An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on March 5, 2009, at 1:00 p.m., in Room 241 of the County Office Building on McIntire Road, Charlottesville, Virginia. This meeting was adjourned from March 4, 2009.

PRESENT: Mr. Ken C. Boyd, Mr. Lindsay G. Dorrier, Jr., Ms. Ann Mallek, Mr. Dennis S. Rooker, Mr. David Slutzky and Ms. Sally H. Thomas.

ABSENT: None.

OFFICERS PRESENT: County Executive, Robert W. Tucker, Jr., County Attorney, Larry W. Davis, and Clerk, Ella W. Jordan.

Agenda Item No. 1. The meeting was called to order at 1:06 p.m., by the Chairman, Mr. Slutzky.

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Agenda Item No. 2a. Work Session: FY 2009-10 County Budget – School Division.

Mr. Brian Wheeler, Chair, Albemarle County School Board, recognized Mr. Ron Price, Vice-Chair of the School Board, School Superintendent Dr. Pam Moran, and Ms. Diantha McKeel, member of the School Board. He said Dr. Moran and the School Board embraced an approach to the current economic crisis that is courageous, confident and creative. He said Dr. Moran has emphasized that excellence does not equate to money, and it is not a measure of or assurance of greatness. He said the School Board asked Dr. Moran for a funding request that supported their Strategic Plan and its Vision, Mission and Goals, the focus being on the relationships between every teacher and every learner.

Mr. Wheeler said the School Board has an exciting process that it uses now for work sessions. They had one recently with a lot of students. Every other meeting is a work session where they typically get an in-depth report from staff, then go into breakout groups, and the School Board members come back and share what they heard in those focus groups. These were students who where challenged in the School System, challenged in life, challenged to be successful and they met someone in that building that turned them around and gave them the confidence to be successful. This drives home the point that young people are at the center of these decisions about the budget.

Mr. Wheeler emphasized that the budget request contains no new initiatives or salary increases, and growth is addressed only in critical areas where there is a documented need. He said these needs are formula driven, where square footage or a certain population is increasing. He added that the School Board asked Dr. Moran to provide recommendations consistent with the 2007 Resource Utilization Study; this is the second budget cycle where there has been an opportunity to implement those suggestions.

Mr. Wheeler said there is general hope for an economic turnaround in the future. He asked the Supervisors yesterday to look at that Five-Year Plan and what has been projected. He noted a typographical error in the cover letter; it said $9.7 million which the deficit when they first got Dr. Moran's proposed budget, but it now stands at $8.7 million in the fifth year.

Mr. Boyd asked how the School Board's planning will address that. Mr. Wheeler responded that the Schools are making changes in the Central Office and staffing. In order for the Schools to become a more efficient organization in the long term, these will be permanent changes.

Mr. Rooker said that is apparent in the report of the Schools. Mr. Wheeler emphasized that if those changes had not been made, the number would be much higher. He said compensation is the biggest driver of that number, so the School Board and the Supervisors need to work on the Compensation Policy together. He said the School Board is most concerned now with implementing long-term changes that prepare the Schools to be as lean an organization as possible and keeping learners and learning at the center of all decisions. The teacher in the classroom is going to have the greatest impact on student achievement, and they need to recruit and retain those teachers.

Mr. Ron Price addressed the Supervisors and showed some slides on the screen. He said the School System is fully accredited with at least 20 schools meeting or exceeding the 29 different requirements of statewide SOLs. He said they need benchmarks; what does it mean to be world-class? When they get to that point, how do they go farther? He said seven elementary schools were recognized by the Virginia Board of Education as outstanding schools in this School Division. Looking at their Strategic Portfolio shows that the money being spent is providing results. He said the School System is still not at the point it wants to be, particularly concerning students in the achievement gap. He said 82 percent of all their graduates pursue post-secondary education – which is much higher than the State average.

Mr. Price said this allows the School Division to build upon its achievements. He emphasized that it has been challenging to build a budget that incorporates reductions and still allows the Schools to build upon their significant achievements. They are trying to deliver Twenty-First Century learning. To see this, you must visit some classrooms where the latest technology is being used – smart boards, etc. Before becoming a School Board member he did not know how fiscally conservative and accountable the School Board members are, as well as the principals and teachers. They watch every dime that goes out the door to make sure it goes to the students. He sees this also with the PTOs. He said that at a recent meeting at Stony Point Elementary there was concern expressed about losing a teacher, and the parents actually offered to contribute out-of-pocket to help pay a teacher's salary, if necessary.

Mr. Price said one statement in their Strategic Plan is: "Establish efficient systems for development, allocation and alignment of resources to support their Vision, Mission and Goals." He thinks of their objectives as being an arrow and the tip of the arrow being the spear. The Resource Utilization Report has allowed their "spear to be sharpened" and to be honed to target some of needs in the Division, or some of the changes needed.

Mr. Price said as to fiscal accountability their 2009-10 budget is aligned with their Strategic Goals. The School Division is driven by smart goals, smart objectives, and a balanced scorecard. That scorecard creates a level of fiscal accountability. If it were not a difficult budget time, the Schools would be doing the same things because of the lessons learned in the Utilization Review Study. Their long-range Master Facilities Plan process began in October, 2008 and will continue through 2010. As they look into the future as much as 20 years, they have heard that for the next few years things may not be good, so they will have to hone in their vision based on limited resources. Not all people like change, but in the end he thinks the outcomes will be better than what has been seen in the past.

Mr. Price said the Instructional Coaching Model is one change that a lot of people are talking about. Change is painful in the beginning, but in the end it will get the Division to where it needs to be. He said the School Division has made significant strides in teacher salaries. It hurt to not be able to give salary increases to teachers this year, especially in light of Charlottesville giving teachers an increase in pay. With top salaries they can hire top teachers. Pay matters; it matters significantly to teachers.

Mr. Wheeler added that the Schools are lobbying in Richmond to try and get help with compensation, and also at the Federal level. He reiterated that there will be no salary increases this fiscal year. They are trying to get their exceptional staff reorganized to create some efficiencies and improve the level of service. They are going to refocus on the Division's core work. There is a commitment by the School Board, senior staff, principals, and teachers to focus on things that will directly impact student achievement. He said operational increases and improvements are funded through redirection of resources. They are asking for less than last year, so where there are increases and growth, it is being done by getting money from other sources.

Mr. Wheeler said he will mention some things about revenues and expenditures. He said the numbers have changed right up to this minute, so he will present the very latest information. They are expecting reduced local revenues by a little less than one percent, and are expecting a State reduction that's about five percent - or $2.3 million less; and no increase in Federal revenues. He will talk about the Federal stimulus money later. Dr. Moran noted that the Schools have not received the final breakdown from the State, so there may be additional changes.

Mr. Rooker said the rhetoric was that the State was able to hold education harmless. Mr. Jackson Zimmerman, Executive Director of Fiscal Services, said the latest information was that they were able to hold it harmless relative to the Governor's budget. Dr. Moran said it is different depending on the locality, and based on factors such as the composite index, other factors and formulas. Mr. Tucker said staff has been looking at local revenues since this budget proposal was prepared, and he is doubtful any changes will be upward.

