

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on November 10, 2011, at 4:00 p.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from November 9, 2011.

PRESENT: Mr. Kenneth C. Boyd, Mr. Lindsay G. Dorrier, Jr., Ms. Ann Mallek, Mr. Dennis S. Rooker, Mr. Duane E. Snow and Mr. Rodney S. Thomas.

ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley, County Attorney, Larry W. Davis, and Senior Deputy Clerk, Meagan Hoy.

Agenda Item No. 1. Joint Meeting with School Board.

SCHOOL BOARD MEMBERS PRESENT: Mr. Stephen Koleszar, Mr. Harley Miles, Mr. Jason Buyaki, Ms. Diantha McKeel, Ms. Barbara Massie Mouly, and Mr. Eric Strucko.

STAFF PRESENT: Dr. Pam Moran, Superintendent, Mr. Billy Haun, Assistant Superintendent for Student Learning, Mr. Josh Davis, Chief Operating Officer, Mr. Jackson Zimmerman, Executive Director of Fiscal Services, Mr. Chris Brown, Senior Assistant County Attorney, and Ms. Jennifer Johnston, School Board Clerk.

Agenda Item No. 2. Call to Order.

Ms. Mallek called the Board of Supervisors to order at 4:06 p.m.

Mr. Koleszar called the School Board to order.

Agenda Item No. 3. **Work Session:** Five Year Financial Plan – School Fund.

Dr. Moran said that she is glad the Boards are together to share a focus on the County schools' projected five-year plan. She said that when talking about dollars they are talking about people – bus drivers, teachers, principals, and most importantly young people and the resources they need to be successful in school. She asked that everyone keep in mind that when talking about the dollars they are talking about the children of the community and the investment being made in them. She stated that Mr. Josh Davis would be making the presentation; and Mr. Jackson Zimmerman is available to answer questions. She said that they hope this information is informative to the joint Boards as well as allow them to be able to head towards a merger of the two five year plans so that they both are informing each other.

Mr. Davis addressed the Board, acknowledging the work that Mr. Zimmerman and his staff in Financial Services have done as well as the coordination with local government staff. He said that the majority of the Schools revenue comes from local government, with the other sources being state and federal. Mr. Davis stated that they would focus on immediate needs, the watch list of upcoming concerns, and future challenges. He said that the School Division had moved along at about 12,400-12,500 students over the last decade, but at the turn of the decade that jumped to 12,700 to 12,900 – but with a dip this year in enrollment. Enrollment influences their staffing and resources that the Division needs in order to conduct their business of education. Mr. Davis said that in looking to the next budget year, there is some one-time funding that would be disappearing including ERA funding of \$1.3 million that has funded about 17 teachers and three technology personnel. It will be an issue of what happens to those positions and how they are absorbed in the operating budget in the next few years. He stated that VRS is of high interest, and there are a few different rates floating around in regard to the employer rate, but the percentage points would likely go up. Mr. Davis said that after hearing from Ms. Lorna Gerome and the Human Resources team, they have come to some conclusions about a range of compensation solutions for the future both in terms of salaries and benefits for teachers and classified employees.

Mr. Boyd asked if the one-time funding was stimulus funding, noting that it had only planned to be one-time funding, so he does not understand why there were absorbing it into the rest of the budget because he thought there was an understanding those positions would be eliminated.

Mr. Davis said that is true; it was understood the technology jobs were two-year positions and were extended some into this fiscal year, but they also used the funds to reduce the teacher workload and cap at about 140 students. They needed additional positions to put that cap in place.

Mr. Boyd said he was concerned at the time there would be a permanent obligation and he was assured that would not be the case.

Dr. Moran said what they are saying is that it's going to be a challenge for the schools to make that funding up in order to keep those levels.

Mr. Davis stated that the Capital Improvement Program and building capacity go hand in hand. When the long-range planners built a five-year plan they came up with the usual maintenance needs – such as HVAC systems and roof replacements when buildings get old, along with technology maintenance. He added that they are adding school busses to capital this year, as they have a working life of about 15 years, and the busses traded in last year had over 250,000 miles on them. Mr. Davis noted that the \$85 million proposal made by the long-range planners also included several building

renovations and additions. The School Board asked them to evaluate existing building capacity and ultimately made the decision not to include any building additions in the five-year plan – so the plan is submitted at \$44 million instead of \$85 million over the five-year horizon. He stated that staff would address the School Board in the coming months and talk about different ways of looking at capacity, taking into account new enrollment growth projections and opportunities for redistricting. Mr. Davis said that there may be some additions and renovations that come back into the CIP to accommodate that, but not enough to get back to the \$85 million total.

