



THE SCHOOL DISTRICT OF LEE COUNTY

*Finance Advisory Committee*

*May 24, 2006*

Meeting Minutes

**Committee Members Present:** Keith Banasiak, Lawrence Bush, Cheryl Diamond, David Carleton Hall, Thomas Hodson, Michael McNally, Thomas McNulty, Jack Murphy, Carmelo Santos, Gary Snow, Doug Wells, Fred Whitehouse

**Committee Members Absent:** Errol Howard, Susanne Quattro, Carl Snipes

**Lee County School Personnel Present:** Jim Buckley, Lee Legutko, Julie Nieminski

**Board Member Present:** Steven Teuber

**Recording Secretary:** Mrs. Susan Johnson

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**Welcome/ Approval of Minutes**

Mr. McNulty made the motion to approve the minutes for April 26, 2006, seconded by Mr. Murphy. The minutes were unanimously approved.

Mr. Hall noted that there are a few new faces in the group and asked everyone to go around the room, introduce themselves and give a little personal background information.

**Public Comment**

None

**Board Member's Report**

Mr. Teuber indicated that at last week's Board Meeting the Board approved the COPS spending to fill in the gap between our budget that was approved last year and what is needed. There was originally \$140 million in our COPS that the Board was briefed on and was going to vote. Because of the huge increase in building costs, a few things were shifted, some things out of that COPS, so that issuance was just under \$95 million dollars. We feel that this is the best way to fund our capital spending at this juncture because we do not have another alternative. To not vote for this COPS spending would put the District a year behind as far as to fund the building of schools and, potentially, we would not have enough student seats - we would have to put in portables, etc. If the Board did not approve the COPS spending, the alternative funding would have been the ½ cents sales tax. Mr. Teuber noted that this Finance Advisory Committee has talked about the ½ cent sales tax ad nauseam and has continued to say that we need to go after it. The Board reviews it quarterly, and at one time we thought that we had enough data to

actually go to the public to justify that we need it, but then we had two issues that came into effect, the impact fee issue and the growth rate issue. The growth rate was rising at such a rate that we could not get a handle on how much income it was going to generate, but it seemed like it would be enough money. On the impact fees, when we calculated that out even using very conservative numbers, we actually had an excess of about \$2.5 million. So the School Board, in good conscious could not say we need to go forward and try to campaign for a tax referendum, because we did not think that we could support it. Since that time we have had Hurricane Wilma, etc., and also the New Orleans building shortages have increased our building costs over 30%. That really hits us hard as far as our construction costs. We now are in a pinch to be in that same situation. We are going to review the numbers again. The last time we reviewed them we still do not have convincing evidence. It is not just in Lee County that has this; however, Sarasota and Orange County passed a referendum and did it quite soundly and quite easily. Lee County is quite different. The people are very tax-adverse in Lee County. If we do not have overwhelming evidence that shows that we absolutely have to have this sales tax, then we do not have a chance to pass it. If we do not do it in concurrence with another election, this School Board is not going to spend \$600,000 for the District to bring that issue forward just to have a potential failing; it is just not good business sense. We are still looking at it; we will review it again in three months. That is something we might want to consider in the next couple of meetings to consider for this group to schedule to look at the numbers if the dynamics have changed, if this Board wants to recommend again whether to go or not go for the sales tax referendum.

Mr. Whitehouse noted that he is frustrated that this District is losing \$50 million a year on interest by not taking the ½ cent sales tax to referendum. He said that this Board should drive down the amount that we owe, so that we do not waste money on interest.

Mr. Teuber indicated that the District has been working on driving down the debt from \$50 to \$42 million.

Mr. Whitehouse noted that if the sales tax had been passed when the committee advised it that the District would not be in this situation. That the recommendation was given to Dr. Browder and that impact fees were coming in and it was decided that we did not need it.

Mr. Wells indicated that it is fortunate that interest rates have gone down and that we have had the opportunity to refinance all the school debt. That three-year period is now reversed and favorable lending is not going to come on board. Mr. Wells added that he feels that what Mr. Whitehouse is saying is this Committee got circumvented through the process; they got up and spoke at Board Briefings and feels that the Superintendent cut the legs off the committee. Now the impact fees will not be there for the next two years and some of the members of this Committee feel that they do not want to be circumvented again, to put in the effort, that this is not a token committee. The committee members went out in the community, put

feelers out. He noted this committee has asked to look into the viability of year-round school, in comparison to other options, but have not heard any information back on that.

Mr. Teuber noted that the District is driving the debt down from \$50 to \$42 million.