Mr. Wheeler said that even after the Supervisors adopted the tax rate last year, the Schools budget changed dramatically. It is a moving target. He said the Schools intend to use some of its Fund Balance. He said some of the reductions they are recommending are – salary increases are not possible, VRS rates are expected to be maintained the same in the biennium, there is a focus on classroom teaching and learning, there is a six percent increase in health care costs, an increase in enrollment growth, and an increase in eligible free and reduced lunch students. He referred to a pie chart on the screen and said the allocation percentages in this budget show no real change. Federal revenue is always a shockingly small slice of this pie – always less than two percent.

Mr. Rooker said that when Federal politicians talk about education, they make it sound as though the Federal Government were funding a significant portion of the costs – that is not true.

Mr. Slutzky asked how much the local schools have to pay for the No Child Left Behind (NCLB) unfunded mandate as an approximate dollar figure. Dr. Moran replied that the amount is now exceeding $150 per pupil.

Mr. Slutzky asked how much that totals roughly. Dr. Moran said it would be $150 times the 12,000+ students in the School System. She said eight school systems in Virginia participated in a study in 2003-04 to document over the five-year period the impact of NCLB. To maintain the NCLB mandates this year probably exceeds their Federal program money. She said they are right at the cusp of meeting or exceeding the mandates.

Mr. Rooker said that is the School System's total amount of Federal money for everything. He assumes the IDA money is included in that 1.79 percent shown on the chart. Dr. Moran said that NCLB touches every student in every classroom even though it is a select group of students percentage-wise that are actually advantaged by the funds that come through Federal programming and special education. It gets applied across the board to all students in terms of expectations.

Mr. Boyd asked if the figure of $150 was comparable across-the-board to all school systems. Dr. Moran said some spent more and some less; Albemarle went after Standards of Learning in a more intensive way. They were asked to only consider those costs that accrued after NCLB was implemented; some school divisions were doing little with implementation of the SOLs.

Mr. Wheeler showed two pie charts on the screen relating to the expenditure side of their budget. He pointed out that many reductions have resulted from implementation of recommendations from the Resource Utilization Study. He noted that the state is now requiring school divisions to break out their technology funding. In the current fiscal year it was integrated into all of the different departments, but now it has to be shown separately.

Ms. Thomas asked if the Schools are increasing their funding of technology. Mr. Wheeler said only slightly. Dr. Moran said that relates to things like licensing costs and maintenance agreements. It is a minimal increase; they are not adding funding to buy more technology.

Ms. Mallek asked if the Schools have to participate in the VITA system. Mr. Zimmerman responded that they do not have to participate in that.

Mr. Boyd asked if the School Board goes through the same type of revisions that Local Government does – showing all new projected figures for the current fiscal year. Mr. Wheeler said the School Board does not track a new bottom line number. They do get updates with their financial reports; funding shortfalls have required them to rely on their Fund Balance to cover costs.

Mr. Boyd said because the economy is changing every month, he thinks the School Board would need revised numbers in front of it all the time. Dr. Moran explained that Mr. Tucker works with Schools staff to keep them updated as it is a moving target, the discrepancy continues to change month by month. He said Mr. Zimmerman works with Local Government staff and the Schools make adjustments to insure they do not exceed revenues.

Mr. Wheeler said a lot of the Schools expenses are locked into people – teachers in the classroom – and they are not projecting removing any of them from the classroom in the middle of the year. That expense is the biggest driver in the School budget.

Mr. Boyd noted that should make it be easier to make projections. Mr. Wheeler said those projections are done and they have shown how the Fund Balance will cover the gaps they have.

Mr. Boyd said he is looking at a comparison of what the School Board put together two years ago.

Mr. Rooker said that is not true, that budget is one year old; it was adopted in February, 2008 which shows in the left-hand column of the chart on the screen. Mr. Wheeler said Mr. Boyd was going back to the Superintendent's actual presentation of that budget.

Ms. Thomas said they have adopted actual figures for the back years, but they do not have an actual figure for the current year. That comparison is what would show the cuts being made. Mr. Wheeler said that information is included in their monthly financial reports, but has not normally been presented to the Supervisors.

Mr. Boyd said he would rather see what the Schools are spending now and what they propose to spend next year as opposed to looking at what was proposed to be spent a year ago.

Mr. Slutzky asked if anyone knows what the Schools will get to spend if the revenues dry up. Dr. Moran mentioned that it is probably $3.0 to $4.0 million less than what was originally planned to be spent.

Ms. Thomas said the proposal to add a Contingency Fund is the thing the public is most upset about, so if there is a cut in funds in the middle of the year, what will the Schools do? Mr. Price responded that the outcome would be disastrous without a contingency fund. They would have to either cut significant programs or staff similar to the way a corporate entity would do, and he is not sure if accepting the cuts would be as palatable to the public as holding back some money in savings.

Mr. Slutzky said the Board is asking the public to absorb the 2.5 cents or whatever the Board sets, and if that is not done and there is an erosion of that scale or greater in the revenue picture, what will that mean? When asking the public to pay the extra 2.5 cents, it is helpful to have something to juxtapose that to.

Ms. Thomas said there is a good long list on Pages 39 and 40 of the things that are not being funded in this budget. Dr. Moran emphasized that those things are on the table. Mr. Wheeler said the School Board is fiscally responsible in running their operations, and it has allowed them to remain successful through this tough year; that is because they plan on using a healthy amount of the Fund Balance that was created from previous decisions. He understands Mr. Boyd's point about readjusting the budget to take that into account, but is still there.

Mr. Boyd stated that he believes wholeheartedly in reserves, but they need to be transparent. Mr. Wheeler responded that the Fund Balance appears in every monthly financial report.

Mr. Boyd asked where that reserve appears in the proposed budget.

Mr. Slutzky said if there is a further erosion of revenues next year, how much would be available in the Schools' Fund Balance? Mr. Wheeler said as they implement the efficiencies noted in the Resource Utilization Study, there will be less money generated in the Fund Balance. This year there may be a benefit from the early retirements. They have to make certain assumptions about payroll and realize savings beyond what is in the funding request. After going through a couple of cycles, unless there is a reserve fund on Local Government side, the School side, or both, that would be disconcerting to most of the School Board members. When this was first discussed, it was indicated that it would be something the Schools could tap into as well. He thinks the Schools have been well prepared to weather the storm and it will be prepared next year, but after that he thinks the County would benefit from having that reserve.

Mr. Rooker noted that on Page A-40 of the presentation, it shows that the School Board's Fund Balance is about $6.5 million, and it shows that they will use $2.0 million of that Fund Balance to balance their budget. Dr. Moran pointed out that in the current year the $6.0+ million balance allows them to draw some of those funds down, and the School Board is working with each department to make sure it does not spend funds that have been impacted by budget changes.

Mr. Wheeler said the things listed on Page A-40 are not a part of the budget proposal. He emphasized that the $6.5 million was the Fund Balance at the end of the previous fiscal year; the Schools have penciled in about $3.1 million to help them get through the current year. He confirmed that the amount budgeted for their 2010 Fund Balance is $2.9 million. Dr. Moran mentioned that they have already started thinking about the next two-year budgeting cycle and how that moves forward in terms of any use of the Fund Balance. She said they are accruing fund balance all the time, and that will be explained later in this presentation. If there were a further revenue crisis in the middle of the year, teacher contracts, because of State Code, could not be changed, but there is a lot of classified staff that can be changed on an emergency basis.

