

Note: A full recording of the meeting is on file in the Clerk's Office and on the School Division website.

A Special Meeting of the Albemarle County School Board was held on April 22, 2010 at 5:30 p.m., Room 241, Albemarle County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

SCHOOL BOARD MEMBERS PRESENT: Mr. Stephen Koleszar, Ms. Diantha McKeel, Ms. Pamela Moynihan, Ms. Barbara Massie Mouly, Mr. Ronnie Price, Sr., Mr. Eric Strucko, and Mr. Brian Wheeler.

SCHOOL BOARD MEMBER ABSENT: None.

SCHOOL BOARD STAFF PRESENT: Dr. Pam Moran, Superintendent, Dr. Bruce Benson, Assistant Superintendent for Planning and Operations, Mr. Billy Haun, Assistant Superintendent for Student Learning, Mr. Jackson Zimmerman, Executive Director of Fiscal Services, Mr. Luvelle Brown, Chief Information Officer, Ms. Annie Kim, Senior Assistant County Attorney, and Ms. Jennifer Johnston, School Board Clerk.

BOARD OF SUPERVISORS PRESENT: Mr. Ken C. Boyd, Mr. Lindsay G. Dorrier, Jr., Ms. Ann Mallek, Mr. Dennis S. Rooker, Mr. Duane Snow and Mr. Rodney Thomas.

BOARD OF SUPERVISORS ABSENT: None.

OFFICERS PRESENT: County Executive, Robert W. Tucker, Jr., Mr. Tom Foley, Assistant County Executive, Mr. Bryan Elliott, Assistant County Executive, County Attorney, Larry W. Davis, Clerk, Ella W. Jordan.

Ms. Mallek, Chair, called the Board of Supervisors meeting to order at 5:32 p.m. Mr. Price, Chairman, called the School Board meeting to order.

Mr. Price thanked the Board of Supervisors for joining the School Board. He hopes this meeting puts a final closure to a long and lengthy budget process. To help him present the final efforts with respect to the lock box, he has asked Dr. Benson to provide an overview of how the school division uses the Schools' Fund Balance as well as one-time money the State is providing to assist in closing next year's funding gap. The School Division wants to restrict the conversation to the use of the Contingency Funds, specifically to fund the additional retirement incentive offered to School employees. He said that in the last three years, the School Division started off with an adopted budget that was reduced by some amount due to local or state shortfalls – and in order to deal with that, the Division looks to the Fund Balance. He does not know if the same scenario will occur next year or if this is a trend, but they want to make sure that they are in a position to deal with any unexpected expenses or shortfalls in revenue as they go into the next fiscal year.

Mr. Price pointed out that for the last three years, there has been quite a difference in what the School Board has adopted and what it has actually received. He added that when the School Division has received lesser funds from local government, the Fund Balance has been available to help make up the difference – along with cutting expenses. He said that the trend has been going downward in terms of the revenues they receive. Mr. Boyd commented that he understands the revenue side, but he also would like some clarification on the expense side.

Dr. Benson indicated that the reductions have been made in operating expenses – sitting on vacant positions and recouping those salary savings – but not for the previous years, for the current year. He explained that going back a year and a half – in FY08-09 – Schools had about \$6.5 million, and ended the fiscal year slightly in the red without considering the Fund Balance. Making an adjustment there, he said, there was \$6.4 million in that fund – representing about 4.34% of their overall operating budget. Dr. Benson explained that Schools budgeted forward \$1.8 million into FY09-10, a practice that has been in place on the School Board for several years. He added that one other expenditure funded out of the Fund Balance was the GPS system, which has yielded an approximate 11% savings in fuel costs due to rerouting and repositioning of the school bus fleet. Dr. Benson added that the schools have already recouped that investment and they anticipate additional savings as

they further try to reduce and combine routes moving into next fiscal year, which will go back into the Fund Balance.

Dr. Benson reported that the School Division started the current fiscal year with about \$4.4 million – or 3% of operating budget – in the Contingency Fund. Dr. Benson noted that they are looking at a local shortfall of approximately \$3.5 million, which would come out of that amount; the State shortfall is expected to be about \$700,000, and a little additional revenue has been generated from building rentals and field rentals. He said that carry-over money has been returned to schools, totaling about \$270,000, as they are allowed to carry over 10% of their operating budget – but departments are not – so that the schools can make larger purchases such as copiers. Dr. Benson stated that they have a 15% operational budget reduction in place that is saving about \$1.3 million, with staffing freezes and lapse factor saving almost \$800,000. He said that they plan to budget forward into FY10-11 about \$1.0 million toward one-time purchases and an additional \$800,000 in recurring costs – leaving a Fund Balance of approximately \$468,000 going into next fiscal year. Dr. Benson added that the amount is .31% of the total budget, and if there is a reduction in available revenues or an unexpected expense the School Division would be faced with some significant challenges.

