

AGENDA
SCHOOL BOARD OF SANTA ROSA COUNTY
WORKSHOP
June 3, 2021-8:00 AM

Items for Review and Discussion

A. Review of 2021-2022 Capital Outlay Budget

The School Board of Santa Rosa County met for a workshop at 8:00 A.M. with the following members present: Mrs. Wei Ueberschaer, Chairperson; Mrs. Linda Sanborn, Vice-Chairperson; Mrs. Carol Boston, Mr. Charles Elliott, and Mrs. Elizabeth Hewey.

Also present were School Board Attorney, Terry Harmon; and Dr. Karen Barber, Superintendent of Schools and Secretary.

Mrs. Ueberschaer called the workshop to order and Superintendent Barber introduced Assistant Superintendent for Administrative Services, Joey Harrell, to provide information on capital outlay and projected growth.

Mr. Harrell provided discussion points for the workshop:

- 1. Sources of Capital Outlay Funding*
- 2. Interesting Facts/Looking Forward*
- 3. Proposed Capital Outlay Budget 2021-2022*
- 4. Growth Data*
- 5. COPS Overview Jay Glover Managing Director, PFM*

Mr. Harrell explained the sources of capital outlay dollars. PECO stands for Public Educational Outlay dollars; these are state-issued funds which the state may or may not give to us. Classrooms for Kids – 397 came to be when the Class Size Amendment was implemented; used to be a robust funding source. Local Capital Outlay (1.5 mill) just increased by .1 mill is the max amount that can be levied for capital outlay.

Mr. Harrell noted that these dollars cannot be used for salary increase.

Local Capital Improvement dollars come from miscellaneous capital outlay receipts; we also have the half-cent sales tax, and the Certificates of Participation (COPS).

Our estimated Capital Outlay Revenue for 2021-2022 is as follows: PECO Maintenance (\$0); PECO New Construction (\$0); Classroom for Kids (\$0); CO & DS (\$110,000); Local Capital Outlay – 1.5 mill (\$18,000,000); Local Capital Improvement (\$150,000); Half-Cent Sales Tax (\$10,550,000); COPS (\$15,000,000 – Pace K8)

The School District has approximately 4.3 million Net Square Feet (NSF) to maintain and we do not receive PECO dollars to help with that. Over the last five years our 1.5 mill revenue has increased \$5.2 million; our half-cent sales tax revenue has increased \$2.2 million. These are positive trends for us.

We've used millage funds to pay off early COPS issues from 2006 and 2009 saving taxpayers almost \$1.7 million in interest.

Mr. Harrell noted that approximately 63% of funding for the Pace K8 school will come from the millage dollars or the half-cent sales tax revenue (local funding).

It is important to note that we can transfer Part III dollars to Part I (property casualty, transportation bus lease agreement). This lessens the burden on Part I of our budget and indirectly helps with raises. 99.6% of reoccurring capital outlay revenue is generated locally.

Mr. Harrell recalled a few years ago when he and Superintendent Wyrosdick went to Tallahassee to request the state not take away local control of the half-cent sales tax dollars; this locked us up for over a year.

Mrs. Ueberschaer asked if there is a cap on the amount that can be transferred from Part III to Part 1. Mr. Harrell responded that there is not a cap but it does have to be justified and amortized in a schedule.

The next three slides showed the proposed Capital Outlay Budget for 2021-2022 outline. It is an outline because a large part of the budget will be focused on the Pace K8 School as well as purchasing properties to build on.

Mr. Harrell specifically addressed security camera systems listed on the Capital Outlay Budget; he stated that some of this funding will come from a security hardening grant but the dollars are not yet available. Mrs. Sanborn asked if these are new camera systems; Mr. Harrell responded they are new; we are down to the last few sites that did not have security camera systems.

There is a \$75,000 line for county wide security camera/access replacement. Mr. Harrell explained that Chuck Welch's team in Instructional Technology Services is able to provide installation/replacement on many of these which is a substantial cost savings to the district.

Mr. Harrell pointed out the \$23.6 million line item for the New Pace K8 School which does not include the \$15 million COPS issue. If the bid comes back higher for the school it will have to come out of another line item in the budget. He noted that the Capital Outlay Budget is fluid; if bids come back higher than what we have budgeted for the school, we will have to move money from other areas of the Capital Outlay Budget.

The strategic fund balance is 5%; often the question is asked why do we need to keep that amount. Mr. Harrell emphasized we need to have available funds in case of emergency.

Planning for growth must be a consideration; building permits show a steady increase from 2016–2019 and in 2020 showed major growth. Growth rate varies from one area to another. Mr. Harrell specifically talked about the number of permits issued for East Milton Elementary (438). The growth at East Milton Elementary will transfer to King Middle and Milton High. Milton High has the largest attendance zone in the district; going from Avalon Boulevard to the Okaloosa County line.

The next slide showed student growth using the number/type of permits issued multiplied by the Student Generation Multiplier.

Mr. Harrell explained that he used this formula on each school in the district to see potential growth in student population.

What does this look like in impact fees? He studied this from May of 2020 to present and used only the building permits that were let for single family dwelling units. This translates to \$12 million in impact fees just in single family units. We would be looking for a \$1-2 million COPs instead of \$15 million.

Mrs. Sanborn stated that she is impressed with the process Mr. Harrell has used for advanced planning; it was helpful to view growth in that way.

Jay Glover of Public Financial Management attended the meeting via video conference. Mr. Glover talked about the district's debt management and rating. The school district has significant debt service coverage and significant capital outlay available as compared to the annual lease payment. We also have significant funding available for pay as you go projects. Mr. Glover noted that we have a very conservative debt profile and very minimal debt for the school district overall.

The school district credit rating (S & P) is currently A+ with a stable outlook; COPs are currently rated A with a stable outlook. Both of these ratings were affirmed on May 21 of this year. Mr. Glover noted that it's important to have strong reserves which is reflected in Santa Rosa's credit rating. Rating agencies look at this closely; especially in a coastal community.

The District has pro-actively managed its debt portfolio by refunding and paying off outstanding COPs when market conditions warrant doing so.

- In 2014 the District issued COPs to refund a portion of the outstanding Series 2006 COPs.*
- In 2018, the District paid off prior to maturity all of the remaining Series 2006 COPs.*

- *In 2019, the District paid off prior to maturity a portion of the Series 2009 COPs.*
- *In 2020, the District paid off prior to maturity all of the remaining Series 2009 COPs.*

As the meeting was closing Mrs. Ueberschaer thanked Dr. Barber, Mr. Harrell, and Ms. McCole for their hard work over the last year/s which has resulted in a favorable financial outlook for our district.

Mr. Glover stated that he looks forward to closing on the COPs next week and building the new school.

Superintendent Barber noted that as of Tuesday, June 1, the District Financial Condition Ratio was 8.68%. Ms. McCole thinks we will be close to 9% in July; we are in excellent shape.

There being no further business the workshop was adjourned.