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PROJECT OVERSIGHT COMMITTEE MEMBERS

- Mitch Aten – *Manager for Enterprise Portals & Learning Systems*, Embry-Riddle Aeronautical University
- Sandy Burke Bishop – *Executive Director*, Volusia Building Industry Association
- Ben Flowers – *President*, Main Street Community Bank of Florida
- Jacob Lammers – *CPA*, Bolerjack, Halsema, Bowling & White P.A.
- Jim Mather – *President*, Paytas Homes
- Richard Holtz – *President /CEO*, InfiniSys, Inc.
- Debra Muller – *Chief Financial Officer*, Volusia County Schools

PROJECT OVERSIGHT COMMITTEE MEETING SCHEDULE

The Committee met 11 times during their first year beginning in May 2016. These meetings were intended to educate and familiarize the members with the protocols and particularities of the school district and public K-12 education in Florida. Presentations included review of the capital budget, legislation, the Enterprise Resource Plan (ERP), safety and security, and 21st century learning as defined by digital content and the physical environment. Guidance was also provided to the staff regarding the development of an effective communications plan.

The Committee also visited schools; they toured Chisholm Elementary in July and Citrus Grove Elementary in October to compare an aging school scheduled for replacement with the most recently constructed elementary school (Opened 2011). The Committee attended Chisholm Elementary’s design kick-off meeting with the community in January and the Committee participated in the groundbreaking for Pierson Elementary.

Meeting Dates

May 16, 2016	
June 30, 2016	November 17, 2016
July 21, 2016	January 19, 2017
August 18, 2016	February 16, 2017
September 15, 2016	March 30, 2017
October 20, 2016	May 18, 2017

INTRODUCTION

On August 26, 2014 Volusia County voters approved a referendum that enabled the continued collection by the School Board of Volusia County of a one-half cent sales tax. Originally approved on October 9, 2001, the half cent was collected from January 1, 2002 through December 31, 2016 for school construction. Based on a recommendation from a citizens' committee, the referendum on August 26, 2014 enabled the continuation of collections beginning January 1, 2017 through December 31, 2031 for capital improvements in the areas of security, technology, and school construction. (See Appendix A)

As a stipulation of the referendum, a Project Oversight Committee was established and charged with the responsibility of reporting on the implementation, progress, status, and completion of the projects within 90 days of the end of each fiscal year. This Committee, as with the previous Project Oversight Committee, provides additional assurances to the citizens of Volusia County, that the School Board is meeting its commitments and obligations related to the promised improvements.

This is the first annual report, covering the fiscal year beginning July 1, 2016 and ending June 30, 2017. This fiscal year is unusual in that it encompasses the collection of funds for both the now retired half-cent as well as the new half-cent.

REVENUES AND EXPENDITURES

HCST 2002-2016

Final reconciliation of the half-cent collected from 2002-2016 shows total revenues of \$503,044,388. The School Board issued several bonds during this period:

- **2002:** \$146,845,000
- **2004:** \$57,825,000
- **2006:** \$59,125,000

Revenues, project expenditures and debt service are shown on Tables 1 and 2 and Chart 1. Bonds that were solely dependent on sales tax revenues were retired on October 1, 2016. Other funds were used to supplement the sales tax revenues and to complete the projects. These funds included LCIF and impact fees, and proceeds associated with the issuance of COPs (Certificates of Participation). The remaining \$14,532,667 in sales tax funds will be used towards the debt service on these bonds. Details associated with *HCST 2002-2016* are found within the Annual Reports at <https://volusiaschoolshalfcent.org/annual-reports/>.

