An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on November 8, 2012, at 2:30 p.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from November 7, 2012.

PRESENT: Mr. Kenneth C. Boyd, Mr. Christopher J. 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, Assistant County Executive, Bryan Elliott, Assistant County Executive, Bill Letteri, Assistant to the County Executive for Community and Business Partnerships, Lee Catlin, County Attorney, Larry W. Davis, Clerk, Ella W. Jordan and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. The meeting was called to order at 2:35 p.m., by the Chair, Ms. Mallek.

Agenda Item No. 2. **Joint Meeting with Economic Development Authority:**

EDA Members Present: Mr. Blake Hurt, Mr. Vernon Jones, Mr. John C. Lowry, Mr. Mitchell Neuman (arrived at 2:36 p.m.) and Mr. Elton Oliver.

Absent: Mr. Scott Goodman and Mr. Charles Lebo.

Also Present: Attorney for EDA, James V. Bowling.

At this time, Mr. Lowry, Chair, called the meeting of the Economic Development Authority to order.

Item No. 2a. Economic Development Funding Priorities.

The following executive summary was forwarded to Board members:

On May 2, 2012, the Board adopted a resolution authorizing the issuance of refinancing bonds by the Economic Development Authority of the City of Norfolk for bonds it previously issued for Sentara Healthcare (Martha Jefferson Hospital). The refinancing included a fee sharing agreement for administrative fees between the City of Norfolk, Albemarle County and Prince William County Economic/Industrial Development Authorities that provides for an annual payment of an administrative fee to Albemarle County's Economic Development Authority (EDA).

Because Albemarle County's EDA had not previously received fees, its Rules and Procedures did not address the acceptance of such a payment. On July 11, 2012, the Board of Supervisors adopted a resolution to approve amendments to the EDA's Rules and Procedures that established an annual administrative fee for bonds, provided for a budgetary process to govern the expenditure of funds received by the EDA, and established a tiered system for its application fees (Attachment A).

As part of the July 11 discussion related to amending the EDA Rules and Procedures, staff recommended that the Board hold a joint work session with the EDA to discuss priority economic development initiatives that would be supported by funds generated by the new administrative fee. The revenue generated by the Sentara Healthcare bond issue that will be received by the Albemarle EDA beginning in May, 2013 is estimated at $45,000 in 2013 and decreases based on the outstanding principle amount of the bonds annually for the next ten years. Future bond issues will generate additional revenue based on the amount of the issues.

The purpose of this joint work session is to provide a brief update on the status of the Economic Vitality Action Plan (Attachment B) and to allow the Board and the EDA to work together to identify preliminary funding priorities that would be appropriate for the expenditure of EDA funds. Further refinement of funding priorities will occur over the next several months, with a goal of finalizing requested expenditures for FY 2013 by March, 2012, to coincide with the County's annual budgeting process.

Dan Siegel, an attorney with the law firm of Sands Anderson who specializes in bonds and EDA/IDA matters, will be present at the meeting to assist with the presentation and to answer any bond-related questions.

The Code of Virginia establishes that the EDA has the authority to expend funds generated by fees, with any expenditure requiring approval by the Board of Supervisors. The EDA's revised Rules and Procedures state that the EDA will "*expend funds that it receives only to support economic development initiatives that benefit Albemarle County as determined by agreement between the Authority and the Board of Supervisors of Albemarle County. All such initiatives shall be developed in consultation with the County Executive, or his designee. The Albemarle County staff will provide support in the administration of the expenditure of such funds by the Authority."*

Of 95 counties and 30 larger cities in Virginia, 75% have an EDA/IDA, and of those entities, 75% charge some level of administrative fee. **Attachment A** includes a list of peer localities and indicates which ones charge fees and generally what is funded by the fee revenue. Albemarle's peer localities use funds generated by the annual administrative fees to support economic development initiatives, such as marketing support, incentive packages, business incubators, grants for expansions and equipment purchases, building and land purchases/management, entrepreneur support and loan programs.

Currently the County funds the following areas in support of the Economic Vitality Action Plan:

- **Memberships – $13,780 annually**
    - Thomas Jefferson Partnership for Economic Development - $12,500
    - Chamber of Commerce - $1,280
- **Economic Opportunity Fund - $250,000**
    - replenished annually with one-time funds as necessary
- **Marketing and Program Support- $21,600 annually**
    - Website update/new logo development
    - Advertising (Virginia Wine Month, Craft Beer Month, Buy Fresh Buy Local guide)
    - Publications (Small Business Toolkit, Albemarle Business First brochure)
    - Sponsorships (Local Food Hub Community Food Awards, Chamber Minority Business Conference, Charlottesville Business Innovation Council Tech Tour, Community Career Conference, etc.)
- **Personnel – $160,329**
    - 1.5 staff positions (compensation and benefits)
- **Agencies - $21,680**
    - Central Virginia Small Business Development Center – $7,880
    - Piedmont Workforce Network - $13,800

Attachment C provides a summary of highlights from the first two years of implementing the Action Plan.

In a preliminary conversation between staff and EDA members about possible priority areas, the following concepts were identified as options for further discussion with the Board of Supervisors:

- Improvements to the County's online economic development presence, including better property marketing information and integration with existing data bases (i.e. MLS and County GIS)
- Marketing initiatives, including support for the Piedmont Council of the Arts Cultural Plan
- Marketing support to attract relocating companies
- Entrepreneurial support

In order to meet the remaining objectives of the Economic Vitality Action Plan and transition to an established economic development program as directed by the Board's FY 13 – 19 Strategic Plan, and to be compatible with initial concepts identified by the EDA, the following priorities are appropriate for funding consideration in FY13:

- Enhanced marketing support for retaining/expanding/attracting target industries, including improved on-line functionality
- Entrepreneurial support
- Workforce preparedness
- Rural agricultural support

There is no budget impact to the General Fund related to this item. All expenditures will be supported by funds generated by EDA administrative fees.

Staff recommends that the Board approve the preliminary funding priority areas listed above, with the understanding that specific expenditure items will be developed by the EDA in consultation with the County Executive or his designee and presented for funding approval in FY13 pursuant to the EDA Rules and Procedures.

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Ms. Lee Catlin, Assistant to the County Executive for Community and Business Partnerships, stated that this is an opportunity for both Boards to come together for discussion and identify preliminary funding priorities that would be appropriate for the expenditure of EDA funds.

Ms. Mallek asked everyone present to introduce themselves. In addition to Board members and EDA members, also present were Mr. Daniel Siegel, Attorney, Sands Anderson; and Ms. Susan Stimart, Economic Development Facilitator.

Ms. Catlin reported that the City of Norfolk issued refinancing bonds for Sentara, which included a fee-sharing agreement that included Albemarle County. She said that up to that point, the County had not ever received administrative fees, so adjustments to the EDA rules and procedures had to be made in order to accept the fees and expend them on any items the County was interested in doing. Ms. Catlin said that at this meeting staff would not try to identify specific line items, as that would happen early next spring, but staff does think it is important to try to find some broad consensus on areas both groups think are important for economic development.

She stated that the EDA's revised Rules and Procedures state that the "EDA will expend funds that it receives only to support economic development initiatives that benefit Albemarle County as determined by agreement between the Authority and the Board of Supervisors of Albemarle County. All such initiatives shall be developed in consultation with the County Executive or his designee. The Albemarle County staff will provide support in the administration of the expenditure of such funds by the Authority".

Ms. Catlin said the purpose of this meeting is to have that first conversation about what those areas of agreement might be for funding priorities. She stated that she would provide a brief update on the first two years of the Economic Vitality Action Plan to offer some context and background as to what the County's economic development efforts are at this point. Mr. Siegel will spend some time explaining EDA roles and functions. Ms. Catlin reported that the Board and EDA would review what the current year economic development expenditures are, and then visit some preliminary potential areas of priority for EDA funding.

(**Note:** At 2:36 p.m., Mr. Neuman arrived.)

Ms. Catlin reported that she would highlight things that have happened recently that people may not be aware of regarding the Economic Vitality Action Plan: Objective 1, "Improving Business Climate and Image" – the County has formed a great partnership with SCORE (Senior Corps of Retired Executives) and is cosponsoring regular trainings with them; working with the Chamber of Commerce Business Academy to offer a regular class on how to do business with Albemarle County; involved with the Chamber's Minority Business Conference; and are engaged with the Central Virginia Business Owners. Objective 2, "Simplify and Create Certainty" – the Board recently approved simplified administrative review procedures; in December the Board will be reviewing the simplified legislative procedures that the Planning Commission recently approved; and the County has been offering drop-in hours twice per month to offer assistance to businesses and has had good attendance. Objective 3, "Supporting Quality Job Opportunities" – the Target Industry Study is completed and the County is trying to reach out to identified businesses; the County co-sponsored with UVA and the City a "cluster meeting" for the biotech group, a roundtable of about 16-17 representatives from the local biosciences community; and the County joined the foreign trade zone that Culpeper established, and had an international trade briefing attended by some local importers and exporters. Objective 4, "Expanding Industrial Land Options" – the County has discussed numerous times the zoning text amendments to modernize uses in both the industrial and commercial areas, recently approved by the Planning Commission and is coming to the Board in December; and the Comp Plan update will include some designation of additional land for industrial use, which will be coming before the Board in early spring. Objective 5 – "Promoting Rural Economy and Tourism" – at the Board meeting the previous day, the Board saw the branding piece of the marketing plan for tourism, which focuses a lot on the assets and attributes of the rural areas; and the County is partnering with the Chamber and other local partners to host an agribusiness marketing conference in January, inviting up to 65 local farmers and other agri-entities.

