

AT A JOINT FINANCE COMMITTEE MEETING OF THE ROCKBRIDGE COUNTY BOARD OF SUPERVISORS AND THE ROCKBRIDGE COUNTY SCHOOL BOARD, HELD AT THE ROCKBRIDGE COUNTY SCHOOL HIGH SCHOOL AUDITORIUM AT 143 GREENHOUSE ROAD, LEXINGTON, VIRGINIA ON THURSDAY, MARCH 19TH, 2015,

PRESENT: CHAIRMAN J.M. HIGGINS,
MEMBERS: R.R. CAMPBELL, R.S. FORD,
D.W. HINTY, JR., A.W. LEWIS, JR.

COUNTY ADMINISTRATOR
AND CLERK TO BOARD: SPENCER H. SUTER
FISCAL SERVICES
DIRECTOR: STEVEN J. BOLSTER

ALSO PRESENT: CHAIRMAN A.W. LEWIS, II
SCHOOL BOARD MEMBERS: K. BROOKS, L.C. HOOFNAGLE, L. STRONG
D.B. MCDANIEL
RCS SUPERINTENDENT: DR. JACK DONALD
ASST. SUPERINTENDENT: PHILLIP THOMPSON
FINANCE MANAGER: RICK PATTERSON
INTERIUM FINANCE: MATT CROSSMAN
DIRECTOR:
FACILITIES DIRECTOR: JOHN MORRIS
CLERK TO THE BOARD: RHONDA HUMPHRIES

Call to Order

Board of Supervisors Chairman John Higgins reconvened the Board of Supervisors meeting and School Board Chairman Jay Lewis called the School Board Meeting to order at 4:07 P.M.

Chairman (Jay) Lewis welcomed the attendees and noted that the meeting is a continued discussion of the categorical needs of the schools for FY2016. Chairman Higgins stated that the Board of Supervisors had met on Tuesday, March 17th and had developed a list of budget-related questions for the School Board. He asked that Chairman Lewis review the questions and answers. Chairman Lewis subsequently reviewed the questions and answers.

1. (Question) How much funding is estimated to be available at the end of the school year prior to using for any capital or unbudgeted projects? (Savings in operational budget).

(Answer) We are currently working on those calculations. Compared to this time last year, our expenditures are \$1,000,433 higher than the same time period last year. This is an increase in spending of 6.7% over last year, which is in line with the overall increase in the budget of 6.6%

Mr. McDaniel noted that the schools spending track is on the same trajectory as last year.

2. (Question) What is the projection of new revenues from the State and City of Lexington and similarly, what are any decreases in federal funding? For example, do you expect to receive an increase from Lexington based on the new tuition agreement when considering increases in compensation and fringe benefits? Following on, what revenue figure is being used as an expectation of the state's share of funding for 1.5% increases on SOQ salaries?

(Answer) State Revenues – based on an ADM value of 2525 (which is subject to change), the anticipated revenue would be \$13,270,840. However, if the school division does not provide the 1.5% raises for employees, there will be a loss of \$111,380 in these revenues, or state revenue total of about \$13,160,000. An increase in ADM would increase the state revenue.

The state revenues include a line for compensation of \$111,380. Using 2525 for the ADM provides a state revenue total of \$13,270,840. Our FY15 budget is built on a state revenue of \$13,214,756.

For a comparison, this represents an increase of \$56,084 in state revenues for FY16.

Lexington Tuition is still undetermined. Until we have the completed site budget for the high school AND we know the percentage of city students at the high school as of March 31, we can only work with estimates. We are using an estimate of \$1,400,000 (which is \$50,000 less than the figure used for FY15). There will be no federal funds through the Forest Fund Reserves for FY16. We have \$35,000 budgeted for FY15 from Forest Fund Reserves. That means a loss of \$35,000 for FY16.

Chairman Higgins noted that he had pulled the state's projection from a website and that it indicated that Rockbridge is projected to receive \$ 13,323,396 in FY2016 and questioned why the School's projection was different.

Dr. Donald explained that the State's calculation included inflated numbers in some areas including breakfast/lunch and preschool.

3. (Question) Does the FY 2015-16 draft school budget reflect any reduction in health insurance overall compared to the adopted FY 2014-15 budget?

