

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on December 13, 2012, at 4:00 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 3:33 p.m., by the Chair of the Board, Ms. Mallek, and the Chair of the School Board, Mr. Koleszar.

Agenda Item No. 2. **Joint Meeting with School Board**

SCHOOL BOARD MEMBERS PRESENT: Mr. Jason Buyaki, Mr. Ned Galloway (arrived at 3:48 p.m.), Mr. Stephen Koleszar, Ms. Diantha McKeel, Ms. Barbara Massie Mouly and Ms. Pam Moynihan (arrived at 3:43 p.m.).

ABSENT: 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.

Ms. McKeel asked if the Yancey item could be addressed first since there were several individuals from the community present for that discussion. Board members agreed.

Item No. 5b. Update: Yancey Elementary School/Community Center Concept.

Dr. Moran stated that at its last meeting the joint boards agreed to begin the process of looking at the Esmont community from both the school and the intergenerational sides, and considering a focus that includes Head Start students from the age of three as well as school students through fifth grade. She said there is also strong interest in the Yancey and Esmont community in intergenerational services that cut across both local government and schools. Dr. Moran stated that there is an opportunity to bring together the community, partners, and staff from local government and schools to better leverage resources that will support all citizens.

She said that she and Mr. Foley met with staff and developed a mission statement including a focus on how to get started. Dr. Moran stated that they anticipate beginning the process in January by looking at establishing committees on the school side, by taking applications from the Esmont community for some of the positions on a committee, appointing some community partners, and appointing co-chairs that would represent both community and community partners. She said that the group would take a look at the needs of the Esmont community, and how, as a learning community, they would be able to better support its services and needs. Dr. Moran noted that there could be applications for the Yancey school site, but there are probably other things that will come out of the committee as recommendations to the School Board and Board of Supervisors. She said that they anticipate starting committee work in February, with an interim report to the Board and a final report in December 2013. Dr. Moran said that staff is looking for support from both Boards in terms of the group's direction.

Mr. Snow asked how the committee would be comprised. Dr. Moran explained that there would be six community partners and six community members by application and appointment, and from that group co-chairs would be selected. Staff would provide resources to the committee only, not serve as one of its members.

Mr. Rooker asked if the agency membership would be comprised of those who have shown interest in the past. Ms. McKeel responded, "yes". For example, JABA would be one of the representatives.

Dr. Moran added that she and Mr. Foley would try to ensure that there were people at the table who already have a vested interest in serving the Esmont community. She reiterated that JABA is an example of that.

Ms. McKeel said that this is a little bit time sensitive, because the plan is to advertise in January 2013 for community members so they can move forward in February.

Mr. Boyd referred to the proposed Work Group Charter, and said that Item #5 mentions "research avenues of possible funding support..." He asked that they add "self-sustaining funding" as that should be an objective of the group given the County's financial constraints.

Dr. Moran responded that they were looking at that objective as representing the broad scope of all funding possibilities – foundations, grants, and self-sustaining sources.

Mr. Rooker suggested that the language read “possible funding support for model programs including potential self-sustaining funding” to make it clear it is high priority.

Mr. Rooker then **moved** to approve the proposed B. F. Yancey School Work Group Charter, with the addition of “potential self-sustaining funding” included in Item #5 of the primary objectives. Mr. Boyd **seconded** the motion.

Ms. McKeel **moved** approval of same by the School Board. Mr. Buyaki **seconded** the motion.

On a voice call vote, everyone present voted aye. There were no nays.

(The Charter is set out below:)

**Albemarle County
B.F. Yancey School Work Group
Charter**

The Albemarle County School Board and the Albemarle County Board of Supervisors seek to identify additional uses for the B.F. Yancey Elementary School as a result of reduced student enrollment and to ensure maximum use of the building beyond traditional classroom use. The Boards are interested in understanding, on a broader level, actions that can be taken to improve services to the citizens of southern Albemarle County within the capacity of this school building.

Keeping in mind the overall missions and visions of both the school system and general government, the work group to be developed to undertake this assessment is charged with developing recommendations for both boards that would include the identification of service needs in the area as well as new and existing partners willing to engage in enhanced delivery of service in southern Albemarle. Additionally, the boards are interested in learning about model programs, funding sources and/or grant opportunities that will address identified service needs in the southern Albemarle area; therefore, the work group shall consider these alternative forms of financing to accomplish any capital investment required to undertake any needed alterations to the building.

Primary Objectives of the Workgroup

1. Identify service needs of the southern Albemarle community including review of existing needs assessments and other data compiled by the County and other community partners over the past 5-10 years.
2. Develop recommendations for enhanced use of the school building. Ideas for strategies might include first identifying how much and what kind of space may be available, identifying any restrictions on the use within the building and identifying activities/programs that are aligned with continuing the building as an elementary school.
3. Identify other individuals, entities, and/or organizations already engaged in or interested in enhanced service delivery, and to determine feasibility for public/private partnerships to support program development.
4. Conduct research into best practice models where successful programs or uses have been identified and implemented.
5. Research avenues of potential self-sustaining funding, possible funding support for model programs, including foundations with interest in enhanced service delivery in settings such as the Yancey Elementary School.

While it is not the responsibility of the work group to provide cost estimates for the recommendations, the work group should be mindful of the potential cost and scope of projects recommended and the need to implement said recommendations with non-traditional funding sources, partnerships and grants. It is critical to consider public/private partnerships, thus the work group is empowered to explore potential avenues for these kinds of agreements.

Resources Available to the Work Group

The County Executive and School Superintendent shall ensure that sufficient administrative staffing support will be made available for the activities of the work group. However, it is expected that the work group will draw upon its membership and others in the community for support as well.

Work Group Membership

The work group will include a total of 12 members to be appointed by the County Executive and School Superintendent as follows:

- Six (6) community members selected through an application process similar to one utilized by the School Division for its Redistricting Committee appointment process
- Six (6) members representing community agencies and partners as identified by general government and school division staff

Co-chairs of the work group are to be selected by the County Executive and School Superintendent.

Timeline

It is anticipated that applications for participation on the work group will be advertised/solicited in January 2013 and the group will organize its first meeting during the month of February 2013. At this time, the group will determine its own meeting frequency and schedule as well as group roles and norms, facilitation, note taking, etc.

The Workgroup will report on its progress to the Board of Supervisors and to the School Board in May and submit its final report & recommendations to both bodies in December 2013.

Item No. 3. School Division Fund Balance 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 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.

Mr. Foley reported that both boards have spent a lot of time talking about this. At the last joint meeting on November 8th, it was decided that the two boards would talk about the policy individually and then come back today to address it. He said that the Board of Supervisors had a thorough discussion last week on the matter. Staff has provided a lot of materials and background information as part of preparation for today. One of the items is a breakdown between the original proposal and suggested alternative. Mr. Foley stated that staff has tried to carry that out with the actual fund balance amount available this year, which is now \$7.9 million after the audit. He said that at two percent, it amounts to just over \$3 million – which is what the School system would retain and then potentially use for proposals for budgets. It is an amount that would be retained annually. He said that in this particular year, that would result in \$2.1 million going over to the Capital Program. He added that the Capital Program does not yet have any of this money; it is pending a decision by the boards. Mr. Foley said that depending on final action, that would direct the money over to the CIP even this year.

Mr. Rooker said it needs to be acknowledged that the Board of Supervisors had an extensive conversation about this at a recent meeting, and reached a consensus about tying the fund balance question with the funding of school buses. He stated that the general consensus was support for a two percent fund balance, and classifying school buses as capital items from this point forward – so that expense would be moved from the schools into the CIP. Mr. Rooker said that the CIP would receive whatever excess there is at the end of the year in order to apply it toward school buses and other capital needs.

Ms. Mallek commented that there was consensus about the two percent, but Board members wanted a little more information about school buses.

Mr. Boyd agreed and stated that he thought the Board was going to talk about school buses as a separate item.