Mr. Price said the Resource Utilization Study has helped do a lot of things in the School System. They built on past adjustments this year and have looked at 117 (85 percent) of those recommendations and either implemented or researched them further resulting in a $3.5 million reduction before adding in maintenance of efforts. He mentioned that the Study yielded recommendations for consolidation of three small schools, hiring of a new transportation director, elimination of 22.42 FTEs with eight of them being bus drivers, improved energy efficiency, changing the replacement cycle for computers from three years to four years and reducing the bus replacement cycle by $500,000 last year. He said most of the FTE positions are in administration, although some are in the field and not in the Central Office.

Ms. Mallek asked if the FTEs are employees who have retired and moved away or are they back in the classroom. Mr. Price said the majority of those were Central Office employees, but Central Office is not just in the COB but positions in the field that are in instruction, special education, professional development, alternative programs, accountability, research and technology, which includes assessment of information management. The majority of those positions are in the administrative grouping, although there are some instructional positions included.

Ms. Mallek said her question is whether these people are still employed in the School System. Dr. Moran said the 22+ is a projection. Wherever possible, people who have teacher certifications will be placed in vacant positions as they occur. For people in classified positions, when there is a vacancy they will be matched with areas where there are central needs. She said that last year there were several people who declined offers to move to other positions and no longer work in the system.

Ms. Thomas said it is noted that the System is down 12.65 total employees from the total number (2,340) of employees. Dr. Moran mentioned that over the last three years the School Division has had a net gain of 5.11 FTEs. In 2009-10 they are adding some staffing at the school level while reducing staffing at the central level, so there is a net loss for next year of 12.65 positions.

Ms. Thomas said when the Supervisors are looking at cutting Local Government staff by eight percent, it gets "thrown in our face" as to whether the School System is reducing its staffing in a significant way. Dr. Moran said the School Board has committed to cutting staff in areas outside of the schools so the cuts that have been made were done in Central Services which are smaller than School Services.

Mr. Dorrier asked if these figures include retirements. Dr. Moran said they do not include their retirement data.

Mr. Slutzky commented that the schools did not have to lose as many employee positions across-the-board because they had a larger School Board Reserve that it was able to use at this time, but now the School Board Reserve has eroded. So for this year and perhaps next year the Schools are in a fairly safe spot but beyond that it is uncertain. Mr. Wheeler agreed with that assessment.

Mr. Price emphasized that when there is a vacancy the Schools evaluate the need for that position and they do not rush to fill it. He said they have frozen 29 positions and it remains to be seen whether that will be permanent or not. They are asking that more be done with fewer people.

Mr. Rooker said he understands that there are now 29 frozen positions but the School Board is carrying those FTEs in the budget as though the positions are filled. Dr. Moran responded that they are not being carried as eliminated positions. They are frozen but the salaries are accruing as part of their lapse so the funding can be used if needed to defray loss of revenue.

Mr. Rooker explained that there is a difference between how Local Government treats this as opposed to how the Schools do. The frozen positions in Local Government are not in the budget, i.e., frozen positions are not included as an expense item in the budget. Dr. Moran said in the Schools the frozen positions have not been dropped from the budget, they are funded and the funds will go into the Fund Balance through lapse, so they will be able to evaluate those positions and determine their future need.

Mr. Slutzky said the problem is terminology. When using the word “frozen” it does not mean the same thing on both sides. The School Board means they are positions under review, while in Local Government it means the positions are not in the budget this year. The Schools are holding onto those expenses in the budget because they may or may not be filled, so they are not “frozen.” Dr. Moran said that for 2009-10 the positions are in the School budget, but for 2008-09 they were not filled.

Mr. Rooker replied that keeping those salaries in the budget provides a “significant cushion” in the School Board’s budget.

Ms. Mallek said the 29 positions amount to about $2.0 million. Mr. Zimmerman said these positions are not teaching positions; the Schools do not freeze positions that are in front of children. They have a number of custodial positions that are vacant, teaching assistants, etc.

Mr. Rooker said these are positions where the School Board has not yet decided if it will fill them.

Mr. Slutzky said that is different from what the Board meant when it said frozen, because in Local Government those positions are gone and out of the budget.

Mr. Price said a better term would be “eliminated.”

Mr. Slutzky said that is actually a better term.

Mr. Rooker said he thinks the positions are called frozen because Mr. Tucker is trying to maintain some kind of order of priority for filling positions if and when revenues return.

Mr. Boyd said in accounting terms that is what is being talked about, building a reserve, a fund balance, etc. If it is done this way it looks like surplus at the end of the year as opposed to a calculated attempt to accrue dollars into a reserve fund. That is why he talks about transparency. If there is going to be a reserve, he thinks it should be set up as a line item in the budget. Dr. Moran said the School Board has talked to her about establishing parameters around the fund balance. She said it has increased and one reason was that last year they increased their holdback of funds. They kept a watch over revenues and said they needed to be more fiscally conservation because the School Board cannot come back to the Supervisors to bail them out if they overspend.

Mr. Rooker commented that he has no problem with the way the School Board handled that; it is wise to be conservative, especially when a significant component of the budget is tied up in contracts that they really cannot get out of. It is helpful for the Supervisors to understand the difference between the Schools’ frozen positions and those in Local Government. Dr. Moran said their Fund Balance during the year can be as low as $400,000+, but typically has not gone above $3.0 million. For their Fund Balance to get as high as it got, that was based on actions taken a year ago.

Mr. Slutzky said he is reluctant to mention it, but there are a couple of ways of looking at this. The School Board is better able to find opportunities for budget reductions than on the Local Government side. He said that the 60/40 ratio on a given year will sometimes favor the Schools and sometimes hurt them. Having that adjusted each year would be a way to have that more equalized.

Ms. Mallek said that was actually one of the recommendations in the County’s Resource Utilization Study.

Mr. Price responded that adjusting that rate should be seriously considered.

Mr. Wheeler said if that is going to be discussed he would want the full School Board involved.

Mr. Slutzky said that next week the Supervisors will be setting the maximum for the tax rate to be advertised, so they need to be mindful of this.

Mr. Boyd said he hopes Access Albemarle will provide an opportunity to get a true handle on the lapse factor.

Mr. Wheeler said he would now discuss the reorganizing that is taking place. It relates to the instructional coaching model which is being implemented today. Because of the need to notify staff about a change of this magnitude, all staff members have received letters explaining the change. He said the Supervisors may be hearing about it from their constituents, but he thinks it is a really good thing, emphasizing that it is being done to improve learning in the classroom. It has a side benefit in that it will save a substantial amount of money. It was put into the budget process so that the savings would be recognized, and to get the ball rolling on the changing of roles and responsibilities of employees. They are moving to instructional coaching teams, using instructional coordinators, curriculum technology integration partners, teacher mentors, and math and literacy specialists. In the traditional model these people were centrally based coordinators and specialists who were content-specific and fragmented. Sometimes there was a staff member in the Schools who was exceptional, but they were not employed full time. Often there were a few additional fractions of a full-time equivalency added to this person’s job description for responsibilities such as helping teachers with technology, helping with reading, etc. Sometimes that worked well and they were able to give a person full-time employment.

