

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on March 13, 2012, at 9:00 a.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. This meeting was adjourned from March 12, 2012.

PRESENT: Mr. Kenneth C. Boyd, Mr. Christopher Dumler, 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, Clerk, Ella W. Jordan, Assistant County Executive, Bryan O. Elliott, Assistant County Executive, William Letteri, and Director of Budget and Performance Management, Lori S. Allshouse

Agenda Item No. 1. The meeting was called to order at 9:05 a.m., by the Chair, Ms. Mallek.

Agenda Item No. 2. **Work Session:** FY 2012/2013 Operating and Capital Budgets.

School Division Budget.

Mr. Steve Koleszar, Chairman, stated it was important that both Boards think of themselves as partners in providing services to the community, contributing to the quality of life, and to economic vitality. He said that sometimes both Boards can get into an "us versus you" mentality, however, both Boards have been trying to work together better because it is part of the whole picture of what makes the quality of life in Albemarle County a thing that is valued so highly. He said that the School Board's charge is to foster educational excellence for all students, and this helps contribute to businesses and employees choosing to locate here and ensures that their graduates have the skills that businesses desire. Mr. Koleszar stated that, under the new Economic Development Plan, one of the highest priorities is to provide jobs for people who already live in Albemarle County instead of jobs that would bring more people into the County. He emphasized that the School Division needs to prepare graduates so that they have the skills needed to perform those jobs, adding that every student needs to graduate with a set of skills that can positively impact the economy and the community and that those skills overlap and it is the same skill set to be workforce ready as it is to be college ready.

Mr. Koleszar reported that, in 2011, the School Division graduated its first class from the Math, Engineering & Science Academy (MESA), with 17 students who received \$400,000 in merit scholarships which is the best of any group in the country on a per-capita basis. He said that the School Division had started an Advancement Via Individual Determination (AVID) program which targets first generation college students, and that program has been very successful in turning lives around. He provided an example of a D/F student in middle school who entered the program, got excited about learning and going to college and is currently taking Advanced Placement courses and was recently accepted into college.

Mr. Rooker asked if the AVID program is started at the middle school level and if that program is currently offered at every middle school.

Dr. Pam Moran, School Superintendent, responded that staff is in the process of building AVID into all middle and high schools in the district, but it is not yet at full implementation. She said the important part is the economic data on the difference this program makes in the lives of these students. She said the difference in lifetime income between a high school graduate and a college graduate is over one million dollars, so it is not just about putting money into the pocketbooks of these families, it is also about putting money back into a community.

Mr. Koleszar said the School Division takes great value in hiring one of its graduates because they are anchored in this community; they are going to stay; they are going to be lifelong employees. Employers who are building businesses are going to want the same kind of people who have roots in the community and who will stay. He reported that there were currently 1,533 students who are taking college level courses, with a total of 3,600 enrollments in those courses. He said that, when he first joined the School Board, there were about 300 Advance Placement (AP) tests taken a year, but that was all the opportunity provided and now they reach well beyond just gifted students.

Ms. Diantha McKeel reported that, across the County, the free and reduced lunch percentage is 25% but pointed out that Greer Elementary has 64% of its students who are approved for free and reduced lunch. She said that the County's SAT scores were strong in comparison to both state and national levels, and those scores have continued to rise in consecutive years. Ms. McKeel stated that, as a Division, they have had success with their on-time graduation rate, with the dropout rate decreasing over the past three years.

Mr. Koleszar commented that, although Albemarle County is considered a very affluent community, there are still major pockets of poverty, noting that there were 327 students who were homeless at some point this year.

Ms. McKeel stated that Schools' approach to the FY 13 budget focuses on needs based, efficiency, and academic excellence and mentioned that the School Division does not yet have final revenue figures from the state, and remains a moving target at this point.

Mr. Boyd asked if the homeless category would apply to someone living with a grandparent.

Dr. Moran said that the School Division uses the federal definitions of homeless, which applies to those who have lost their home; however, a student could be in a temporary living situation.

Mr. Boyd asked if this meant there were that many kids living on the street.

Ms. McKeel and Dr. Moran responded that it could be, with variations of that situation.

Mr. Rooker stated that if a child was being raised by a grandparent, would that child be considered homeless.

Dr. Moran agreed, adding that the situation is often families moving from home to home to home and also into the Salvation Army shelter. She said these are children who are in very precarious home environments and the numbers have increased significantly as a result of the economy adding that every school has homeless children. She confirmed that these children are also more likely to change school districts during the year; however, school divisions, under the Homeless Act, allow children to stay with a particular school, even though their jurisdiction might change.