Table 1

**HCST 2002-2016
SALES TAX REVENUES & EXPENDITURES**

Fiscal Year	Sales Tax Revenue	Interest Earnings	Misc. Revenue	Expenditures - Projects	Debt Service	Funds Remaining
2002	\$ 15,063,254	\$ 58,043			\$ 2,179,703	
2003	30,747,285	297,178			12,687,784	
2004	34,135,494	534,884			15,958,493	
2005	34,774,546	973,878		\$ 8,997,255	19,780,925	
2006	37,737,410	1,996,758	\$679,578	6,962,628	29,174,930	
2007	35,956,023	2,529,877	180,326	28,391,394	37,480,413	
2008	33,948,264	577,904		19,108,464	33,627,385	
2009	30,299,663	70,984	1,971	7,140,611	28,677,132	
2010	29,781,220	16,240	10,148	4,776,110	29,355,806	
2011	29,883,829	5,724		79,684	27,787,323	
2012	30,526,725	4,301			30,710,606	
2013	31,812,156	5,244			27,513,869	
2014	33,733,053	8,336			30,457,824	
2015	36,073,123	15,679	3,124		33,682,341	
2016	39,116,980	56,846			42,912,038	
2017	19,455,364	129,490		24,654	19,200,865	
	\$ 503,044,388	\$ 7,281,368	\$ 875,148	\$ 75,480,800	\$ 421,187,438	\$ 14,532,667

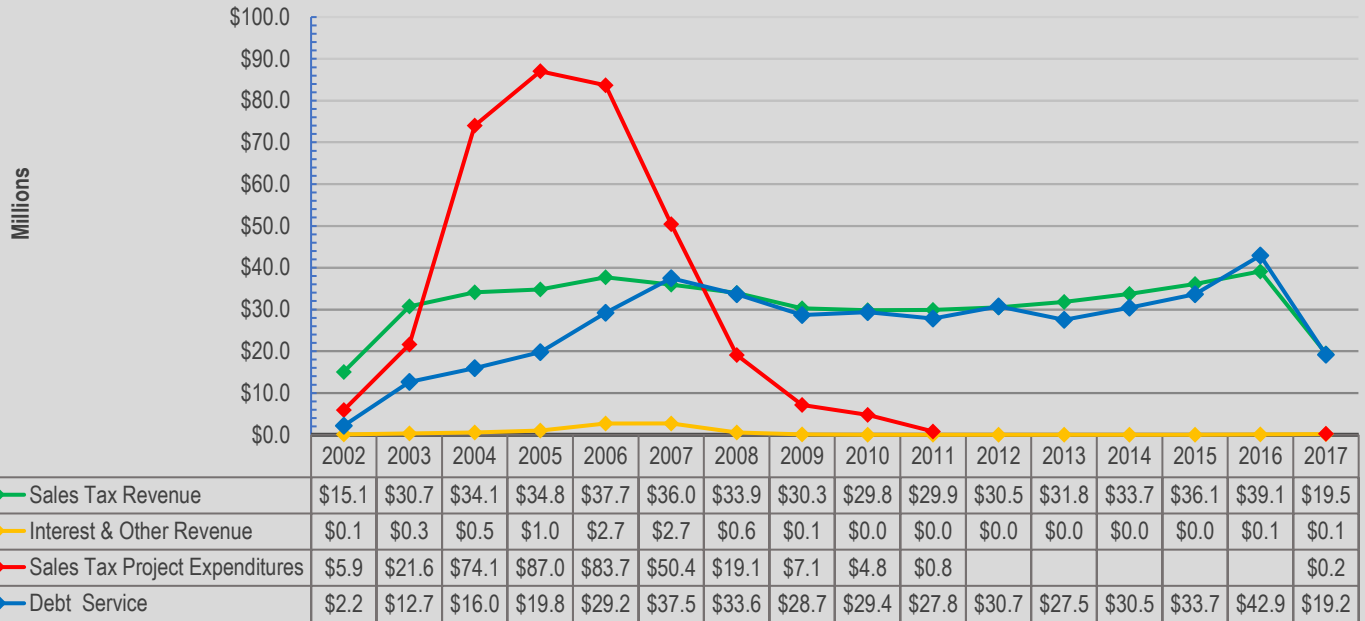
Table 2

**HCST 2002-2016
SALES TAX BOND PROCEEDS & EXPENDITURES**

Fiscal Year	Series 2002	Series 2004	Series 2006	Expenditures - Projects
2002	5,911,200			5,911,200
2003	21,632,058			21,632,058
2004	74,057,536			74,057,536
2005	53,351,596	24,668,597		78,020,193
2006		38,135,257	38,556,860	76,692,117
2007			22,057,913	22,057,913
2008				
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
	\$154,952,390	\$62,803,854	\$60,614,773	\$278,371,016
			Total Expenditures	\$353,851,816