Ms. Catlin mentioned that the Board received quite a bit of statistical information at its recent strategic planning retreat on economic indicators and received a lot of data at the Board meeting the previous day and would receive some addition data of the three measures since the plan was adopted. She reported that the unemployment rate, total number of jobs, sales tax revenue, food & beverage tax revenue, and transient occupancy tax revenue provides a sense of what the trends are looking like.

Ms. Catlin said that as part of this meeting, she thought it would be helpful to have information on what other EDAs are doing and how they are approaching their work.

Mr. Siegel stated that he is Chair of the Government Group at Sands Anderson law firm and also serves as a Bond Counsel, adding that he has been involved in about $3 billion in bond financing over the past 25 years through over 1,000 different financings. He stated that he is involved with a lot of different Economic Development Authorities and financings across the Commonwealth, and has worked with Albemarle staff for years in different capacities.

Mr. Siegel explained that the question often arises as to what the difference is between an IDA and an EDA, and there is no distinction – they are the same thing under the same statute. He said that IDAs and EDAs started in the mid-1960s in Virginia, and by the 1980s they had emerged throughout the state. Mr. Siegel explained that all they have done historically was function as conduit issuers for low-interest, tax-exempt bonds, and generally for commercial and industrial uses. He said that back when IDAs and EDAs first started, they financed for-profit nursing homes, shopping centers, fast food restaurants, office buildings, etc. – but in the mid-80s through tax reform they began to hold public hearings, and in 1983 Virginia began keeping records and fiscal impact statements were provided. Mr. Siegel stated that in 1984 the state began to limit how many IDBs (Industrial Development Bonds) you could issue under federal law, and each state started getting a cap on "private activity bonds". He said that by the late 80s, only manufacturing facilities could use tax exempt bonds and they limited banks' abilities to buy the bonds – so they had "bank-qualified bonds." In addition financing for nonprofit organizations are allowed.

With all of that transition, he said, localities started doing more governmental facilities like public buildings, courts, schools, infrastructure improvements – mostly by counties because they did not have to do a referendum to issue debt for public purposes. He stated that in the 1990s, IDAs and EDAs started doing more things, such as exempt facilities such as sewer projects for private developments. Mr. Siegel said that the 501(c)3 financing really started blossoming at that point, and there were more hospital, nursing homes, YMCAs, private schools, universities, etc. using this funding. He stated that in 2000, EDAs and IDAs across the state started doing more, including taxable bonds so that localities can pay their bonds off more quickly. Mr. Siegel said that lease-purchasing items and recycling type facilities were also being financed this way. EDAs are also financing industry appreciation events, annual dinners, awards/scholarships, tourism facilities, and economic development staffing, all of which localities pay for using Authority fees. Mr. Siegel said that there are also ways to do trade shows, marketing activities, business incubators, special tax districts (CDAs, service districts) and TIF Overlays that involve the EDA.

Mr. Rooker asked if the district to which he was referring was a district where they paid a higher tax. Mr. Siegel responded that it is a "different tax" and normally it is higher in most cases. He added that TIF overlays are a type of tax-increment financing whereby you take increases in real estate or in sales tax or some other tax and attribute it to a project you want to do – whether it is a convention center, a parking facility, the Route 29 corridor, etc.

Mr. Boyd asked if the infrastructure at Short Pump had been built through CDA financing. Mr. Siegel said that a CDA did the infrastructure for Short Pump, mixed with EDA. He said that a CDA can issue its own bonds, but in that case they were giving money back to the developer because the developer was paying a lot more – and if the revenue was high enough, they were going to give the money back to the developer because he was "fronting the payment" for those bonds. He said that state law required the money to flush through the EDA, because a CDA is not allowed to give the money directly to the developer.

Mr. Davis restated that CDAs cannot, but EDAs can.

Mr. Siegel stated that a lot of government financing is done through EDAs, and they can be done simpler, quicker and faster – especially for counties – and things like the farmers markets, downtown development, industrial parks, CDBG grant pass-throughs, revolving loan funds, land acquisition, and even job fairs. When you are doing any of these big incentive deals, you must use the EDA to work through the performance issues. He added that the City has done a lot with that; it has been very helpful for projects like the old Martha Jefferson Hospital site. Other laws that apply to EDAs are the Conflict of Interest Act, Procurement Act and Freedom of Information Act.

Ms. Catlin said that they would next talk about where the County is in the current budget with expenditures related to economic development. She added that staff has provided some examples about what other jurisdictions around the state are doing – most of which are very far ahead in terms of the amount of money they have to spend and the structure they have in place to make it happen. This is the County's first conversation along those lines.

In terms of expenditures, Ms. Catlin stated that the County currently belongs to two organizations that have to do with economic development, funded to the level as shown – the Thomas Jefferson Partnership for Economic Development ($12,500) and Chamber of Commerce ($1,280). The County also has the Economic Opportunity Fund, which is currently at $250,000 replenished annually with one-time funds as it becomes necessary. She said that they have discussed the usefulness and viability of the fund for being energetically used for economic development, but because of the GOF qualifications the County now falls under it is difficult for the County to get GOF matches. Ms. Catlin mentioned that staff would come back in spring with some possibilities as to how the Economic Opportunity Fund might be better utilized. She said that the Governor established the Agricultural and Forestal Industries Development Fund, or AFID, which supports new and expanded food processing and value-added type facilities using Virginia products. She emphasized that this might be a good possibility for the County to use in the future to match with the Economic Opportunity Fund, but even so there would be ways the money could be used a little more dynamically.

Mr. Snow asked how much money is currently available. Ms. Catlin confirmed that it is $250,000, replenished annually, and the only time the County used it was for the MicroAir project.

Mr. Snow asked about the cost of administering the bond. Ms. Catlin responded that that's a separate pot of money, and it is somewhere in the $40,000 range – annually reimbursed – and with new bond issues coming in, that will start to build in the future.

Mr. Rooker stated that the Economic Opportunity Fund has a pretty strict set of guidelines right now as to how that can be spent. Mr. Davis added that that is General Fund money.

Mr. Lowry asked about the timing of the agriculture fund money. Ms. Catlin explained that the County would have to signal its interest first, and then the state would match it, but it happens fairly simultaneously.

Mr. Snow asked how the $250,000 was replenished. Ms. Catlin responded that one-time money goes back to replenish it every year.

Mr. Rooker said that whatever is taken out is put back in.

Mr. Boyd reiterated that it has only been replenished once, for MicroAir.

Ms. Catlin reported that the Board established funding for marketing and program support last year ($21,600), and staff has been using that toward initiatives like the website update, the new logo development, as well as advertising and publications. She said that this money has also helped fund the Business First Program information, sponsorships for things like the Tech Tour and Minority Business Conference. Ms. Catlin stated that the County currently has 1.5 staff positions currently dedicated to economic development ($160,329). There are also expenditures for agency support ($21,680) - the Small Business Development Center and the Piedmont Workforce Network. She noted that the items she has mentioned are the expenditures in the General Fund budget that support economic development.

Ms. Catlin stated that County staff met with the EDA several weeks prior to this meeting to get its input on priority funding areas that it felt would be appropriate to consider, and also looked at the

Economic Development Action Plan items. She said that the EDA had lots of discussion about possible improvements to the County's online economic development presence, as a lot of interest is being generated through this means – so it is important that the online presence be as dynamic, informative and streamlined as possible. Ms. Catlin stated that the EDA had indicated that MLS and County databases have been integrated well, so perhaps there is some work done to make that better. She said that they also discussed supporting existing business marketing initiatives; for example, the Piedmont Council of the Arts plans to put together a cultural plan that provides a more strategic approach to how the arts are marketed so that everyone feels the economic benefit of it at a higher level. Ms. Catlin stated that this is the type of business marketing initiative that could be supported with this funding.

Ms. Catlin said that they have also talked about implementing the Target Industry Study, including attracting those types of relocating companies that fit within the targets and the things the County is interested in pursuing. She said that when staff spoke with the biotech cluster group recently, they were very interested in better outreach to UVA alumni because they have the resources to help with capital investment and venture funding, or might have the types of business that would be appropriately located here – but may not realize the very thriving and vital nature of the County's biotech industry. She noted that perhaps there could be some kind of campaign in the UVA alumni magazine or in some other type of venue that lets alumni know that this is a place where biotech is really thriving. Ms. Catlin said that entrepreneurial support was also mentioned as something being very important as far as what people thought could be done, as start-ups for new businesses here could be important. She stated that she also mentioned in the executive summary the idea of workforce preparedness being an important possibility. Ms. Catlin added that rural agricultural support is another area, with a lot happening in agri-tourism that the County is not able to support financially.

Ms. Catlin stated that staff's goal for this meeting is to hopefully leave with some consensus and direction, with the next step being refinement for budget requests to be discussed with the EDA.

Mr. Lowry said the EDA will have a relatively small amount of money going into 2013, but the question is what it would be like going forward. He explained that when he met with the Board during the summer, he pointed out that the EDA at that point had a relatively full pipeline, with about $500 million in face value coming through them, but that was 10 years in the past. What it is going to be like for the next 10 years is anybody's guess, financing is always mercurial. He added that the EDA could expect some new financings and re-financings and the associated fees generated each year, and each year the EDA would have to ask the Supervisors to agree with where the Authority would like to have the money go to. Mr. Lowry added that the bond financing world has a fairly small group of really capable people, and the County would like to have attorneys think highly of Albemarle because then they would bring people to the County.