Dr. Benson explained that the School Division plans to use the one-time money from the State, about \$3.4 million, through the hold harmless ability to pay and the difference in the VRS rates. He said that the School Division hopes to partially restore lost CIP and previous reductions. They had anticipated approximately \$2.4 million in State Stabilization Funds for next year that they will not be receiving and \$550,000 in the instructional CIP that will also not be available. He said that they are trying to restore monies into those funds as one-time funds so that they can shore up technology purchases. He said that the Bus Replacement Fund has been reduced, and even though the State has indicated they are comfortable with the County moving to a 15-year replacement cycle, the \$500,000 currently in that fund puts the County beyond the 15 years into 17 or 18 years. Dr. Benson stated that they are moving to an electronic positive pay input system for transportation, which is expected to save money in the long run. This would save costs associated with manual input system.

He reported that the School Division has cut some of their learning resources, but would like to see those restored as part of their funding request. Dr. Benson said that the Division is uncertain about next year's enrollment; last year about 200 new students enrolled who were not factored into projections. He stated that they are also unclear as to what issues might arise as part of implementation of the modified eight-period day at the high schools in order to save money, and would like to have some emergency staffing in the event there are class size anomalies. Dr. Benson said that based upon the last conversation with the Board of Supervisors and their meeting last Thursday, there is consensus from the School Board to use some of that one-time money to fund recurring expenses in next year's funding request – the two principals instead of sharing at the small elementary schools, support for Family Support workers, and an additional recurring funding gap of \$217,000 – for a total of \$625,000. He said that adding all that up is the \$3.4 million in one-time money coming from the State.

Mr. Koleszar noted that it was reported that this \$3,463,000 was “reserves,” but there is no School Board reserve. He emphasized that these are one-time funds – for school busses, technology, etc. Mr. Boyd commented that the School Board deals with these kinds of expenses all the time. Mr. Koleszar agreed, adding that in the press it was reported that these were reserves – and they are not.

Mr. Strucko stated that the current year Capital Budget is zero; the School Division just got one-time money. He said that the appropriate place to use one-time money is for capital purchases. He confirmed that there is a little over \$3.0 million in place for maintenance. Mr. Koleszar said that school busses have never been in capital, but technology has been in the CIP. He wanted to correct the error in the press. These are needs that they are budgeting.

Dr. Benson summarized that the projected unallocated fund balance is approximately \$468,000, with one-time State funds being used to offset ARRA and CIP losses, technology, and recurring operational costs including small-school principals. He added that School Division is requesting access to lock-box funding to offer the one-time additional retirement incentive for 28 employees who have expressed an interest in that, at a cost of

\$307,000. Mr. Price noted that they have made a commitment to 28 teachers and technically it is their dollars. They felt it was an important step in guaranteeing that those funds would be there and accessible for use.

Mr. Boyd asked if the \$2.4 million in stimulus funds mentioned wasn't going to be provided in the second year. Dr. Benson replied that those funds are not going to be provided for second year funding. He added that they are also hoping to shore up technology funds with one-time State monies. He said that the instructional CIP monies have been zeroed out in the budget, along with the disappearing ARRA funds. Dr. Benson added that monies were not available to continue funding short-term teaching positions; contracts were written for a two-year opportunity to support equipment provided by ARRA funds. He said that the equipment included laptops, computers, server upgrades, and other technology infrastructure upgrades.

Mr. Boyd asked if the School Board still feels the need to put another \$1.0 million in one-time funds for technology. Dr. Benson responded that they do, as the replacement cycle has already been adjusted and other less expensive technology has been explored – but the access the Division is trying to provide to students will still fall short.

Mr. Rooker said that the rainy-day fund is set aside for local government and schools as they need to meet pressing financial needs, but he questions whether it is wise to use all the one-time funds and then go into the rainy-day fund. He stated that perhaps the best course would be to take care of the retirement incentive with the one-time money, and leave the rainy-day fund for use in the coming year. Mr. Rooker added that in the past several years, the revenue declines have been much greater than the amount in the rainy-day fund or current reserve fund. He does not think the School Division has the ability to adjust as quickly as local government does sometimes because of its contract situation. He commented that spending all of the one-time money in the way proposed may not be the wisest course, but he cannot judge for the schools – and asked if the CIP committee deals with this. Dr. Benson replied that the busses are not addressed in this way, but the CIP Committee does examine the technology needs. He said that next year's CIP has instructional technology monies removed because of the anticipation of accessing the second year of the ARRA funds. Dr. Benson said that the issue is that these areas have all been cut previously, and they are trying to minimize the negative impact in those program areas.