Ms. McKeel said that the School System is facing some key challenges, including the amount of VRS contributions, compensation, the use of one-time funding in the budget from last year, and the bus replacement issue. She emphasized that the news report indicating a contribution from the Schools to the CIP for buses of \$600,000 annually was really a commitment of \$600,000 this year and \$300,000 in subsequent budgets.

Mr. Koleszar noted that the School Board will be holding a work session on building capacities, which the School Board is reviewing, and it would, at that time, cover future guidelines pertaining to future additions and potentially new schools. He added that the School Division has put nothing into the five year CIP other than buses and maintenance projects but, going forward, there would likely be some additional projects.

Ms. McKeel said that the School Board is waiting for their needs report to come back, and would start working on that very quickly. She reported that enrollment growth has been significant, with 400-500 new students since the recession began, mostly at the elementary school level. Ms. McKeel stated that staff has been pretty accurate with overall enrollment projections over the years, but what is really hard to project is where people locate within the Division. She said that the per-pupil revenues have declined over the past three years equates to approximately \$1,000 less per student received than what was adopted.

Mr. Koleszar explained that the School Division has approved a budget with the revenue the County provided, revenue the state provided and then, during the middle of the year, the state reneged on that commitment by providing less money. He said, by freezing positions, the School Division has been able to manage, but at a lower number than what was budgeted.

Mr. Rooker said that the actuals have gone down, with less spent per pupil, and asked what the estimate would be for FY11-12.

Mr. Koleszar responded that it is hard to project because the biggest expense is payroll explaining that Schools have 10-month employees who get paid over 12 months with June payroll being very large because July and August payrolls are also being accrued. He explained that there are some employees who get paid over 12 months even though they are 10-month employees, and it isn't easy to calculate.

Mr. Jackson Zimmerman, Director of Fiscal Services, said that staff does monthly calculations in their financial reports and, for the current year, they felt the numbers would be pretty close to what was adopted with revenues appearing to be flat and only a slight decrease from the state, along with expenditures being close to what was adopted.

Dr. Moran said that there was a point in the fall when the Schools thought they would get less revenue from the County, but it looks as though that is not going to happen.

Mr. Boyd stated that, by now, the December tax bills have been sent, so the Schools should have a pretty good handle on the County piece and the state shouldn't fluctuate too much either.

Dr. Moran said that Schools get their last revenue piece based on March data/enrollment that is submitted to the state but, as Mr. Zimmerman said, they expect it to be close in terms of what was actually adopted.

Mr. Boyd commented that school enrollment shouldn't change that much this time of year.

Mr. Zimmerman explained that the state numbers are calculated on average daily membership (ADM) not on the actual number of children that are physically in school; so March 31st ADM numbers would not be available until mid to end of April. He said that they anticipate expenditures to match revenues, with five additional payrolls left that are projected not including significant part-time, substitute and overtime expenses due to be incurred over the next several months associated with SOLs.

Mr. Rooker said that the graph tells the story, with the expenditure per pupil falling over the last three years, a decline of about 8%. He asked if the School Board expected this decline to be the same over FY11/12.

Mr. Koleszar responded that one of the drivers is the VRS contribution. He explained, with a \$4.7 million increase, that would drive up the per-pupil costs.

Mr. Koleszar reported that, in 2007 and prior to the recession, the School Board launched a Resource Utilization Study, noting that every efficiency achieved allowed them to put more money in the classroom. He said that they had cut \$2.11 million out of Central Office as a result of that study, which were all of the positions eliminated in that department; however, that also meant that people were doing double and triple duty. Mr. Koleszar noted that, with the deputy clerk position eliminated, their board minutes are significantly behind.

Mr. Rooker said that he had received numerous complaints about that issue.

Ms. McKeel and Mr. Koleszar responded that staff has begun to catch up, and Ms. McKeel pointed out that 24 FTEs had been cut out of the Central Office staff, and that equates to a lot of work that someone else is having to pick up.

Ms. Mallek asked about the professional development line item, and Dr. Moran explained that the Director of Professional Development position was eliminated and those responsibilities have been shifted to someone who was already full time.

Mr. Koleszar said that Central Office was the first area where cuts were made because Schools wanted to protect the classroom. He said the School Division was able to eliminate a significant number of positions but also improved the effectiveness and efficiency of the organization.

Mr. Boyd asked where the \$2.11 million amount was reported.

Mr. Koleszar responded that it was in the Board's budget book from the Schools three years ago.

Mr. Zimmerman said it had been presented, but he could bring that information back.