Mr. Siegel explained that normally there would be a request coming in from outside the County for "bank-qualified bonds," and there is a $10 million limit for each calendar year per locality – so Albemarle usually has a school or water/sewer need that takes it up to that level, so they are not getting the outside people coming in. He added that right now one of the Westminster Canterbury facilities in the Northern Neck wanted to refund some public debt from about 10 years ago, and they do not care whether it is bank qualified or not. They can currently get a better rate right but could not go through their EDA in their rural locality because that IDA was doing other bank-qualified things, and so they were limited to $10 million." Mr. Siegel said that they had a $30 million issue, so they came to another locality that was beyond the $10 million to issue – and that partnering locality would get the 1/8th of the 1% fee every year on the $30 million, or about $40,000 a year. He said that it is possible for Albemarle to get those kinds of fees if it is interested in doing that kind of funding deal.

Mr. Lowry noted that the County's fee is 1/10th of 1%. He added that if the County did another financing through the EDA, which it likely will, the EDA would contribute to the economic development fund on a 1/10th of 1% basis.

Ms. Mallek asked what the timetable on one of these loans would be from start to finish. She asked if it was reasonable to think about "using up a lot of our headway so there is none left when a local company might need it.

Mr. Siegel responded that the Board should not worry about the $10 million cap, because a lot of that would depend on County needs – schools, sewer and water, etc. He said that the bank-qualified funds for the County are more important because it gets the benefit of a lower rate for 20 or 30 years, and if it has the ability to use financing during the year it wants to be able to. He clarified that the financings to which he was referring were those that are not looking for bank- qualified. They are just looking for someone to issue bonds; the County is unlimited in that regard, and it won't affect the County's other nonprofits or other businesses. He added that private finances for businesses also do not have any effect on the bank-qualified, and if a locality has someone to buy the bonds, it is only a 60-90 day process.

Mr. Boyd asked if the reason for the cap on the bank-qualified amounts was to control the banks or the counties. Mr. Lowry responded that there is a perception of risk, as they want banks to be careful of what they buy.

Mr. Siegel said that originally it was set out to limit the amount of tax-exempt bonds you could issue, because the concern was if people were buying tax-exempt bonds they were not paying federal taxes. He stated that during the stimulus years, a locality could issue up to $30 million in bank-qualified, and it was done by borrower not by locality.

Ms. Catlin said that the question to the group at this point is whether the categories discussed today – online presence, marketing initiatives, entrepreneurial support, workforce support, rural agriculture – sound like the right kinds of things to be thinking about submitting for expenditure requests for EDA money. She explained that they do not have to decide on line item requests right now, but staff wants to know if they brought funding requests forth that fit into these categories whether they would be acceptable to the Board. Ms. Catlin said that the EDA puts the budget together with County staff help, but the Board makes the appropriations. She added that staff wanted to make sure that what the EDA presented was not a list of things that were not at all in line with what Board members thought was appropriate for this funding source.

Mr. Boyd asked if these items would be appropriated similarly to general funds, with the same rules including not being able to encumber future funds etc. Mr. Davis responded that there are really two categories of funds being addressed here: things that the Board is already paying which are expenses the County can incur out of the general fund and the other items and programs which the EDA could be a conduit to spend money for. The fees go to the EDA and are held in a County-segregated account on behalf of the EDA. Those monies are not available for general fund purposes; they are held by the Board until it appropriates them for an acceptable purpose for the EDA to expend it.

Mr. Rooker asked if the Chamber fees would be an appropriate purpose. Mr. Davis replied, "yes", there are certain expenses the EDA could use these funds for that would supplant expenses the County is incurring now – staff expenses, some advertising and promotional fees, the website, etc. He added that there are some programs the County cannot fund directly.

Mr. Boyd said that his question was whether the fee money – $40,000 or so – had to be re-appropriated every year as to what it is spent on. Mr. Davis agreed that it would be appropriated on an annual basis.

Ms. Catlin stated that staff anticipated that every year the Board would get a list of initiatives that the EDA and staff would bring forward to it for that year's $40,000.

Mr. Lowry asked for Mr. Hurt to explain the idea he had to use the money for online initiatives.

Mr. Hurt explained that one idea would be that, when people come to look for property, they would prefer to look online to find something – and if the County's information could be put online in a more user-friendly basis, a potential buyer would be able to more easily assess whether there was sufficient space available for his purpose. The question cannot be asked of the GIS system that the County currently has. He said that spending just a little bit of money on jazzing up the information the County already makes available to the public would allow people to more easily understand what the County has to offer.

Ms. Mallek said it would essentially mean making it a searchable database in a different way than it is currently.

Mr. Snow asked who would maintain that site. Mr. Hurt responded that currently the County has a database that the tax staff uses, so the change would be to write a software program to tap into the database that is already kept up.

Mr. Lowry commented that IT staff and Mr. Mike Culp would be able to make that change.

Mr. Hurt said that a person would simply type in, "give me the parcels that have these characteristics," which cannot be done now – so an interested party could call up a realtor and find out if it was for sale.

Ms. Mallek responded that it certainly sounds like something for further discussion, noting that her father had people coming to the door frequently asking if they could list his farm. She added that the County needs to think about the consequences of that.

Mr. Boyd said that that property would not be zoned industrial.

Ms. Mallek commented that there was no mention of limiting it to a particular land use.

Mr. Rooker said the database could certainly be made to work that way.

Mr. Hurt said that the criteria could be refined to say "I want current industrial property on a major road that has certain characteristics." The issue is not about making the information public; it is already public information, just a question of making it easy to access. The person looking for the information would be responsible for finding out who to contact about the property.

Ms. Catlin stated that if there is general agreement that the County's online economic development presence is an appropriate place to consider these funds, staff can look at initiatives between now and when the funding request would come forward to the Board.

Mr. Rooker commented that it would be expected for this to become a growing source of revenue, with just $40,000 coming in this year because the County only did one deal. He said that in his mind, it would be appropriate to make the economic development area as self-sufficient as possible – and this is a potential way to do it. He added that his inclination is to pay existing expenses, as there are some things already in process – such as the Piedmont Council for the Arts cultural plan, which is being done specifically with respect to target industries.

Ms. Mallek mentioned that from the workforce network's point of view, other counties in the past have paid more than their assessment to get extra work done for them.

Mr. Boyd said that he wants to ensure that this money is specifically for government services. He does not want this money to be used to infringe on the private sector and do things that the private sector should be expected to do. He added that making information available and doing things that encourage investment in the community, such as the roundtables, would fall into the category of being appropriate for government to be doing – but helping a realtor sell property is not.

Regarding the establishment of a foreign trade zone, Mr. Dumler asked if there were any one-time costs for administrative fees pertaining to recordkeeping, annual reports, etc. Ms. Catlin responded that Culpeper handles that, and it is done centrally. She noted that she does not believe the fee for that is a large amount.

Ms. Catlin asked for consensus from the Board as to the items presented here for consideration – offsetting some current budget expenses; marketing initiatives, including support for the Piedmont Council of the Arts Cultural Plan; improvements to the County's online economic development presence, including better property marketing information and integration with existing databases.

Ms. Mallek mentioned that things like the PCA study would not be ongoing, so this is the year the County would not have to dip into another pot to help fund that.

Mr. Boyd commented that the PCA is definitely looking for some sustainable funding to come to them.

Ms. Catlin emphasized that what they are asking for now is just for the one cultural plan.

Mr. Foley said that another way to ask the question would be for the Board to indicate if there are any things it did not feel was appropriate to use EDA funds for. He added that Mr. Davis has clarified to some degree that there are certain things that EDA funds could only be used for that the Board could not otherwise support – such as grants to the private sector. He said that as staff brings forward some issues in the future, they would need to have specifics in order to weigh some of these things out.

Mr. Rooker commented that these are case by case items. If the Board looks at paying existing dues to organizations as a given, that is not a lot of money and it still leaves money to do other things. He said that perhaps year by year they pick some things out that the group agrees would be helpful to do in the community, such as those mentioned today.

Mr. Boyd added that it would be a useful tool also in identifying the need for more industrial land, as there would be a ready inventory of what is available.

Mr. Snow thanked Mr. Lowry and the Board for bringing the issue to the forefront.

Ms. Catlin added that staff and the EDA have received some good direction and will bring back some more specific requests in the spring.

At 3:29 p.m., the Board recessed, and then reconvened at 3:36 p.m.

Agenda Item No. 3. **Joint Meeting with School Board**

SCHOOL BOARD MEMBERS PRESENT: Mr. Jason Buyaki, Mr. Ned Galloway, Mr. Stephen Koleszar, Ms. Diantha McKeel, Ms. Barbara Massie Mouly, Ms. Pam Moynihan and Mr. Eric Strucko.

STAFF PRESENT: Dr. Pam Moran, Superintendent, Mr. Billy Haun, Assistant Superintendent for Student Learning, Mr. Matt Haas, Assistant Superintendent for Organizational and Human Resources Leadership, 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.

At 3:36 p.m., Ms. Mallek called the Board of Supervisors back to order, and Mr. Koleszar, Chairman, called the School Board to order.

Item No. 3a. Followup on Total Compensation Recommendations.