Mr. Wheeler asked if Mr. Rooker is suggesting that any lock-box funds be applied to the programs being discussed, and then increase the Fund Balance. Mr. Rooker replied that he's not suggesting anything, but is just raising the thought that a one-time expenditure requirement for retirement incentives might be appropriately included in the use of one-time funds – perhaps in lieu of something else in their plan – leaving the lock-box money in place. He emphasized that they are looking at those funds in the same way that local government is, and asked what the School Board would cut if they didn't have the \$3.4 million. Mr. Rooker added that it might be wise to leave the lock-box funding in place in the event of emergencies that might arise during the current year, as State revenues are still below projections. Mr. Wheeler responded that the School Division feels it needs the money in this fiscal year, and the goal of that money is to shrink the payroll to help for next year. He said that local governments have already used their FY08-09 lock-box funds. Mr. Rooker asked if it would be wise, for example, to have \$900,000 for bus replacement instead of \$1.1 million and leave the lock-box money in place in case the revenues turn out to be worse than what's projected in the budget. Ms. McKeel said that these one-time expenses would not be spent immediately but would be held through at least the critical part of the year and then released later in the year, perhaps next spring when it is known where State funds might be. There is no rush to go out and spend these funds.

Mr. Strucko stated that the same questions were asked at the School Board meeting last week and the response from staff was that this is where the money needs to go – technology and bus replacement, which are viewed as tough sacrifices to make.

Mr. Koleszar noted that most of this money needs to be spent in the current year, particularly for the retirement incentives.

Mr. Boyd commented that adding all of this up totals about \$8.0 million in one-time funds to prop up the operating budget - \$4.4 million in Fund Balance and \$3.4 million in one-time monies.

Mr. Koleszar explained that the Fund Balance would be used in the current year (FY09-10), whereas the one-time monies would be used in FY10-11. He stated that in prior years, bus replacement, textbooks, and emergency staff have been paid with continuing dollars – not with one-time dollars.

Mr. Rooker commented that it is unlikely you can get 17 years out of a school bus; 15 years is a more likely replacement cycle.

Mr. Boyd said that the School Board has mentioned an impending “cliff” next year, but they are looking to the Board of Supervisors to raise taxes and provide more dollars to schools.

Mr. Strucko and Mr. Price stated that the idea is not to raise taxes, but to keep them the same. Mr. Boyd stated that essentially what the School Board is proposing is raising revenues to spend another \$8.0 million in reserves.

Mr. Price emphasized that that is misinformation, as those funds span two different funding years.

Mr. Rooker pointed out that the School Division has a fund balance available to deal with shortfalls, and this past year they experienced the biggest current-year shortfall ever. He stated that the same thing happened in local government, and the Fund Balance is expressly for this purpose. Mr. Boyd said that the reality is the School Division plans to cover FY10-11 expenses with a combination of \$4.0 million in leftover Fund Balance. He asked how they start out with \$4.4 million at the beginning of the year coming up. Mr. Koleszar stated that those funds are assigned to FY09-10 in order to cover this year’s budget. That \$4.0 million was spent in FY09-10 to make it whole. Mr. Strucko clarified that they had to dip into their reserves this fiscal year to make it whole. That \$4.4 million is their reserves for the current fiscal year. Mr. Boyd responded that he thought Schools were only going to dip into \$1.8 million. Mr. Strucko pointed out that was for next year.

Mr. Boyd asked if the \$142.0 million total budget for next year includes the one-time money. Mr. Koleszar replied that it includes the one-time money and also the \$1.8 million in Fund Balance budgeted for next year. He said that the \$3.4 million is also in there. Dr. Benson explained that the Division started out the current fiscal year with approximately \$4.4 million in their Fund Balance, with a significant portion of that being used to cover local and state shortfalls. Mr. Wheeler emphasized that the \$4.4 was accumulated over multiple years.

Mr. Rooker asked if the use of some fund balance is included as revenue in the budget presented. Dr. Benson replied that it is. He clarified that the school year ending FY08-09 had a fund balance of about \$6.4 million; of that amount, the School Division budgeted forward \$1.8 million into the FY09-10 operating budget. He added that in the current year, they dealt with the shortfall of local and state dollars, which further reduced it. Mr. Dorrier asked how they ended up with \$2.0 million more in FY08-09. Dr. Benson explained that because that \$1.8 million was budgeted forward into FY09-10, that gives the starting fund balance of \$4.4 million – used to cover shortfall at the state and local levels, while freezing vacant positions and making operational cuts.