Mr. Bush added that the Superintendent said that the concept of year-round schools is unpopular to the public. Orange County ended up with children in the same family on different tracks. Mr. Bush feels that the kids do not lose their retention like they do over the regular summer break.

Mr. McNulty indicated that he feels that the District should be serving the parents and taxpayers by utilizing their facilities to the maximum, with year-round schools, double sessions, etc.

Mr. Teuber noted that double sessions are not academically sound, and while year-round schools are sound, there would be contract issues. Mr. Teuber added that it is so difficult to change certain things in Districts like school year start times for school districts that the State Legislature is trying to change the school calendars. Mr. Teuber shared that just moving those two weeks will affect seniors not getting their grades in time for colleges and will effect not being able to participate in dual enrollment.

Mr. Teuber noted that the only way to have change is if the desire for change is greater than the resistance to change. He added how everything can come to a stand-still academically when the District tries to go about making a change, such as school start times. Mr. Teuber stated that it is not at that point right now that is why a million dollar COPS issue allows us to continue in gains, etc.

Mr. Whitehouse noted that the District needs to use the media productively.

Mr. Wells stated that there is great diversity and that it might be flattening out a bit, looking at impact fees, growth may not be what we thought it would be, etc., He noted that the committee needs to figure the initiative of the group and how to address all of the issues that the group has heard to find out the direction needed to have a united front.

Pertaining to COPS, Mr. Buckley noted that we have borrowed 65% of the Board prescribed amount, but less than statutory limit. Debt service is on the last page of the handout it is just over \$50 million and in 2011 it will drop to \$42 million due to debt retirement.

Ms. Diamond noted that the committee agreed to reconsider the tax issue again in the future and this might be the time.

Mr. McNulty added that a healthy discussion on year-round schools could be thrown out to the public.

Mr. Hall said that he feels that Dr. Browder stated eloquently a while ago that he feels that impact fees would be the first level of capital raising; sales tax second, way down would be double sessions and year-round schools. We need to let our School Board contact know that we need to be addressing the inflow of impact fees, what impact that has on our financial projections in the future, and if we feel that the impact fees do not cover, look strongly at sales tax.

Mr. Wells noted that the growth rate will be going down because Lee County is not as attractive to live in as it was.

Mr. Teuber gave the update that the 65% Solution died in the senate. It went 40/40 and stalled.

### **FY07 Budget Update**

Two hand-outs were given out: Lee County School District Funding Summary and the Lee County School District Proposed Salary Schedule for the TALC Bargaining Unit. Mr. Legutko shared that in funding, in terms of the operational budget as a result of the Legislative Session; our school district is expecting an increase of \$81.6 million, with an anticipated increase of 5,351 students. The estimated tax roll for next year is \$77 billion, for an increase of \$13.7 billion for next year. The base student allocation which is the primary increase of funding that comes out of the legislature is up by \$239.19. One other thing that is different this year within this allocation is a categorical allocation for special teacher reward allocation, or performance pay, as it is referred to of \$4.4 million. In the past those dollars were assumed to be within the allocation for FEFP and the districts were tasked with coming with the plan in funding 5% of the teacher population to reward performance pay. This is really the first time the legislature has allocated a specific amount and set it aside.

Mr. Santos asked how the performance pay would be distributed.

Mr. Legutko said that the Districts are tasked with the responsibility of coming up with an approved plan by December and that plan has to meet certain criteria. So districts will have to develop an individual plan, based on specified criteria, submit it to the Department of Education who will approve the plan, and once that plan is approved, then the dollars will be allocated to the district. So the districts that choose not to participate, which some may, or they submit a plan that is not approved, then those dollars are reallocated to those districts that are, in fact, participating. Mr. Legutko shared that Duval County, from which he had previously worked, had initially decided to take the position to not support the performance pay.

Also, in this allocation this year, the Legislature from time to time will take categorical programs and they will consolidate them into the base FEFP formula.

What that requires for school boards is that for years dollars are allocated for a specific purpose. There are two in this budget: teacher training allocation and technology allocation. The technology on this handout shows a negative \$1.4 million and the teacher training allocation is shown as negative \$508 thousand. So basically what they have done is take them out of the categorical status and they have moved them into the base FEFP and they leave it up to the districts to decide whether or not they want to fund those initiatives. If you stop to think about it is awfully difficult when you take staff development or training dollars that you do not get enough to start with and now they are going to roll it into the base and they are going take credit for saying they are giving you these total amount of dollars to use as you see fit, knowing that indirectly you are still going to have to allocate dollars for staff development and technology. So you find a different way of setting those dollars aside.