Mr. Koleszar explained that it was in FY 09/10 when those cuts were made and, in FY 08/09, one could look at the actuals to see where the savings came from.

Mr. Koleszar reported that one of the items that the Resource Utilization Study showed was that the per student/per mile expenses in transportation were much higher than comparable school divisions, so staff focused on transportation efficiencies by eliminating 17 positions there and keeping buses in central locations rather than at a driver's home. Mr. Koleszar stated that they shifted to actual time rather than estimated time and, as part of that, the actual time was less so pay was also reduced. He added that there had also been some technological changes which resulted in savings.

Mr. Boyd asked about the timeframe for return on investment in the GPS system.

Mr. Josh Davis, Chief Operating Officer, indicated that it cost about \$200,000 for the GPS, and Mr. Koleszar stated that they were getting back about \$1 million a year in fuel savings.

Mr. Davis said that fuel consumption had dropped by about 20%, and mileage went from over 3 million miles to 2.5 million miles per year.

Mr. Koleszar reported that the GPS equipment allowed staff to do re-routing which is also part of those miles saved. He mentioned that Schools did some redistricting from Hollymead to Baker Butler last week, which will also save capital costs although there may be some trade-off with mileage.

Mr. Thomas asked how many empty seats there are throughout the County.

Dr. Moran responded that number would be probably in the thousands spread in different places, but that is offset by overcrowding in other schools and that is why redistricting is being looked at as a first line of defense.

Ms. McKeel stated that there is a committee currently looking into enrollments and capacity, and there will be a report issued soon with those numbers and recommendations.

Mr. Koleszar said that one of the recommendations in Dr. Boucher's report was to look at small schools because closing them would save millions; however, the School Board evaluated that and determined that the value of the small schools to the communities and their educational value was worth the extra expense.

Mr. Snow stated that he acknowledged the fact that it does cost more money, but he still really appreciated it.

Ms. McKeel said that class size and small schools were recommendations in the Resource Utilization Study and were evaluated and looked at closely by the School Board but, because of the community values, those specific recommendations were not adopted.

Dr. Moran pointed out that Hanover County's elementary schools average about 450-500 students, with middle schools averaging about 800, however, their County is nowhere near as big as Albemarle at 726 square miles, and the small schools here do add value to the community.

Mr. Snow stated that those schools have significant community support, and if they were closed there would be a lot more dysfunction.

Ms. McKeel said that it is important for the Board to recognize that Albemarle's cost per pupil is higher than comparable school divisions because the County has smaller class sizes and also small schools.

Mr. Snow asked how that would affect the average in the whole system.

Mr. Koleszar responded that a small school per pupil cost is \$2,385 more expensive than a larger school.

Mr. Rooker mentioned that there are eight schools that fall into the small school category.

Ms. McKeel said that small class sizes also affect the average student cost. She noted that, in 2010, class size was increased by one child for grade levels 4-12. She said, when this happened at the elementary schools, it meant one child per classroom but, at the middle and high school levels, there were actually three to four students added in the core classes due to mandated caps in size.

Ms. McKeel stated that the School Division used one-time stimulus money to roll that back, and this funding request returns 17 positions back into operations. She indicated that the Schools instituted the eighth period hybrid schedule to prevent the need for further class size increases.

Mr. Koleszar stated that this was an opportunity to save money but also provide better educational opportunities for students.

Mr. Rooker said that was a matter of debate.

Mr. Koleszar said, during the year when the School Division increased class size, they saved money by going to the eight-period day and by using a free student information system, however, those two things together created a lot of angst.

Ms. McKeel stated that the eight-period day only affected the entering 9th graders, so parents of 10th, 11th and 12th graders didn't see the reward that came from it.

Mr. Rooker commented that he thought the School Board was correct in sticking with the hybrid system even though they had to weather a storm to hold onto it and he believed it has worked out well.

Ms. McKeel said that the School Division had some priorities that could not be achieved, i.e., capital improvements and compensation deferred, but felt that there was a strong need for an elementary foreign language program. She said that they had a canned Spanish program that was very outdated and no longer really acceptable, and Charlottesville City Schools had a much more robust foreign language program as do many other world class school divisions. Ms. McKeel also reported that, due to a lack of funding, there are waiting lists for the preschool program and some of the schools do not have full-time nurses. She added that professional development has taken serious cuts and, in Dr. Boucher's report, he stated that Albemarle County schools should have an international baccalaureate (IB) program.

Mr. Rooker asked what the cost estimate was for an IB program.

Dr. Moran said that it would be in the neighborhood of \$800,000.