Mr. Davis reported that revenue has decreased at the local and state levels beginning in FY09, and the real estate tax rate has been held constant at 74.2 cents for a while – so the analysis before the Boards today is based on that rate, not the equalized rate that was discussed by the Board of Supervisors yesterday. As they move through the budget season, the School Division will be able to react to whichever scenarios are offered. He stated that SOQ funding from the State to meet basic educational requirements, and the local composite index dictates what comprises Albemarle's share of the pie – and that has improved a bit based on news received yesterday. Although the total amount is still unknown, Mr. Davis noted that Albemarle's size of the pie may increase slightly. He said that state-mandated online testing, such as SOL testing, would be implemented soon and that would require continued investment in technology with matching local funds required to meet State grant monies.

Mr. Davis stated that the schools want to move beyond SOLs and are continuing to consider ways to assess and educate students that may have budget implications in the longer run. He said that the state has asked localities to look at staff and administrator performance appraisal systems, and the Governor may initiate pay for performance standards. Mr. Davis stated that the growth assessment model deals with measuring the growth of students as they progress from K through 12, through different means beyond SOLs, which also may impact financing.

Dr. Moran said that the State is building into the teacher and principal evaluation process a look at student performance, and while the School system have always had teachers set goals related to student performance this model would dictate that every teacher – no matter what they teach – must be able to show that students grew from the time they entered the school year to the end of that school year. She stated that it would require development of specific pre and post-assessments in a more complex, sophisticated way to fit what the State is looking for.

Mr. Davis said that the schools have looked for ways to achieve efficiency and effectiveness in provision of services. The continuous improvement model looks at the education and instruction side too so they are doing program evaluations in a very deliberate way that will help inform the budget process and determine whether certain programs as they mature are ones they want to keep. They like to work on that "plan-do-study-act" model. They do a lot of planning; implement new programs and they do want to study it; and then act and determine again whether they keep a program or make it larger. The PDSA in continuous improvement is becoming more entrenched in the School Division and has clearly come with some results especially in support services. The final issue is the composite index which has been moved to the future because they know what it is going to be for the next couple of years. It is always addressed each biennium and defines the size of the wedge of the pie.

Ms. McKeel stated that Mr. Davis' reference to the equalized rate as well as one cent and two cent increases were referring to the CIP.

Ms. Mallek said the benchmark was using the existing tax rate.

Mr. Foley clarified that the Board clearly asked for scenarios with one penny dedicated to capital and two pennies completely dedicated. The equalized rate was not part of that discussion – although it would certainly put more money into capital. He added that the timing of the process is always a challenge as Oversight just started and County staff had to present a five-year plan, with options for the Board to look at.

Mr. Davis then presented some assumptions, noting changes in class size and schedules as having a significant budgetary impact. These are issues that the School Board will be discussing tonight at its meeting. He also said that the number of free and reduced lunch students would likely increase, and there was an increase from last year to this year – with more teachers directed to schools that have a higher percentage of those students and an effort in those schools to reduce class sizes, known as "differential staffing." If they see those percentages increase, they will see an increase in the overall staffing at the individual school.

Mr. Boyd asked if there are other school systems that use differential staffing and has there been analysis done as to determine if it is still necessary, as it does add more staff.

Dr. Moran responded that there are other school systems that implement differential staffing. The County has built up some comparative data with those divisions in terms of academic achievement – considering free and reduced lunch rates and per-pupil funding. She stated that based upon the use of intervention staffing in the schools with more challenged students in the areas of literacy and mathematical development, having those additional teachers has made a difference and has allowed them to perform more closely to their peers who have had preschool experience. Dr. Moran also emphasized that there is a much higher percentage of ESL (English as a second language) students, so the intervention and support provided to them makes a difference even in middle and high school. She added that they attribute the reduced dropout rates and increased on-time graduation are attributed to that intervention support at every level.

Mr. Rooker said that Ms. McKeel pointed out to him that Greer Elementary now has about 75% free and reduced lunch population.

Mr. Boyd responded that they also have a lot of international students there.