It was noted that impact fees are a local decision and that not all districts have them, but they can only be used for capital purposes.

Mr. Hall noted that that class size reduction allocation is up \$22 million from last year. He asked how the District is coming as far as being in compliance with this next year's class size requirements.

Mr. Legutko said that based on our allocation process, with what we have allocated out through the individual schools, our expectations are that they will, in fact, adequately meet the change in the class size reduction. This is the first year that we moved from a district-wide average to a school-wide average. And we feel that we have allocated enough units in order for us to meet the school-wide average requirements.

Mr. Wells asked if that took all of the portables/ modulars into account and if they really qualify in the smaller class size.

Mr. Buckley noted that we still have students in portables and we are adding on 17 additions this year which should provide additional seats. We will probably always have portables, but probably a smaller amount. The class size is measured as one classroom teacher and a number of students, so the portables do count. We do take that into consideration.

It was noted that approximately 10.81% of our total student stations are housed in portables. There will probably always be a need for some portables, but with the 17 additions going on right now we have more portables to help shuffle the classrooms around the construction. Mr. Buckley noted that the portables business has really been a changing market, because when the class size reduction constitutional amendment was passed, it really reduced the capacity of our school buildings by about 25%.

Mr. Hall asked if the millage rates were state required. The “required local effort millage” (5.074) is mandated by the legislature. The other two: the “discretionary millage” (0.510) and the “additional discretionary millage” (0.108) are at the maximum amounts that can be levied.

Mr. Hall said that he objects to seeing his tax bill for the past three years, the amount that is paid to the School District, going down from year to year. At the same time, the amount of debt for the School District is going up and up. It seems like there should be a way to keep the same millage in place, take the extra dollars that we do not need put it towards the debt and we help our kids and our grandkids. For most taxpayers it would be a couple of hundred dollars or less a year.

Mr. Legutko stated that unless we actually change the Florida Statute you could not take the millage that you levy and the operating budget and transfer it to retirement. There are some opportunities in other areas in capital, etc., where there might be that option, but not out of operating.

It was noted that the amounts on the Proposed Salary Schedule handout were built into the Funding Summary page.

Mr. Legutko noted that on the Funding Summary sheet under State Categorical Programs there is an increase in the teacher lead program allocation of \$834 thousand. This allocation was \$100 per teacher for out of pocket supplies. This increase of funding takes that up to \$250. This will make a significant increase and be received very positively by our teachers. This money goes into the school budget for the teacher to use for supplies and materials.

The rate for the Florida Retirement System went up again this year to 9.85% and that is a \$6.3 million adjustment for our District.

The \$27 million for growth, the \$32 million for categoricals, leaves you with \$20.8 million for price level adjustments. What has been seen in the newspaper from the legislature, the percent that you see on the bottom, the 9.11% is probably the percentage you would have seen in terms of the total percentage increase afforded the Lee County School District for this coming year.

Mr. Wells asked how we fund the growth in teachers for next year. Where does that money come from?

Mr. Teuber noted that the \$28 million is based on growth that is the operating dollars for adding teachers and we have that covered.

Mr. Buckley added that the combination of the growth dollars that Mr. Teuber referred to and the class size reduction categorical will fund the additional teachers needed.

Mr. Hall added that a beginning teacher got bumped up from about \$30,000 to \$36,000 in base salary, but in addition to that we need to include FICA, Medicare, unemployment, Workers' Compensation, insurance, retirement and that puts it at \$50,000-\$55,000. That is \$25 million.

Mr. Buckley said that last year we hired about 800 teachers, about 400 for growth and about 400 for attrition. There are about 4,800 on the payroll and we anticipate adding 351. So we will be over 5,000. Mr. McNulty asked what the percentage was for benefits for teachers. Mr. Buckley stated that for an average teacher salary of \$42,000 that the cost with benefits was between \$55,000-\$56,000, which is about 32% for benefits.

Mr. Buckley shared that the Superintendent is in the process now of reconciling and finalizing his preliminary budget which he plans to take to the Board later on in the month of June in a workshop-type fashion and discuss the budget and then move on to the approval process in July. There are four or five more meetings. Mr. Buckley anticipates finishing that work by June 2<sup>nd</sup>.

Mr. Hall asked if this would be an open meeting that the members could be invited. He noted that two years ago the committee was invited, but last year it fell through the cracks. It noted that it would be nice to have an open session to invite the members of this Finance Committee to that meeting. Mr. Hall said that he did not see the need for the Committee to have a meeting and then turn around and meet with the School Board.