Ms. McKeel stated that they probably would have started at one feeder pattern, and that cost was probably not for the whole system.

Mr. Snow asked how many children were on the preschool waiting list.

Dr. Moran responded that the number was between 65-75, most of them concentrated in the Greer/Woodbrook/Agnor Hurt area. She added that another critical piece of that is the challenge of available space for preschool programs.

Mr. Snow commented that the nurse at Red Hill wasn't full time, but was there when the students arrived and stayed until an hour before the school closed, so if all of the schools are working that way, it's working very well.

Ms. Mallek said that some nurses are shared between two or three schools.

Dr. Moran stated that not having a nurse can be a critical shortage in the case of a diabetic event or an injury.

Mr. Snow said those kinds of incidents could happen on the school bus or anywhere and, in talking to the Red Hill principal, he indicated this schedule seemed to be working well.

Ms. McKeel stated that the reality is the School Board would like to have full time nurses in all of the schools. She said some schools had enough money from Parent/Teacher Organizations (PTOs) to pick up the cost of a full-time nurse but all schools would like to have them.

Ms. Mallek asked about the status of instructional coaches.

Mr. Koleszar explained that, when those positions were school-based, they got absorbed into school staffing and the quality was inconsistent but, by having them centralized but also out into different school buildings, the 'cross pollination' allows those instructional coaches to be more effective. He said that the Darden School and Curry School both found this type of coaching model to be, by far, superior and the feedback from those teachers has been that it is very beneficial.

Dr. Moran said much of that staff is required by the Standards of Quality (SOQ) such as technology support for instructional purposes, so the County took that, in addition to the literacy support required by the state, to form the basis of an instructional support staff. She emphasized that those coaches meet the requirements of the State of Virginia for Standards of Quality, but also support changes in content such as math standards, pedagogical changes, and integration of technology to support learning. She added that these coaches provide more generalized, full-service support to the classroom.

Ms. McKeel stated that this is essentially a mentoring professional development model, and staff is seeing good results going forward. She said that the Darden School emphasized that the program needs to be fully funded, with all coaches in place, but that has not been accomplished yet.

Dr. Moran said that the goal is for 35 coaches across the Division, but currently only have 24 and this is an area which is frequently cut to balance the budget.

Mr. Rooker asked about the \$300,000 increase in the technology budget, which is a fairly significant percentage increase in that area.

Dr. Moran responded that the School Division has requested some unfunded positions, because there is a ratio of 1:1200 of technology support to device use within the Division so staff is trying to bring that ratio down.

Mr. Koleszar reported that the School Division is requesting \$151.62 million total in expenditures, with the largest increase being salaries and VRS being the largest driver of that increase in addition to salary raises as well as positions added due to enrollment growth.

Ms. McKeel said this increase includes the 17 positions that have been added back in and raises based on 2%.

Mr. Koleszar stated that the current revenue picture is \$148.96 million, with a substantial increase from the state and federal money going away. He said that the School Division is increasing the amount of rentals from Schools, continuing athletic fees for after-school sports, and other income-generating initiatives.

Ms. McKeel said that, for FY 2012-13, the School Division is projecting the local percentage of revenues to be 69.6%, 28.4% coming from the state, and just under 2% from federal sources.

Ms. Moran said there are some Senate Bills which could bring more money to the School Division. The House bill, which the Senate has not passed, would bring Schools a little more money, but what they would gain would be a deferral of some of the VRS funding that would be a phased-in approach; so the difference is one scenario being more around VRS shifts and another scenario would mean some additional funding.

Mr. Koleszar pointed out that any additional funding or cost savings from the state is not reflected in the School Division's funding request, and said that the Governor's budget took half a cent from the sales tax from the General Fund for transportation – which reduced the amount of money available to schools – but the Senate thus far has not gone along with that. He said that the current funding gap is \$2.66 million, which reflects an additional \$1 million in revenue from the County and assumes the equalized tax rate.

Mr. Koleszar reported that, based on their discussions in the fall, staff developed their budget on a 2% increase in salaries; however, the School Division would like to maintain commonality with classified Local Government employees.

Mr. Rooker said that the average budgeted classroom teacher's salary, as reported by VACo for FY12, was \$52,003, a .9% increase from FY11 and is in keeping with County recommendations.

Mr. Koleszar stated that, if the funding gap isn't eliminated, the 2% increase is one of the areas that probably would be cut. He also said that the classified staff in Albemarle County has been 3/10 below market, and the strategy should be to catch that up although that hasn't been done. Mr. Koleszar said that the ultimate test of whether Schools were at market is whether they can hire and, while they were able to recruit teachers, it was more challenging to recruit for positions such as bus drivers.

