

# Half-Cent Sales Surtax Citizens Advisory Committee

## Meeting Minutes

Monday, March 21, 2022

### **Opening**

The regular meeting of the Half-Cent Sales Surtax Citizen Advisory Committee was called to order at 4:02p.m. on Monday, March 21, 2022, St. Johns County School District, The Fullerwood Training Center, 10 Hildreth Drive, St. Augustine, FL 32084 by Mr. Hardman, Chairman.

### **Attendance**

CAC Members--Present: Ed Albanesi, Susan Connor, Damian Cook, Jack Hardman, Richa Jeetah, Amy Lasswell, John Lasswell, Jason Lewis, Barbara Little, Terence Mahoney, and Kim McManus. Alternates: Michelle Dillon. Absent: Elena Laguardia, Virginia Morgan, Norvie Veracruz, Linda Villadoniga, Javelyn Arvay, Derek Barrs, Mary Ford and Dr. William McCormick.

School District staff--Present: Nicole Cubbedge, Mike Degutis, Gretchen Saunders, Paul Rose, Colin Kirkland, Elizabeth Moore, and Judith Harvey.

Public Attendees--None.

### **Approval of Minutes**

Minutes from the December 20, 2021, regular meeting were then approved with a motion by Mr. Albanesi and seconded by Ms. Little. A vote was taken, and the motion was approved.

### **Introduction of New Members**

Mr. Hardman asked everyone to introduce themselves and give a little background.

### **Elections of New Officers:**

Mr. Hardman stated that new officers needed to be elected. The positions are Chairman, Vice Chairman and Secretary. Mr. Hardman opened the floor for nominations for Chairman. Mr. Lewis nominated Mr. Hardman to be Chairman. Mr. Mahoney seconded that nomination. Mr. Hardman

nominated Mr. Lewis to be Vice Chairman and Ms. Little seconded that nomination. All nominations were approved. The district staff will continue to act as secretary.

Mr. Hardman then reviewed the background of the CAC and also explained that the CAC does not approve expenditures but monitors the expenditures within the four categories. He explained that the CAC acts in an advisory role only. He further explained that the CAC does fall under the Sunshine Laws which means everything is public and all communications are public. Mr. Kirkland also reviewed the Sunshine Laws for the members. Mr. Hardman also noted that the CAC needs to be a voice in the community.

### **Financial Reporting**

Ms. Saunders presented the Financial Report. She reviewed the 2021-2022 Sales Tax Receipts and explained the “lag” between the date received and the collection month. She reviewed the actual and projected amounts for 2021-2022. Mr. Hardman noted that the quarterly payments represented purchases that were made outside of St. Johns County but are taxes due to St. Johns County such as the purchase of a car. Ms. Saunders then reviewed the debt service and explained that the interest for the debt service must be paid twice a year. Mr. Hardman explained that the debt service is from the original \$50 million used to jumpstart the projects and has to be paid back over the ten years. Mr. Mahoney asked about setting aside funds to make the debt service payment (principal and interest). Ms. Saunders explained that they break down the payments. Mr. Degutis also indicated that the first six months is interest only and the next six months is principal and interest. Ms. Saunders reviewed the four categories and stated that they had been concerned about the pandemic and gas prices, but the trolleys are still full so tourism is booming.

Next, Ms. Saunders reviewed the three charts: Monthly Sales Tax Revenue, Quarterly Sales Tax Revenue, and the combination of the monthly and quarterly sales tax revenue. Mr. Hardman noted that the increase over last year is dramatic, and Ms. Saunders answered in the affirmative. Mr. Hardman stated that the good news is that the receipts are over the \$150 million that was presented to voters, but the bad news is that the schools cost more to build. Mr. Mahoney noted that from 2015 to today, there is inflation but also more businesses in St. Johns County. Ms. Saunders stated that inflation was a concern. Mr. Hardman stated that inflation may be more dramatic going forward. Ms. Connor noted that this tax is a good tax in that it is on the backs of visitors. Mr. Mahoney noted that 27% was from outside of St. Johns County. Mr. Degutis noted that the percentage was actually more than that and the original analysis was 40% to 50% outside of St. Johns County with one half of the tax being paid by tourists. He stated that this was true of most school districts except rural districts. Mr. Lewis asked if a calculation of that percentage could be done. Mr. Degutis said it would still be somewhat of an estimate. Mr. Mahoney stated that the St. Johns County fact sheet stated it was 25% to 40% outside of St. Johns County. Mr. Degutis stated that it was closer to the 40%.