Mr. Buckley suggested that instead of FAC meeting in June that they be invited to the Board Workshop(s) – there may be more than one. Possible dates are June 20<sup>th</sup> and 21<sup>st</sup>. Mr. Teuber said that he would make sure that Denise Mangus in the Board Office would send everyone an invitation. Mr. Hall noted that he would be on vacation that week.

Mr. Buckley shared that we are currently in negotiations with our Teachers Association of Lee County (TALC). They are meeting right now and that is the reason Ami Desamours is not here. The bargaining group did agree on compensation and the Superintendent asked that we bring you the proposed salary schedule and we are looking at a 3-year agreement. The Superintendent made it a goal of his to get the beginning teachers' salary up to \$36,000 and that is significant in terms of recruiting because we do have a difficult time getting teachers. So we compressed the salary schedule from 17 steps to 15 steps, with the beginning teachers' salary of \$36,000 and it tops out at \$56,500 for next year, with a 3% increase proposed for the next two years.

There was discussion about the negative spin that the news media puts on School District news, that it is unfortunate because it makes it difficult to get community support on issues.

### **Capital Outlay Plan Update - Financing**

Mr. Buckley noted that there are two different types of year-round schools: single track and multi-track. Further information might be helpful to this committee for further discussion.

The capital plan that was handed out was recently revised. A few changes to highlight are: it was noted that we got the COP from approximately just under \$140 million to approximately \$95 million dollars. We can do that by culling two additions out of the funding and funding them from current assets and delaying the construction of Middle School "KK." When we looked at the numbers on that school, it was determined that we could delay that construction. We also decreased the estimate for impact fees for the current year FY06 approximately \$55 million. Although the rate increase went into effect in January, the actual collection of that because of the permitting process, did not occur until the quarter that we are in now. If the application were in December the permits were issued January, February, March and there were charged the lower amount. So we reduced that estimate and we showed zero growth, as we discussed with this committee and the impact fee as we go out next year increases because of a full year at the increased rate. Using the 10-year growth rate average which is a more conservative look at our tax roll, which is consistent with this committee and the discussion that we just had. Mr. Buckley noted that he has recommended to the Superintendent the Capital Plan will be looked at and brought back to the Board at least twice a year. There will be a schedule in the fall when we will revise our long-range enrollment projection, based upon the current year enrollment, and a continuous review of our facilities and we will bring that forward and make the report and adopt in the Fall with the budget process and in the Spring bring another one back, so you will have a continuous, on-going look consistent with what your discussion was. On the last page there was a question about the debt. Those figures appear on the last page of the handout for your information.

Mr. Legutko noted that this spreadsheet does not reflect that the legislature, for the first time since class size reduction was enacted by the people, has stepped up to the plate with a sizable allocation. Currently we are estimating that allocation is going to be in the neighborhood of \$84 million for 06-07, so that will also add to our plan, but it is not reflected here at this time because we do not have official notice of that, but we will be receiving that this summer.

Mr. Teuber added that they were originally going to make that formula based on number of students and that the legislative delegation got them to actually shift it and made it towards percent of growth. Since we are large growth District, we are getting a large portion of those funding dollars.

Mr. Buckley noted that we are just below 75,000 students at the end of this school year and that we are projecting about 80,000 for next year. That projection might be a little high, but provisions have been made for that in building the budget.

### **Good of the Order**

Mr. Hall noted that the next meeting is scheduled for July. Normally, the Finance Advisory Committee takes the summer off – previously taking June and July off; however, in discussions about three or four months ago with the staff at that point in time and the desire of the committee to be involved in the budget process, it was thought to be important to schedule a July meeting because that would be the last time that the committee would meet before the staff met with the School Board to go over the final budget in August; however, if the committee members could go to the workshop in June, it would be better for the committee than to meet in July. Mr. Hall suggested that the next scheduled meeting should be in August. Those that can make it to the workshop, please try to make it. The tentative dates are June 20<sup>th</sup> and 21<sup>st</sup>. The time is not set yet. It was decided that a notification would be sent out. There was discussion about having the meetings on Tuesdays versus Wednesday. It was decided that Wednesday worked for everyone. There is pretty good attendance. The Finance Advisory Committee meetings will stay with the fourth Wednesday of the month. Mr. Hall asked Mrs. Johnson to double-check the dates for the rest of the year.

Mr. Santos made the motion to adjourn the meeting; it was seconded by Ms. Diamond. The meeting adjourned at 6:09 p.m.

**The next meeting is scheduled for August 23, 2006, at 5:00 p.m., in the Human Resources Conference Room on the first floor of the Dr. James A. Adams Public Education Center.**