Mr. Boyd stated that those were always difficult positions to fill because they are part-time.

Mr. Koleszar said that the consultants were going to do a similar study on bus driver salaries but haven't been able to get to that yet.

Ms. McKeel said, now that Human Resources staff were done studying some Local Government positions, it was hoped that they would move to some evaluation of school positions.

Ms. McKeel reported that items such as fuel costs, dental and unemployment insurance increases, a CATEC increase, and liability insurance increases are mandated. She said the School Board believes that maintaining the 17 positions in operations is critical to keeping class sizes down. She also said that the School Division felt the Health & Sciences Academy at Monticello High School is critical for students, and Mr. Koleszar added that there is some local funding for that project. Ms. McKeel stated that the School Division would also likely need some additional custodial staff at Greer Elementary. She said that the health and science academy is viewed as an initiative that really impacts the community and one that has been shown through data to support jobs in the community and gives jobs to students.

Mr. Koleszar stated that that program fits in well with the Board's objective of growing this sector as part of an overall economic development plan, so Schools want to be there to provide the skills needed to help foster this.

Dr. Moran mentioned that she had recently toured a local bio-tech facility and learned that high school graduates with certain skill sets could start there at \$15-17 per hour, which was significant. She said that the School Division is closely aligning with Piedmont Virginia Community College (PVCC) and the Charlottesville/Albemarle Technical Education Center (CATEC), but this particular program fills a niche that currently does not exist.

Ms. McKeel said that state data projects 12,500 new jobs by 2018 in this particular field statewide.

Mr. Rooker said that the academy at Bayside had something like 1,000 students.

Ms. McKeel stated that Bayside has been around for about 10 years, adding that the benefit of having this at Monticello is its proximity to PVCC.

Mr. Koleszar commented that he had wanted to get into this area for years, given the obvious connection with the University of Virginia Medical Center.

Ms. McKeel reported that if the School Division must make cuts to reduce the funding gap, the School Board is recommending cuts in technology (equipment or support), and salary increases at 1% instead of 2%. She said that the second tier of cuts would mean going back and readjusting formulas.

Dr. Moran pointed out that the state has raised its required benchmarks on SOLs as well as certain types of standardized tests which is significant and, without intervention, more students would fail and could result in higher drop-out rates. She said that the state is focusing on math this year, adding that students who had never failed an SOL test in Virginia before were now failing. She said Henley Middle School is currently in the 800+ student population with two administrators. She is projecting adding back another administrator there to help with the larger population.

Ms. McKeel emphasized that the tests are getting harder, and the failures are not necessarily due to changes in schedules or other factors.

Mr. Boyd said he didn't understand the number related to costs for assistant principals, as 1.5 FTEs only added a cost of \$69,000 whereas teachers were projected at \$68,000.

Dr. Moran stated that often assistant principals end up making less per hour than they did as teachers when their salaries are spread out over 12 months versus 10 months.

Mr. Zimmerman said that the number Mr. Boyd was referring to is not a full-fledged position with a teacher's contract.

Dr. Moran said that the teacher would become an administrative intern, which is a less expensive approach than hiring an assistant principal.

Mr. Koleszar mentioned that, at the high school level, those tests can be a barrier to graduation as at least one verified math credit is required and two verified math credits are required for an advanced studies diploma.

Mr. Rooker asked where School stand with the No Child Left Behind (NCLB) situation.

Dr. Moran responded that the state has a waiver in front of the Department of Education for consideration, and there will not be a significant change in the bigger reality of expectations in the state although there will be some relief for things like membership group requirements. She stated that the reality is the School Division will still have to do testing as is being done now, and teachers will actually be under a more intensive evaluation system; however, there is some expectation that NCLB will be reauthorized as a different version later this year.

Mr. Koleszar said that, in the first year of NCLB, the state of Arkansas had 100% passing schools because there were no standards, whereas states that had traditionally been very good in education had a high rate of failure because they had higher standards. He said that he hoped NCLB would go away so that schools can get back to teaching kids what they need to know.

Mr. Snow said that the funding gap is currently \$2.6 million and, if VRS comes through, that could make up \$2 million.

Ms. McKeel agreed, adding that it is a double-edged sword because it will have to be made up eventually.

Mr. Snow said that he has heard teachers have to buy a lot of their own classroom materials.

Dr. Moran responded that that was absolutely the case, with some principals and central office staff picking up supplies. She said everyone is a donor that's working in the school system adding that is a reality, unfortunately. She said that Albemarle County's percentage of instruction for support for schools when compared to the rest of the state has one of the higher levels of contribution, adding that there were other school divisions in the state that are below 50%.