Chart 1

Sales Tax Revenue and Expenditures



HCST 2017-2032

Sales tax revenues, distributed monthly by the state, are slightly over the FY 17 total budget estimate (See Chart 2). To provide immediate capital to fund projects, particularly the projects associated with school construction, the School Board issued \$40 million in sales tax revenue bonds on November 17, 2016. These bonds will mature on October 1, 2031 after the sales tax collection period. The true interest cost of the bonds is 2.59%. Sales tax allocations in FY 17 occurred for the following projects as of June 30, 2017 (See Table 3).

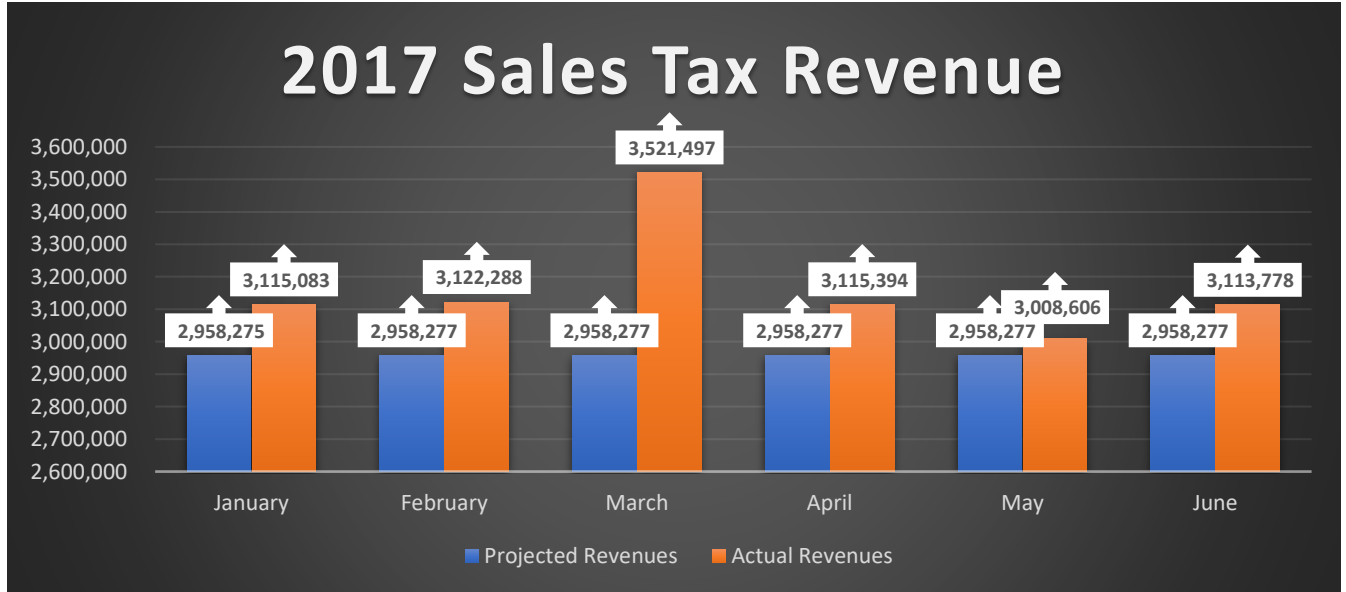
Table 3

FY2017 SALES TAX PROJECTS (As of June 30, 2017)

	Adopted Budget	Amended Budget	Expended to Date	Lumpsum Project List Estimate	FY17 Percent of Allocation
Security Improvements	\$ 1,000,000	\$ 1,160,013	\$ 1,160,013	\$ 45,000,000	2.58%
Technology	20,500,000	-	13,187,306	135,000,000	15.19%
Specific & Significant Renovations				100,000,000	4.25%
Atlantic High School HVAC	1,450,000	-	657,800		
Pine Ridge High School HVAC	1,140,000	2,300,000	645,497		
Media Center Retrofits	500,000	-	199,546		
Athletics & Physical Education	1,500,000	-	583,187	15,000,000	10.00%