Ms. Lorna Gerome, Director of Human Resources, addressed the Board, stating that she would be sharing the compensation recommendations as brought forth in October, now that they have a clear picture of revenue. She said that she would also be covering benefit recommendations. Ms. Gerome said that total compensation supports both Boards' goals to have a talented workforce so the County is able to keep, find and motivate employees in order to best serve citizens and students. She stated that the

County's target for compensation is to be at the median of the market for classified staff, and the bottom of the top quartile for teachers.

Ms. Gerome reported that the County surveyed the 56 organizations in the Board-adopted market, including a few local employers. Since the last meeting with the Boards, she has checked in with five or six other Human Resource professionals to find out how they arrive at their compensation recommendations – and most do not really have a process like Albemarle's, and were very impressed with the process versus their method of picking a number and seeing if it sticks. She said that after staff surveys the market, they look at where the County is relative to that data; this year the data determined the County to be right about at the market. Ms. Gerome explained that because they project their compensation recommendations for next year so early, they go to WorldatWork to get their data to show what projections are for the education sector and public administration.

Ms. Gerome stated that they have been slightly below market –.35 – for a few years, and they have moved now by 1% with the market moving by a little less than 1.7%. She said that WorldatWork is projecting 2.5% for the next year, so in following the strategy the County's salary increase would be 2.55% because they are right about at market. She said that at the last meeting she shared the merit pay for performance program, which the County has not had the opportunity to award in a number of years. Ms. Gerome stated that if 2% were the number they used, every employee that successfully met expectations would get that amount; for those above midpoint and consistently exceeded goals, they could get a higher percentage. This does allow for differentiation among performance. It also is consistent with the County's salary strategy to move employees quickly to midpoint, and then slow them down at midpoint, at market rate. She said that in looking at the teacher's scales, the County is in the top quartile at every anchor point for which they collect data – and the target is the bottom of the top quartile – and this year they are at market.

Ms. Gerome noted that the target is to have benefits slightly above market, built primarily on health insurance, with a goal of 105% of market – and balancing all of the elements is an art, with an effort to keep insurance affordable for employees while meeting the diverse needs of their families and individuals; maintaining a target of 25% for reserves; and compliant with healthcare reform. She reported that every year the Healthcare Executive Committee meets several times during this part of the year in order to thoroughly review claims data, as well as looking at market data on premiums, employer contributions, and plan design. Ms. Gerome stated that staff also wants to hear from employees as to what is important to them in the design of a health plan; that feedback has been obtained through focus groups, surveys, and many conversations – keeping an eye on the reserve balance. She said that staff will be bringing back recommendations to both Boards later in the year in terms of what the plan design changes will be for next year and what the exact premium amounts will be. She added that the County's plan year starts October 1st.

Mr. Snow asked if she also compared the County to the private sector. Ms. Gerome replied that they do. Staff works with a benefits consultant who provides the data from the private sector – both national and regional data. She added that they do a detailed analysis around local market data.

Mr. Boyd said that he had suggested before that some organizations were affording more salary increases by reducing their expenditures through passing costs onto their employees or reducing the value of the benefits plans, and asked Ms. Gerome if she had analyzed that to see if the County was in line with that.

Ms. Gerome replied that staff has indeed looked at that, which is what brings the balance into play when looking at the compensation and benefits sides. She said that when they evaluate the plan design changes in thinking about the impact on the employee, they have tried to do that in light of what they have been doing with compensation. Ms. Gerome added that many of the plan design changes they have introduced in recent years have been based on what the market is doing, with the private sector leading that market and the public sector following.

Mr. Boyd mentioned the situation in Fluvanna where they have decided to furlough teachers in order to get more compensation, but they could show up in a salary survey as increasing teacher salaries by 3%. He asked if that gets factored in when the committee looks at WorldatWork?

Ms. Gerome responded that they do ask that information of other employers. This year it did not come up as an issue as much as it had in previous years – 2009, 2010, for example, where there were reductions in hours and furloughs.

Mr. Boyd commented that it should be easy to do that by asking about additional compensation dollars, and what increase that is over the previous year. Ms. Gerome said the staff will ask it in their survey next year, but analysis would need to be done to ensure they are getting the right number when asking that question.

Mr. Boyd agreed, but stated there are a number of things that could be done – like increasing classroom sizes – to push the percentage of increases up.

Mr. Rooker commented that he might not want to use Fluvanna as a comparable peer locality.

Ms. Mallek said the furloughing is because of unexpected expense, and has nothing to do with increasing rates.

Mr. Rooker said that they went down a road financially that they did not understand, and now have put themselves in quite a box. He added that the movement toward having employees pay larger shares of their benefits has gone back and forth over the years, and the movement now toward shifting it to employees "is a tax-inefficient approach," because the result is that the benefits side is tax free. He stated that they are trying to look at how they can use limited dollars to best increase employees' welfare. Ms. Gerome agreed.

Mr. Boyd said that he also agrees, but he wants to be sure that the comparisons include all of the possible variables.

Ms. Gerome stated that the cost-shifting also is an effort to get employees to be better consumers of their healthcare.

Ms. Gerome summarized that the information she has presented is an effort to support the total compensation strategy, which is to attract, retain and reward high-performing employees. She said that both the County Executive and Superintendent would be building budgets that continue to fund the 5% VRS member contribution to VRS for all employees. Staff will bring back more specific recommendations regarding healthcare – either in late winter or early spring. Ms. Gerome stated that staff would like to strive for a 2% pay for performance increase for classified employees if revenues are available, and build the teachers scale to reflect the market moving 2%.

Mr. Thomas asked if there are any other localities moving to the 2%, and if there were any other situations like Fluvanna's. Ms. Gerome said that from the calls staff have made they have not been able to get concrete data, but Fluvanna is somewhat of an aberration from what staff has gathered – with most aiming for 2%, 2.5%, or maybe 3%. This is still very early in the process and getting good data at this point is a challenge.

Mr. Rooker stated that he would be surprised if the market moved about the 2%, because most everyone had the 5 + 5 expense put on them last year – which is significant – and it is a continuing expense comprising a big slug of money in the County's continuing budget going forward. He said that in reading financial publications, private industry is looking at 2%-2.5%.

Mr. Boyd asked what the state was doing. Ms. Gerome responded that the state is doing a 3% bonus.

Mr. Koleszar said the state is doing that for this year, but have not determined next year.

Ms. Gerome said that local employers' plans were "all across the board," with some increases, some bonuses.

Mr. Rooker said that he assumes that VRS was applicable to the bonus, as he is trying to figure out why they would do it that way.

Ms. Gerome explained that the state saves a lot by doing a bonus instead, because it does not go into base salary and does not affect retirement costs.

Ms. McKeel said that the state likes to do that every year instead of giving raises.

Ms. Gerome emphasized that it will not help them when they are trying to hire new employees.

Ms. Mallek thanked Ms. Gerome for her presentation.

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Item No. 3b. Five Year Financial Plan – School Fund.

Mr. Josh Davis said that yesterday he had the opportunity to sit in on the General Government presentation regarding its five-year financial plan. Today is an opportunity for the School Division to present similar information. He said that they want to group some of their important topics by current operational challenges, current instructional challenges, and watch-list items that could impact future budgets.

Mr. Davis reported that the School Division has a pretty heavy list in terms of operational challenges, and the County continues to grow although revenues remain flat. He said that they are beginning to see revenues increase modestly, but enrollment growth may still outpace revenue growth to some extent. Mr. Davis stated that local revenues are very, very important to the budget – comprising approximately two-thirds of the School budget. Today, he will show what the projections are for General Government transfer to the Schools, and perhaps talk about the methodology. He said that compensation is vital to the workforce, and this model builds in five-year assumptions that certainly drive expenses. He stated that they will also discuss bus replacements at this meeting, and they need to determine how it is going to be funded in the future.

Regarding redistricting, Mr. Davis said that there were two active committees. The School Division believes that the most efficient way to address facilities needs is to use existing seats first. He stated that if there are students in the hallway at Agnor-Hurt and seats are available at Broadus Wood or Greer or Woodbrook, they would be better off moving some students. Mr. Davis noted that they will definitely move some students from this year to next year at Agnor-Hurt, and they are also looking at the western feeder pattern. It is less likely that they will move students from Meriwether Lewis next year, but they are looking at the full five-year horizon there as they see a lot of growth where infrastructure has developed in the Crozet area, and the impact that will have on Brownsville and Crozet.

Mr. Davis said that the Capital Improvements Program ties to redistricting. The School Division feels confident that the projects they have put in the plan are the ones needed. He said that the VRS 5% raise is in place, and while it put a hold in the budget last year, new revenues would cover that first before any new initiatives. Mr. Davis stated that the continuing growth of the employer contribution looms for them. He stated that also looming is federal sequestration, so there is an assumption built in with regard to federal funds.

On the instructional side, he said, the State's Standards of Quality (SOQ) funding has never been totally fulfilled by the Governor and the General Assembly, but the schools were grateful last year when the legislators took the Governor's budget and bumped it up a few million dollars. Mr. Davis reported that the School Division has an increased number of students eligible for free and reduced lunch. They recently received the data on that to include as part of this analysis. He noted that they anticipated enrollment growth of just under 200 students, but there were 200 more students this year who were eligible for free and reduced lunch compared to the previous year. Mr. Davis said that this has an impact not only on their self-sustaining cafeteria plan but even more so instructionally, because the Division tries to focus its staffing and provide extra staffing to the schools with free and reduced lunch.