Ms. McKeel introduced Josh Davis, the Schools' Chief Operating Officer, who would provide a history on the School's fund balance.

Mr. Davis stated that the Supervisors had talked about the School's fund balance in its discussion of the CIP the previous day and wanted to present a few slides which will show the fund balance as a percentage of the overall budget from year to year and another slide showing actual numerical dollars. He said that the pattern has been the same, with the fund balance being spent down in the mid 2000s and getting down to as low as 3% at the end of 2005-06. Mr. Davis stated that the fund balance began to rise somewhat and then leveled out for a few years, with a fairly substantial jump in FY10 and then some funds were spent in FY11. He explained that, in the middle of FY 09/10, a VRS holiday was put in place and Schools did not have to make those contributions for a full quarter of that year. He also said that part of the fund balance had been used within the Division in order to meet its operating budget. Mr. Davis reported that, at the end of FY11, the fund balance went down to about \$7.5 million and, in the current budget, there is about \$2.8 million now, with \$1.8 million for FY13. He said that one way of looking at this fund balance would be to consider part of it available for capital, and perhaps 2%-5% in the fund balance.

Ms. Mallek said that their projections at this time last year was that the Schools were going to use the fund balance by the end of the year, but somehow that fund balance went from \$500,000 to \$7.5 million.

Dr. Moran explained that, last year, Dr. Benson said Schools did not have all of their final revenues in from the state or from the locality. She said Schools did indicate last year that if it became necessary to use all of their available fund balance to cover a gap in funding, they would have about \$500,000 left but, after that point, the state came forward with more revenue than was originally anticipated so they ended up not having to use the fund balance as expected.

Mr. Rooker said that the state hadn't made the full adjustments in the allocation formulas as they had planned.

Mr. Jackson said it turned out to be \$3.5 million dollars of good news for the School Division.

Mr. Koleszar said that there is \$1.8 million budgeted for the fund balance for FY13 but, through returns to the schools of \$195,000 and \$500,000 there would be \$2.5 million available in the fund balance. He added that, depending on what final revenues end up being and what the Board decides, some of the fund balance could be used to close their funding gap.

Dr. Moran explained that the 1% salary increase plus the .3% merit pool, which would be more of a one-time allocation, might be pulled out of the fund balance which is similar to what Local Government has done.

Ms. McKeel mentioned that Dr. Moran has established a financial advisory committee comprised of people from outside the School Division, from Darden, McIntire, a local bank, etc. and one of the things committee members said, in looking at the budget process and how the Schools handle their budget, is that this was a good example of good fiscal policy, because the fund balance is essentially the School Division's rainy fund for unexpected costs.

Mr. Snow asked if the fund balance goes up if the state comes through with additional revenues.

Mr. Koleszar responded that, right now, the School Division is \$2.66 million short and, if the state increased revenues or decreased expenses by more than that, then Schools would see an increase but, even if they knocked off \$1.5 million, there would still be a \$1 million shortfall that would require making other cuts or dipping into the fund balance. He said that the School Division may have to send out teacher contracts before the state budget is known, and the reserve could function as a stop-gap to cover the difference.

Mr. Boyd asked how the School Division handles the fluctuations in enrollment, and how it adjusts teacher contracts accordingly.

Mr. Koleszar explained that, every spring, the School Division notifies teachers that their position may be eliminated due to a reduction in force but, if that is held for too long, some of the better teachers might leave for an adjacent county. He said they are anticipating, based on preliminary expense numbers,

that they would use the entire \$2.8 million this year, so it is likely that the fund balance would drop from \$7.5 million to \$4.5 million this year.

Mr. Boyd said that it is no different than what the Board deals with in Local Government, with a standard set for the fund balance each year and anything that is left over at the end of the fiscal year is rolled into the CIP. He said the Board did that this year putting \$3 million into the CIP.

Dr. Moran stated that Local Government's benchmark is set at 10%, and Mr. Foley clarified that the 10% figure is for the entire County.

Mr. Foley said that the way County policy works is that none of that money goes anywhere until the audit is completed, but the Board has to act on transfers to capital from the previous year's fund balance.

Ms. McKeel said the School Board needs to decide what percentage is appropriate but a final decision has not yet been made.

Mr. Koleszar stated that what is at risk is excellence in education, adding that the School Division is recommending a needs-based budget which will allow schools to maintain a high level of quality education that citizens have come to expect. He said that the budget is based on the equalized rate, but if that rate doesn't pass, the School Division will have to make cuts that will be "muscle and bone." Mr. Koleszar stated that they would like the Board to help them close the funding gap, and provide some direction for compensation.