Ms. McKeel said that the group there is a very different population there now than there was 20 years ago.

Mr. Davis said that the formula could be tweaked one way or another as to what staffing is needed for the County.

Mr. Davis also reported that the salary analysis before them is based on recommendations as presented to the joint Boards in regard to next year, along with assumptions made for future years for classified employees, and is slightly different from what was presented by local government yesterday. He also stated that recurring expenditures include some absorption of ERA money.

Mr. Davis presented data on actual enrollment figures for this year, and for each of the previous four school years along with projected enrollment for future years. He stated that the 2010-11 year was predicted to have 12,700 students, but the actual enrollment was 12,900. Mr. Davis said they expected growth for 2011-12 to bring that to 13,100, but instead enrollment decreased by about 100 for a total of 12,800 students. He said that the reason for that was 90 fewer kindergarten students than expected, but next year they expect an unusually large number based on live birth data from five years ago. Mr. Davis stated that they have data that shows some families moving out of the County, and about 14 students net transferred to private schools.

Mr. Dorrier asked if there had been an impact from the DIA move to the area.

Mr. Davis responded that they are already here; the move was supposed to be completed by Fall 2011, so at this point the only increase would be from additional contractors.

Ms. Moynihan, who works there, said that the BRAC is complete and would all be subject to future defense funding for employees.

Dr. Moran stated that they have seen growth from both NGIC and DIA in the Hollymead/northern area, but they have not been able to monitor the number of contractors because that information is not available from NGIC and DIA.

Mr. Davis said now that the state has certified the County's enrollment of 12,800 they have made their projections for the next five to ten-year period, and anticipate an increase to resume but not at the same pace as a few years ago with the spike.

Mr. Boyd asked how the School system adjusts for that when there are those discrepancies in projected and actual enrollment since they hire teachers ahead of time.

Dr. Moran responded that they "staff to actual," so they ask principals to monitor throughout the spring and summer. In some cases principals are asked to hold staffing back and not hire until the actual numbers come in. She said that in some cases they will move a teacher from a school with less enrollment to one with more.

Mr. Davis stated that they have projected a 7.8% total increase in enrollment over the next five years. They have found that their modeling is generally more accurate than those of other localities. They also have more confidence in the first few years of the modeling than in year four or five.

He reported that revenues from building rental and athletic fees will decline slightly next year and increase slightly after that. Mr. Davis also said that when the composite index changed two years ago they were looking at a drastic loss in revenue, but the General Assembly held the County harmless in the first year for an amount of about \$5 million, cutting it by 50% this fiscal year for \$2.5 million. That hold harmless will go away in future years. He stated that since the composite index improved, they will recover – if the pie stays the same size – about \$1.8 million. Mr. Davis said that the trends are for funding to go down, with some slight declines this year. He also stated that federal revenues are expected to decline this year due primarily to ending of one-time funding, and transfers that include money from local government and their own fund balance will also decline.

Mr. Davis then presented a chart showing the FY12 budget at \$144.5 million, with state funding decreasing overall in the first year and minor fluctuations in future years. They expect federal funds to remain fairly constant after the current year decline. He said that local transfers is expected to go down slightly this year, and FY12 assumes a \$2.8 million use in fund balance with following years at \$1.8 million.

Mr. Rooker asked what the size of the fund balance was to start with.

Mr. Davis replied that they started before FY11 at about \$8.1 million and had budgeted to use \$1.8 million, and while there is no audited report for this year they only used \$570,000. The School Division did well.

Mr. Strucko clarified that the fund balance should end up at about \$7.5-\$7.6 million.

Mr. Davis said that for this year, \$2.8 is budgeted, and \$1.8 is budgeted for future years. He stated that the fund balance use remains the same, the transfer increases are the same as what was presented to the Board yesterday by local government staff.

Mr. Strucko noted that their fund balance is also one-time money, so that would eventually deplete.

Ms. McKeel said that it does replenish some, but it is one-time money.

Mr. Boyd said that if the biggest expense is personnel, they wouldn't use that \$1.8 million since they are budgeting for actual.

Mr. Koleszar asked how much the enrollment change would save in fund balance.

Mr. Zimmerman responded that they do staff to actual, and there was discussion at the School Board level about changes in teacher workload – and the lower enrollment would likely reduce state money, along with less transfer from local government. There are a lot of factors that will role into the overall fund balance.