Mr. Rooker stated that there are two potential components that will contribute toward funding the school buses. The first component is that the approximately \$300,000 received from the State would go to the CIP fund for that purpose. The second component is the excess over the two percent. In his opinion, it is important to tie these things together. He said that he is not prepared to vote for a two percent school fund balance unless it is tied to moving what is a capital item to capital to be funded. Mr. Rooker stated that the only difference between two percent and 2.5% is the first year. After that, the fund balance is set and any excess over that goes to CIP. He said that they would have two to three years initial amount paid into the CIP fund that would actually cover the buses for the next three years. Mr. Rooker stated that historically there is an historic accounting of the fund balance along with the amount of the fund balance being utilized. He said that typically the schools have added to its fund balance at the end of the year because the School Board budgets reasonably conservatively. He hopes the School Board will continue to budget the way it normally budgets. Mr. Rooker said that the \$900,000 in operating expense provides more of a cushion.

Mr. Boyd said that the two percent is a cap, and if the School Board ends up with 1.5% that is all the reserves for that year.

Mr. Rooker said it is the same as local government's fund balance, and sometimes it has to pull money out of operating to get back to a set level.

Mr. Boyd commented that he is not sure he has reached a conclusion on the school buses because it is going to be an ongoing expense, and school buses fall into maintenance like anything else. In his mind, school buses would go through the same CIP process as other projects.

Mr. Rooker responded that he thought Mr. Boyd was in complete agreement that the buses would go into the CIP process as a "high priority item" to try to meet the replacement schedule. The CIP Committee can look at that schedule of review in terms of number of years as something that can be adjusted.

Ms. McKeel commented that her assumption is that buses would be handled in the CIP process the same way as fire and rescue vehicles.

Mr. Rooker said that when Board members talked at its last meeting, everyone seemed to support that.

Ms. Mallek said that she supported having whatever was transferred over added to the \$300,000 from the State in order to fund school buses.

Mr. Snow said that his recollection is similar to Mr. Rooker's, with the school buses going to CIP and the whole process going through review the same way as other capital items. The Board is not saying that the school buses come off the top every year and everything else follows.

Ms. Mallek commented that if bus class is "maintenance" and included in the CIP, they will be in the "above the green line" section which also means that anything new will not be included. It is also possible that the buses could knock off projects that may have been on the list for many years, but would not get done because of the \$1.5 million.

Mr. Rooker said he was ready to make a motion. Mr. Snow said he would like to hear from the School Board.

Mr. Koleszar stated that they had discussed the issue thoroughly at a prior meeting but ultimately it is a Board of Supervisors' decision. The School Board could say it likes what it has now, but they know that will not be the final decision.

Ms. McKeel emphasized that she appreciates the movement of the school buses into the CIP because it is helpful to the schools and takes some of the concern away. She said that Dr. Mary Margaret Frank, from Darden School of Business, spoke to the Board of Supervisors last night; she also sent a copy of her remarks to the School Board. Dr. Frank is one of the academic directors for Darden's new research center – The Initiative for Business in Society. She said that she was very disappointed to hear that after much thought about how to implement best practices, which would be useful to the school system's financial and budget process, the two to four percent incentive range was rejected. Dr. Frank said that the decision to reject the range has rejected fundamental best practices in aligning people's interest with their objectives and incentivizing them to achieve the best outcomes. Ms. McKeel noted that Dr. Frank is on the School Board's Financial Advisory Committee. Ms. McKeel said she agrees with comments made by Mr. Koleszar.

Mr. Rooker said that he's not sure Dr. Frank was aware that the fund balance for general government is actually the fund that pays the bills for the County. It is feasible to run with no separate school fund balance because there is a large general government fund balance that is utilized for cash management purposes throughout the year. He stated that he thinks it is wise to have a fund balance for the schools, but it is also wise to make certain that excess funds are going into capital so that they can all do some of the projects they know that are necessary, many of which are being brought up in this redistricting discussion.

Mr. Boyd said he was not sure how much she balanced that structure in her opinion.

Ms. McKeel responded that Dr. Frank knows a lot about the process.

Ms. Mallek said that the best practice talked about is the accumulation of savings, and getting away from the idea that of spending everything in the budget – which the School Board has mentioned as a consequence of doing this. She added that having that excess transferred would be money available for things like school buses.

Mr. Rooker **moved** to approve a two percent maximum School Fund Balance retained by the School Division, with remaining funds transferred to the CIP, to support the inclusion of school buses in the CIP to be planned and handled like other capital items, and the inclusion of State revenues received by the School Division for buses. Mr. Snow **seconded** the motion.

Mr. Boyd asked if there needed to be a memorandum of understanding reflecting that policy. Mr. Rooker said that the decision about movement of funds is ultimately up to the Board, and therefore is a policy decision of the Board.

Mr. Foley said that makes sense. He added that staff needs some direction from the Board so that they can work with school staff. He added that it will come forward as part of the budget in the finance policies, but staff does need clarification on the percentage and school buses.

Mr. Bill Letteri indicated that there was a discussion about the component of the State revenues received by the schools associated with buses, and that would also be part of the transfer. Mr. Rooker said that whatever amount received would be transferred to the CIP.

Mr. Koleszar stated that it would need to be written into School Board policy.

Roll was then called and the motion carried by the following recorded vote:

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

NAYS: None.

Item No. 4. Capital Improvements Program.

Item No. 4a. Oversight Committee Recommendations.

Item No. 4b. School Bus Replacement Funding.

The following memo was forwarded to Board members:

This memo is to provide information regarding this year's Capital Improvements Program review process in advance of your joint discussion on Thursday, December 13, 2012.

The Technical Review Committee (TRC) and the Oversight Committee (OC) conducted several meetings to prepare a proposed CIP at the current tax rate for the County Executive's consideration. As you may recall, this is the second year of a two-year cycle, meaning the only changes to the CIP will be made for emergency needs or projects meeting clearly identified critical needs that cannot wait until the next full planning cycle. An anomaly to the amendment year cycle was to allow the School Division to submit new requests. This was to accommodate the School Division request from last year asking for an

extra year to further study their needs, which included redistricting considerations which affected several of their requests. The School Division's new project submissions were reviewed as submitted.

The Committees were challenged again this year to develop a balanced plan that addresses the County's most critical needs within limited resources. In advancing the proposed plan, the OC acknowledges that the County continues to have unfunded capital and infrastructure needs; however, the plan does achieve the following:

- Provides adequate funds to properly maintain our existing facilities;
- Provides necessary funding to support technology systems and special equipment replacements over the next five years;
- Does not include the School bus replacement due to pending direction; and
- Exceeds targeted reserve balances at the end of the 5-year CIP period in preparation for a full assessment of Capital needs during next year's full Capital Improvement Program review cycle.

Mr. Letteri addressed the Board, stating that the County is near the conclusion of its review process for the CIP. He said that projects are submitted to staff in summer, then reviewed by Facilities Development, then go through the process of being reviewed by the Technical Review Team where they are ranked, and then eventually to the Oversight Committee – comprised of both School Board and Board of Supervisors members, focusing on balance and policy issues. Mr. Letteri said that the Oversight Committee then makes a formal recommendation to the County Executive office, and that helps inform staff's recommendation which is presented to the Board in the spring.

Mr. Letteri said that this year's CIP process is an amendment year, which means that new projects are typically not entertained. He stated that last year the Oversight Committee deferred the submittal of school projects, which were then submitted this year. However, Mr. Letteri noted, the decision of the Oversight Committee was that most of the projects would be deferred until next year so they can be viewed in the context of all the projects to be submitted at that time. He said that the second important piece here is the agenda item dealing with school capacity. Most of the implications of that capacity change will be on those deferred projects to happen next year. Mr. Letteri said that some of that capacity change impacts the Agnor-Hurt school project, which is a part of this year.

He thanked Ms. Lori Allshouse and Mr. Trevor Henry for their good work this year in overseeing the committees and departments.