Mr. Wheeler said the School Board is data driven, so after getting data on how the Schools were doing with math, they got a recommendation from the Superintendent to put in math specialists full-time, not in the Central Office, but in the Schools where they could impact the teachers teaching math; that shift has shown positive results. That best management practice was implemented; it told them to revisit other roles in the classrooms. They pulled out job descriptions, looked at them and found a lot of variance from those written descriptions; principals were making independent decisions about how to dole out some of the FTEs to make things work. He said there are about 50 people involved in this work this year. The proposal for the coming year is to take that down to 40 people. That is where some of the savings in the Central Office are taking place; it is hoped that having them coach teachers will result in better practices for students.

Mr. Rooker asked if these people are working directly with students now. Dr. Moran said the coaches will follow the math model. They will work directly with teachers, but will have contact with students when in the classrooms modeling effective instruction. They will be working with teachers in some cases co-teaching. They will be building based, but centrally managed. Looking at the literacy data it showed that those literacy specialists were doing things that were not on the original job description, so this plan will get these people back to their core skill sets. Principals are looking at all funding streams with intervention/ prevention, Title I, etc., because they will not be taking away reading intervention services from children that need additional reading support, or additional math support. Services are being deployed in a different way than the haphazard focus right now.

Mr. Rooker asked who these teachers answer to. Dr. Moran said they will be supervised by the principals in regional groups and work through five central lead coaches. Mr. Wheeler said there will be five content specialists located centrally, and 35 located in the field. He added that school principals came to the School Board and said they felt this was the right direction; existing staff is not just being given a new label.

Mr. Price said one positive thing on the Human Resources side is that this approach gives teachers a career path that does not wind them into central office. They can use the best and brightest employees and use them as coaches in the field, and it is possible that some retirees could actually end up as coaches. He thinks that is better than taking a good teacher and calling them an administrator.

Mr. Wheeler said these employees will be able to rotate into that coaching model, share their expertise, and then rotate back into the classroom. He then put a graph on the screen showing that this is a research-based approach that staff developed. It shows the implementation rate to new instructional approaches. Dr. Moran said they are shifting to the evidence-based work that is sometimes called job-embedded development work in business operations. There needs to be a continuum, but they want people to implement the practice. A concern with the literacy specialists has been that the teachers attending those workshops were not subsequently implementing good reading/teaching strategies in their classrooms. The literacy specialists were doing other things and not coaching, and there was no way to get the job-embedded piece in place that was a part of the original work. This will allow them to reset the clock, reduce staff, and in two years, hopefully, they will have stronger classroom teachers with multiple strategies.

Ms. Thomas said that brings up the issue of merit pay. In the future will the coaches also be the judges? Dr. Moran said the coaches will not be part of the supervisory process because these are peer-to-peer teacher educators. The principals and assistant principals will do the judging.

Mr. Rooker asked if an elementary student were behind in math would that person work one-on-one with that student, or work in a small group. Dr. Moran said that would not happen with a math specialist; the literacy specialists do some of that now. Some of the schools have put their part of FTEs into reading time because most of the schools do not have full-time literacy specialists.

Mr. Rooker asked if a child is behind in reading in the second or third grade if someone works with that child one-on-one or are they simply put into a different room to work with a teacher. Dr. Moran said they cannot stop providing support to children who need at-risk services. There will be some funding in the stimulus package directed toward that kind of service. They want to look at scheduling because there are schools where at some point in the day every teacher becomes a reading teacher so works with numerous children. One person who is a 0.25 FTE is never going to be able to serve the breadth and depth of children who need intervention support. They are looking at how to provide intervention time during the day. Also, they are looking at how to use their Intervention Prevention Funding to serve children who have the highest needs. A program called “Response to Intervention” has been put into place; it looks at needs for intervention from the most severe to the least severe. They anticipate this will build reading teaching skills across all levels more intensively, but they must make sure services are in place.

Mr. Wheeler said a teacher in the classroom will be trained and equipped to help a student as the first line of intervention.

Mr. Slutzky said in the education process often there are students who learn differently and they may not qualify by traditional benchmarks for special services. Will this model work with the in-classroom teachers to imbed into their curriculum tools that will enable them to reach a broader range of students with innovation? Dr. Moran said this is a prevention model to identify what children need help with - specific skills for reading or math. She said a lot of teachers walk out of undergraduate schools with only three hours of a reading course or three hours of math. That does not equip them with the skill sets they need to intervene.

Mr. Slutzky commented that this approach will allow them to reach most children in the classroom, which will ultimately result in better test performance and learning experiences across the student body. Dr. Moran said there are ways to use technology more effectively to support intervention services.

Mr. Wheeler said it was hard for staff to determine how to get the Resource Utilization Study implemented. He reported that the Schools are migrating toward a more streamlined management approach. He said Dr. Moran will have three key people reporting to her – two assistant superintendents and a chief information officer. They are currently interviewing finalists for the new Assistant Superintendent for Student Learning. Dr. Bruce Benson vacated that position to assume a role July 1 as Assistant Superintendent for Planning and Operations. He said they have followed up on some of the recommendations in the Resource Utilization Study and implemented some efficiencies in Central Office, but it did not happen without a lot of courageous work by their CEO, not just implementation of the coaching model, but the fact that some positions will not be a part of the organizational chart next year. He said that often times, government and big companies are looked at as entities that cannot innovate and do things quickly and effectively. The work being done by their team is audacious and will be successful and help the students in the classroom. Dr. Moran said it will certainly flatten the hierarchy and eliminate some communication issues related to decision-making. She emphasized that these people will not have offices in the COB, but will have home spaces in schools, and will occasionally get together as part of the centrally managed team, but their work and support is in the field.

Mr. Wheeler mentioned that there were two recommendations in the Resource Utilization Study for new positions – an Assistant Superintendent and a Director of Transportation.

Mr. Price mentioned that the next chart shows that in five to ten years there is a significant bubble of retirees moving through the system. They monitor and keep tract of that because at this time there are 300+ teachers in that bubble. He said the joint VERIP program is a terrific program and is giving retirees this year two years of medical coverage to encourage them to exit; if the Schools were to lose about 40 "of the right" positions to retirement the Schools could actually save about $4.5 million. Obviously there is some concern that they might lose their best teachers.

Mr. Price said regarding the stimulus package he will say what he knows at this time. For two years only, there will be approximately $400,000 in additional support for Title I programs and about $1.5 million in additional support for special education programs. He said Albemarle has a wonderful program at PREP and at Ivy Creek for special needs children. He was at lunch with the parent of a special needs student and he was glowing about the level of service in the County versus other places he has lived. Mr. Price said he is still not clear as to the specific requirements of the stimulus package and will provide more information once it becomes available. This is the time for all to be courageous and confident in the School Division in Albemarle. He concluded by stating that the School Board wants to continue to work with Local Government to make the Albemarle School Division the best in the nation and the best in the world.

Dr. Moran noted that they do not have in-depth information about the stimulus package yet. She said no money comes from the Federal government without rules. The State will take some money out for administrative overhead. That always occurs before it is sent on to the localities.

Mr. Rooker said that is contrary to what Mr. Ridge Schuyler presented at the PACC meeting. He said that approximately $2.0 million a year for two years would be coming directly to localities through these Federal programs. He said there would be no withholding at the State level on that money because they did not want to create any additional administrative overhead with the distribution of those funds. Dr. Moran responded that several area superintendents have heard different messages, and there is uncertainty about what will happen. Mr. Tucker said he understood there is to be about $3.8 million directly for Schools, but as always the devil is in the details. Staff asked Delegate Perriello if any of those funds could be supplanted for local funds. But, even if that is possible, what would Albemarle be able to do two years from now?