Mr. Boyd said that in 2010-2011 they had a much higher enrollment and did not use the full \$1.8 million of the reserve, so if the same theory applies to this year's budget they wouldn't use it all either.

Mr. Rooker said that part of what they were doing is replacing stimulus money that is leaving.

Mr. Koleszar noted that 200 fewer students would mean approximately 10 less teachers, which is about \$60,000 to \$70,000 per teacher in benefits and salary.

Mr. Miles said that over the five-year period they are expecting about 1,000 more students.

Mr. Davis stated in summary that they expect revenues for FY13 to decrease by about \$2 million, and then increases between \$1.1 and \$2.5 million over the next four years, based on the assumptions made here.

He reported that on the expenditure side, salaries for FY13 assume a 2% increase for teachers and classified employees, with local government presenting yesterday at 1.5%, and with the equalized tax rate, it would provide a 2% increase for classified staff. Each of the following two years increases are projected to be 2.3% up to 3% for both teachers and classified staff; both figures being slightly higher than that projected for local government classified staff. Mr. Davis said they expect to see increased expenditures due to personnel required for the enrollment growth, and for FY13 there is a negative 118 for what was projected a year ago. He stated that even though there is expected to be a decrease in enrollment, more FTEs would be required because of the increase in differential staffing for free and reduced lunch students. Mr. Davis said that there is not a perfect linear matchup and it depends on the grade level of students.

Mr. Miles said that in FY14 there would be an additional 9.5 FTEs, and an additional 17.24 in the following year. Mr. Davis said that is correct.

Dr. Moran said that when she was principal at Stony Point there was more staff for K-3, but less staff as the bubbles landed in the higher grades.

Mr. Davis stated that salaries and enrollment would be the drivers in increased expenses.

Mr. Miles said that in FY17 there would be about 60 more staff members on board. Mr. Davis said that is correct, if staffing formulas remain the same.

Mr. Rooker asked if CATEC employees were included here. Mr. Davis responded that they are considered separately from these calculations.

Ms. McKeel explained that CATEC is funded through a formula with both the City and County providing funding, and the County piece rolls into the School budget.

Mr. Rooker asked if the Ivy Creek School also goes through the School budget. Mr. Davis said that it does through a contract for 29 seats.

Mr. Rooker asked about the cost of that school. Ms. McKeel said that it is probably over \$30,000 per student. Mr. Rooker said he would like to get that figure.

Mr. Davis reported that VRS has been underfunded, and State government has chosen not to fund it to solvency. He said that the School projection is for an increase of 1.5% in the first year of each biennium and an additional 1% in the second year of each biennium.

Mr. Rooker asked what the dollar amount is for each percentage point.

Mr. Davis responded that it is about \$850,000 per percentage point.

Ms. Moynihan asked if the School system is required to pick up the employee portion and if there are some divisions that do not pick that up.

Dr. Moran responded that they did a joint board vote to pass it on, and found that for schools Albemarle was one of only three divisions in Virginia that did – which was viewed as a recruitment disincentive – so they decided to continue picking it up.

Mr. Strucko asked if the VRS plan was underfunded by about 10%.

Mr. Zimmerman said that is the most recent actuarial figure from VRS, and it is unlikely that the State would fund this as their costs would be “pretty extraordinary.” He stated that officials have indicated there would likely be a long-term plan that would assume a relatively ramped funding rate over time, so this is a reasonable assumption for modeling purposes.

Mr. Strucko said this is saying it is 1.5% points in the first year of each biennium and an additional 1% point in the second year which means 2.5% points every two years, meaning it will take 5 years to make up the difference.

Mr. Rooker commented that a 1.5% point increase on a 12.2% base is more than a 10% increase in one year, and there are assumptions based on earnings projections and retirement dates – and it cannot be made up by just raising contributions.

Mr. Boyd stated that the actuarial liabilities have probably gone up more, and localities are playing catch up.

Mr. Strucko said it is safe to assume that the state must take some action to catch up, and that the County should anticipate that it will get hit.

Mr. Rooker said that every year the state looks at the assumptions and tries to increase earning expectations, but these generally result in less of a funding demand.

Mr. Strucko said the estimate would continue to increase, but this is the best estimate as to what it would be. Mr. Zimmerman responded that that is correct.

