LAKE COUNTY

CAPITAL FACILITIES ADVISORY COMMITTEE

MEETING MINUTES – October 25, 2012

County Commission Liaison: Commissioner Sean Parks, District 2

Members Present:
Bill Benham, Agricultural Industry Representative
Linda Nagle, Home Builders Association of Lake County
Kylene Fischer, Lake County Schools
Dr. Tod Howard, Lake County Schools
Tim Sennett, Chamber of Commerce
Davis Talmage, Banking and Finance
Jeffrey Banker, Citizen at Large
Peggy Cox, Environmental Representative

Members Absent:
Peter Tarby, League of Cities
Nancy Hurlbert, Citizen at Large
Alan Winslow, Citizen at Large
Ralph Smith, Citizen at Large

Staff Present:
Melanie Marsh, Lake County Deputy County Attorney
Gregg Welstead, Lake County Director of Conservation and Compliance
Donald P. Simmons, Lake County Planner
Carol MacLeod, School District Chief Financial Officer
John Davis, School District Chief Operating Officer
Harry Fix, School District Director of Planning
Kelly Randall, School District Senior Planner
Dawn MacDonald, School District Senior Planner

Guest: Representative Larry Metz

Chairman Bill Benham called the meeting to order at 9:36 a.m. and asked the Committee to address the first order of business, which was the approval of the October 11, 2012 minutes.

MOTION was made by Davis Talmage and SECONDED by Tim Sennett to approve the October 11, 2012 minutes of the Lake County Capital Facilities Advisory Committee. Motion carried 7-0.

Chairman Benham recognized the attendance of Representative Larry Metz and thanked him for his attendance. He asked Mr. Metz to be an active part of the meeting and to interject comments at any time.

Old Business: There was no old business.

New Business: Chairman Bill Benham opened the meeting to address capital funding issues and noted that Carol MacLeod, School District Chief Financial Officer, would be presenting the report. Ms. MacLeod gave a brief history of the Committee and its origin and began her presentation regarding capital facility funding options.

Peggy Cox questioned if "maintenance only" included facilities and not transportation. Ms. MacLeod confirmed that transportation maintenance is not included in the figures. Linda Nagle questioned the amount spent on facility maintenance annually. Ms. MacLeod indicated that the amount is somewhere around three to four million dollars for basic maintenance. John Davis noted that four to five million dollars is required to keep the lights, air conditioning and facilities open to the public. Harry Fix interjected and confirmed that the amount they need is around seven million dollars. Ms. Nagle noted that the 35-million dollars the School District staff presented for the five-year plan is realistic and not overstated. Mr. Fix affirmed that seven million dollars a year will keep things going in the right direction. Ms. Cox noted that three to four million dollars was remaining unfunded; she also questioned the cost efficiencies in newly erected structures. Mr. Fix noted that there are ways to spend more up front and provide cost efficiencies in the future. Ms. MacLeod noted that it is self-evident that without a new and constant source of funding the district will not be able to meet its needs.

Ms. MacLeod began presenting to the Committee an outline of the revenue sources and the scheduling of debt repayment. She noted that bonds are "restructured" when possible, to incur savings on the interest rate. She noted that bonds cannot be paid off early due to the way they

are structured. It was noted that approximately 4.6 million dollars have been saved by restructuring bonds for a reduced interest rate. She noted that all debt associated with bonds will be paid for when the sales tax, which finances the bond, ends. She presented the revenue sources and explained the duration, amount and how the revenue is divided between charter schools and conventional schools.

Ms. Cox asked for a clarification on Public Utilities Capital Outlay (PECO) which distributes tax revenues from public utilities to the schools. Ms. MacLeod noted that this fund is sporadic in nature and the School District has not received any monies from this fund in many years. The State is facing the same issue as the County but on a much larger scale.

Ms. MacLeod explained the sales tax, impact fees and the 1.5 millage enacted by the State Legislature. Sales tax revenues are consistent over time and are useful from a planning standpoint. The sales tax revenues have avoided the sharp decline seen in the impact fees; school impact fees are also suspended until April 2013. Chairman Benham questioned the payment on the bonds; Ms. MacLeod responded that approximately seven million dollars was needed for the annual payment on the sales tax bond, which includes interest and principal on the debt service. Chairman Benham questioned if the coverage factor is 125%. Ms. MacLeod confirmed that the School District is still covering 125%, is solvent and the debt service is being honored.

Ms. Macleod began discussing other ad valorem taxes and additional sales taxes; she explained the distribution of capital funds and clarified some high figures that came from PECO funds and were released due to the classroom size amendment. Ms. MacLeod noted that in 2007 the School District topped out the bond debt at 617 million dollars, principal plus interest. She showed that restructuring the bonds saved the School District a significant amount of money. The School District credit rating has been reaffirmed and maintained and this feat is commendable in this market.As the School District gets closer to 2018~2019, the bonds should be paid off and this will free up approximately 10-million dollars a year.