Mr. Henry, Director of Facilities Development, and Chair of the Technical Review Committee, said that he and Ms. Allshouse would be doing the presentation jointly. The presentation will include a quick review of the process, resource assumptions that the CIP scenario is built upon, provide a summary of the Oversight Committee's recommendations, visit the watch list items, and then talk about the additional Oversight scenarios/comments. Mr. Henry stated that the main purpose today is to review the recommendations and assumptions as well as resource limitations, look ahead on the watch list items, and get feedback from the Boards to provide to the Office of Management and Budget and the County Executive's Office.

In terms of process review, Mr. Henry explained that the County is in an amendment year of a two-year cycle, and it is a bit of an anomaly in that the schools submitted new projects – which was agreed to last year because of the capacity study and analysis. Mr. Henry said that what came out of the County Executive's recommendations last year was a CIP with a small reserve for future projects, and that will be the case again this year. He reported that the budgeting cycle starts in early summer with the departments putting their plan and submissions together or review in October culminating with the Technical Review Committee. Mr. Henry said that the TRT is a joint committee that has representation from local government, schools, and public safety. Reviews are based on the technical aspects of the item as objectively as possible, then comes up with a ranking that ultimately feeds into the budgeting process. In November, he said, the recommendation goes to Oversight with another vetting and questions answered. The purpose of today's review is to receive feedback. The next step is for the County Executive to formulate the budget and it goes through the rest of the budgeting process in the spring.

Mr. Henry reported that the framework for the review ties to the Board of Supervisors' Strategic Plan with guiding principles for the CIP. The objective is to prioritize projects based on matching them with the key goals of the County. He said that the charters that have been created have been approved by the Board and have been the governing guidance for the process along the way. Mr. Henry extended his thanks to Ms. Mallek, Mr. Rooker, Ms. Mouly, and Ms. McKeel as members of the Oversight Committee, as well as Mr. Josh Davis and the County Executive's staff. He noted that there is a committee specifically assigned for goal 2 – "to promote community facilities that meet existing and future needs" – which is a separate initiative addressed by a team led by Mr. Joe Letteri and Mr. George Shadman.

Ms. Allshouse, Director of the Office of Management and Budget, addressed the Board, thanking Ms. Lindsay Harris for her work on the financial aspects of the CIP. Ms. Allshouse reported that they have four financial goals: 1) dedicate a minimum of 3% of the annual General Fund revenues to the CIP after debt service; 2) net debt as a percentage of estimated market value of taxable property does not exceed 2%; 3) debt does not exceed 10% of general fund and school fund revenues; and 4) maintain a minimum \$2 million reserve for each year of the adopted plan to meet the Board's goal. She said that the last three goals have been met with this plan. In terms of the first goal, it means that there is a certain amount that the County transfers from the general fund to the CIP based on a formula. There is a certain amount that

is hoped to go for "pay as you go". The County does not want the entire transfer amount to pay debt payments because it would leave no other capacity. Staff keeps a close eye on that item. For three percent they would need approximately \$6 million to go for "pay as you go" and that is not being met during these recession times.

Ms. Allshouse reported that the CIP parameters include the current tax rate of 76.2 cents, a debt service schedule issued every other year with assumptions provided by Davenport on what those rates would be, and use of prior fiscal year excess revenues over expenditures totaling \$8 million for FY13 and \$4 million in FY14-18. She explained that the excess revenue is basically fund balance money. The Board has already planned to put in \$8 million into this year's plan from the general fund with an additional \$4 million coming in for planning purposes.

Mr. Snow noted that the \$2 million from the School Division would bring it to \$14 million. Ms. Allshouse responded, "yes". She added that there could possibly be some additional money depending on how things play out. She reported that the plan also includes use of more proffer monies than in prior years and increased tourism revenue.

Mr. Henry reported that the Oversight Committee's recommendations reflect consideration of all submissions, with all 35 meeting the classification of a "mandate, obligation, or maintenance replacement submission." He said that the scenario includes several new projects and an updated project – the firearms range, transportation revenue sharing at a reduced amount, and four School Division requests. Mr. Henry pointed out the ranking sheet provided to the boards, and said that the above-the-line "block" that Ms. Mallek referred to is the priority projects that are required for operations. He noted that scenario from the Oversight Committee does not include school buses at this point, because that decision has been in a pending state for a while.

Ms. Mallek asked if the school buses would have their own line. Mr. Henry responded that as a Committee they reviewed the school buses and ranked them, but they were not included in the fund. He noted that there were 20 new project requests or updates, and by policy they priority fund the maintenance, replacement, obligations, and mandates – and as resources allow they fund other critical items.

Mr. Boyd asked if he could distribute a summary of the scoring process as a refresher. Mr. Henry said that he could.

Mr. Henry added that one of the process improvement items for the TRT this year was to pick one of each type of projects and review them as a group – vetting that collectively instead of contemplating them individually and coming together for discussion.

He reported that the Oversight Committee recommendations include all of the above-the-line projects submitted less the school buses, and new or updated projects included the firearms range as the highest ranking item. Mr. Henry said that the project team will be coming back to the Board in February 2013 to talk more about the firearms range. The request for \$481,000 is split between the County and City for the addition of a 100-yard tactical range and some cost increases that were not anticipated in the original schematic to account for some wetlands and road improvements. He stated that the idea for the third range emerged from meetings with Police and the City, allowing them to maximize their training. Mr. Henry said they looked at the cost of doing it now versus deferring it, and it was almost six figures difference to put it off.

Mr. Henry reported that transportation and revenue sharing is included at a reduced amount – just \$1 million; the request came in at \$4 million per year over the five years. He said that the Committee recommendation is \$1 million, but there are also some scenarios that have a little more. Mr. Henry stated that they looked at priority funding for School Division requests that need to get underway in FY14. Agnor-Hurt is the highest ranking project with an addition planned to provide eight classrooms and workspaces at a cost of \$4.5 million. The design is scheduled for next fiscal year and construction the following year. He said that another priority school project is enhancement of 10 learning spaces per year over the next three years, trying to modernize space and provide lifelong learning opportunities for students.

Mr. Henry said that Murray High School improvements include two phases, with the first phase in the next fiscal year bringing the Enterprise School into the main building from the trailers it currently occupies. He stated that the last priority project is a telecommunications network upgrade, which had been approved in the previous year and was known as the "wide area network" and "local area network." Mr. Henry said that this merges those projects and combines resources, allowing schools to upgrade and build out their own networking capability.

Mr. Henry stated that the everything in the CIP recommendations offers a five-year look, with the goal being funding of maintenance and replacement obligations, adding the new projects mentioned, and trying to keep some reserve as reflected in the FY18 benchmark.

Ms. Allshouse presented a financial summary, stating that they have a lot of information in the OMB office that feeds into the summary so they can see how projects play out financially. She said that they study this information to ensure that the County can take this capacity in the CIP. Ms. Allshouse stated that the first line is a general fund transfer, an amount based on a formula that comes over from the general fund. She said that with the net debt requirement, of \$18.8 million, \$15.8 million has to pay debt and the remainder is transferred to ongoing projects. Ms. Allshouse said that the goal is to have that balance at \$6 million, but it ranges from \$3 million down to \$800,000 in a few of the plan years. She

stated that the goal on the bottom line is to have the number at least \$2 million at the fifth year, FY18, or they will ask the TRT to revisit the CIP funding priorities.

Mr. Henry said the Oversight Committee recommended adding the caveat that when funding becomes available, the revenue be allocated to transportation and ACE to take advantage of some revenue-sharing opportunities.

Mr. Rooker said the Committee had lengthy conversations about those items, and at the end of the discussion there was consensus in the room that the language should be added. He noted that most of the funding for building secondary road projects is gone. The County used to get \$5-6 million a year – now it gets \$330,000 a year, generated only from cell tower rentals. Mr. Rooker said the one program available for leveraging is revenue sharing, and what the County is seeing is projects that are being completed from previous years of funding. After that, the County is not going to see any secondary road projects in this community except the ones that it is able to do with revenue-sharing money.

Mr. Boyd commented that he supports the part about transportation, but there are many more important projects than ACE, which is funded at \$500,000.

Ms. Mallek responded that ACE brings in outside cash and enhances the revenue received from tourists.