Mr. Davis reported that the state has mandated that they do online testing, and they have done that to some extent over the last few years with more to be done this year. He said that there are costs associated with that and it is something they want to make sure they get right. Mr. Davis stated that the Division would like to improve its world languages program, noting a recent article in the *Daily Progress* about Charlottesville City Schools' Chinese language. He said that there are languages that the Division does not teach yet that they would love to expose students to. Mr. Davis stated that graduation requirements have changed, and each student must take an online class now, and there is a new requirement for a personal finance course. The Division has entered into an agreement with the state to provide the finance course, and while although not a large budget item, it is an instructional challenge.

Mr. Davis stated that something that might impact budgets is staffing at large elementary schools, as there are some such as Brownsville that are right at 700 and climbing. He said that their staffing formulas take them to 600, but they do not necessarily have the right specialists in regards to music and physical education. Mr. Davis stated that there is only one music teacher with some part-time help. He reported that in this analysis they have not changed their staffing formulas in any way, but there would be some change due to growth.

The watch list, he said, reflects the ways that learning is changing. Mr. Davis stated that the Division has done a considerable amount to put technology in the classroom to equip teachers to be able to use the new tools available, as well as changing learning spaces – but resources will be required over the next year to continue to transform schools so students can be 21st-century learners who can participate in the global economy. Mr. Davis reported that the Safe Schools/Healthy Students grant program has been supported by both General Government and the School system expires after the next year, and the County had some initiatives in place to keep part of the program. He said that the Division has not made that assumption in its analysis presented at this meeting, but it is an initiative they want to look at this year.

Mr. Davis reported that they were in the second year of the biennium for the Composite Index, and fortunately the index improved somewhat. He stated that their hope is that the index will not turn negative during the five-year planning horizon.

Mr. Boyd asked if the qualification criteria for free and reduced lunch have changed over the last few years, or stayed the same. Mr. Davis responded that it stayed the same; there are just more people in that threshold.

Dr. Moran said that the Board is seeing several things they have seen for several years now. There are a couple of new funding initiatives such as the Safe Schools/Healthy Students Grant. One of the biggest challenges the Division has is monitoring enrollment growth. She stated that when they talk to local government staff that is looking at growth patterns, they are anticipating continued growth in the Crozet and northern parts of the County. Dr. Moran said that the Division is trying to adjust for that now with redistricting, but are also looking out five years to try to understand how the County will change and what the implications might be for the community and school sides. She said that the Division is trying to redirect funds to address areas that need to be advanced, or that have gaps needing to be closed.

Mr. Davis reported that a few assumptions in the plan include retaining the option of altering class size to have fewer or more instructors; free and reduced lunch levels remaining constant; setting teacher salaries as discussed; and using the revenue analysis presented by General Government staff.

Mr. Rooker asked if a computation has been done on the cost of having an additional free and reduced lunch student. Mr. Davis responded that they could figure it out.

Mr. Koleszar said that the staffing formula is that a non-free and reduced lunch student gets staffed at 21 or 22 to 1; free and reduced lunch students are staffed at 11 or 12 to 1. He explained that when Division did a redistricting they moved 30 kids from Stone Robinson to Stony Point, and all 36 of them were on free and reduced lunch – so Stony Point got three additional instructors.

Ms. McKeel added that it is formula driven.

Mr. Davis stated that if an the cost of a full time employee is $70,000, that would be divided by 10.

Mr. Boyd commented that this was somewhat unique to Albemarle because they use a differential staffing, and that is not something used statewide.

Mr. McKeel noted that that's one of the reasons why Albemarle has been successful, because it is a driver for education quality.

Dr. Moran added that it is a local decision to do that.

Mr. Davis reported that enrollment assumptions takes into account a fairly steady increase of about 500 students over four years, with enrollment now at just under 13,000 students – and projections will mean a similar climb over the next five years of over 800 additional students.

Mr. Strucko said that is a pretty linear growth rate, and asked what it was based on. Mr. Davis said that the rate is taking into account new housing starts and neighborhood developments as part of the equation, with a great deal of input from Community Development staff – including live birth rates and kindergarten entrance. He stated that the Division used a more aggressive survival rate, or set of averages over the last time period, for those schools versus those with flat growth. He said that when you sum up all 26 schools, you end up with growth.

Mr. Boyd asked about the accuracy of enrollment projections, as it looks as though the County had less students than expected this year. Mr. Davis responded that they had 20 less students overall in the whole system.

Mr. Haas added that the projections run within a one percent range.

Mr. Rooker noted that the economy can affect the number of students enrolling in private schools.

Dr. Moran said that Mr. Davis monitors, along with senior staff, which students leave and where they go, who comes in and where they come from.

Mr. Davis also pointed out that the Division is very stringent about not accepting students from outside the County unless they are the child of a County employee, and they pay tuition.

Mr. Davis reported that reference to "transfers" pertains to General Government transfer, a few other smaller ones, and the use of fund balance – as indicated by a five-year plan, the local data provided from General Government staff, and annual use of some fund balance. He noted that one of their goals is to drive annual use of the fund balance down, and in the five-year plan they predict $1.8 million for next fiscal year but less than $1 million from then on. Mr. Davis said they would like to be far less reliant on the fund balance, although it has helped them in the last two fiscal years getting through some pinches in the budget season. He reported that the state's second year biennium increased slightly, with 2% by year afterwards. Mr. Davis said that they are predicting an 8% decrease in federal funds over the next fiscal year, with slight increases afterwards. He noted that if it occurs, this would impact title programs such as Title I as well as special education funding. Mr. Davis added that it would also impact cafeteria staff, and decisions might have to be made about increasing lunch prices. He said that fee-based revenues, such as building rentals and activity fees, are expected to increase slightly for the next year and then by 2% thereafter. Mr. Davis then presented the anticipated revenues in each category and totals:

Regarding expenditures, he said, there are operations and personnel expenses. Mr. Davis said that operating expenses (fuel, heating) comprise less than 20% of their budget, with an inflation factor of 1.5% annually. He stated that reductions made in previous years are not restored in these projections, and any one-time expenses in the current fiscal year are removed in the following fiscal year. In terms of salaries and growth, he presented the total of salaries for teachers and classified, and said that the enrollment growth drives the additional teachers – along with the increase in free and reduced lunch students. Mr. Davis said that the benefits include a 7% increase for health insurance for the next fiscal year, and annual increases of 8% - which are "pretty hefty." He said that dental insurance increases 7% annually, and group life is in a different group than General Government so schools are expected to hold steady at 0.48% over the five-year plan. Mr. Davis said that the VRS employer's share will impact everyone, and each biennium the Division expects that rate to go up by 2.5 percentage points. He asked Mr. Zimmerman to remind him where JLARC suggested they get to in order to balance.

Mr. Zimmerman said it was in the 20% range to pay back to VRS what has been owed to them over the long term, but this did not include the employees' 5% share.

Mr. Davis stated that this is always a big political decision that the General Assembly makes every year.

Dr. Moran said that the Division was expected to have a very large increase one year, and then received a VRS reprieve that put money back into the budget that they were not anticipating.

Mr. Rooker said that he read an article indicating that the VRS deficit was apparently much higher than they had thought, raised to $24 billion. He noted that there are bonds factored in that are not yielding what they used to.

Mr. Davis stated that in preparing the budget three years ago, it was tough times for everybody, and the Division made several adjustments to reflect that – and they did increase fees such as student activity fees for athletics and building rental fees, but most are reductions. He mentioned that the Division has a tight transportation system, but next year they may have to add a few busses back on the road to accommodate the influx of students. Mr. Davis said that if they have to make cuts again, it would be tough and would have to cut into instruction.

He then presented summary totals of projected revenues, with transfer figures being slightly different to reflect things such as renting Monticello High School to CFA – but that might end after a couple years due to them building their new facility. He said that the state numbers climb gradually, but federal numbers dip down from $3 million and then climb back gradually. Mr. Davis said that the fund balance goes from $2.8 million down to $1.8 million and in future years could be less than $1 million annually.

Mr. Davis commented that the schools appreciate the additional revenue through tax base increases, although assessments have gone down. He explained that the projection for General Government transfers a year ago was lower, but is now up slightly.

Mr. Davis presented expenses as being about $154 million, increasing as high as $158 million, with a smaller increase for operations and a larger increase for personnel due to growth in enrollment, raises, and other factors – boosting it by $23 million over the next five years – along with VRS and benefit increases.

He noted that what is being presented today does not represent a balanced plan, and if all assumptions were to come true the Division would start the upcoming budget season in a hole of about $3 million – and the gap increases through the years of the five-year cycle.

Mr. Rooker said that in looking at the fund balance year by year, it would be projected use of fund balance versus actual use, and actual use is always substantially less than projected use. He stated that part of that is lack of budgeting of salary lapse, and asked what that was typically.

Mr. Davis explained that they start the year with a hold back on expenses across operational departments and schools. They are going to do some further analysis to better understand the lapse. He said that for FY11, they spent 99.47% of the operational budget – and to come in less than budget is always good, as is coming in that close. Mr. Davis said that the School Division has always been within a 2% benchmark, noting that it is always questioned when they do not use it all but also when they do.

Dr. Moran said that they do budget the lapse every year based on salaries.

Mr. Zimmerman stated that they typically budget less than 1%.

Mr. Davis said that the local government presentation indicated the County was going to budget more aggressively at 1.25%, and in talking with Ms. Allshouse she indicated that they had been under-budgeting.

Mr. Davis then presented a comparison of what the Division anticipated the shortfall to be for the first four fiscal years of the five-year plan, but conditions have certainly improved. He stated that to close the gap they will have to look at expenses, and with prior reductions the schools would have to turn to things such as class size and academic programs.