New and/or Replacement Schools				111,000,000	19.82%
Chisholm Elementary Replacement (Design)	2,000,000	-	267,120		
Pierson Elementary Replacement (Construction)	20,000,000	-	2,692,482		
	\$ 48,090,000	\$ 3,460,013	\$ 19,392,950	\$ 406,000,000	

Chart 2



COMMITTEE RECOMMENDATIONS

Communications

The Committee emphasized the need for district staff to provide clear and concise communication to the public. The Committee recommended that written publications, such as this report, will be kept short and simple. The inclusion of appendices when necessary and the widespread availability of the <https://volusiaschoolshalfcent.org/> website is preferred for providing details associated with these reports.

In addition, the Committee recommended:

- Construction project signs use color
- Social media be utilized as much as possible (make use of #vcshalfcent on Facebook and Twitter)
- Development of a half-cent web site, where information is regularly updated and where videos and other live feeds could be utilized.
- Advertising be encouraged on the website.

Adding Projects to the List

Due to the recession and the overall decline in sales tax, impact fees and property values, along with the transfer of state capital dollars to charter schools, the number of needed capital improvements is outpacing the district's LCIF (local capital improvement fund – the capital revenue available from the 1.5 mills). The Committee indicated that it was acceptable for new projects to be added for use of sales tax funds and suggested the following as criteria:

- A. Does the project relate to security, technology or facility renovations?
- B. The project must 1) extend the life of the school, 2) bring the school up to 21st century standards, and/or 3) improve the environment by correcting a problem.
- C. What are the risks to adding projects? Consideration of available revenue and maintaining promises to the current project list. Additionally, what is the risk if the project cannot be accomplished without using sales tax revenue?

External Influences

The Committee recognizes that there are issues that extend beyond the district's control, yet impact the capital program.

2016 Hurricane Season

During the first year of this sales tax program, Hurricane Matthew descended upon Florida and directly affected Volusia County. In addition to providing its schools as shelters to the general Volusia County population, the district experienced building damages. While these damages do qualify for FEMA reimbursement, the district must expend its own capital funds and wait for reimbursement. FEMA reimbursement is known to take many years, as evidenced by previous storm damages. Total damages during the 2016 Hurricane Season exceeded \$3,000,000.

State Legislation

During the 2016 Legislative session, the state imposed a cap on construction costs regardless of fund source. Previously the construction cap was limited to the use of state funds. In addition to the limitation on construction expenditures, the state imposes penalties if costs are exceeded. These penalties include the loss of state capital funds (currently 1% of the district's capital revenue) and oversight by a state committee. This legislation jeopardizes the district's replacement schools as the state cap has not kept pace with construction spending, educational facility and systems trends and sustainability improvements, nor is it reflective of construction on occupied campuses, phased construction or local decision making such as partnership facilities. The Pierson and Chisholm Replacement Schools are exempt from this legislation based on their contracts dates.

In 2017 the State Legislature made it mandatory for school districts to share local capital dollars with charter schools. This mandate does not include any accountability or require metrics to be evidenced by the charter schools. During 2009 and 2010, the Legislature reduced the allowable local capital millage rate from 2.0 to 1.5. With this additional burden of sharing these revenues with the charter schools, the district's inability to keep pace with its repair and maintenance of schools will become more exacerbated.

Construction Material and Labor Costs

The improving economy, increasing number of construction projects and shortage of skilled labor creates an environment where inflation is increasing faster than revenue.

