2016-17) was May 2017; the number used for 2017-18 is what's currently in position allocation. The numbers show an increase of instructional (56); classified and blue collar (47); for a total of 103 additional employees for 2017-18. Ms. McCole spoke of the need for additional paraprofessionals to help with assessments and particularly the need for more employees to support the increasing number of ESE students.

The total operating budget of \$214,084,819 includes 76% spent on salaries and employee benefits; 14% on purchased services (includes any type of contracted service); 3% on energy services; 5% on materials and supplies; 2% on capital outlay; and less than 1% on other expenses.

Purchased services includes OT/PT/Speech contracts, food service, cleaning, and transportation. We have seen a large increase in OT/PT/Speech contracts since a number of these employees have left the District and we've had to move to a private contractor.

The next chart showed our fuel and electricity history. Mr. Harrell and his staff implemented a number of energy savings measures several years ago that resulted in a large cost savings but as we've added square footage/classrooms and experienced increases from Gulf Power we have seen this begin to creep back up. Diesel and gasoline fuel costs have remained steady or even gone down a little which has been a good thing.

The next slide showed our unassigned and assigned fund balance as compared to surrounding counties. Ms. McCole pointed out that we are way behind Bay, Escambia, and Okaloosa Counties based on this information.

The following slide showed Financial Condition Ratio as compared to surrounding counties. Ms. McCole reported that she could only use 2015-16 data since she does not have 2016-17 data for these counties yet. Santa Rosa's FCR of 9.6 was lower than surrounding counties (Walton - 17.3; Bay - 11.85; Escambia - 11.9; Okaloosa - 19.2). She explained that you can have an increase in fund balance and still have a decrease in FCR since FCR is calculated depending on where the funds are located - restricted, committed, unassigned or assigned. Unassigned and assigned fund balance are used when calculating Financial Condition Ratio. Dr. Scott thanked Ms. McCole for including this information; Ms. McCole responded that this is important information - a district that has a higher fund balance and FCR has more flexibility in what can be done with their dollars.

Superintendent Wyrosdick mentioned that we may see decreases in the fund balance/FCR numbers for other districts (for 2016-17) since state revenue has gone down. The Superintendent shared that we have seen a greater need for employees/paraprofessionals to support our special needs student population; he thinks this will continue to grow as it's a societal issue (behavioral/mental health).

Ms. McCole then presented the proposed/tentative summary budget. These numbers were projected as of the past week. She noted that this will change by the final budget since her staff is still receiving information from the State and waiting on some items. She pointed out that this past year they have not received any large unexpected revenues. Over the last three years we received additional (non-recurring) revenue from the beach lawsuit, the BP lawsuit, and Jay oil revenues which helped our FCR; this year we did not receive all that we budgeted from taxes. Ms. McCole stated that we can't anticipate receiving those unexpected windfalls - that is over. Superintendent Wyrosdick noted that we will watch this revenue carefully - on a month by month basis.

Ms. McCole called attention to our unassigned fund balance; at this time it's \$16.6 million; restricted fund balance is \$6.2 million; assigned is \$512,594.98. The unassigned went down a good bit and restricted increased. Part of the reason for this is the state returned some discretionary funding to the schools at the end of the year and the schools did not have time to meet and decide how to spend the money before school ended; another reason is that we have a textbook adoption this year. Much of the restricted will be used as we go through the year and different items are implemented.

Our committed fund balance is \$4.4 million; \$1.4 million of that amount is school-based budgets; the other \$3 million is the seven-period day resolution. Our total fund balance increased to \$27.9 million; much of that is the result of the restricted fund balance going up. Our total revenue includes \$4.9 million of operating transfers from Mr. Harrell to pay for property and casualty insurance and bus leases. We have a total of \$8.3 million in transfers from capital projects which supplement our operating budget. Superintendent Wyrosdick pointed out that we have \$8 million less in capital projects because we transfer this money to our operating budget.

Our estimated fund balance at the end of June 2018 is \$21,898,406.74. Ms. McCole reported that number will go down based on expenses (including the textbook adoption of over \$2 million).

Ms. McCole reviewed the projected Financial Condition Ratio for June 30, 2018. At this time the unassigned estimated fund balance (\$14,420,100.84) and estimated assigned fund balance (\$569,358.58) divided by estimated revenue (\$203,130,558.97) equals an estimated Financial Condition Ratio on

June 30, 2018 of 7.38%. She pointed out that this is a healthy FCR and the number will change.

Ms. McCole moved on to the slides showing capital outlay projects totaling \$27.3 million including a list of capital outlay projects by school site. This doesn't mean all these projects will be completed this year; the list may change based on need or emergency.

One of the final slides in the presentation was a "Certification of School Taxable Value" from the Property Appraiser followed by legal ads and a "Notice of Budget Hearing" scheduled for July 27, 2017 at 6:30 P.M.

Ms. McCole asked Board members if they had any questions. Dr. Scott asked about security cameras at school sites - do most of our sites have updated cameras? Mr. Harrell responded that this is an ongoing process; we are prioritizing and working through it. Mrs. Granse asked if there is an item related to the Douglas A. Dillon Administrative Complex. Mr. Harrell responded that \$500,000 is listed in case there's an over run - if you don't list it, you can't use it; this will allow us to use two years of funding if needed.

Mrs. Boston asked about millage and if the amount we can charge is set by the State. Ms. McCole responded that when the half-cent sales tax resolution passed we made a commitment to citizens not to increase the millage they pay; we actually collect more with the half-cent sales tax than we would by increasing the capital outlay tax millage to 1.5 (from 1.4). Superintendent Wyrosdick pointed out that these dollars cannot be used for raises.

Superintendent Wyrosdick thanked Ms. McCole and her staff for their hard work on this year's proposed/tentative budget. He noted that this is a conservative but purposeful budget aimed at maintaining services in an era of declining revenue.

The workshop was adjourned. The July 20 Board meeting will begin at 10:00 A.M.

**SCHOOL BOARD OF
SANTA ROSA COUNTY**

Chairman

ATTEST:

Superintendent of Schools

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