Mr. Boyd replied that it does not matter; it costs \$500,000.

Mr. Snow said currently this is just a suggestion in the process, but he does agree with Mr. Boyd.

Mr. Henry reported that in addition to transportation, there are also upcoming obligations for stormwater management and court building renovations. He said that there are a lot of other unfunded requests, and they would likely be coming in again next year.

Ms. Allshouse reported that the Oversight Committee asked staff to bring back several scenarios, and also asked staff to present those to the Boards. She said that the first scenario (A.1) was to include the school bus replacement expenses in each year, add anticipated \$300,000 in State funding each year for replacements, and add funding from the School Division's fund balance according to policy. Ms. Allshouse said the scenario (A.2) would then include funding for transportation revenue sharing (\$1.5 million in local match each year and \$1.5 million from State). The next scenario (A.3) would add the first two items and then add funding for Ace (\$500,000 in funding each year).

Ms. Allshouse stated that she worked with Mr. Josh Davis on the school bus item. For purposes of the Oversight Committee what-if scenarios, they went through several School Fund Balance assumptions. The first was that the School Division's "budgeted use" of fund balance will be assumed to be \$1.8 million in FY14 and \$.8 million in each year after, based on the School's Five-Year Financial Plan. The next was that although "budgeted" for each year, the assumption used today is that the School Division will not expend any of its budgeted fund balance except for \$800,000 (for VRS change) in the current year. The School Division will then assume to have excess revenues at the end of each year averaging approximately \$400,000 from FY15-18 that will be returned to the fund balance by the School Division each year. Ms. Allshouse noted the results of the assumptions and said that a transfer by formula of \$2.1 million (in FY13) would come in from the School's fund balance into the CIP; in FY15 there would be \$1.3 million with smaller amounts in other years. She said that the actual cost of school buses would increase in the out years, starting at \$1.5 million but not exceeding \$1.8 million in any year of the Plan. Ms. Allshouse presented a recommended scenario with the Oversight Committee's recommendation; adding in the school bus replacement, the bottom line would be impacted – from \$6.4 million to \$4 million.

Ms. Allshouse said that adding in the transportation revenue-sharing drops it into a negative \$3 million, so that would drop the situation into an area that would be impossible to maintain. She stated that in looking at wanting \$2 million in the fifth year, they would have to add .63 of a cent on the tax rate starting in FY14.

Mr. Rooker commented that these are projections and there is no mathematical certainty to the projections. The first scenario of \$6.4 million did not include anything for transportation except \$1.5 million. A one percent change in property values is different than what is projected here and has a significant impact on the bottom line.

Ms. Allshouse emphasized that these are just assumptions and scenarios for consideration of variables that might happen. She reiterated that these were scenarios that the Oversight Committee considered when making their deliberations.

Mr. Rooker stated that if these exact scenarios play out, the County would not have the money to do ACE and the Revenue Sharing Program during that period of time unless the Board made other changes in the Capital Plan.

Mr. Henry said that it sounds like from the Board's discussion that OMB and the County Executive will be moving forward with Scenario A-1. The final part of the presentation includes some process recommendations. One of the things for consideration is to review the charter of the Technical Review Committee. Currently the TRC reviews projects, ranks them, and puts forward a balanced budget with \$2 million reserve at the end of five years. He stated that they have found that the timing of the budget information and when the committee is meeting do not match up, so this year the TRC discussed restricting their scope to just evaluating the projects and ranking the projects. Mr. Henry said that toward

the end of October, they would form a financial review committee that would take representation from the TRC, OMB, Finance and School Division, to then go through "what if" scenarios. He emphasized that they would have better budget data and could do some different modeling as to what the recommendation might look like. He added that it might be important to circle back to the TRC for a final check – then move forward to Oversight Committee. Mr. Henry said that another suggestion is to allow projects to be updated and/or added every year, eliminating the amendment year process go away. He said that in-progress multi-year projects need to be presented to the Board directly as part of the new process for the appropriations.

Ms. Mallek asked for clarification that once the project gets into design phase where dollars are being invested, then it would fall down to the last bullet where it is "in progress" rather than being re-debated and possibly removed after money has already been spent on it. Mr. Henry confirmed that it would be in progress, not up for review.

Mr. Snow mentioned the assumption that discussed the possibility of the bottom line being boosted with the money coming from the schools, and money brought over from the County's fund balance, and wondered how that worked into the final balance. Mr. Allshouse responded that it would be the \$8 million plus the \$4 million coming from the General Fund, and then adding in the scenario discussed.

Mr. Boyd asked Mr. Henry to send out a list of school maintenance projects. Mr. Henry responded that he would.

Mr. Henry reiterated that that staff would move forward with Scenario A-1 as discussed.

Mr. Foley stated that this would be carried over to the budget process for further discussion.

Item No. 4c. School Building Capacity Methodology.

The following executive summary was forwarded to Board members:

Each year, the Long Range Planning Advisory Committee (LRPAC) evaluates and recommends school facility improvements, renovations and additions required to meet the long term educational goals of the School Board. The work of the LRPAC also informs the School Division's annual CIP request. In response to a staff recommendation following the 2011 LRPAC report, the School Board directed its staff to evaluate and develop an updated methodology for calculating the capacity of its school buildings. The evaluation and preparation of the report (Attachment A), which is the subject of this executive summary, occurred over the course of several months and was a collaborative process involving both operational and instructional departments of the School Division. School Board Policy FB, "Facilities Planning," (Attachment B) was amended on May 10, 2012 to reflect the new methodology.

During recent discussions by the Board of Supervisors, general government staff was asked to evaluate the school's adopted methodology to calculate school capacity and determine how it compares to other school systems.

On December 13, 2012, during the joint meeting of the Board of Supervisors and the School Board, school staff will present the findings and recommendation of the Building Capacity Methodology report and School Board Policy FB.

In preparation for this joint meeting, representatives of the Office of Facilities Development, the Office of Management and Budget (OMB) and the County Executive's Office reviewed the report and summarize key observations below to aid the Board in its consideration.

The School Board's adopted method for calculating school capacity makes several distinct changes: It creates a variable classroom multiplier (explained below), increases the number of specialty classrooms that are excluded from capacity calculations, and counts rooms in a more rigorous manner as compared to the previous method. Applying this methodology and approach to each school results in a school recommended capacity figure that is more applicable to the school's specific population, program and staffing models. In total, the revisions reduce the School Division's overall current capacity by 5%, or 789 seats, with the majority of these reductions occurring in the elementary schools.

There are three principal factors driving the changes in school capacity:

Classroom Multiplier: The basic concept here is that additional teachers, and therefore additional classrooms, are required due to a particular school's population of students eligible for free and reduced lunches. The primary intent is to provide more instructional staff to overcome the disadvantages inherent to many of those students in this category. The previous method used a multiplier of 20 at all schools. The current adopted method uses a multiplier that is a function of the school's free and reduced lunch population. As a result, the multiplier varies from school to school.

Specialty Classrooms: In addition to art, music and computer labs, the methodology adds Special Education Resource, Gifted, ESOL, and Title 1 classrooms to the list of classrooms excluded when calculating the capacity of a particular school. Not all schools have each of these specialty classrooms.

Classroom Count: The methodology consistently counts all classrooms that can hold 25 students regardless of current use. This removes the ambiguity and inconsistency in which rooms were counted in the previous method.

The methodology does not include trailers in the calculation of capacity. For example, if music or art is currently being held in a trailer, a classroom in the building is excluded for that use. While trailers are not permanent structures, they do provide additional seats when in use and will provide a buffer until additional capacity can be provided. The School Board, through its adoption of this methodology, has endorsed the recommendation of LRPAC to not include trailers as part of the permanent, long term solution for school facilities.

Application of the School Board's adopted methodology reflects desired average class sizes between 17 and 20 students for elementary schools, between 20 and 23 for middle schools and 23 for high schools.