Mr. Rooker said it would be easier if those funds could be supplanted because it would replace other expenses. If you cannot, then you beef up the program, and then it evaporates in two years. He said Mr. Schuyler indicated that they could be supplanted.

Mr. Slutzky said what Mr. Rooker is saying makes sense, but the County cannot use any of this money in the budgeting process because no one knows how much it will be or the rules for its use. If it happens, that is great, but you ca not budget based on expectations. Mr. Tucker said he thinks the Schools will get some money, but Local Government will be in an entirely different situation. If Local Government is able to get any money, it will be competitive and will be one-time money for capital. Staff thinks there may be reintroduction of the COPS program which would allow the County to hire additional police officers, but then the funding would reduce each year until there was no funding.

Mr. Slutzky stated that the underlying theory of the stimulus package is that investment across the system will increase revenues to offset existing deficits; localities would have the revenue to sustain those programs. So, it is not imprudent for the County to get that money and not worry about what might happen two years from now. It should not dry up, but be replaced by regular revenues because of a more healthy economy.

Mr. Boyd said this budget is being built on the back of the CIP. He thinks the Board could shift that money back into the CIP rather than adding programs and spending more. Dr. Moran said the supplanting issue is the critical one and staff could get no definitive information from Delegate Perriello. When they talk about money coming to the locality, all Federal money passes through the State on the way to the locality. There is money that goes to the State and then is distributed, and then there is flowthrough money which is subject to administrative overhead. Once it goes through that process there is a disconnect between what the Federal government thinks will happen and what the State decides.

Ms. Thomas asked if all Federal money that comes to the County through Title I in support of special education goes through the State and the State takes an administrative overhead. Dr. Moran said that is correct.

Mr. Tom Nash, Executive Director of Intervention and Prevention Services, said the plan is for the money to come directly to the localities, but the rules are important so nothing should be done until the rules are known. One key rule is supplanting, so if that is not possible then the County will have to figure ways to spend that money.

Mr. Rooker said what the State did with transportation was to quickly pass a new six-year plan that reduced its funding; that was the bar against which they will be judged with respect to supplanting. He said that was done just a month ago. If that is the case, adopting a budget could create a situation where the County could not supplant because it was locked into that level, so for two years money would have to be spent in a certain way, and then it would dry up after those two years.

Mr. Wheeler stated that the School Board wants lots of transparency as to this money. As one part of Local Government, they want to let everyone know where the funds go and make the rules for its use clear to the public, plus how many years the money can be expected to be received.

Mr. Rooker emphasized that his point is whether the School Board might think about amending its budget.

Mr. Slutzky suggested moving some items out of expenses and into the Fund Balance, and if the money does not materialize those items could be moved back. He said it is silly to play a shell game, but that is the way the Federal government has set it up.

Mr. Rooker said with the 29 positions which are frozen, the Schools will have almost enough money to do that. Mr. Wheeler said two staff members are present today who are taking notes; he thinks it is a suggestion worth looking at.

Mr. Nash said the Feds do not know what they are doing either; he received an invitation today to attend a meeting on March 19 to give input on how this should be done.

Mr. Rooker said on the transportation side, it became somewhat of a shell game. States which are attuned to what is going on have amended their transportation plans in the last few weeks. Dr. Moran said they are hearing a lot of different things about this money, so until they get something in writing, nothing definitive is known.

Mr. Zimmerman said there are two main portions where the Schools are looking at money. One is Title I funds which are not subsidized by the locality. That money is clearly meant to be spent on additional services because it is 100 percent Federal funds. The second component is IDEA money which is special education money; these services are mandated at 100 percent regardless. The Schools are currently meeting those mandates. The issue is what a school system which is already meeting 100 percent of the mandated requirements does. Because the Schools will not be increasing salaries next year, they have already asked for an opinion on the 100 percent requirement. The rules are that they cannot spend less in succeeding years. If a 30-year teacher retired and was replaced with a two-year teacher, by the rules they are not able to spend less. The rules really make the difference.

Mr. Boyd asked if the Schools are doing anything now that could qualify if there were more Title I dollars available. Mr. Zimmerman responded that if staffing were reduced at schools, some of the services might be recouped through Title I keeping in mind that this is a two-year funding source only.

Mr. Slutzky thanked the Schools for the information provided this afternoon. He suggested that the Board take a recess.

(**Note**: At 2:44 p.m., the Board took a recess; it reconvened at 2:56 p.m.)

Agenda Item No. 2b. Work Session: FY 2009-10 County Budget – Local Government issues from prior work sessions.

Mr. Tucker outlined the next series of meetings related to the budget. He said staff wants to go over the list of topics that needed additional discussion this afternoon as well as some other potential changes. Next Monday, staff wants to review the Capital Improvement Program, revenue trends since December, state budget impacts, and then talk about a real property tax rate for public hearing purposes. If necessary, the Board can finish the budget on Wednesday afternoon.

Mr. Slutzky asked if the CIP would be presented with scenarios showing what could be done if the Board chose to put back one cent or more in the CIP, and what projects those pennies would fund. Mr. Tucker said staff can do that.

Mr. Tucker suggested the Board begin by looking at the list. He said there were several decisions that were not made last Monday. One was the position of volunteer coordinator and recruiter – he indicated that $82,300 is shown to replace that position which was frozen. The Board talked about making it a half-time position, and yesterday it suggested talking to the ACFRB Advisory Committee about having just a volunteer coordinator. If that were eliminated, $42,000 could be left in for a half-time position because there are some administrative funds involved.

Mr. Rooker asked if this is in addition to the incentive plans that are in the departmental budget. Mr. Tucker said "yes."

Mr. Rooker said he is in favor of taking it out.

Mr. Dorrier indicated that he is in favor of taking it out.

Mr. Tucker said there have been some funding reductions at the State level for the Mohr Center. The City's funds will take the largest hit, but the County's share will only come to about $3,255. For Social Services staffing, one office associate position has been put back into the budget, as well as a contractual contingency of about $30,000.

Mr. Rooker said the Board planned on a certain number of frozen positions; he did not think that number of frozen positions would be changed just because a department would have several people retire. He did not think the Board had discussed adding a person.

Mr. Slutzky said he is concerned about the increase in demand for services associated with the significant economic downturn. He said staff in the Social Services Department "being burned up" by working overtime and that is leading to some interest in retirement. He thinks the Board should give thought to putting funds for at least one more position into the budget out of deference to the increased demand for social services. If this is not done, the Board may end up having to fund it anyway or the County will fail to meet the Federal guidelines for its obligations.

Mr. Rooker said he does not think the County will lose any Federal funds because they are meeting performance standards. He said Ms. Ralston told the Board she expects a number of her employees to retire.

Mr. Bryan Elliott, Assistant County Executive, said that currently there are three positions that are officially frozen in Social Services, and staff believes that number will grow to 11 through retirements; the biggest contingent retiring is in the office associate pool. He said Ms. Ralston and her employees are looking at how that work could be redistributed; is it possible to bring in people from other departments to do that work? Eventually, it will have to be decided how many of those positions must be filled.