Mr. Foley asked if the Division had factored in anticipated tax rate increases as discussed at the local government work session the previous day.

Mr. Davis responded that it was reflected in the transfer figures, using the numbers presented, and in year three of the County's plan a 7/10th of a penny increase in the tax rate was anticipated. He said that they do not know any of the assumptions behind the numbers; they used the set of five numbers the County gave them – based on revenue projections.

Mr. Foley clarified that local government did not provide numbers to the school system on a proposed tax rate increase until staff discussed it yesterday with the Board, so those numbers do not reflect the .7 increase in year three.

Mr. Rooker said it would amount to about $500,000-$600,000 per year.

Mr. Foley stated that with something such as a proposed tax increase, local government would give the 60% on the current rate until a potential increase is discussed with the Board.

Mr. Boyd commented that it is not an approved tax rate increase, just an assumption.

Mr. Rooker noted that assessments may or may not go down over the next two years, and if they do the .7% would recover about one-half of the lost revenue from assessments, so it is not an equalized rate.

Mr. Foley confirmed that it would be about a $600,000 impact to schools beginning in the third year.

Mr. Thomas mentioned a media report that indicated Albemarle County was "flowing in cash."

Ms. Mallek commented that the media did not stay long enough at the meeting to understand the particulars.

Mr. Foley pointed out that the County had distributed a press release with a breakdown of the exact figures to show that it is not flowing in cash.

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Item No. 3c. School Bus Replacement Funding.

The following executive summary was forwarded to Board members:

School bus replacement funding will be a topic of discussion during the joint work session with the School Board on November 8, 2012.

The established practice and understanding between Local Government and the School Division is that the replacement of school buses is a component and responsibility of the School Division's operating budget.

In fall 2011, the School Division submitted a request that school bus replacements be funded through the CIP and not through its operating budget. On December 14, 2011 and again on March 12, 2012 during CIP and budget work sessions, the Board of Supervisors and the School Board discussed options for funding school buses during joint meetings. As part of this proposal, the School Division stated it would transfer to the capital fund any revenues received from the State Standards of Quality (SOQ) funding formula for bus replacements, which is estimated at approximately $200,000 to $300,000 per year.

During the FY 13 annual appropriation process, the Board of Supervisors directed that funding for school bus replacements continue to be funded through the School Division's operating budget, and dedicated an additional $648,250 to help fund this expense in the School Divisions operating budget.

During this fall's CIP cycle, the School Division again requested school bus replacements be funded through the CIP.

Currently, the School Division has more than 240 buses in operation and, based on a life cycle of 15 years, requires the purchase of approximately 15 buses per year at a cost of approximately $95,000 per bus.

The purpose of this Executive Summary is to provide staff perspective on the School Division's proposal to transfer the obligation of funding school buses from its operating budget to the capital fund.

A portion of the County's annual transfer to schools (60% of new revenues), together will State supplements from the SOQ funding formula, have comprised the sources of funding in the School Division's operating budget for the replacement of school buses. A transfer of the obligation for buses from the School Division's operating budget, without a corresponding reduction in the County's annual transfer, would shift the economic burden to the capital fund and free up resources in School Division operations for other purposes. Stated simply, a larger proportion of the County's gross revenues would be designated for School Division operations.

Despite historical treatment, buses meet the definition of a capital asset for which the Capital Improvement Program is intended to fund. Good financial practice and the very purpose for which a CIP fund is created suggests that critically required assets such as buildings, roads, apparatus, buses, etc. require consistent, reliable funding sources.

Staff believes that buses can be appropriately funded either though the School Division operation budget or the CIP, but that consideration should be given to the fact that shifting the burden from one funding source to another should also involve a corresponding reallocation of revenues to support such shift.

Transferring the cost for school bus replacements to the CIP, without the provision of full offsetting revenues, is estimated to result in an additional cost of approximately $1,200,000 annually in the County's CIP budget. This would reduce the amount of funding available for other CIP projects.

Staff recommends that if funding of school bus replacements moves to the CIP, that it be done only to the extent that an equal amount of revenue to fund those replacements is also provided by the School Division.

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Item No. 3d. ~~School Division Building Capacity Methodology~~. **Removed from agenda and rescheduled to a later date.**

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Item No. 3e. School Division Fund Balance and CIP Transfer Policy.

The following executive summary was forwarded to Board members:

The Code of Virginia provides that "…unexpended School Division funds derived from the locality revert to the local appropriating body" and that "funds which have been reverted to the locality are not available for expenditure by the School Board unless and until they have been re-appropriated by the appropriating body."

The County's practice over the years has been to allow the School Division to maintain an unrestricted fund balance above and beyond the General Fund fund balance. A history of the fund balance is included in Attachment A. Any funds designated from the School Division's Fund Balance for the School Division's use are approved and appropriated by the Board of Supervisors as part of the budget process each year. However, additional fund balance beyond that requested for use during the budget process also remains each year and is available if the School system should request an additional appropriation. These remaining funds have typically not been requested for use by the School Division and therefore remain "idle" throughout the year.

This unrestricted fund balance is separate from other School Division-related fund balances, such as those fund balances associated with grants, nutrition programs, fuel reserves, and the textbook replacement fund. Currently, the School Division utilizes funding available in the unrestricted County School Fund fund balance as additional revenue for the following purposes: 1) to close funding gaps in their operational budget, 2) for one-time expenditures, and 3) to provide funding for emergencies.

The Albemarle County's Resource Management Review conducted by the Commonwealth Educational Policy Institute of Virginia Commonwealth University in February 2009 acknowledged this practice and recommended that the County and the School Board establish an appropriate unrestricted fund balance policy.

During the Board of Supervisor's March 2012 budget work sessions, the two Boards discussed the need for a policy. On May 7, 2012, the School Board discussed the creation of a policy (See Attachment B for the School Division's Fund Balance Policy-related presentation slides provided to the School Board). On July 12, 2012, the School Board approved a Fund Balance and CIP Transfer Policy (See Attachment C).

Attachment D includes a summary of the results of a survey conducted by the School Division regarding approaches of other jurisdictions for the management of School Division fund balances.

On November 8, the School Board will discuss with the Board of Supervisors the School Division Fund Balance and CIP Transfer Policy.

Over the last several months, the Chairs and Vice-Chairs of the two Boards and local government and school division staff have met on a number of occasions to discuss the School Board's fund balance policy, possible revisions, and a local government alternative; however, they have been unable to agree on a recommended approach. (See Attachment E for a comparison of the School Board's adopted policy and the Local Government's recommended alternative approach).

While the School Board's approach for a fund balance policy is a positive step forward, there is a concern that the approved policy is overly complicated and difficult to implement, and ultimately results in very little money going to the CIP to support School and Local Government capital needs. County staff believes the local government alternative approach is more in line with the Board of Supervisors original intent and would establish a reasonable fund balance maximum of 2%, simplify the calculation and provide additional funding to the CIP in a more timely manner. Regarding the proposed 2% fund balance maximum, Attachment A provides the School Division's planned and actual use of fund balance over the past seven fiscal years.

Based on the FY2011-12 unaudited year-end school fund balance of $8,221,783, the local government proposed alternative policy with a 2% maximum would result in $3,024,998 being retained by the School Division for their use and $2,406,014 being transferred to the CIP to meet School and Local Government capital needs.

Staff recommends that the Board approve the local government alternative policy approach included in Attachment E and establish a clear percentage maximum for the School fund balance. Based on Board action, staff will provide a final policy for Board of Supervisors approval in December.

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Mr. Davis stated that the topic of fund balance and busses has been discussed for a number of years, and the goal of everyone in the room is to be good stewards of public funds. He added that he thinks the School Division has done a great job at being careful with its money. He said that the fact that local government has a healthy fund balance, as do the schools, and they are not facing the issues that localities such as Fluvanna are because of this.

Mr. Davis said that the School Board would like to manage the unrestricted fund balance within a prudent operating range, and it is highly understood by both boards that the School Board has had years when it could have done other things with a portion of that money. The School Board has used its fund balance to close the gap in the operating budget, and they want to get to the point that that's done very minimally. Mr. Davis stated that when there is growth, they think a portion of the fund balance should be transferred to the CIP – and there is a variety of formulas and ways to address it. He added that the sharing of the fund balance and its growth does need to be formalized, and that is the intent.

Mr. Rooker said that members of the Board of Supervisors have individually looked at what the School Board proposed, which is a complicated formula that to him makes absolutely no sense. He stated that the Board came to the conclusion that what is needed is something very simple, such as a percentage of revenues or percentage of expenses. He said that Mr. Davis could certainly go into the complex formula, but there is probably no one on the Board that is going to buy into it. Mr. Rooker added that the discussion between the Board Chairs concluded that it was not the best approach.

Mr. Davis presented the history of the fund balance, noting that it has grown from about $4 million to $8 million over the last three years – with the last number being unaudited. He presented information on the School Division Fund Balance and the General Fund Balance, which on the local government side was being looked at for capital and reserve contingency funds. Mr. Davis stated that Schools use its fund balance for one-time expenditures such as the GPS system and driving simulators, and sudden unforeseen costs such as the VRS system that presented them with a bill of $800,000. He said that he is not sure they would have reached the same decision if the School Division had not had an adequate fund balance to pay that bill. Mr. Davis said that if the Division had gone to 1%, there would be 100 new teachers that would be taking home 4% less pay then they were today, and they may not have even been hired.