Ms. Mallek clarified that the \$468,000 would be the remainder as of July 2010.

Mr. Wheeler stated that what the School Board is asking for now is access to the lock box – that the Board of Supervisors has already used for local government – and is requesting \$306,937 from this source. Ms. McKeel said that this would leave about \$500,000 in the lock box. Mr. Boyd emphasized that the money in that lock box is not the schools’ or local government’s – it is taxpayer dollars. He said that the 60/40 split has been a planning formula, and the schools technically get more than the 60%. The Board of Supervisors will fund the school system with as much as it can possibly put on the taxpayers...that might turn out to be 70% one year. Mr. Price stated that those conversations are probably best had after both boards have had their retreats, but specifically tonight the School Board is requesting access to the lock box. He is asking for a consensus from the Board of Supervisors that it will allow the School Board to access the \$307,000 from the lock box.

Mr. Thomas asked if School Board members are thinking that the Board is trying to cut their budget by suggesting they use the \$307,000 out of the bus replacement funds. Mr. Wheeler responded that Mr. Rooker's suggestion was to leave the lock box alone and then pay for VERIP by reducing another proposal in their budget. Mr. Thomas said he thinks that is a good idea to use money there and leave the lock box.

Mr. Snow stated that his concerns are in line with Mr. Rooker's – spending everything and not having anything on the tail end if there is a shortfall. He said that he believes that the schools have answered that question, and he would be in favor of releasing the lock box funds and moving ahead. Ms. Mallek agreed, stating that there is no hurry to spend the funds and schools are pacing the expenses as they've stated. Mr. Dorrier agreed with releasing the lock box funds. Mr. Rooker said that the funds are there for the schools to use wisely at their discretion as they see fit, and he believes they should have access to it for that purpose. He also indicated that he is more optimistic that the one-time money would not be spent immediately, but schools have identified the areas where they would be spent if needed.

Ms. McKeel noted that given the history of the past few years – where schools have had to come up in mid-year with \$2.0 or \$3.0 million to cover state or local reductions – they may not be able to spend the money at all as planned.

Mr. Boyd asked if it is reasonable for the Board of Supervisors to allocate use of this money up to the amount they need to cover the VERIP numbers. Ms. McKeel said that they have commitments from 19 teachers and 9 staff to pursue the retirement plan discussed.

Mr. Rooker said at least four of the Board members have agreed with the request. Mr. Thomas said he will also agree; he thinks it is necessary, and appreciates the justification of not spending all of the money immediately.

Ms. Mallek commented that today is an important first step in better communication with the School Board before budget season.

Mr. Price noted that the School Board and Board of Supervisors may not see eye-to-eye on everything, but any disagreements need to end in both uniting as one body that's leading the County into the future. He is happy to have the Board of Supervisors where they are and to have their knowledge, to give back and challenge the School Board to be fruitful and transparent in what they do. He looks forward to more future meetings where they can sit down, go through things and reach a consensus. He thanked all for attending the meeting.

Mr. Boyd said he appreciates the comments. He added that he does not feel this is good planning on the part of the School Board to spend every penny and not leaving any funds in reserve. Mr. Koleszar commented that the schools cut their budget about 4%, and local government cut their budget about .10%. Mr. Wheeler emphasized that Mr. Price and Mr. Strucko came to the Board's work session and told them this is what's going to happen, that they were going to have to use one-time money. He thinks that comment is ridiculous. Mr. Boyd stated that it's not ridiculous, because the School Board needs to work on cutting expenses. Ms. McKeel said that the schools have been cutting for two years, more than local government.

Mr. Price noted that he was trying to end the meeting on a positive note, emphasizing that the schools do not want to fund items such as principals with one-time monies. They came to the Board asking for an equalized tax rate.

Mr. Wheeler stated that no one in this room should be surprised that this is how the school budget would be balanced because they told the Board of Supervisors this is what was going to happen.

Mr. Rooker noted that because taxes were essentially cut, the School Board had to go this route. He also stated that Bath County is spending about \$1,000 more per student per year than Albemarle County, and Highland County is also spending more. He added that Albemarle County seems to me to be doing a very good job on not extravagant resources.

At 6:18 p.m., Ms. Mallek said that this portion of the meeting is adjourned, and the Board of Supervisors will meet on Saturday, April 24, 2010, at 1:30 p.m. at the Jefferson-Madison Regional Library to resume its adjourned meeting from April 14, 2010.

Mr. Price said the School Board took a brief recess before starting their regular work session.

Chairman

Clerk