Ms. Thomas asked if there is something distinct about the Social Services Department which means that the County should be putting some dollars toward a position. She thinks this department is the most stressed, and they are likely to be the most additionally stressed because of the economic downturn and are facing a number of retirements, it would be good to get ahead of even one of those retirements by hiring someone six months ahead of time. Although there would be some expense to that, it would not be the cost of a full position and could get that person trained.

Mr. Dorrier said he thought Ms. Ralston had said Social Services was stressed but it was making it.

Ms. Thomas said a recent report said the Department is not making it. They are not providing timely services.

Mr. Slutzky said they are "burning up staff" with overtime hours, and that is based on the caseload they have been experiencing. He said the Board has reason to believe that caseload will go up during the downturn in the economy.

Mr. Dorrier said he does not think people should be hired until the full picture is known.

Mr. Slutzky asked how this would be handled in mid-year when it is found that the demand for services has increased and there is nothing in the budget to cover the staff increase needed to address that demand.

Mr. Rooker said local governments all over the Commonwealth and the country are experiencing similar issues. There are many more employees in the Social Services Department today than there were five years ago. He does not know how the workload has increased over the last five years; under the current plan they will not have less people than five years ago. If they have four or more employees retire, he thinks it would be reasonable to have all of those positions frozen given the circumstances. He is not in favor of hiring anyone today.

Mr. Tucker said staff will give the Board information next Monday that came to light after this budget proposal was printed. Ms. Ralston told him earlier today that she thinks there is one more person who will be retiring. There are positions in the budget which are already funded, so staff will need to look at that Department again. He emphasized that it is important to look at what positions are being vacated and what skill sets are needed to fill them. He does not know exactly how many people are going to retire. Staff will provide the Board with the best information available on Monday.

Mr. Slutzky said when the Board discusses this the next time, it will be important for the Board to know the demand for services over the past five years and the best estimate for change this year. He would like to know the precise number of retirements and get some sense of the degree to which overtime is being used to fulfill the caseload. It was his impression that there is a significant overtime burden and it is having an effect on staff and that is why there is an increase in retirements. Five retirements in one year strikes him as a significant response to overworking conditions. Going forward, he would like to know what the implications might be.

Mr. Boyd said he disagrees. The Board cannot do what it needs to do with 50 people; that number needs to be cut back. Mr. Tucker said he had sent an e-mail about repositioning of staff members. That is a major effort that staff will be undertaking in a month or so. People will be moved from positions that have not been eliminated to a core position that was a frozen or eliminated position. That is going to take some time to do. The skills of individuals will have to be determined, and the skills being lost through retirements or from a position being frozen.

Mr. Slutzky said when Mr. Tucker presents his recommended budget to the Board and explains his rationale for the number of positions he proposes to freeze across the system, and prepares a more extensive budget than just that superficial information, he thinks it is appropriate for the Board to push back if it thinks his analysis might have some potential vulnerabilities in it. His series of questions with respect to Social Services is tied to his concern that this budget, and this level of frozen positions, may not take into account sufficiently the difficulty in cross-training people from other departments and moving them to Social Services because of the degree to which that department is under stress now, and the degree to which it is likely to become more stressed. He does not think of that as micro-management, but as the Board's job. He said that Mr. Tucker clearly knows the concerns of some of the Board members, and will provide information next week for the Board to discuss so it can decide if that is a staffing issue that needs to be addressed. Mr. Tucker said staff will do the best it can. He cannot say for sure how many people are going to retire. He said Ms. Ralston has a lot of information in terms of its impact on staff and the workload of the staff.

Ms. Mallek asked when the window closes on the benefits for early retirement. Mr. Tucker said it is during the first of April. By then, staff should have all of the notices. The deadline at the end of February was only to let staff know if an employee was interested. It is not a final decision until the paperwork is filed.

Mr. Tucker said the last item to discuss today is whether to fully fund JAUNT's loss of revenue which would cost $150,000. If JAUNT increased their fare by $1.00 it would be $120,000. Staff included the worse case in the budget; the Board will need to debate whether to fully fund the request.

Mr. Rooker said the JAUNT request if the result of a reduction in State funding. He said that reduction on the schedule he saw was about $100,000 and next year it would be about $120,000. He does not understand why Albemarle would need $150,000.

Ms. Mallek mentioned that $15,000 of that amount is for the Crozet route and if the Board decided to sponsor the start-up of the new NGIC route.

Mr. Rooker responded that NGIC has not yet increased their employee base. He asked if there is some indication of demand at that site.

Ms. Thomas said this summer they are starting to move people in, and there will be demand by the time this budget goes into effect.

Mr. Rooker said he does not think this is a good year to be opening up new service areas unless there is some really strong indication of existing demand.

Ms. Mallek said that 70 people in Crozet signed up on the survey and offered to pay a month in advance for JAUNT service. It is mostly the afternoon run that is the most needed.

Mr. Slutzky suggested that Ms. Donna Shaunnessy be present to discuss this on Monday. Mr. Tucker said staff will talk to her about some of the other issues as well.

Mr. Rooker said they ran a Crozet line one time before for a period of six months or so and it did not work at all.

Ms. Mallek said it was done to draw down the Federal funds.

Mr. Boyd said he would like to see a breakdown of that $150,000 figure.

Mr. Slutzky said he shares Mr. Rooker's concerns because he does not yet have enough information on which to base a decision.

Mr. Tom Foley, Assistant County Executive, said he will now address the use of capital funds for operational needs. He said the current CIP funding formula is used to determine the General Fund transfer to pay for debt and capital. In FY '09 that transfer of funds is equivalent to about 15 cents on the tax rate. In the coming fiscal year, the General Fund transfer by the Five-Year Financial Plan was reduced by about three cents. During the strategic planning session the Board indicated a willingness to look at a two-cent reduction coming specifically from urban infrastructure, transportation and ACE. That is the result of some of the things in the proposed budget, things that have been taken out of the CIP or reduced.

Mr. Rooker said that leaves 12 cents. Mr. Foley said that is correct. In addition, other CIP revenues (proffer revenues and interest earnings), are also significantly down. The result of that is that capital projects have already been reduced by $31.7 million or 64 percent in the proposed budget. Staff and the Board have talked about it being down $100.0 million over the five years.

Mr. Rooker asked if the $31.7 million is in the current year. Mr. Foley said "yes."

Ms. Mallek asked if the 12 cents is for debt service. Mr. Foley replied that the money going into the CIP from current revenues is about $20.0 million in the coming fiscal year, with about $18.0 million of that going to debt service; that leaves about $2.0 million in cash for pay-as-you-go projects.

Mr. Boyd said that is for debt service that will be established in those five years. Mr. Foley said it will be for new school projects, things the Board has committed to.

Mr. Slutzky asked if the Board should decide to accelerate some of the projects that have been delayed because it might be cheaper to go to bid now, and bond costs will be as low as they are likely to be in the foreseeable future, how could that be done? Mr. Foley said staff will deal with that question on Monday. But, he will also talk about it when he presents the next slide concerning use of the Revenue Sharing money for transportation.

Mr. Rooker said no one knows how quickly the economy will turn around. He is concerned about piling on additional debt now that increases the expense side of the budget beyond the Board's control. Once debt is incurred, there has to be payment of that debt, and that is part of what is being seen this year. He does not think that debt number should be further increased.