Ms. MacLeod discussed the differences between sales tax and property tax. The School District currently shares a penny sales tax with the revenue being divided equally between the county, municipalities and school board. This will generate approximately 10.3-million dollars a year, which will equal approximately 154-million dollars over 15 years; this figure does not include a growth rate. Sales tax numbers are stable and can be bonded and there is an argument over pay-as-you-go versus bonding. Interests on debt will typically double the cost of a facility. The last three schools were constructed as pay-as-you-go and showed considerable savings; this will be an important issue for the School Board to decide in the future.

There is an option of seeking a voter referendum for a one-half cent sales tax separately from the county and cities. The one-half cent tax would generate 15.5 million a year and was recommended during the transportation review. All types of sales tax are stable and the funds can be bonded. Ms. Nagle asked for a comparison to what Seminole County was pursing in regards to a tax referendum. Ms. MacLeod stated that she was unaware of what Seminole County was pursuing. She noted that the School District is generally victorious when similar taxing referendums (County versus School Board) are on the ballot. Mr. Benham clarified that this can be presented on the ballot, with a minimum of School Board approval. Ms. Nagle noted that this funding option would require voter approval.

Ms. MacLeod continued by explaining that the capital sales tax is for a 15-year period and the money can be spent through capital outlay. Ms. Nagle asked Representative Metz if the School Board should exhaust all funding options prior to requesting additional funding from the legislature. Representative Metz noted that an increase in taxes would be difficult to pass the legislatures and the School Board should research all possible revenue sources, prior to approaching the Legislature.

Ms. MacLeod spoke of charter schools and how they affect the funding allocation. There are 20 charter schools in the state and five are within Lake County. Ms. Nagle confirmed that control over the charter schools is limited. Representative Metz noted that the Legislature is required to allocate to all participants in a fair and equitable manner. Ms. MacLeod detailed the positives and negatives of charter schools, including the fact that the charter schools reimburse the School District for services rendered.

Ms. MacLeod began speaking of the one mill property tax. In theory, the School District could pursue 2.6 additional mills before reaching the 10 mill maximum. This tax could be presented by a referendum to the voters, without approval by the Board of County Commissioners. This is a four-year referendum and cannot be bonded. Mr. Fix noted that Seminole County is currently pursuing this option. Kylene Fischer excused herself at this point and was replaced by her alternate, Dr. Tod Howard.

Chairman Benham asked for clarification on how the millage rates have gone down over time. Ms. MacLeod noted that the state sets the base and the School Board could set the millage lower, but a voter referendum was required for an increase. The additional millage she was speaking of earlier would be through a voter approved referendum. It was noted that Lake County ranked 65th out of 67 counties in the State funding matrix; many members noted that this was unacceptable. Ms. MacLeod explained that the methodology used to determine the funding was complex and the ranking was influenced by a number of factors.

Ms. MacLeod transitioned to impact fees, which are currently suspended, and explained how the monies could be spent. She highlighted that impact fees were a key component in the construction of the last three schools; this allowed the School District to pay cash for the structures. It

was noted that the impact fees cannot be used for repairs and maintenance. Commissioner Sean Parks reminded the Committee that the suspension of impact fees expires on April 1, 2013 and the Board of County Commissioners will be considering this issue soon.

The presentation continued with the option of additional fees on documentary stamps. This option could only be implemented by the Florida State Legislature. This will collect a set percentage on the "value" of the document being recorded and would apply to all transaction. This differs from impact fees, which only apply to new constructions or additions. The Legislature could also increase the capital millage levy from its current rate to help pay for new construction, repairs and maintenance.

Ms. MacLeod presented comparisons between documentary stamps and impact fees. The comparisons included a 10-year model detailing the previous decade and the amounts each type of revenue source would have generated. She also provided a comparison detailing typical new and used homes and the amount of "tax" burden on the home purchaser. The Committee members discussed some of the options that were included in the presentation and weighed the positives and negatives of each option.

Gregg Welstead reminded the Committee that the Board of County Commissioners' public hearing for Lake County Impact Fees would be on February 12, 2013. He noted that January 8, 2013 is the deadline to finalize the agenda for the February 12, 2013 meeting. He advised the Committee that it would be prudent to complete the recommendation for school capital facilities by November 20, 2012. All Committee members in attendance agreed that this was a reasonable timeframe to complete their task.

MOTION was made by Davis Talmage to adjourn the Lake County Capital Facilities Advisory Committee.

The meeting was adjourned at 11:38 a.m.

Respectfully submitted,

Donald P. Simmons
Planner

Bill Benham
CFAC Chairman