The report states that a wide array of methods is used to calculate school capacity. In Prince William, capacity is based on class sizes of 25 for elementary, 20 for middle school and 22 for high school; Fairfax uses 25 in primary, 28 in elementary and 28 in high school; Hanover uses 20 for K-5 and 21 in 6-12.

In response to Board direction, general government staff has conducted a survey of 12 Virginia school districts (Attachment C) to compare the results of the adopted methodology. A number of key data points and ratios were considered, including student/teacher, enrollment/capacity, and total square footage/student ratios. Based on staff analysis of these ratios and recognizing the variability of assumptions underlying them, staff believes that the total square footage per student ratio is perhaps the most reliable point of broad comparison. Applying the adopted methodology, Albemarle's s.f./student ratio is 147 s.f. per student for K-5 and 168 s.f. per student for 6-12, which is 22.5% more than the average of the 12 school systems for K-5 and 3.7% more for 6-12.

In conducting this analysis, staff reviewed information from benchmark localities typically used for comparison. It should be noted that school staff have concerns with this comparison and believe it is difficult to compare Albemarle to other school systems due to differences in educational philosophy and other factors. While it is acknowledged that differences exist, staff believes this comparison provides the perspective the Board requested. A more thorough analysis may be appropriate and would require consultant assistance due to the many factors school staff indicate would need to be considered. This investment may be particularly important depending on the Board of Supervisors' concern about the fiscal impact of the new capacity formula. If additional study is desired, staff strongly recommends outside assistance to assure the analysis is considered objective. In addition, general government is not currently staffed to conduct such a review.

The methodology of calculating a school's capacity directly informs required modifications and additions to school facilities and therefore impacts the CIP. The revised methodology outlined in this report formed the basis of this year's school division CIP submittal and will also impact facility needs beyond the five year planning period. Prior to the adoption of the new methodology, the ratios of s.f./student in Albemarle County Schools were 10% above the average for elementary schools (k-5) and 3.7% above for middle and high (6-12) when compared to the surveyed schools. These current differences may be accounted for by factors such as the existence of the Bright Stars program in the schools, the partnership between the school system and local government to provide for recreational programs and small schools in the southern part of the County. Each of these factors has been supported over the years by the two Boards and the community. While other school systems and local governments have similar arrangements to varying degrees, it is difficult to do a true comparison without further research. However, the existing differences that support these programs and services are already built into the County's long term capital program and are not a part of consideration of the new capacity formula.

The newly proposed capacity formula extends beyond the current formula and results in the loss of approximately 800 additional seats, primarily at the elementary school level. Application of the school's adopted methodology will result in the need to add significantly more school space than might otherwise be required on average based on the sample. While one school project in the proposed CIP, Agnor Hurt Elementary Addition/Renovation, is impacted to some degree by the new methodology, a portion of this renovation is also needed due to current conditions. However, the loss of 800 existing seats and the impact of the new formula will have a greater financial impact over time. Elementary schools, where most of the impact will be felt, are typically built to accommodate 400-600 students at a cost of approximately \$12-15 million per school. The Board's assessment regarding the educational value of this proposed change will need to be balanced against its fiscal impact and competing capital needs.

Staff is not making a recommendation at this time. Final direction on this matter will be needed prior to the beginning of next year's CIP cycle. The purpose of this Executive Summary is to outline significant factors used in the proposed methodology and their impact on future capital expenditures for schools.

Mr. Josh Davis reported that the School Division has been doing a considerable amount of work to look at school building capacity methodology, and has adopted a new policy as a culmination of about six to eight months' work. He said that it was reported in the Board-to-Board memorandum that the work has been completed, but he received an email indicating that Mr. Boyd had asked a few questions so he is here to discuss how the methodology had changed.

Mr. Davis said that in the summer of 2011, the Long Range Planning Committee brought a recommendation from the CIP program forward, and the School Board decided that it was not confident that the capacity methodology was where it needed to be so that it could select the right projects to be submitted. He said that the School Board established a committee comprised of school operational personnel and instructional personnel, and it involved developing a proposal by going to each school and walking through each building with the principal so the committee could understand how rooms were being used.

Mr. Davis said that there is a difference between “design capacity” and “program capacity,” with the design being the architect’s initial view of a certain number of classrooms that could hold a certain number of students and conduct instruction. He stated that program capacity is important because the program of study and population at the school sometime restrict or require that certain rooms be assigned to special functions, especially at the elementary level. Mr. Davis said that program capacity is the number the schools use for long-range planning. He stated that the classroom multiplier has varied a little bit, and once they figure out how the classrooms are going to be used for instruction they attempt to project numbers of students. Mr. Davis said that a utilization factor is also important at secondary schools because not every room is used every period of the day, but they want them to be used seven out of eight periods. He said that teachers teach six out of eight periods, so if every teacher had their own room they would only be using those rooms 75% of the time – which is not adequate use of facilities.

Mr. Davis noted that the Department of Education has no requirement, but does have some guidelines that help determine maximum capacity – some rather large multipliers from the classroom.

He reported that in the late 1990s, the multiplier was 22 at all levels of education. In 2000-01, the multipliers were revised to reflect differentiated staffing and thus the number is not the same for all schools and all classrooms. Mr. Davis stated that this reduced the Division’s total capacity at that time by almost 900 students. He said that in 2003-04, the utilization factor was increased at the high schools from 10% to 15% which also drove capacity down at the high school level. Mr. Davis said that as they went into the recession, efficiency became very important and they had a consultant conduct a thorough review. He said that the consultant suggested that schools could do more with their buildings, and the key change at that time was to revise the multiplier back to 20 for all schools, all levels, all classrooms. Mr. Davis stated that this was a significant change in capacity – 1,279 seats – a considerable increase.

Mr. Rooker noted that it basically recaptured the capacity that had been reduced earlier, and asked if it still assumed the seven out of eight periods. Mr. Davis responded that it assumes an 85% usage to go to the seven out of eight.

Ms. Mallek asked if the bottom line kept the differentiated staffing. Mr. Davis replied that it did not, because all classrooms at 20 means they are not doing anything to reflect differentiated staffing. He said they continue to staff that way, but the change here does not reflect how they would staff their buildings.

Mr. Rooker said they project using seven out of eight periods of the day, so at any time of the day there will be two or three classrooms not being utilized, but yet there are trailers being used because there is not enough space. Mr. Davis noted that Western Albemarle High School is the best example of that situation.

Dr. Billy Haun stated that the schools must have places for teachers to plan, and in the case of science teachers they need a period to get set up for labs. He said that at Henley Middle School, there are absolutely no teacher workrooms or work spaces anywhere, and all five middle schools provide no teacher lounges or workrooms. Dr. Haun stated that they must have some kind of classroom space for planning.

Ms. Mallek said that they also need this space to work with kids who need remedial help. Dr. Haun agreed, stating that this space is often utilized for a small group of students needing assistance or remediation. He reiterated that it may appear that this space is empty all the time, but it is not, it is empty only some of the time.

Mr. Davis reported that the new formula has reduced school capacity to some extent. The previous methodology did have some limitations including not counting the classrooms consistently – and at one school a trailer was counted toward capacity. He said that using one number does not really relate well to how they budget staffing and the class sizes trying to be achieved. Mr. Davis said that the previous methodology also did not account for the needs that are programmed for individual schools, such as English as a Second Language and Title I instruction.

Mr. Thomas asked if gymnasiums are counted as a classroom. Mr. Davis responded, “yes” because they are occupying students; gymnasiums adds 50.

Ms. Mallek asked where in the process the schools compare the large classrooms at Broadus Wood because of the year it was built versus the small classrooms at Crozet because of the year that school was built. Mr. Davis said they do not really vary; they count every room in which they can comfortably put in 25 students. Some of the rooms are a little more cramped but as long as they meet State guidelines, they count. For rooms that are too small for a full classroom instruction, those rooms are used for other purposes.

Mr. Davis explained that at its simplest form, capacity equals the multiplier times the number of classrooms; and for middle and high schools, times the utilization factor. He said that under the new method, they now have a variable classroom multiplier. The number of classrooms is counted more

rigorously, and they increase the number of specialty classrooms that can be excluded. He stated that the utilization factor increased in this method from 85 to 87.5, which equals the seven out of the eight periods.