Mr. Boyd agreed. He said there is a lot of money in the School System in that five years that is earmarked, or has placeholders. That debt service is bogging down future operating funds.

Mr. Slutzky said on the other hand the cost of a project might be significantly lower now because of the economy, and it might put some local people back to work. He is looking for ways to protect the County's AAA bond rating and perhaps do more debt in pay-as-you-go and then by looking at the ACE budget find a way to squeeze a few more capital projects onto the table sooner.

Mr. Rooker said someone in the construction business recently said there are a huge number of large projects already underway or planned in the community.

Ms. Thomas noted that bids on those projects have come in at ten to 15 percent lower than expected.

Mr. Slutzky asked the reason for that.

Mr. Rooker said there is not a problem with large projects in this community (he noted the following large projects in progress – the Meadow Creek Parkway, school projects, Martha Jefferson Hospital, University of Virginia). He said the hardest hit part of the construction industry is the home industry. It is the smaller contractors who are suffering and another big project will not put those people to work.

Mr. Slutzky said Mr. Rooker has a relevant point; that may be an aspect of the choice the Board makes about the capital projects, but construction is still cheaper now than it will be later and the debt service will probably be at a lower rate over 20 years if that debt is taken on now. Those are the economic arguments to consider.

Mr. Foley said the Board would need to transfer more money from the General Fund to Capital if projects were added. He said Mr. Slutzky mentioned pay-as-you-go money but the way this budget is put together, there is little of that kind of money. He said the ACE Program could be cut or the matching funds for VDOT's Revenue Sharing Program. The Schools get about $1.0 million in pay-as-you-go moneys, but they are for maintenance projects. Other than the revenue sharing money, could transportation money in the CIP be used to pay for an operating expense like JAUNT?

Mr. Boyd noted that there are millions of dollars in reserves in the CIP for projects which have been planned. He wants to talk about that on Monday. Mr. Foley said staff will talk about one of the big projects today. A lot of those pots of money are for projects which have been approved and the money will be needed, but there are a few exceptions. Most of them show on the next slide.

Mr. Foley said this slide depicts the options for use of Capital funds. He said the County sets aside about $1.5 million each year to match VDOT for priority projects in the Six-Year Secondary Road Plan. That money will likely not be needed as the State has no money to match the County's money. The money could be utilized by reallocating that money to planned capital projects that have been delayed in the CIP or it could be used to pay down debt service or reallocated for operating needs. In essence, the Board will have to consider a change in its current policy which is to transfer a set amount from the General Fund to Capital. To bring about any savings for Capital, the Board has to change its policy and transfer less.

Mr. Slutzky said the risk in doing that is that when projects like Places29 come online (there are millions of dollars in capital projects that need to be built over the next 20 years), and the Board stops putting money into the CIP, they will never be built. Mr. Foley said revenue is down, the Board took three cents out, and it could take out more.

Mr. Rooker said it was never planned that the County would fund any large road projects.

Mr. Slutzky said Places29 includes projects besides roads. Mr. Foley emphasized that all the Revenue-Sharing money from this year and going back years has been set aside for the Meadow Creek Parkway and other projects.

Mr. Rooker said some Revenue-Sharing money was allocated to the Meadow Creek Parkway. Revenue-Sharing money has been allocated to other projects that probably will not go forward, in which case that money might be moved and used for other capital projects.

Ms. Thomas asked if money has been allocated to Hillsdale Drive. Mr. Foley said that on Monday Mr. David Benish will give a list of road projects and how much Revenue-Sharing money is involved. A lot has been shifted around, including shifting some of that money to the Meadow Creek Parkway. Mr. Davis pointed out that once VDOT matches that money, the money is obligated and the County does not have the discretion to take it back.

Mr. Boyd asked what happened to the $1.5 million last year. Mr. Foley said a lot of that went to the Meadow Creek Parkway project. He understands from Mr. Benish that there may be $1.0 million that will not be needed for the Meadow Creek Parkway so it could be shifted to the Jarmans Gap Road project. That is probably the only money that is not obligated. If funding for Meadow Creek changes again, that money would be needed for that project.

Mr. Rooker said he would like to know where money has actually been obligated. If VDOT and the County have put up their matches, but the money was associated with a project that needed additional funds that now will not be available, can the County move that obligation off of those projects that are unlikely to be funded. He would rather see that money go to the Jarmans Gap Road Project. Mr. Foley said the Board had this conversation a couple of years ago, and at that time all that funding was moved to the Meadow Creek Parkway. He said confirmation of that will be available on Monday.

Ms. Mallek said Hillsdale Drive is number one on the transportation list for stimulus so that is a possibility.

Mr. Rooker said there will be no stimulus money for construction; it will all be for paving projects.

Ms. Thomas said that over the years she has pushed the Board to put money into capital and it is the easiest thing to drop back on when times are hard. She said that several years ago the Board actually raised the tax rate so money could be put into the CIP. She said when talking about Revenue Sharing for a program that does not exist and it is a transportation program, JAUNT is the only rural transportation program in the County so she is going to argue that the money go to JAUNT to fulfill the purpose the Board had in mind for transportation capital funds. The Board does not have an option of transportation capital projects right now.

Ms. Mallek said people do pay some of the cost of that service.

Mr. Foley said those are the two options with Revenue-Sharing money. He said Mr. Boyd had raised the question about the transportation improvement program which is the program the County uses if it has a road project to do. He said that as a result of the challenges recently, there will be no money going to the transportation program in the out years, but there is a fund balance from previous appropriations that is unobligated and unplanned. Some of that is being used for regional studies and to help match the County's share with the City when necessary. There are studies such as the Eastern Avenue alignment study in Crozet in the master plan. He explained that there is about $3.9 million available in that fund balance now. Staff had told the CIP Oversight Committee that there is no funding in the CIP for the YMCA contribution. Since that meeting, there has been a push to make some money available so staff will propose on Monday to take some of that fund balance and set it aside for the YMCA.

Mr. Rooker said that makes sense to him. He said the Board made a commitment and the money was taken out recently because the Board did not think the YMCA would be moving forward with the project. If they are moving forward, the Board needs to be in a position where it can meet its commitment.

Ms. Thomas said a City Councilor recently asked her where the Board stood on this issue. Once a decision is made, it needs to be communicated to the City immediately.

Mr. Slutzky asked the Board if everybody agreed on this subject. The Board members indicated "yes."

Ms. Mallek asked if there are things in FY '09 that are not going to happen. What comes to mind is that when the majority voted for the $225,000 for the turf fields, it was because the Board was told by the Schools that they had 90 percent of the money already in hand and were ready to go forward. Now, the Board finds that they do not have the money. She asked if that is money the Board should think about holding onto until the Schools have the money in the bank and then think about it again at that time.

Mr. Rooker said there is a difference between Capital and operating funds. Some of the Revenue-Sharing money is repetitive money. Mr. Foley said that is an important point and he drew the Board's attention to the last slide on the screen. He said some of the designated CIP Fund Balance could be transferred back to the General fund, but he cautioned that it would be one-time money. He said it could create the Contingency Fund if the Board created it out of one-time money rather than ongoing funds. The money for turf fields is in a fund balance for previously appropriated recreational moneys – one-time moneys.