Mr. Rooker and Mr. Foley said that in local government’s work session yesterday, they factored in 2% for the first year – but didn’t increase it every year after that. Mr. Foley also said local government has its own pool, which is not as stressed.

Mr. Boyd said he thought that public safety was particularly stressed.

Mr. Foley said he isn’t sure that public safety employees are in a different pool than local government.

Mr. Zimmerman commented that local government has a separate pool that is has traditionally been funded to the actuarial level because the State does not contribute a substantial portion of revenues into that pool whereas the State is responsible for paying a small portion of the teacher pool. When that rate for teachers increase, State expenses increase as well.

Mr. Snow asked what the state might do with their surplus.

Ms. Mallek responded that they called it a surplus but they were supposed to put it in VRS.

Mr. Foley said they had various obligations such as replenishment of the rainy day fund.

Mr. Rooker stated that the Chesapeake Bay fund and Transportation fund got money.

Mr. Davis said the School Division does recognize that this is a significant cost driver, and this is a major component of expenses increasing over revenues.

Mr. Strucko asked how much is that expense – if it is approaching \$9 million as an expense now, what is it projected to be in FY13. Mr. Zimmerman responded that the \$9 million was to fully fund the actuarial rate which is slightly more than 10 percentage points higher than the current rate. If they were to increase the current rate from 12.21% to the actuarial required rate that VRS is saying is out there, they would need to spend about \$9 million more in local dollars.

Mr. Strucko asked what the forecast is from year to year.

Mr. Davis explained that if it is \$850,000 per percentage point, the first year would be \$1.2 million with the following year at \$2 million, and then another \$1.5 million the next year – and that’s just the increase.

Mr. Davis reported that with health insurance there is a pooled insurance plan and claims have done very well in recent year, leaving a significant fund balance. He stated that local government have proposed a base rate reduction in regards to a County contribution that is \$300 less per employee, which would mean a decrease in school expenses of about \$600,000. Mr. Davis said that health insurance rates should hold constant for FY13, with increases of 8% for both employee and employer in the following four fiscal years.

He stated that inflationary (non-personnel) increases are projected at 2% for all years, and if there is growth there is operational cost associated with that.

Mr. Rooker said that oil prices just spiked to over \$110 a barrel, and by June of next year gas is expected to be over \$4.00 a gallon.

Mr. Davis stated that the schools are paying 60 to 70 cents more per gallon than they were a year ago for diesel fuel and unleaded, but diesel consumption for the schools have decreased by about 20% over the last two years due to efficiencies such as route changes.

Dr. Moran said that the \$1 million saved in transportation would be about 13 teaching positions.

Ms. McKeel also pointed out that bus drivers lost jobs.

Mr. Davis said there are fewer drivers on the road, but no one lost a job or was rified. There is significant attrition with that population that ended up covering the loss, and the schools are doing everything they can to market those jobs but the pay is only \$11 per hour, with about 30 hours per week and take home pay sometimes less than \$1,000 per month.

Mr. Boyd asked about the investment in the GPS system. Mr. Davis replied that the cost was about \$200,000 which has clearly paid for itself.

Mr. Davis indicated they are saving about \$1 million per year.

Mr. Davis reported that for FY13, the School Division expects revenues to be down about \$2 million and given the assumptions expects expenses to increase by about \$3 million. He said that the drivers are VRS, the salary increases, and the loss of ERA funding – assuming those positions would be kept. Mr. Davis added that as enrollment continues to grow those costs would continue to increase.

Mr. Rooker asked for clarification of the operating deficit of \$5.293 million in FY13, given the use of \$1.8 million from the fund balance.

Mr. Davis confirmed that the total would be over \$7 million with both of those factors. They have work to do to develop a balanced budget.

Mr. Strucko asked how much of the increase is for the 2% salary increase.

Mr. Zimmerman said it would be about \$2 million, just in round figures. Mr. Davis added that they spend about \$100 million on personnel.

Mr. Boyd asked how much of the \$5 million was reduction in stimulus dollars.

Mr. Davis responded that it is \$1.3 million.

Ms. McKeel commented that these figures are assuming that State figures stay the same.

Mr. Zimmerman added that if the State's pie gets larger, this number will change. In terms of stimulus dollars, the vast majority of ERA funding is one time. He added that they did inform the Board and School Board last year that the ERA jobs funding was going to be used to reduce teacher workloads, with an understanding that continuing those positions would require other funding.