## **Project Reporting**

Mr. Rose presented the project reporting. He noted that K-8 School MM, now known as Pine Island Academy, was finished as well as some roofing projects. Mr. Rose noted that construction costs are significantly more as well as workforce coordination. He stated that the Landrum Middle School phase 1 roof replacement was about \$900,000 with a budget of \$950,000 and it was 95% complete. He stated that they were able to save money with some owner direct purchases. Mr. Hardman noted that there had been a lot of roofing projects and the costs were rising. Mr. Rose stated in the affirmative and noted that the two-year projects can be significant. He stated that the Osceola Elementary School phase 1 was 95% complete with a budget of \$1 million. Ms. Connor asked if the School District had considered solar. Mr. Rose stated that they had considered it, but they would not put penetrations on the roofs because many of the schools are hurricane shelters, so they have to meet wind and hurricane requirements. He stated that they also did not want to tie up green space with the panels. Mr. Rose further stated that they were blessed to have the tax receipts for these projects. Mrs. Cubbedge stated that March is a bit of a lull time with the finishing of a lot of projects and starting new projects. Mr. Rose stated that they are also in the process of doing lifecycle visits at all the schools to identify capital projects.

Mr. Hardman asked about new schools and funds that have been expended. Mrs. Cubbedge stated that there are two projects left in the New School Construction category. These projects are the expansion at South Woods Elementary School (SWES) which the district is working on and a new elementary school in the southern part of the county. She stated that they are currently working on the location, and it will be the last project in the ten-year timeframe. She further stated that they are working on the water and sewer for SWES to the site, so they are holding on the expansion while they work on this item. Mrs. Cubbedge also noted that they have done a little bit of the academy renovations and have expanded locker rooms at Bartram Trail High School (BTHS) and Pedro Menendez High School (PMHS) which were included on the promised list with the sales tax. She also stated that they are getting down to the last projects that were identified. They have a few maintenance items with about two to three roof projects left. She also stated that they expended more on safety but are still looking at some more items. As they visit schools, they identify projects.

Mrs. Cubbedge stated that Mr. Patrou was not at the meeting, but the IT department is purchasing computers as they are available on the market since there was a shortage for a while. She also stated that they finished the teacher refresh and the old teacher computers were recycled down to students, so the IT department is moving forward on all fronts.

Mr. Hardman then took a moment to review the Summary of Funds, Capital Projects, Debt Service from inception of the half cent sales tax. Mr. Hardman also noted that only a portion of Palm Valley Academy (PVA) came from sales tax receipts, and he noted to the committee that not all expenditures for the district flow through the CAC. Mrs. Cubbedge noted that they are reducing relocatables at PVA. Mr. Hardman also noted that there is a category for Savings for Future Construction. Mr. Mahoney asked if there were capital funds and Mrs. Cubbedge explained that

they only bonded one time for the first two schools but now it is pay as you go. Mr. Cook asked if the money has to be spent by the time the clock runs out or when they stop collecting. Mrs. Cubbedge explained that they stop collecting receipts at the end of year 10 but it does not have to be fully spent at that time and they must finish the list. Mr. Hardman stated that they need to commit to something by the end of the ten years. Mrs. Cubbedge added that items do not need to be specifically allocated but that we should be good stewards and commit to projects such as the last elementary school near the end of the 10 years with the plan to be in the construction phase by then to be honest and true. Mr. Mahoney asked about the capital fund for the future and if the fund is sitting there would that then allow for cash flow. Mrs. Cubbedge explained if revenues keep coming in then they would expand SWES and build a new elementary school so the dollars would be for those two projects. She further stated that it is feasible that there will be some funds left and the expectation would be to spend those dollars as well. Ms. Connor noted that neither new high school was built with sales tax receipts. Mr. Rose stated that the high schools were about \$60 million but the entire cost was higher. Ms. Connor asked if Toco Creek High School (TCHS) and Beachside High School (BHS) were full. Mrs. Cubbedge replied no to both questions. Mr. Mahoney said those two high schools will provide relief to other schools. Ms. Connor stated that the high schools were so overcrowded. Mrs. Cubbedge stated that there will be more high schools to come but not right away due to borrowing funds. She also stated that funds to build high schools does not come from the CAC because high schools are so expensive and tax receipts would not be spent for the entire county if the funds are taken up by a single high school.