Mr. Boyd asked about the $1.5 million currently going into the transportation fund – that was not taken out of the budget so that is recurring money if the Board decides that it will no longer fund that activity. Mr. Foley said that is the one place in the CIP where there is ongoing revenue going in, and now because of drastic cuts in State transportation funds that revenue could be reallocated either to pay for more capital projects that have been delayed or to pick up an operating expense.

Mr. Slutzky said it is tempting to use that money, but if the General Assembly is going to abdicate for the foreseeable future, this would be the stream of money to be used for that purpose if needed. He is not sure how quickly the Board should pull that money out of the CIP.

Ms. Thomas said she thinks everybody is going to regret using the Capital Fund three cents that will no longer be going into the CIP. Those dollars are very hard to put back. It will mean those three cents will be extra tax dollars the Board will be calling on. It will be much harder to go in that direction; it is easier to cut it out.

Mr. Rooker said he agrees but in looking back over the last seven years, the County has moved more year after year to Capital than was budgeted. Mr. Tucker noted that the boost was achieved through increased assessments, not by raising the rate.

Mr. Rooker said during good times more was being transferred into Capital. He does not think it is unreasonable during very difficult times that less is transferred to Capital so deeper cuts do not have to be made in the ongoing budget.

Ms. Thomas said she thinks this is the right thing to do at this point, but it is going to be hard to turn it in the other direction.

Ms. Mallek said the citizens will probably not remember when the Board says they are putting back the money taken out in hard times.

Mr. Boyd said he thinks it is an accounting issue. It does not seem right to him to have Debt Service shown as a capital expenditure. This is an $18.0 million a year operating expense that looks like capital dollars, but it is really an operating cost.

Ms. Thomas asked if it would be called an obligation - you cannot get out of paying debt service. Mr. Foley agreed that there needs to be some clarification about the way this is talked about. He pointed out that there is a Debt Service Fund – it is not a capital fund with debt service in it. In the budget document, it is actually broken out as separate funds. He added that the Resource Management Study recommended that the County consider the Schools' Debt Service in a different way. They suggested that the funding formula also be changed.

Ms. Mallek asked if that is why the School System shows as 69 percent of a dollar instead of 60 cents. Mr. Foley said that is correct.

Mr. Boyd agreed and said that this would be a clearer way for the School Board to consider their spending decisions.

Mr. Rooker said even if the School allocation formula did not result in them getting any less operating money, having the Schools accountable in some fashion for their share of capital provides the kind of incentives the Board wants. Mr. Foley said that is how it is done in most localities now.

Mr. Dorrier asked if it would be possible to refinance some of the long-term bond issues at a lower interest rate. Mr. Elliott responded that most of the County's debt is through VPSA, and VPSA periodically re-funds those bonds when interest rates are favorable. Mr. Tucker pointed out that it was done last about two years ago. Mr. Foley said staff expects VPSA to look at that issue again soon; staff has talked with the County's financial advisors recently about that.

Mr. Rooker raised the issue with the State's funding cuts to programs such as JAUNT; the Board receives the complaints and they have nothing to do with it. He suggested that the public be informed that they need to send their concerns to State officials.

Ms. Thomas said the Board has been doing that for several years about transportation cuts in general, and it has not gotten the Board very far.

Mr. Rooker stated that the deterioration in transportation funding has not been felt up to now, but it soon will be.

Mr. Slutzky pointed out that JAUNT is the wrong cohort to do that with because it not a road project felt by everyone, but a group of economically disadvantaged people who are highly dependent on this service.

Mr. Rooker said that is why the County is funding $4.5 million for Social Services now. The County is taking state-funded obligations and putting them on the backs of Albemarle's property owners and it is wrong.

Mr. Slutzky agreed, but he does not think the solution is to take that budget item and say the Board will not fill that gap when in fact it selectively funds other items.

Ms. Thomas said the general rule in the country is that things do not change until the middle class is hit by something; the middle class will not be hit by JAUNT, but it will be hit by the potholes in roads across the State.

Mr. Rooker asked that there be a breakdown available on Monday regarding the JAUNT increase.

Ms. Mallek asked if the School Debt Service shift can be implemented this year. Mr. Foley responded that it can be shifted in future budget years, but not this one. He asked that the percentage be worked out in preparation for discussion of future budget years.

Mr. Slutzky said the issue of the 60/40 revenue split with the Schools should be raised after this budget cycle is completed.

Ms. Thomas said discussing every single year what percentage should be transferred to the School System will have a certain wear and tear to it so she thinks the Board should weigh carefully whether it wants to do that. There is some advantage to knowing that it is 60 percent and everybody knows that and they understand it in September and they understand it in July.

Ms. Mallek said uncertainty is still there because it is determined by the tax rate the Board sets.

Mr. Slutzky suggested that when the Board gets into that conversation, it might shift to a different formula. Perhaps it should be tied to variables that are predictable, knowable and in some ways appropriate.

Mr. Rooker said one thing to consider would be putting State and Federal revenues for the Schools into the pot. The County is in a situation now where if the State decided to increase funding for education by $5.0 million next year it would not change a thing in Local Government.

Ms. Thomas said as communities urbanize they spend a smaller and smaller percentage of their budget on their school system. She said in Charlottesville it is about 39 percent, but they are a strong supporter of their school system. It is just that there are other expenses for an urban government then have been seen in the past. She cautioned that changing the formula in huge major ways may simply open the Board to criticism.

Mr. Rooker said he is not suggesting changing it in terms of the amount of money allocated, but there could be a more comprehensive formula, one that takes into account other school funding sources.

Ms. Thomas said she is changing the subject, but for the March 19 highway meeting in Culpeper, are any Board members going to attend. She is going to be writing something for the Board to say.

Ms. Mallek said she will read whatever is given to her to read. Mr. Tucker said School Board members are also attending; staff is meeting with School staff tomorrow to coordinate that effort and arrange for transportation.

Ms. Mallek said she can attend that meeting.

Mr. Rooker said he might be able to attend.

Mr. Dorrier said he had been looking at the Board's "rainy day" fund (now being called the Board's Contingency Reserve Fund) and said the School Board had a $2.5 million fund balance and he thinks deficits could be reduced by $4.0 million if the two funds were combined, leaving about $0.5 million in the Contingency Reserve fund. He thinks it is an idea worth looking at.

Mr. Slutzky said that last year the Board looked at estimated revenues and out of prudence put one penny aside in a "lock-box" (last year's term) just in case the revenue picture eroded. It eroded by a nickel by November, so it is a good thing that penny was put aside, but it disappeared. Next Monday the Board will be discussing whether it makes sense to have a fund at all, and if so, how big it should be.

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Agenda Item No. 3. From the Board: Matters not listed on the Agenda. There were no other matters to discuss this date.

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Agenda Item No. 4. Adjourn. With no further business to come before the Board on this date, at 3:58 p.m., Mr. Rooker **moved** to adjourn this meeting until Monday, March 9, 2009, at 1:00 p.m. in Room 241. Ms. Mallek **seconded** the motion, which passed by the following recorded vote:

AYES: Ms. Mallek, Mr. Rooker, Mr. Slutzky, Ms. Thomas, Mr. Boyd and Mr. Dorrier.
NAYS: None.

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Chairman

Approved by the Board of County Supervisors
Date: 06/03/2009 Initials: EWJ