Mr. Rooker asked what would happen if they put back the \$1.2 million plus the \$300,000 from the state, and Mr. Koleszar replied the gap would be at \$3.8 million. Mr. Koleszar said that what happened when there were shortfalls was they would delay certain things such as bus replacements, and Ms. McKeel said Schools are willing to provide at least \$300,000 every year for buses with this year being an exception at approximately \$600,000.

Mr. Rooker said that if the Board could perceive a meaningful contribution in moving fund balance into capital year after year, it would make a difference, especially when one is seeing some surpluses.

Ms. McKeel stated that the School Board is in the process of having that discussion, adding her thanks to all of the contributors, those who consult with Dr. Moran and staff in putting the budget together. She said that the School Finance Advisory Council members were especially helpful, and there are plans for this group to hold a work session in April to review the budget process and make recommendations. She said Board members are invited to attend that work session if they so desire.

Mr. Boyd commented that the School Division had asked what Local Government would do with salary increases, and stated that the Board is fairly set on 1%.

Mr. Koleszar responded that if the Board has already made that decision, the School Board would also make their decision. He also said that regarding reports, different board members were asking for different things, so the School Board needs a clear and definite decision on the 1%.

Mr. Snow, Mr. Thomas and Mr. Rooker all indicated that the 1% was decided.

Mr. Koleszar said that the School Division doesn't finalize its budget until Local Government's budget is finalized, adding that commonality is very important to the School Board. He added that one of the great strengths of Albemarle County is how well the School Division works with Local Government and those efforts save the taxpayers a lot of money in addition to providing better service to citizens because of that close cooperation, i.e., Bright Stars, Parks and Recreation, Human Resources, etc.

Ms. McKeel stated that Schools want to avoid the public perception of "us vs. them" mentality, but sometimes the rhetoric can play out that way and that should be avoided.

Dr. Moran said that she and Mr. Foley have been working with staff and wanted to make sure that the 1% was finalized, with the .3% in the merit pool needing to be worked on and is looking to Human Resources (HR) staff for recommendations.

Mr. Foley explained that there is \$150,000 in a performance incentive pool, which is what they were working with HR on developing the criteria around. He said that money is one-time money, a one-year decision and is considered an extra bonus based on performance. He said, given the fund balance that the Schools have, they should be able to match that amount, however, the key decision is the 1% in on-going pay which will help get the County up to market.

Mr. Rooker said that the Board had consensus on that direction, and that was the basis on which the budget had been built.

Mr. Koleszar stated that he supported the commonality in pay increase for Schools and Local Government.

Ms. McKeel, on behalf of the School Board, thanked the Board for their work and their support.

Note: At 10:50 a.m., the Board took a recess and reconvened at 11:03 a.m.

Continuing issues from Prior Work Session.

Mr. Foley said that staff would spend a few minutes in preparation for their meeting the following day and set up some background information for the Board's final decision making. He stated that he and Ms. Allshouse would recap the items the Board had added to their list thus far, along with the policies within which they normally make the decisions, specifically the 60/40 split and new operating expenses. Mr. Foley said that staff had suggested that the \$1.5 million unallocated in this budget go to capital, but the Board could also put it in operations. He stated that, if that money went to operations instead of capital or to reducing the tax rate, it would be divided out as shown. He said, with what the Board has talked about so far, they had used about 40% of the penny if they sent it to operations; the rest would go to the school system or capital. Mr. Foley said that another option would be for all of the \$1.5 million to go to capital, as staff recommended, but then the Board would have to come up with money to fund the other items they have identified. He stated that if the Board drops the rate a penny, none of it would go to capital or operations. He added that the Journey Through Hallowed Ground comes off the list because the Charlottesville/Albemarle Convention & Visitors Bureau (CACVB) is expected to fund that.

Ms. Allshouse reported that staff has taken questions raised by the Board during work sessions and turned around information quickly, noting that staff provided information on Healthy Transitions, Thomas Jefferson Emergency Medical Services (TJEMS), reassessments by property class and other issues around the equalized tax rate, General Government lapse, transfer of program funding to the Charlottesville/Albemarle Convention & Visitors Bureau (CACVB), funding of the Virginia Cooperative Extension Service and Literacy Volunteers (LVCA).

Mr. Rooker said that Literacy Volunteers hadn't expected a cut of \$6,287 at a time when they were moving their facilities and had gone through a change of its director, but the comments from staff hadn't addressed the situation of people in their GED program who might lose the ability to complete their credits in time.