Mr. Rooker pointed out that there is no prohibition on taking money out of the capital fund balance or County fund balance to deal with that. He added that local government had the same expense to deal with.

Mr. Snow noted that with the VRS expense, the Board approved an equalized tax rate with an extra one penny going to the County to help cover that.

Mr. Koleszar said that what Mr. Davis was referring to was the 5% VRS increase that did not take place until April. Local government had a $200,000 expense but the schools had to make available about $800,000, and because they have the fund balance they felt they could do that for that one year.

Mr. Rooker said that is understood, but the School fund balance is $8 million.

Ms. McKeel stated that Mr. Rooker makes it sound like having a savings account at that level is not a good thing. The schools have an $8 million balance while local governments' is almost $40 million. She thinks that both local government and the schools appreciate having a really good fund balance.

Mr. Rooker emphasized that those two balances are not the same thing at all. He said that the $40 million, which is actually targeted for $28 million, is the amount of money auditors say the County must have on hand to pay bills during the year.

Mr. Boyd said it is a cash flow, which also covers for the schools.

Mr. Rooker said that the County's fund is used for schools as well as general government.

Ms. McKeel stated that the schools' fund balance is what their financial advisors say they should have, although they do not provide a specific amount. She added that she also does not think that the County's financial advisors state that general government must have a specific amount.

Mr. Rooker said that the best practices do stipulate a specific amount.

Mr. Davis said that the fund balance also helps in years when the economy has a downturn and when local and state revenues do not meet the projections to meet appropriations. He stated that it is also used to close gaps in the operating budget. He provided an example that shows a gap of about $3 million – but in the last two fiscal years it has been much closer. Mr. Davis said that the Resource Management Review by VCU, which was done for the School Division and local government, stated that the schools should be allowed to maintain a fund balance above and beyond the general fund balance. He stated that the schools are a large business, and their expenses do fluctuate quite a bit – either for weather, substitute teachers, etc. – and it is harder for them to hit that budget target than it is for other organizations. Mr. Davis said that the recommendation was to negotiate between the County and the schools, which is what they are doing right now. He stated that a good approach would be to hold a maximum dollar amount in fund balance, and anything above that would be allocated between the School Division and general fund balances on a pro rata basis.

Mr. Davis stated that the schools would like to define an operating range for unrestricted available fund balance between 2% and 4% of the annual operating budget; anything above that would go 100% to the CIP. He said that any growth between the 2% and 4% would transfer, and no transfer when fund balance declines. That operating range allows the School Division to solve its own problems. Mr. Davis presented information on two years when there was significant growth - $6.44 million to $8.18 million. He said that the School Board-adopted policy considers first the current year appropriated use of balance, $1.8 million in both of those, and then wants to consider the next budget appropriated for two years of encumbrances – so what that would leave is an available fund balance of about $2.8 and $3.5 million in regards to growth in the available balance. Mr. Davis said that the School Board-adopted formula would transfer 40% of the associated growth to the CIP. He said that the Superintendent has an alternative, whereby available fund balance would not encumber two years but only the current year use of fund balance – so the available balance would now share a more significant amount of the growth. The formula is the same, it just encumbers one year. Mr. Davis said that the amount above the ceiling would be transferred at 100%.

Mr. Davis said that if there was simply a flat 2% ceiling, where everything above that moved to fund balance, the cumulative effect for the entire six fiscal years used in the projection would have been $625,000. He explained that the 2% would have taken a big chunk at first - $1.9 million – and it is unknown as to what decisions would have been reached after that.

He explained that under the current projections, the unaudited fund balance is anticipated to be $8.2 million, and there is an appropriation for $2.8 million this year – for an available balance of $5.4 million. He said that this represents growth, so under the Superintendent's alternative there would be a transfer of $.3 million, allowing for 40% of the growth; the 2% ceiling would take $2.4 million right now; the 3% ceiling would take $.9 million.

Mr. Davis reported that 38 localities across the state shared their approach: 16 spend to $0, especially in rural counties; more than one-half have some type of sharing – and 16 re-appropriate it for school CIP projects.

Mr. Rooker noted that if it were paid over to the County's fund balance, that is what would happen – it would all go into capital. He said that typically schools have been 50% or more of CIP.

Mr. Davis said that Prince William County's Board of Supervisors approved a $150 million carryover in the school budget, and about $100 million was committed to projects with another $58 million going to operating and construction; which is about 18% of their operating budget. He stated that Roanoke had a $5.3 million surplus, $2 million stays in an emergency contingency fund, and the rest goes to capital in agreement with their Board – with $2.2 million going to major capital and the rest to minor capital; that is about 4% of their budget.

Mr. Davis said that if the 2% ceiling alternative is implemented, the schools would start the next budget season with only 2% available for the School Board to work with. He said there would be reduced incentive to save during the current fiscal year, and beginning next fiscal year the School Division would be coming to see the Board more often when unforeseen expenses arise.

Mr. Rooker asked about the reduced incentive to save. He asked if Mr. Davis was suggesting that if the money that is excess in schools is going to pay for capital projects that are both schools and general government that somehow they would approach their expenditure programs different. To him, that just seems completely inappropriate. He emphasized that they all have incentives to save money so they have money for capital and other things. He added that he does not appreciate seeing that on the presentation.

Mr. Boyd said that he wondered if in the examples Mr. Davis provided that the counties were the fiscal agent for the schools. He stated that the reason they keep the fund balance is so the teachers get paid in May, in October and November, because the revenues only come in twice a year to the County. Mr. Boyd said that the reason the County maintains its fund balance is for cash flow, and he does not see the business reason here because local government is covering those things for the schools. He cited that when the schools came up short last year, the County increased the tax rate and gave them the money. The Board has forever met the School Board's financial needs.

Mr. Strucko stated that the Board of Supervisors is committed to setting aside a certain portion of County resources for public education – 60% – and throughout the operations annually, the schools may use all of it or they may need slightly less or slightly more. He said that what the School Board is saying is that the commitment to public education should be maintained, and in those years that the school goes under its allocation for legitimate operating reasons, it should be able to carry that money over and retain it for public education purposes solely.

Mr. Koleszar said that the School Division has the same policy for all of its individual schools, and if they do not use their allocation it rolls over into the next year.

Mr. Rooker asked if those funds are shown as being in the schools' fund balance. Mr. Davis and Mr. Koleszar responded that it is reflected in the fund balance. Mr. Davis added that it is going to be another encumbrance.

Mr. Koleszar explained that the principals can save for a year or two to buy a big-ticket item they need, but if they are not going to be able to carry that money over they lose that incentive to save.

Mr. Rooker asked how much of the schools' fund balance is made up of that. Mr. Koleszar responded that it is a small portion. He said that the schools have built up a fund balance because it has deferred items it would like to spend money on, such as one-to-one computer ratio.

Mr. Boyd said that is a capital expenditure, not a fund balance expense. School Board members indicated that those are not capital expenses.

Dr. Moran stated that there is no disagreement that there needs to be a transfer mechanism from the School Division fund balance to the CIP to keep their money working for them, but the key is the process by which that is done. They are not trying to hold onto that money and just hoard that money. She said that the fund balance was built up because the schools have been "very tight" and have reduced costs in some areas.

Mr. Rooker commented that the Board of Supervisors approach things somewhat differently, citing the example of wanting to fund additional police officers. He said that the County has an approximate $7 million surplus, and it is not saying it is going to take $2 million to do something else with it. Local government is moving those funds over to capital.

Mr. Boyd noted that local government funds will go to school projects, County government projects, maintenance projects, etc.

Mr. Rooker said that the County doesn't say "oh, we've saved it and if we move it over to capital where schools are going to share in it that reduces the incentive to save". It is kind of a strange view. It really is not a "we are all in this together" view." He said that the Board is not saying it should move all of the fund balance to capital, what it is saying is that looking at the schools' history it has not raided its fund balance for large blocks of money year by year. Mr. Rooker stated that over one of the worst times the County has had financially, the schools' fund balance has grown. He said that if a dire circumstance hits, it is not as if the County would not look for a way to take care of those needs.

Mr. Boyd said that is why the Board keeps 10% of its fund balance in reserve.

Mr. Koleszar said that most of local government's fund balance comes from under-projected revenue. Board members disagreed.

Ms. Mallek said that it also comes from reduced expenses during the year.

Mr. Rooker stated that part of it has come from one-time collection of delinquent taxes.

Ms. McKeel asked if that was shared with the schools. Mr. Rooker said the schools would if the money was directed to operating, but because both years are closed and it is a surplus, it moves into capital.

Ms. McKeel asked what revenues the schools share and what revenues they do not share. She said that this year the Board of Supervisors is creating a performance incentive pool of $330,000, and that seems like something they could share. Mr. Rooker explained that this comes out of the County's portion of the entire budget, the 40%.

Mr. Foley said that the incentive pool was created in the current year, and would be eliminated next year.

Mr. Rooker reiterated that the County was taking it out of its 40%, from operating.

Mr. Strucko asked if Mr. Rooker was raising the issue of whether the School Board should have a fund balance at all.

Mr. Rooker responded, "no". He said that he is suggesting that an amount like the 2% would be a reasonably prudent fund balance, given all the circumstances that they are seeing here. He added that the schools have given a list of very significant capital projects that were not in last time, and there is some money now for capital that has not been there for the past three years – and it is one of the reasons the Board is seeing the need to put all of its' surplus into capital.

Mr. Rooker said the Board is not suggesting that the schools do not maintain some reasonable reserve. He asked the School Board to keep in mind that local government pays the bills. The School Division is not maintaining the checking account that goes up and down based on paying bills during the course of the year.