Mr. Davis said he will also talk a little bit about the multiplier and the number of classrooms. The change here was the multiplier of 20 versus trying to come up with multipliers at each school. He stated that most Board members are aware that when there is a larger percentage of free and reduced population, more staffing is directed at that school. The new formula tries to reflect that they are trying to drive class sizes down. Mr. Davis said that what they see at elementary schools is a multiplier ranging from 17 at the low end – which would be Yancey and Greer – to 20 for schools such as Brownsville, which has a very limited population of free and reduced lunch students. He stated that there is some variation at middle schools, with Henley at about 23 and Walton is at about 20.

Mr. Thomas asked what they have at Agnor-Hurt. Mr. Davis responded that it is 18, and the school population is 50% free and reduced lunch.

Mr. Davis stated that they count 50 students for the main gym and 25 for an auxiliary gym. He said that self-contained, special education classes, count as eight because it is a much smaller number of students. Mr. Davis stated that pre-K classrooms are counted for 16; and career and tech education have 20.

Dr. Haun pointed out that there are state mandates related to self-contained classes, and many CTE courses also have mandates as to the number allowed.

Ms. Mallek noted that the special ed classrooms often have aides for some of the students so there are more than eight bodies in the room. Dr. Haun said that at least one-half the children in the self-contained rooms could have 1:1 aides.

Mr. Davis then provided a list of specialty classrooms that can be excluded, and the list varies between schools. Mr. Davis reported that at the elementary level, there are six type possible exclusions. Under the previous policy, only art, music and the computer lab were listed as exclusions – and under this scenario they felt it appropriate to add as potential exclusions gifted, English as a Second Language, special education resource, and Title I. For example, Agnor-Hurt does not use all seven exclusions, but uses more than three exclusions.

Mr. Rooker asked how they factor in the fact that there are students in those rooms that come out of the population. Mr. Davis responded that they are counted in their base classroom for the whole day at the elementary school; they are not double-counted for the time spent in other rooms. At the elementary level, the home base is the number that contributes to capacity.

Ms. Mallek asked if there are any elementary schools that do not have an art, music or computer lab separate. Mr. Davis responded that some that do not have computer labs now, and in future years it is possible that none of them will. He said that sometimes there are laptops on carts, and the teachers feel that is working well. Agnor-Hurt does not have currently a computer lab.

Mr. Buyaki commented that there are schools where art and music are housed in trailers.

Ms. McKeel commented that a lot of school divisions do not have the program quality that Albemarle does because they are not able to provide them – such as the strings program, which requires space for storage and practice.

Mr. Davis then presented an example of Agnor-Hurt Elementary, stating that the number “31” resulted from one of the Instructional Department leaders walking the building with Michelle Castner. He explained that 31 rooms were found. Each wing has numerous full-size classrooms as well as small rooms usable for reading and remedial instruction. Some rooms are valuable resources but are not used in capacity calculations. Mr. Davis said that the multiplier at Agnor-Hurt is 18 because of the 50% free and reduced lunch, with seven potential exclusions – an art room, a music room, a special education resource room, a room for gifted and one for ESOL, and two pre-K classes. He noted that they have 130 English language learners at Agnor-Hurt, and over 100 at Greer. Mr. Davis said using the formula, 24 classrooms remain for instruction, with a multiplier of 18 equaling 432 students and 32 capacity for pre-K classrooms, for a total of 464. He said that if they were to consider the mobile units – the three trailers that are on-site now – that would add 54 students for a total capacity of 518. Mr. Davis stated that the trailers are certainly needed there now with a current enrollment of over 600+ and growing toward 660 if projections for the next few years hold.

Mr. Rooker asked what capacity would be added under the current CIP project. Mr. Davis responded that it would add 130 seats, bringing the total capacity to 594.

Mr. Boyd asked about the 50 added in for the gym. Mr. Davis replied that the gym is not added in at the elementary level.

Mr. Dumler asked what the current enrollment is there. Mr. Davis confirmed that it is just over 600.

Mr. Dumler asked what is being done to accommodate that excess. Mr. Davis emphasized that they do not have an average class size of 18, music is in a trailer, and some remedial work is done in the hallway or the library – spaces that are not ideal. He added that Ms. Castner has not hired all of her staffing as a result; she would hire more teachers if she had a classroom to put them in.

Mr. Galloway noted that a classroom has moved to Woodbrook. Mr. Davis responded that one of their pre-K classrooms was moved to Woodbrook Elementary this year, so there is only one at Agnor-Hurt.

Mr. Rooker asked if Woodbrook has the capacity to handle that classroom. Mr. Davis said that Woodbrook does for now. The Division will probably redistrict approximately 20 children to that school at which time it will be at capacity.

Mr. Davis reported that if they had the Brownsville students in the Agnor-Hurt building, the capacity would change as that population does not have many ESOL students so a classroom would not be needed. He said that because the free and reduced lunch population is so much smaller, their multiplier is 20, and the capacity would shift from 464 to 516.

Mr. Davis stated that in looking at the history, at each school over five years the multiplier never varied by more than one – so less than one-half the schools would have the multiplier change, and it would only change by one. He then presented a chart showing the previous capacities and the ones now calculated under the adopted capacity; it does not show the mobile units or trailers. Mr. Davis said that the new total capacity at the elementary level is 90% of the previous, which is not unexpected given the change in the multiplier and the change in use of school rooms.

Dr. Haun said that overall enrollment at Cale and Brownsville is similar, but at Cale there are 10.13 specialty positions – 2.2 Title I teachers, 3.3 ESOL teachers, 4 special education teachers, and .6 RTI. Brownsville has no title teachers, and a .25 ESOL, 3 in special education, and .5 for RTI. He stated that Brownsville has 3.75 specialty teachers, whereas there are 10.13 at Cale – and these are in addition to regular classroom teachers, so there must be a place for them to work. He added that they can move one population to another building, and the capacity is going to change. Dr. Haun said that the difference in enrollment at Jack Jouett and Sutherland is only about 33 students, but Jack Jouett has 12.4 specialty teachers and Sutherland has 6.25 specialty teachers.

Mr. Rooker asked how much this changes from year to year, and how the Division deals with it in capacity. Dr. Haun responded that over the next few years at Cale, the multiplier might actually go up. Although this is the first year, Cale's kindergarten class is 48% ESOL and thus the schools will have to hire teachers for that specialty. He added that a lot of kindergarten and first grade ESOL students speak very little English.

Dr. Moran stated that the level at which they use to be able to opt kids out of – Level IV – the federal government now mandates that schools continue service, which means they have to add support for those students.

Dr. Haun added that even once the students are released from the ESOL program, the schools must monitor their progress and submit a report to the government on each student.

Ms. McKeel said that there is no debate now as to why they have smaller classroom sizes (for special ed, ESOL, etc.), and thus the schools do not need to defend why there are lower numbers for those particular groups of students.

Mr. Boyd responded that other school systems have those populations, and he wonders how they are dealing with those challenges and yet retaining a higher capacity.

Ms. McKeel suggested having educators answer those questions.

Mr. Thomas asked how much money the federal government was providing to meet some of the requirements mentioned. Dr. Moran responded that the School system gets about two to three percent of its budget, but it has actually been dropping. She added that the federal government has never funded special education as what it legally wrote into law that it would do – which is 40%. She noted that there will probably be an eight to ten percent decrease if sequestration moves forward, although they will still be mandated to provide the service.

Mr. Rooker noted that court cases have actually strengthened that requirement.

Mr. Davis reported that at the middle and high school level there is much less of a change, with middle school decreasing by about 100 seats and the high schools growing in capacity slightly. He said that the overall total is a reduction of 789 seats, which is about 95% of the capacity seen using the previous method.