Ms. Allshouse stated that she would try to get more information on that for the Board.

Mr. Boyd commented that he would also like to know how many people would be impacted; because he wasn't sure LVCA had many people in their program.

Mr. Foley responded that LVCA had said they had a few, but that information wasn't very specific.

Ms. Allshouse said that staff had also provided a School Division fact sheet for the Board and is currently working on the Capital Improvement Program (CIP) questions raised related to the operating budget and that will be provided to them later today.

Mr. Foley stated that information on the library operations will be coming out later today and Ms. Allshouse mentioned the Human Resources salary benchmarks as well as Commonwealth Attorney fines/forfeitures information are the only two outstanding issues.

Mr. Foley commented that Ms. Lunsford's issue with the fines and forfeitures was really just a misunderstanding on her part about the budget process work and, even if she had a case to make, staff would like to get it in the budget process. Mr. Foley said that she was thinking about reallocating revenue that came into her office, but that is not done in any department. He stated that staff would provide a full review of this information for the Board.

Mr. Rooker asked about the Board reserve, and Mr. Foley stated that staff would be presenting fund balance information at the meeting the following day but would send it out in time for it to be reviewed prior to the meeting, pointing out that the County is very healthy with money set aside for a revenue downturn, one-time. He said there is line-of-duty money set aside and other items that were discussed during the five year plan but the question that will need to be addressed is if the \$250,000 in reserve is going to be enough.

Ms. Mallek said she was alarmed about the reserve being only \$250,000 but, if there are other pots of reserve that cover all those other potential disasters, then her concern has been addressed.

Mr. Foley said that a couple of Board members requested information on the incremental change if 1/10 of a penny was reduced, and stated that it would be 1/10 of \$1.5 million, however, 60% of properties would receive an increase and 40% of properties would receive a decrease. He stated that staff will let the Board know how to reverse that, but staff couldn't get it to an exact amount because some properties had changed so much in value.

Mr. Rooker asked if the \$19,000 request from TJEMS for training, which was not funded in the ABRT's recommendation, was the most economical and best way to provide training given the alternatives that are available.

Mr. Foley responded that staff felt it was a good investment to continue, but staff needed more tracking of results, which is what ABRT did not have.

Chief Eggleston stated that TJEMS offers other services besides continuing education, but that was the most valuable thing to the County. He said that he was going to get together with TJEMS and create a document that would ensure the best bang for the buck, adding that fire and rescue would like to see them offer more continuing education opportunities.

Mr. Foley emphasized that this was the first year using the revised Agency Budget Review Team (ABRT) process, so the quality of those applications will most likely improve in future years.

Mr. Rooker commented that one of staff's information sheets indicated that the County was not currently funding volunteer operating expenses according to its own policy, and asked if that was the case.

Mr. Elliott responded that that particular statement was related to the fact that the County was unable to fulfill requests during the economic downturn so, for two to three years, the County was flat-lining volunteer requests because there was an inflation factor whereby the County was not able to keep up. He said that is continuing because the County has not been able to do that catch up, even though the County is increasing 4.3% in funding this year in addition to covering increases in liability insurance or vehicle insurance. He said, while there may still be a lag factor in terms of those costs of inflation increase, there is still about \$100,000 more going to the volunteers in the proposed budget.

Mr. Rooker said that, every year, the request is more than what could be funded, and asked what the differential is today versus the policy that has been adopted.

Mr. Elliott stated that a number of those requests were outside the policy but, from a purely inflationary standpoint, there was a lag of about 5-10% which is similar to the Police Department.

Mr. Rooker said he would like to understand what the gap is in terms of dollars.

Mr. Mallek said there is a \$50,000 cut from this year's projected to next year's recommended.

Mr. Foley said that, if it was an approved line item in the policy for 100% funding, they could estimate what those costs would be to cover increases in things like insurance and fuel.

Ms. Mallek said that, after the budget process this year, she would like to discuss with the Board some items that weren't covered such as snow removal and lawn care that should be added to the approved list. She said this is not great for morale.

Mr. Foley stated that the Board had a big discussion about that in previous years, but staff could bring that information back.

Agenda Item No. 3. From the Board: Matters Not Listed on the Agenda.

There were none.

Agenda Item No. 4. Adjourn.

At 11:27 a.m., **motion** was offered by Ms. Mallek to adjourn the Board meeting to March 14, 2012, 9:00 a.m. in Room 241. Mr. Boyd **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

NAYS: None.

Chairman

Approved by Board
Date: 06/06/2012
Initials: EWJ