CONCLUSIONS

Members of this committee recognize the 'outside' influences and variables that constantly and continually add to the cost of new facilities and to the improvements of existing facilities. These challenges are many and stress the limited staffing resources available to Volusia County Schools. As such, during the first year of meeting as an oversight committee, on behalf of the taxpayers in our County, we continue to be well informed and are confident that our tax dollars are being utilized in the manner intended. Members of the committee feel that the team at Volusia County Schools is diligent and highly engaged in utilizing these tax revenues in the most efficient ways available to them. We also note that the needs for new facilities and improvements to existing facilities (the purpose of this half-cent sales tax) outweigh the resources available to Volusia County Schools to complete as quickly as may be desired.

Appendix A

**CITIZENS' CAPITAL NEEDS COMMITTEE RECOMMENDED
CAPITAL PROJECTS LIST
SCHOOL BOARD APPROVED January 28, 2014**

SECURITY **\$ 45,000,000**

Security Enhancements: ALL SCHOOLS & BUSES

School needs vary. Security enhancements may include, but not be limited to, one or more of the following:

- Video surveillance systems
- Access control systems
- Fencing
- Impact resistance window laminate
- Panic buttons
- Ridership Verification & Accountability System
- School Visitor Management System

TECHNOLOGY **\$ 135,000,000**

**Classroom & School Based Technology Retrofits & Upgrades: ALL SCHOOLS
Career & Technology Education Upgrades: ALL SECONDARY SCHOOLS**

- High School
- Academies Middle
- School Electives

District Based Technology Retrofits & Upgrades

SCIENCE CLASSROOM REMODELING: ALL MIDDLE SCHOOLS **\$ 8,000,000**

NEW AND/OR REPLACEMENT SCHOOLS **\$ 111,000,000**

- Pierson/Seville Elementary Replacement
- Chisholm Elementary (Replacement on site)
- Deltona Middle (Replacement on site)
- George Marks Elementary (Replacement on site)
- Tomoka Elementary (Replacement on site)

ATHLETICS & PHYSICAL EDUCATION **\$ 15,000,000**

Track resurfacing/replacement & athletic fields: ALL HIGH SCHOOLS

**Dollars based on 2013 values*

Appendix A (Continued)

SPECIFIC & SIGNIFICANT RENOVATIONS **\$100,000,000**

ELEMENTARY SCHOOLS

Enterprise	Classroom renovations/replacement
McInnis	Connect to potable water and/or sanitary sewer when available
Orange City	Classroom renovations & additions, site improvements/circulation
Ortona	Classroom renovations, site improvements/circulation
Osceola	New construction: administration/guidance, classroom renovations, windows & doors, exterior walls, site improvement/circulation
Read-Pattillo	New construction: administration/guidance, classroom renovations, exterior walls, site improvement/circulation
Starke	Doors, ceiling & lights and interior finishes including electrical, restroom renovations
Woodward	Classroom renovations & addition, restroom renovations

MIDDLE SCHOOLS

New Smyrna	Classroom addition, Site work circulation, Façade upgrade
Silver Sands	Exterior site improvements, parking lot & lighting

HIGH SCHOOLS

Atlantic	HVAC replacement, ceiling & lighting, electric service upgrade, roof replacement, auditorium renovations, window replacement, technology lab conversion
Deltona	Windows and doors replacement, technology lab conversion
Pine Ridge	HVAC replacement, ceiling & lighting, electric service upgrade, roof replacement, technology lab conversion, culinary lab
Seabreeze	Exterior door replacement, Buildings 8 & 9 classroom renovations
Spruce Creek	HVAC Replacement, electric service upgrades

OTHER RENOVATIONS (subject to sufficient revenues)

May include upgrades or replacement at any school of one or more of the following: electric service and/or equipment, ceiling & lights, fire alarm, HVAC system and/or equipment, intercom, roof replacements.

HALF CENT MONIES RECEIVED

(32m x 15 yrs based on 2013 values) **\$ 480,000,000**

PROJECT COST ESTIMATE (based on 2013 values)

Security	\$ 45,000,000
Technology	\$ 135,000,000
Facilities	\$ 234,000,000
SUBTOTAL	<u>\$ 414,000,000</u>
Contingency & Inflation	\$ 66,000,000
	<u>\$ 480,000,000</u>

**Dollars based on 2013 values*