Mr. Davis said that over the long run if there are fewer seats in capacity, eventually more projects will bubble up and be required. In the summer of 2011, he said, the long-range planners suggested spending over \$100 million through FY18, including additions to Monticello High, Western Albemarle, and Meriwether Lewis Elementary Schools. Mr. Davis stated that the high-school projects were “big-ticket items,” and the School Board put the brakes on the additions and instead chose to revise the methodology. He said that there is some money for schools in FY13 - \$6.8 million in capital for maintenance and technology. Mr. Davis said that the long-range planners have suggested a total of \$86 million in capital, and the School Board voted on a request that is equal to \$72.6 million over five years.

Mr. Davis said that the Division feels confident that it is asking for the right projects for the right reason now.

Mr. Thomas stated that he has received numerous emails on how the current growth at the elementary level will be handled when it moves through middle school and high school. Mr. Davis responded that it has certainly been considered. The Division believes that they have a capacity formula that will help do the best prioritization of capacity projects. He added that there are other needs, such as parity at Red Hill and Yancey, and hopefully those will be debated and considered on their own merits throughout the CIP process.

Mr. Boyd asked what the \$72 million figure would have been under the existing capacity formula. Mr. Davis responded that it would be \$103 million over six years based on the recommendations of the long-range planners. The School Board did not make a recommendation on that plan.

Mr. Rooker said that there was a \$55 million plan in August 2011. Mr. Koleszar said that was under the old formula. Mr. Davis noted that it did not request any additions because the Division wanted to get the formula right.

Mr. Rooker said that the \$55 million was mainly maintenance, and asked how much of the \$72.6 million is maintenance and how much is new capacity. Mr. Davis explained that it includes the Agnor-Hurt addition and a Crozet elementary school. He said that the Yancey and Red Hill projects are in the five-year request – as is the gym at Henley.

Mr. Rooker emphasized that it would be helpful to know what the cost of having facilities at net capacity would be over and above what is currently planned, and look at the list of projects broken out separately. Mr. Buyaki stated that the second page of the CIP attachment shows those.

Dr. Moran noted that the changes are also related to growth. Mr. Davis agreed that any time enrollment changes, that drives this figure up.

Ms. Mallek pointed out that it is the enrollment change at Agnor-Hurt causing the need for the addition, rather than the changing of the use of the smaller rooms. She added that there will be some substantial growth because of increased building in the western feeder pattern area.

Ms. McKeel stated that they have 500 new students in the last four years, and that is significant growth.

Mr. Galloway commented that the long-range planning process has been looked at and that are capacity issues before the new methodology was put in place. The additions were planned prior to that change. The capacity change overemphasized the issues.

Mr. Rooker asked how the multiplier being used in these projections based on the new approach, compares on average with the existing multiplier. Mr. Davis said that the previous policy had a straight 20 multiplier at every level, so at the elementary level it is as low as 17-19.

Mr. Rooker stated that the big difference between old capacity and new capacity at the elementary level, which is most of the system's differential, is related to that change. Mr. Davis said it is a combination of that plus the counting of the excluded rooms correctly.

Mr. Rooker commented that they have taken a very thoughtful approach in looking at capacity, and he does not see much argument with the use of the rooms. He said that the only thing that could impact the numbers is the multiplier, and it is a choice made that could affect capacity. Mr. Rooker added that smaller classrooms generally mean a better educational opportunity for students. A lot of people send their kids to private schools to get that. He said that the only way to impact the capacity through room count is to continue to use the trailers.

Ms. McKeel said they will be gradually taken away, but can be used in the short term.

Mr. Snow asked if trailers are counted in the total capacity number. Ms. McKeel said trailers are not included in the capacity count for planning; they are slowly being phased out.

Dr. Moran noted that there are multiple ways to increase capacity, but without adding trailers or additions to the building, the capacity is increased by eliminating programs or increasing class size. She said that what they have chosen to do is to cut services as far away from the classroom as possible. Albemarle has not really affected class sizes to a degree that would impact capacity – nor has it eliminated or reduced services in art, music or P.E., etc. The Division made very conscious decisions based on Albemarle's values to basically do what they have done with this.

Mr. Boyd asked if the outcomes of the other school systems are better or worse than Albemarle's. Ms. McKeel said that Albemarle is in the top 34 school divisions in the state out of 134.

Mr. Boyd asked how they were ranked. Ms. McKeel responded that they are ranked by state achievement scores, graduation rates, and other factors.

Dr. Moran said that Albemarle is one of only 34 districts in the state that met the state academic standards this year.

Ms. McKeel explained that the County has small classes in primary grades, larger classes in elementary grades, and a little bit larger class sizes in middle school and high school. She said that Albemarle ranks among the highest by multiple standards because this approach works. Ms. McKeel

stated that they are in the top 25% of state schools, knowing that it is what the community wants and assuming that is what the Board wants.

Dr. Haun stressed that they could always emphasize the “bean-counting things,” but there are other values in the schools that parents and students love – and it is hard to put a number on those.

Mr. Thomas asked about total student capacity for County schools. Mr. Davis responded that the current total capacity is 14,192.

Mr. Koleszar said that before there was differentiated staffing in the County, they had a dropout rate of about 18%; the dropout rate now is 5%. He acknowledged that there are several factors involved, but the differentiated staffing and smaller class sizes have had a tremendous impact on school performance.

Mr. Rooker stated that he sees an increasingly challenging student body in terms of resources required to get results.

Mr. Galloway said that they are trying to put a value on things like art and PE programs, to put a return on investment on why they are important. Albemarle is only a few school divisions looking at this statewide.

Mr. Rooker said that a lot of students remain in school because of an art or music class, and end up going on to college.

Mr. Galloway stated that there are numerous studies that show the engagement factor and how students involved in the arts perform better academically, and they also apply in the business world when it is necessary to come up with problem solving and think in the abstract. He added that those are things not being measured in the state bean-counting standards.

Dr. Moran reported that Albemarle has one of the top-ranked physical education programs in the state, and fitness data bears this out.

Ms. Mallek said that there were studies about 40 years ago that showed that students who had PE performed far better on core subject testing. It is absolutely essential for their mental well-being as well as their learning.

Mr. Boyd stated that everyone agrees they want to provide the best education possible for children, but as Supervisors they must weigh the money available against spending on schools, emergency services, safety, parks and rec, etc. He asked Mr. Davis if he could provide a “what if” scenario with current capacity versus new capacity. He asked what the difference was in spending based on current capacity numbers and the new capacity numbers.

Mr. Davis responded that it would require votes of the School Board. He has provided the difference in numbers of the long range planning committee in its request and recommendations. A year ago, the School Board did not make a choice in regards to additions.

Ms. Mallek said that having space for children to do the work enables them to solve their issues in many cases, and then proceed through the rest of their experience in the regular classrooms. Solving the problems when they are found as quickly and successfully as possible is absolutely essential for the well-being of the kids and the community as a whole. She is glad to have received this information.

Mr. Boyd asked for clarification that the difference in the capacity ratios is because Albemarle does things that other school systems do not do. Ms. Mouly explained that the County has more consistent specialty programs and emphasis on excellence in PE and the arts. Albemarle has scholar athletes in pretty large numbers. She said that Albemarle is consistently doing more of those things more excellently when compared to other school systems.

Mr. Boyd asked if they had discussed these things with peer localities. Ms. Mouly suggested that Dr. Moran share the letter she sent out to the Parent Council earlier in the week.

Mr. Galloway said that in the past when capacity issues came up, the public would ask why they did not go into the schools and see what was actually going on. He stated that the School Board had a very thoughtful conversation about that, which he joined, and they decided that was a really efficient way to look at each building’s usage and figure out what’s going on there so that long-range planning could be planned appropriately. Mr. Galloway emphasized that it was clear that an approach to capacity that targeted the specifics and programming of each school was the best way to think about how to efficiently invest funds in the school, and part of that was being pushed by public comment.

Mr. Rooker said that Mr. Boyd is referring to the chart presented, and a new school that is designed and built for today’s standards and curriculum is probably much more efficient than two schools combined that have the same square footage. To not look at individual schools to understand what can be done with them and how they were built can really distort things. He said that Albemarle actually has a higher student to teacher ratio than the average, according to the chart. Mr. Koleszar noted that the chart does not really compare “apples to apples.”

