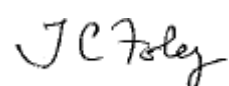


COUNTY OF ALBEMARLE

EXECUTIVE SUMMARY

AGENDA TITLE: School Bus Replacement Funding	AGENDA DATE: November 8, 2012
SUBJECT/PROPOSAL/REQUEST: School Division's Request to Fund School Bus Replacements in the Capital Fund	ACTION: INFORMATION: X
STAFF CONTACT(S): Messrs. Foley, Letteri, Davis, and Ms. Allshouse	CONSENT AGENDA: ACTION: INFORMATION:
PRESENTER (S): School Board	ATTACHMENTS: No
LEGAL REVIEW: Yes	REVIEWED BY: 

BACKGROUND:

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

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

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

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

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

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

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

STRATEGIC PLAN:

Goal 1: Provide excellent education to all Albemarle County residents.

DISCUSSION:

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

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

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

BUDGET IMPACT:

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

RECOMMENDATIONS:

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