Mr. Strucko said the County writes the checks, but the schools do engage in planning and utilizing resources. He said that he does not know the actual utilization of fund balances, but it is less of a use than expected or projected. Mr. Strucko said that they see the engagement of the fund balance during the budgeting process when they are looking at best estimates of revenue, operating expenses and the programs that they want to fund. He stated that the School Board relies on the fund balance to balance its budget year after year. It is dwindling down, and the School Board continues to be concerned about how much is a reasonable amount for an operation of their size to keep them there, and that is where they came up with this approach.

Mr. Rooker emphasized that the fund balance is not dwindling down, and that is the misconception. He reiterated that even with the worst five years in the County's recent financial history, that fund has grown.

Mr. Dumler said that there is a built-in incentive for the School Board to spend it down, because every year in which it is spent down they are able to spend more of it.

Mr. Rooker said that what the Board is suggesting is 2% of total planned expenditures, and it is not a growth formula. He stated that the County could have said it should have spent its surplus on operating, because otherwise it would have had to go into a fund to share with schools. He reiterated that local government is not doing that, so why should schools.

Mr. Koleszar said that the question is what is the optimal number, and for this current year there is almost 2% budgeted – so if they implemented this policy, the schools would have to go to the Board and say they need $2.8 million more.

Mr. Boyd said the School Division would have to come to the Board anyway to spend the money, so it is a matter of semantics.

Mr. Koleszar said that with the current policy, the schools feel very comfortable that they can make decisions using that fund balance. If it is reduced they would have to be much more restrictive in the way they are thinking about what they need to do to help improve education for students.

Mr. Rooker said that during budget the schools come in and say they are going to be $3 million in the hole, and then when they get to the end of the year they do not take it out of fund balance because they do not have the deficit they said they would have. Year after year that has not been the case.

Mr. Strucko stated that the reserve represents the commitment by the County to public schools.

Mr. Rooker said that the other 40% represents the commitment to everything else, and local government is taking its' surplus and putting it into capital.

Mr. Boyd noted that 10% of the total budget is already being kept in reserves.

Mr. Rooker said that the Policy Institute at VCU recommended a wise policy for the schools to have a separate reserve, because technically they are limited to 60% of revenues and if something goes wrong they might need it – but the question is what is a reasonable size for a fund balance. He reiterated that in his opinion, 2% is reasonable.

Ms. McKeel stated that what the School Board has used is the 2% as the floor, and they do not want to go below that 2%. She said that they would also like to have an additional 1% to allow for some flexibility in the event they need it, without having to come before the Board. She thinks that there is a middle number that they could compromise on.

Mr. Rooker said that local government has the same problem, with a targeted fund balance that must be maintained for everybody – and if they spend that down, they have to budget operating money to go toward that. He stated that if the School Board spent down its 2%, it is not like it disappears forever – it would have to start budgeting some money in the following years to build it back up.

Ms. McKeel stated that she thinks the sense of the School Board is that it would feel more comfortable with 3%, because it does not want to get in a position where it would have to cut classes or programs to send money to the CIP.

Ms. Mallek asked if the schools would not come to the Board if there were that type of emergency, and asked what good it does to have 2% it is never going to use.

Mr. Rooker said that he would be willing to go to 2.5% with everything above that going to capital.

Mr. Boyd asked if the Board could reduce its fund balance to 9.5% to accommodate that. Mr. Foley explained that it needs to be undesignated per the County's advisors.

Mr. Koleszar said that money is not actually transferred over to schools until January. Mr. Boyd commented that the County pays their bills for them.

Ms. Mallek asked what 2.25% would do, and how much would be going to capital based upon this year's money.

Mr. Davis said that 2% would be $2.4 million; 3% would be $0.9 million; 2.5% would be $1.65 million; and 2.25% would be about $2 million at that rate.

Ms. McKeel stated that she would feel comfortable at 2.5% if the School Board could stop paying for school busses out of operations, and instead pay them out of CIP.

Mr. Strucko asked if the School Board members had deliberated among themselves on this.

Mr. Snow said that there have been several meetings on this issue with the Chairs and Vice Chairs, and the Boards are exactly where they were then. He does not know if another hour of discussion or two hours of discussion is going to change anything.

Mr. Boyd said that he is not ready to accept 2.5%, and the Board should have a discussion as to whether it will accept the proposal being made by the School system. The Board can have that discussion at one of its regular meetings.

Mr. Rooker noted that there is no support by the Board for the 3% recommendation.

Mr. Koleszar said that the major difference in the Superintendent's alternative policy from that of the School Board is that the School Board included encumbering the current and the following year; therefore the actual available fund balance was less. In the Superintendent's proposal, they only encumbered the current year. Mr. Foley commented that there were other differences as well.

Mr. Koleszar stated that they have had a policy in place for over 17 years and it has been helpful in terms of being successful with the kind of school system they have developed. He agrees that sometimes the fund balance has gotten too big and needs to be spent, but they were "throwing the baby out with the bathwater" because there is this excess amount at this time.

Mr. Rooker disagreed, stating that they should set a reasonable reserve balance based upon the needs of that fund and what it is actually drawn down for, and the excess is paid to capital. He noted that for several years the County held back on needed capital projects, while the schools had a significant fund balance.

(Note: Mr. Snow left the meeting at 5:16 p.m.)

Mr. Koleszar said that the $8.2 million, given encumbrances, is only $5.4 million.

Mr. Boyd said that in looking at the last nine years of fund balance use, the highest the schools ever used was one-half percent of its fund balance - $600,000. He asked why they even need 2% based on what they have done historically.

Mr. Rooker stated that the Board needs to have some work time set aside to further discuss this issue.

Ms. Mouly said that she would like to know where the Board is headed, in order to inform the School Board's discussion. It seems the Board of Supervisors is divided. The School Board has not been cognizant of the Board of Supervisors' thoughts on this issue.

Ms. Mallek responded that in the chair/vice-chair meeting, there was no interest in anything but a flat percent. She also said that they were much closer to the 2%.

Ms. Mouly said that the other discussion is where to include the busses.

Mr. Rooker stated that they did not really start that discussion today.

Mr. Boyd said that he agrees that the busses are truly are a CIP item, but there should be some funds from Schools to cover them. He added that he has listened to the arguments today, but he is currently advocating for a 0% for school reserves, but he is willing to discuss it.

Mr. Buyaki said that they would be looking at a Fluvanna situation.

Mr. Boyd said that the County government did not hold a 10% reserve for contingencies which is the big difference.

Mr. Buyaki said that the Board does not want the School Board to come to it and ask for money.

Mr. Boyd stated that the School Board has to do that anyway.

Ms. Mouly said that is done once a year.

Mr. Dumler said that he could not justify it on a case by case balance, as he does not want the Board to assume the statutory obligations of the School Board.

Mr. Rooker agreed that the majority of the Board supports the schools having a reserve, but the question is how much should be maintained and how much should be paid over to capital if there is an excess.

Mr. Boyd stated that he believes in reserves, but in the annual process each year, money is appropriated from the fund balances – and decisions must be made as to whether reserves should be used to cover operating expenses.

Mr. Rooker said that the Commonwealth Policy Institute indicated that a best practice is for School Boards to maintain some reserve, and he agrees with that.

Mr. Thomas said he supports 2%, and feels the school busses should be discussed further at another time.

Mr. Koleszar said that the Institute's study also said that a partial funding of CIP should be kept with the department as the optimal way to go. That is how the School Board developed its formula.

Mr. Rooker said if the School Board kept 2%, they would be maintaining reserves, and he is not sure they understood that the capital would be paying for school projects.

Mr. Boyd noted that not many school systems and county governments operate with the same fiscal agent.

Ms. McKeel said that the capital expenditures have been about 50% for schools, not the "lion's share."

Mr. Boyd stated that debt service must be accounted for as well.

Mr. Koleszar said that it is cheaper on school projects which are why school projects are funded by debt projects and County projects are funded out of current capital.

Mr. Rooker stated that the Board needs to discuss this further at an upcoming meeting.
Mr. Koleszar said that ultimately this is a Board of Supervisors policy and was developed at the Board's request. It would have been good to have some guidance before then.

Mr. Rooker and Mr. Boyd stated that the chairs meetings should have provided some.

Mr. Strucko noted that there were community advisors and a committee helped to develop the numbers and assumptions. They individuals were people from the Darden School and UVA's Commerce School – people with business acumen, who suggested there should be money in reserves.

Mr. Rooker said that he questions whether they were looking at overall County reserves, or just the schools as if they were a separate operation – because that is a whole different situation.

Mr. Boyd responded that it definitely would be.

Mr. Foley asked if the Board wanted this on its December agenda.

Board members agreed that they did.

Agenda Item No. 4. Matters Not Listed on Agenda.

There were none.

Agenda Item No. 5. Adjourn to November 14, 2012, 5:00 p.m.

At 5:56 p.m., the School Board recessed.

At this time., **motion** was offered by Ms. Mallek, **seconded** by Mr. Dumler, to adjourn to November 14, 2012, 4:30 p.m., Lane Auditorium. Roll was called and the motion carried by the following recorded vote:

AYES: Mr. Thomas, Mr. Boyd, Mr. Dumler, Ms. Mallek and Mr. Rooker.
NAYS: None.
ABSENT: Mr. Snow.

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Chairman

Approved by Board
Date: 01/16/2013 Initials: EWJ