Mr. Boyd said that the report even notes that. He said that he does not want to spend the time the School Board has in studying this.

Mr. Koleszar stated that if the Board of Supervisors wants more detailed information, the schools can get that information, but it seems like a waste of time to have local government staff dig that up.

Ms. McKeel said that to be reinventing the wheel seems inefficient.

Mr. Rooker said they need to be aware of that, but in looking at \$50 million decisions for the public the Board of Supervisors has to be relatively satisfied that it is taking the best approaches and are exhausting every option. He added that he agrees with Mr. Koleszar's suggestion.

Mr. Boyd commented that in looking at the classroom history from 2000-01 they added differential staffing, and reduced 896 students in capacity; in 2003-04 they reduced it by 371 students through internal review and decision made by the School system; and in 2008-09 they hired an outside consultant who said this was "way out of whack" and suggested that they increase it.

Ms. McKeel responded that the consultant actually said that those decisions would have to be based on your community values, and said that Albemarle could increase class sizes to the state recommendation.

Mr. Boyd stated that the Board asked staff to review it because they wanted an independent review.

Mr. Rooker said it led to a good discussion today. When the Board decides to build a school there will be increases in operating expenses on the school sides. He emphasized that the Board needs to make sure it is making the best use of existing capacity and make wise decisions from both a capital and operating expense when it moves forward in handling capacity problems.

Ms. McKeel stated that both Boards are good stewards of taxpayers' money, and there is an element of trust by individuals on both Boards. She added that this was a great discussion.

Ms. Mallek said that she agrees and is not interested in a "race to the bottom," and if there are some communities that do not do one-half of what Albemarle does that is their choice, but it is not the wish of the citizens here. She stated that many other school systems have actually implemented programs that Albemarle does not have.

Mr. Galloway said that instrument education is actually being introduced at the elementary level.

Agenda Item No. 5a. Update: Payroll Administrative Changes.

The following executive summary was forwarded to Board members:

The County and Schools administration has examined whether it would be appropriate and more efficient to change the employee pay schedule from monthly to every other week, which would result in 26 pay cycles. There were a number of reasons for pursuing this change, including paying an employee closer to when the actual work was performed, improved accuracy of time keeping, improved accuracy and timeliness of payments, ease of understanding pay statements, reductions in staff time associated with post-payroll adjustments, among others. The recent need to eliminate mid-month checks for supplemental income to comply with IRS regulations also raised interest in investigating 26 pay cycles as a way to pay regular employees more frequently.

This report details staff's analysis of potential process benefits as well as perceived benefits and concerns of employees based on a series of focus groups to educate employees and receive feedback on how the proposed change might impact their personal budgets. This report provides information on focus group meeting results and recommendations for future consideration (Attachment A).

Staff Analysis

It was determined that converting to 26 pay cycles would not enable the County to utilize a true "positive pay" system, contrary to what was initially believed to be possible. The need to continue some form of a "pay by exception" payroll model and the lack of uniformity in employment agreements (10/12 month teacher contracts, special custodian pay arrangements, bus drivers, etc.) would actually result in increased transaction volumes, additional work loads, increased banking fees and higher processing costs associated with more frequent pay cycles. Because of the inability to truly achieve a uniform payroll system across both schools and general government, staff believes the risks and costs associated with changing to more frequent pay cycles at this time significantly outweigh the process advantages and perceived benefits to employees. This pay frequency topic can be reexamined when we are able to implement more uniform pay models and improved time keeping systems.

Education and Feedback Meetings

To better understand the benefits or concerns from the employee perspective, HR staff solicited employee feedback through 18 focus groups scheduled at various departments and locations.

The focus groups provided employees an opportunity not only to learn about all of the considerations involved in a switch to 26 pays, but also to discuss the issues with their colleagues, ask questions, clarify misconceptions, and express their opinions or concerns.

Approximately 300 employees participated in the education and feedback sessions through the focus group sessions, individual meetings and emails. The feedback received was mixed and generally

opposed to a change. Employees expressed two major concerns: The first is related to their personal budgeting, as the 8% decrease in pay during ten months of the year would be difficult for many employees. Many employees also voiced concern about the difficulty in changing bill payment deadlines. Some employees raise the difficulty of changing due dates for some or all of their bills, and some expressed concerns that they may incur fees to change bill payment deadlines. In addition, some employees are concerned that if they set new payment dates they may, in some months, run out of money to pay bills as they come due. This was a particularly important issue for employees who primarily utilize automatic bill paying services. The additional burden of tracking bills beyond month-to-month was a concern that also arose, as well as the difficulty for some employees to hold and save money between paychecks. Ten-month employees questioned whether they would have the choice to be paid either 22 weeks or 26 weeks, similar to the options they currently have available.

A conversion to a 26 pay cycle program would result in greater operational costs due to the increased frequency of processing payroll, the lack of consistency in employee payment arrangements and the need to continue a "pay by exception" system of payroll. Staff will provide a budget impact analysis if the Boards elect to pursue this change at a future time.

Staff recommends postponement of any consideration of changing to a 26-pay schedule at this time. The purpose of this report and work session is to provide information and to solicit feedback from the Boards.

Mr. Letteri said that staff has provided information on the County's transition to 26-pay from the current monthly pay. A team was put together to discuss this issue. There are good reasons why it should be done, but the County cannot achieve those efficiencies at this point. Staff is suggesting that the decision be deferred to another time.

Mr. Rooker said that the people who did weigh in on the proposed plan opposed it.

Mr. Letteri said that there were a number of considerations, but if there is a uniform pay system you can achieve efficiencies, but without that it is hard to get the benefit. Albemarle has two organizations that operate quite differently.

Mr. Boyd said that staff indicated that it would not work because they would not be able to eliminate the special pay options. Mr. Letteri explained that at the conclusion of a pay cycle, staff often has to go back and adjust the pay to reflect the actual time or overtime necessary.

Mr. Boyd said that normally, that would be adjusted in the next pay. He doesn't understand going back and doing a special check. (**Note:** At 5:54 p.m., Mr. Snow left the meeting.)

Mr. Letteri suggested that Mr. Ed Koonce explain the process further if it is needed.

Mr. Foley added that staff wanted Board members to know that the County would remain with the 12-month pay cycle.

Agenda Item No. 6. Matters Not Listed on Agenda.

There were none.

Agenda Item No. 7. Closed Meeting.

At 5:54 p.m., Ms. McKeel moved that the School Board go into a closed meeting as authorized by the Virginia Freedom of Information Act, Section 2.2-3711(A) of the Code of Virginia under Subsection 1 for the following purposes: 1) consideration of a candidate for appointment to the Rio District Long Range Planning Advisory Committee; and 2) performance evaluation of principals and assistant principals. Mr. Buyaki seconded the motion. On a voice call vote, all voted aye. (**Note:** Certification of the School Board's closed meeting is included with the minutes of the School Board.)

At 5:55 p.m., Mr. Dumler **moved** that the Board go into a closed meeting pursuant to Section 2.2-3.711.A of the Code of Virginia under Subsection (1) to discuss the performance of a County department head. Mr. Boyd **seconded** the motion.

Roll was called and the motion carried by the following recorded vote:

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

NAYS: None.

ABSENT: Mr. Snow.

Agenda Item No. 8. Certify Closed Meeting.

At 6:10 p.m., the Board reconvened into open meeting. **Motion** was offered by Mr. Dumler to certify by a recorded vote that to the best of each Board member's knowledge only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act

and identified in the motion authorizing the closed meeting were heard, discussed or considered in the closed meeting. The motion was **seconded** by Mr. Boyd. Roll was called and the motion carried by the following recorded vote:

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

NAYS: None.

ABSENT: Mr. Snow.

Agenda Item No. 9. Adjourn.

At 6:11 p.m., with no further business to come before the Board, the meeting was adjourned.

Chairman

Approved by Board

Date: 02/06/2013

Initials: EWJ
