Albemarle County Public Schools

VRS Implementation Information

April 26, 2012

VRS Implementation Update

- Mandates a 5% employee share and offsetting 5% salary increase
  - Permits phase-in in whole 1% increments over a 5 year period
  - Mandates increase of no less than 1% each year
- Full 5% employee share required for ALL staff either hired after July 1, 2012 or moved from Part-Time to Full-Time after July 1.
- Increase in pay is FICA eligible

VRS Implementation Update
(continued)

- The Board of Supervisors may make the determination of implementation, our Board would be expressing its request to the Board of Supervisors for consideration to maintain commonality
- Assumes part-time employees would not participate in the increase due to VRS
- Pay must be adjusted based upon VRS eligibility (movement between P/T & FT)

Choices to be Made

1. How should the mandate be implemented?
   (i.e. should the employee lose pay when implemented?)
2. What should our Division request the Board of Supervisors do regarding phase-in or full implementation of the 5%?
3. What should our Division do regarding funding of this new mandate?

1. Implementation Methodology

- VRS requires an increase in salary of a minimum of 1%
- Strictly implementing this results in decreased take home pay for current employees
- Many other localities and school divisions are planning increases beyond 1% ensuring full-time employees are not receiving less take-home pay

Sample Salary Reductions Due to VRS Implementation*

Employee	Salary	Year 1	Year 2	Year 3	Year 4	Year 5
1% Phase-in	$50,000	-$43	-$92	-$146	-$206	-$273
5% Year 1	$50,000	-$316	-$316	-$316	-$316	-$316

*Only full-time staff salaries affected by VRS implementation

Recommendation for Implementation Options

A. Implement to ensure that on the average no employee has reduced take home pay due to VRS implementation (i.e. make employees whole)

B. Implement to the VRS minimum requirement which would reduce take home pay for full-time employees

School Staff Recommends Option A be requested to ensure take home pay is not reduced

2. To Phase-in or Fully Implement?

- Two Options are under discussion for FY 2012/13
  - 1% Phase-in
  - 5% Full Implementation
- Costs of implementing vary depending upon prior choices

1% Phase-in Points

- Introduces competitive/equity problems for those new to the division
- Costs less overall for the first 5 years
- Greatly increased administrative burden, new systems maintained for phase-in time period only
- Introduces pay disparities for both new hires and those moving from P/T to F/T employment

5% Phase-in Points

- Ensures competitive take home pay for staff relative to other divisions
- Highest initial costs over 5 years
- Minimizes administrative burden to only that required
- Treats all staff equally

Implementation Options

Options	Year 1	Year 2	Year 3	Year 4	Year 5
1% Make Whole	$275,707	$559,710	$851,373	$1,148,070	$1,442,935
5% Make Whole	$1,442,935	$1,442,935	$1,442,935	$1,442,935	$1,442,935
Differential	-$1,167,228	-$883,225	-$591,562	-$294,865	$0

Options	Year 1	Year 2	Year 3	Year 4	Year 5
1% Sal Red.	$182,460	$369,367	$558,169	$748,888	$941,940
5% Sal Red.	$754,144	$754,144	$754,144	$754,144	$754,144
Differential	-$571,684	-$384,777	-$195,975	-$5,256	$187,796

2. Phase-in or Fully Implement

A. Phase-in 1% to meet minimum standard required by law
B. Fully implement the mandated 5% level immediately

3. Funding Choices for Implementation

A. Request Local Government to provide funds to meet the new VRS mandate passed following their budget adoption
B. Use School Board Fund Balance to address the costs
C. Reduce operational funds to address the costs

Albemarle County Public Schools

Budget Update

April 26, 2012

Budget Update

- School Board Meeting April 12, 2012
  – Local Tax Rate = 76.2 Cents
  – CIP/School Bus Replacement
  – Current Funding Gap Recommendations
  – Requested Actions
  – Fund Balance Information

Current Funding Gap

(Updated Expenses, Local and State Revenues)

Current Gap	Amount
School Board Request	-$3,739,306
Maintain Commonality (reduce to 1%)	$825,226
Additional Revs from Local Transfer	$1,078,946
Additional Revs BOS requests for use of School Bus Replacement	$648,250
Addl. Expenses for Bus Replacement	-$648,250
Technical Adjustments for VRS	88,850
Additional State Revenues	$651,496
New Gap (w/ Equalized Tax Rate)	-$1,094,788

Buses in CIP FY 13/14 and Beyond

- In the adopted FY 12/13 budget, the CIP will continue to show $0 funding for buses in FY 13/14 and beyond.
- The School Board could take the following conditional actions:
  - Commit the annual portion of state SOQ funding formula attributable to school bus replacement to the CIP.
  - Develop a formula for annual commitment of a portion of School Division undesignated fund balance to the CIP (May 10 business meeting).
  - Based on conditional School Board actions to contribute revenue to the CIP, agree that school buses should compete equally within the CIP along with other projects.