Ms. McKeel said that sometimes the numbers fluctuate, which can confuse the public.

Mr. Davis emphasized that the hold harmless stipulation greatly helped the County.

Mr. Dorrier commented that things swung in the County's direction the last two year.

Mr. Zimmerman responded that State funding had actually declined.

Mr. Boyd clarified that it didn't go down as much as was projected.

Mr. Zimmerman said this past year was a straight decline of \$2.5 million; it is of significant concern.

Mr. Koleszar explained that the Governor projects a number, and then the legislature takes credit for adding a little bit to it – even if it was less than the previous year.

Mr. Boyd asked if the School Board had decided whether to have Delegate Bell advocate for adjustment in the composite index.

Several School Board members indicated it is on their agenda for their meeting tonight.

Mr. Strucko asked for some clarification of the exact budget amount.

Mr. Zimmerman explained that between FY12 and FY13, revenues would decrease and expenses would go up, so there would be a \$5.3 million hole with \$147 million in expenses and \$142 million in revenues.

Mr. Strucko asked how the schools were doing this year in terms of coming in at or under budget.

Mr. Zimmerman responded that it is really too early to tell, and there is some adjustment for turnover as retiring teachers are replaced by new teachers – and each projection assumes about \$800,000 in salary savings. He also stated that they know for the current year there would be some revenue shortfalls from local dollars, and it is possible that the state would come up short as well.

Mr. Boyd asked if the teacher allocation is still based on March 31 numbers in terms of what the State would reimburse.

Mr. Zimmerman confirmed that it was, adding that the State might also change the allocation based on sales tax revenues. It seldom increases, and they know it is going to go down.

Mr. Davis explained that a year ago they had anticipated a revenue shortfall of \$6.9 million for FY13, so the \$5.3 million deficit is actually an improvement of \$1.6 million – due largely to the state's changes in the composite index. He also reported that projections for local transfer were projected higher, but it clearly dampened down as property values continue to decline.

Mr. Dorrier asked if this assumes no increase in enrollment.

Mr. Koleszar responded that this assumes the enrollment increase as previously presented.

Mr. Davis stated that the schools have made efficiencies in transportation and have also saved some money on textbooks, adding that these and other reductions are still in place for future years.

Mr. Zimmerman noted that the course load increase was offset using \$1.3 million in one-time ERA monies, and there is an assumption they would be included in the operational budget for next fiscal year although they are not included for the current fiscal year.

Mr. Snow asked for a cumulative total of savings in expenses over the last three years.

Mr. Davis responded that their peak budget was \$151 million, so the School budget has gone down by about \$7 million. He said when they meet again, he would provide a difference in actual to actual.

Mr. Boyd clarified that he was seeking total expenses versus total expenses.

Mr. Davis said when the joint Boards meet again, they could provide that information.

Mr. Rooker said it would be in the audit.

Mr. Zimmerman said it is also shown in all of their budget books.

Mr. Dorrier asked what happened to money that was budgeted but not spent.

Mr. Koleszar explained that it was carryover that could be rolled into the School Board's fund balance. Similarly the various the schools have budgets and if they do not spend it all, the funds roll over into a fund balance that they can access the next year.

Mr. Zimmerman commented that that is a joint board adopted policy.

Mr. Rooker asked if there were a limit to that.

Mr. Zimmerman said the fund balance accumulation was limited to up to 10% total of operations.

Mr. Davis stated that staffing and people are the core of the schools' business, and the number of teachers they have is at the heart of the educational system. He said that they have tried to reinvest in professional development and training for staff, which had been cut back a few years ago, as it is important for employees at all levels. Regarding the CIP, Mr. Davis also stated that they have included bus replacement cycles that are part of maintenance so they can be cycled out on a 15-year basis.

Mr. Boyd asked if the CIP maintenance request was increased because of that.

Mr. Davis responded that it is a separate line in the CIP that grows about \$1.5 million a year for bus replacement.

Mr. Snow mentioned that the CIP Committee discussed that the School Division would offset that with funds from their budget for money that would go into the CIP to help pay for that. He added that no decision has been made but it is something the Board may want to discuss.

Mr. Rooker asked if the \$1.5 million is the total or the increase. Mr. Davis responded that it is the total per year and goes with inflation. He added that it is the total to purchase about 14 busses per year, not an increase in that amount each year.