Mr. Mahoney asked about the amount of debt service on the \$50 million and Mr. Degutis stated it was \$5.6 million per year for principal and interest. Mr. Degutis referred the committee to the debt service spreadsheet. Mr. Mahoney asked about finding ways to budget so they do not have to bond but would add more money to schools than with debt service. Mr. Degutis asked that they look at the combined page, through June 22, and note that they will get to \$150 million faster than what was originally thought. Mr. Hardman stated that St. Johns County is growing more rapidly. Mr. Degutis stated that they had lots of conversations about projections for the annual increase, anywhere from 5% to 7%. They decided on 3% projections every year and that they have exceeded that every year so he hesitates to think where they would be without the sales tax. Mr. Mahoney noted that there are more retail projects so higher sales tax but less impact on schools. He also stated that interest rates will go up so the next time they borrow, the rates will be higher. Mr. Cook asked for the total of the capital budget. Mr. Degutis answered that it was over \$100 million. Mr. Cook stated that this just shows how this bucket plays into all of this. Mr. Hardman asked how many schools will be built in the next ten years. Mrs. Cubbedge stated 21 in the next ten years. Mr. Degutis stated that the sales tax projects are just a slice of the capital projects. He further stated that there are other expenditures in capital projects such as the purchase of buses every year. He said it takes a lot to keep things moving. Mr. Cook asked about the worth of the millage rate. Mr. Degutis gave a brief history of the millage rate with the legislature cutting the rate which made it difficult to fund projects. He stated that the sales tax has helped, and he explained the process by which they offered the School Board options and the sales tax became the choice.

Mr. Hardman asked if there needed to be a discussion with St. Johns County about their half-cent sales tax hurting the School District's half-cent sales tax. Ms. Connor stated that the School

District's was easier to sell. Mr. Cook expressed his concern about the future of the half-cent sales surtax and that it is just a patch. Mr. Degutis stated that to Mr. Cook's point that they had to do a 20-year plan on a 3-year revenue source. Mr. Cook stated that a more stable revenue source was needed. Mr. Mahoney stated that more information was needed to campaign for the half-cent sales tax since schools are a priority.

Ms. Little asked about the expectations for SilverLeaf. Mrs. Cubbedge said that they did not know yet. She stated there were three school sites as part of their mitigation, 2 K-8's and a high school. She stated that it is a financial issue, and they have to tier the funding. She further stated that they need to get the borrowing capacity up and the next school would be a combination of school concurrency, impact fees, etc. She explained that they watch growth and address the worst area first and to keep in mind that the sales tax is not the only source of funding. She stated that as far as SilverLeaf, it is mainly elementary school students so Wards Creek Elementary (WCE) is feeling the pinch but there are not as many middle or high school students. She said she refers to SilverLeaf as the sleeping giant. Ms. Little asked which schools the students attend at this time. Mrs. Cubbedge stated that it is Wards Creek Elementary (WCE) for elementary, Pacetti Bay Middle School (PBMS) for middle school and Toco Creek High School (TCHS) for high school.

### **Public Comment**

None.

### **Closing Comments**

Mrs. Cubbedge asked about the next meeting as far as location. Mr. Lewis stated that the Fullerwood Training Center was good. Ms. Connor stated the same and that there is more parking here. Mr. Cook asked if the set-up for the staff was good, and Mrs. Cubbedge replied in the affirmative. Mrs. Cubbedge stated that based on the comments then the next meeting will again be at the Fullerwood Training Center.

### **Next Meeting Date/Time**

The next meeting will be held on Monday, June 20, 2022, at 4:00pm at the Fullerwood Training Center, 10 Hildreth Drive, St. Augustine, FL 32084.

### **Adjournment**

The meeting was adjourned at 5:18pm with a motion by Mr. Cook and seconded by Ms. Little.

Minutes submitted by Judith Harvey