Considerations for Reduction (Tier 2)

Tier 2 Reductions	Amount
Administrative Assistant (Murray)	$24,134
Increase Work Days for 10-Month Transportation Employees	$35,574
Daytime Custodial Staff Needed at Larger Elementary and Middle Schools	$46,632
Improvement of End-User to Client Service Specialist	$144,816
Reclass. of School Nurse (FLSA Exemption Status and Compensation Increase)	$62,700
Total:	$313,856

Recommend Moving to Tier 1 (Not Considered for Reduction)	Amount
FY 2012-13 Staffing Standards - Media Specialists	$13,028

Current Budget Recommendations

	Amount
New Gap (w/ updated State and Local)	-$1,094,788
Tier 2 Reductions (Revised)	$313,856
Updated Potential Funding Gap	-$780,932*

* Does not include action on new VRS implementation

Potential Considerations of Tier 1 Items

Tier 1 Initiatives			
Staffing Standards - Media	$13,028	Professional Development (Tech)	$100,000
Staffing Standards - Counselor	$32,573	Staffing Standards – Art, Music, & PE	$130,290
ESOL Staffing	$65,145	Response to Intervention (RTI)	$377,841
Continue Tech Support Initiative	$67,408	Growth	$474,896
Legislative Liaison	$67,408	FY 2012-13 Staffing Standards -AP	$68,401
Total: $1,396,990			

Protected Tier 1 Items

Protected Tier 1 Initiatives			
Reduce Class Load in Grades 4 - 12	$1,115,282	Fuel Cost	$75,200
Liability/Auto Insurance	$5,000	Health & Medical Sciences Academy Staffing	$32,573*
CATEC Increase	$17,912	VRS	$4,268,238
Custodial Staff for Greer Addition	$15,543	Utility Costs	$96,582
Dental Increase	$35,970	Unemployment Insurance	$20,000
Teacher Salary Inc. (Remaining 1%)**	$530,030	PREP	$87,940
Classified Increase (Remaining 1%)**	$334,027		
Total: $6,634,297			

* Seeking alternative funding

** Moved to Tier 1 protected to preserve commonality

Fund Balance Information

Fund Balance	Amount
Beginning Fund Balance (FY 11/12)	$7,554,405
Budgeted Use of Fund Balance (FY 11/12)	($2,827,034)
Additional Use of Fund Balance (FY 11/12)	($391,099)
Updated Projected Salary Savings (FY 11/12)	$1,500,000*
Projected Fund Balance (End FY 11/12)	$5,836,272
Current Budgeted Use of Fund Balance (FY 12/13)	($1,800,000)
Projected Ending Fund Balance (FY 12/13)	$4,036,272

* Estimate includes updated salary numbers based upon payroll through February, just closed 4/25/12

Future Budget Discussion

- § 22.1-93. Approval of annual budget for school purposes.
- Notwithstanding any other provision of law, including but not limited to Chapter 25 (§ 15.2-2500 et seq.) of Title 15.2, the governing body of a county shall prepare and approve an annual budget for educational purposes by May first or within thirty days of the receipt by the county of the estimates of state funds, whichever shall later occur, and the governing body of a municipality shall prepare and approve an annual budget for educational purposes by May fifteen or within thirty days of the receipt by the municipality of the estimates of state funds, whichever shall later occur. Upon approval, each local school division shall publish the approved annual budget, including the estimated required local match, on the division's website, and the document shall also be made available in hard copy as needed to citizens for inspection.
- Approval of Budget is expected by April 26 to meet appropriation deadlines and avoid substantial delays of Capitol Improvements Projects.

Future Budget Discussion

- April 11 – FY 12/13 Budget Adoption (Operating and Capital): Board of Supervisors
- April 26 – Budget Development Worksession and Budget Worksession: School Board
- May 9 - FY 12/ 13 Resolution of Appropriations: Board of Supervisors
- June 6 – CIP review for potential adjustments: Board of Supervisors

Staff Recommended Actions

- Reduce current funding by the Revised Tier 2 Reductions – Saves ~$313,856
- Provide direction regarding VRS implementation
- Provide direction for adoption on May 10

Fund Balance Contribution to CIP

ACPS School Board Meeting

April 26, 2012

Assumptions

- Unrestricted fund balance is currently designated for:
  - One-time expenditures
  - Emergencies
  - Additional revenue to close funding gap in operational budget

Timing

- Contributions to CIP would be planned in the annual Superintendent and School Board funding request
- Fund balance contribution to CIP would not be designated to support specific projects or equipment (i.e. school buses)
- School Board could designate an available fund balance “floor” as a percentage of the operating budget (2%) and a “ceiling” (4%)

Formula for Contribution to CIP

- "Available" fund balance =

  Total fund balance

  Minus "Encumbered" fund balance (sum of current year and budget year use of fund balance)

- CIP contributions would be:
  - 40% of the annual growth in available fund balance above the floor
  - 100% of the annual growth in available fund balance above the ceiling
- There would be no contribution if available fund balance declines

Fund Balance Contribution

Fiscal Year	Available Fund Balance	Fund Balance as % of Budget	Fund Balance Increases?	CIP Contribution
06/07	$3,987,381	2.70%	TRUE	$1,213,669
07/08	$3,902,378	2.58%	FALSE	
08/09	$2,838,779	1.90%	FALSE	
09/10	$3,551,333	2.49%	TRUE	$285,022
10/11	$2,927,371	2.03%	FALSE	