Mr. Strucko asked how that impacts the operating budget since they would be shifting funds from operations budget to the capital budget.

Mr. Davis said when he arrived here about five years ago, they were funding only at about \$500,000 per year. In FY11, they had about \$1 million added of one time money. This year they have an operating line that would go away if it is funded entirely by the CIP and funded by either cash or debt within the CIP. The issue is the source of funds.

Mr. Strucko asked if the expense still sits in their forecasted numbers.

Ms. McKeel said the decision has to be made on whether the school busses will be funded by the CIP by debt or cash just as fire and rescue vehicles are, or whether the School Division will fund the busses within the CIP.

Mr. Koleszar asked if these budgeted numbers include busses or not. Mr. Zimmerman said it includes no more than what they have currently. He added that they are also about \$5.3 million short and it is up to the Board to decide what is reduced in order to balance the budget.

Mr. Koleszar asked if part of the \$5.3 million includes the \$750,000 for busses.

Mr. Zimmerman said that the bus figures for the long term are unclear, and if the Board chose to define those as one-time monies there would be no further dollars associated with busses in the Schools' operating budget.

Mr. Rooker clarified that in order to arrive at these numbers, one of the expense items was roughly \$750,000 for busses. Mr. Zimmerman said that is correct.

Dr. Moran pointed out that the reason this was included on the watch list is because they have been struggling to keep up with maintenance of the bus fleet.

Mr. Davis reported that maintenance of programs and services are important to the School Board's five specific strategic goals 1-5. The School Board wants to maintain those important items mentioned in order to achieve their goals. He stated that the goals won't shift, but they may need to redirect resources around in order to accomplish those.

Dr. Moran emphasized that they need to focus on what programs and services are valuable to young people, with an effort to maintain those and to redirect resources toward priorities. It is becoming increasingly challenging obviously as they continue to see the slide of revenues and the potential increase of expenditures in areas such as VRS and salaries.

Mr. Rooker noted that there were three educational initiatives mentioned at the roundtable held with the business group at the Darden School, and asked how those would be funded given the red ink shown here.

Dr. Moran responded that they would need to evaluate those initiatives in terms of available funding, which might mean that other initiatives could drop off the table. She said that they have sent the word out to all school advisory committees as to prioritizing which efforts should remain and which resources might need to be realigned.

Ms. Mallek said there was a study committee with the City to have a joint project that would address the funding differential of \$2.6 million, and asked where that stood.

Mr. Koleszar responded that the City School Board had said they could not do anything without City Council. Nothing has been done.

Mr. Rooker noted that the bill went forward two years ago, but wasn't brought forward last year. He said that the legislation was not sought because of an assumption that the schools would work together to achieve a combined result for programs that would allocate some funds to County students.

Dr. Moran stated that they worked on some virtual courses but the City has moved the project out significantly for their one-to-one program, and they are continuing to work and share resources when possible. She said that their School Board indicated that there wouldn't be any sharing of resources around project work because their City Council would have to endorse it – and that had not occurred.

Mr. Rooker said that the schools would need to go to Council to get something specific approved, so it seems to be a "chicken or egg issue" that the City School Board really punted by not even bothering to recommend anything.

Ms. Mallek thanked School Board members for attending and said it was very informative.

Agenda Item No. 4. From the Boards: Matters Not Listed on the Agenda.

Ms. Mallek asked Board of Supervisors members how many of them were planning to attend the SWOT (strengths, weaknesses, opportunities, threats) analysis as part of the regional target industry study on Thursday, November 17, 2011.

Mr. Thomas said he would not be attending it.

Mr. Rooker said he was attending it.

Mr. Boyd said he planned to attend.

Ms. Mallek suggested the Board adjourn to the date.

Agenda Item No. 5. Adjourn.

At 5:42 p.m., Mr. Koleszar announced that the School Board was recessed until its regular night meeting.

At 5:43 p.m., Ms. Mallek offered **motion, seconded** by Mr. Boyd, to adjourn to November 17, 2011, 8:30 a.m., in the Lane Auditorium. Roll was called and the motion carried by the following recorded vote:

AYES: Mr. Snow, Mr. Thomas, Mr. Boyd, Mr. Dorrier, Ms. Mallek and Mr. Rooker.

NAYS: None.

Chairman

Approved by Board
Date: 03/07/2012
Initials: EWJ