(Answer) When we do a budget comparison from FY15 to FY16, we see a reduction in the health cost lines. Since these costs increase/change due to changes in both the costs of the premiums and the additions of new enrollees – and we have new enrollees during the entire year – it is difficult to project a dollar amount at this time.

4. (Question) What is the final cost estimate for the FY 2015-16 health insurance?

(Answer) The last projection we received was for an increase for FY16 of 7.85% compared to health insurance premium costs for FY15. Based on 368 participants, this cost increase would be around \$121,000.

Chairman Higgins asked when the Schools thought a final number for FY2016 health insurance increases could be expected. Dr. Donald noted potential for March 24th, but that last year it was settled in April and that the goal is to get all quarters into the calculation.

5. (Question) With regard to the \$176,000 contribution to VRS (remaining balance of the VRS set-aside), what is the planned use for next year? Is this considered to be part of the base when the FY2017 budget is considered?

(Answer) The plan is to use this funding to pay for a portion of VRS expenses during FY16. Because this is a separate funding source from the local operating budget, these funds will not impact the base in FY17.

Mr. Ford questioned how the \$176,000 could not be considered part of the base, even though it comes from a separate fund. Dr. Donald noted that the VRS supplement had never been considered part of the base, but that it would impact the overall budget.

6. (Question) What is the total cost of VRS in the current year? Did required VRS contributions increase this year (FY15)? If so, what was the total cost of the increase?

(Answer) At this time the total costs for VRS for FY15 is not known. That won't be known until FY15 has ended. However, payroll projections for FY15 indicate a projected increase of \$524,297. We can do a more detailed analysis. Note this change is a result of both a rate increase (11.66% to 14.50%) and a step increase in payroll.

Mr. McDaniel explained that the VRS supplement was established about 4 years ago and was about \$800,000. He noted that VRS has since gone up over \$900,000. Mr. Ford noted that he was not aware that there had ever been a question as to where the VRS supplement had been spent. He then noted that there should be some savings each year since retirements occur and the VRS outlay for entry level employees is less than that of higher scale retirees. Dr. Donald explained that of 478 employees, only 8 retired last year.

7. (Question) What is the total estimated cost for VRS next year? How much is the increase above the current year?

(Answer) Based on projections, the estimate is for \$2,428,637 – this does include requested new positions for FY16. Projected increase based on my calculations is around \$70,869 ... these are projections only.

8. (Question) What ADM estimate was used for the current year budget and what is the estimate of what it will end up coming in as in the final count? What is the ADM estimate being used for upcoming year (locally, not the state's estimate)?

(Answer) The ADM that was used for the FY14-15 budget was 2530. As of March 19, 2015, our estimate determined locally for ADM is 2544. We won't have an accurate value for ADM until after March 31, 2015.

Chairman Higgins noted an increase of 14 students over the estimate and asked how much state aid could be expected per student relative to the ADM. Dr. Donald noted approximately \$4,250

per student. Mr. McDaniel noted that the schools typically lose 5 – 7 students at the beginning of each school year.

Chairman Higgins asked if there were any other questions from the Board of Supervisors.

Mr. Campbell asked if there are any capital expenses in the current fiscal year. Dr. Donald noted costs in IT, buses and other items. He noted that these items are usually purchased at the end of the fiscal year, after the schools have made sure that all operational costs will be covered. Mr. Patterson noted that there is very little in the capital expense lines other than buses.

Mr. Campbell noted concern over the potential for the composite index (CI) to go down in the next biennium and asked if the schools had a plan in case it does. Mr. Brooks noted that we don't have a good feeling yet as to whether or not the CI will go up or down. Dr. Donald noted that we won't know what we will be facing until upcoming reassessment numbers come in.

Mr. Brooks then noted that he had accessed and reviewed the County's ongoing budget document and was surprised to learn that the County had budgeted for a 21% increase in revenues for schools transportation lines. He expressed dismay that the County had pushed the line up without consulting with the schools and requested an answer as to why. Mr. Suter explained that there actually was no net increase and that in fact, the figures the County estimated as revenues were lower than the 3 year trend upon which they were based. He noted that that the 3 year average for the bus maintenance/fuel line was \$508,000 and that the revenue estimate entered by the County is \$500,000; similarly, the school vehicle line had averaged \$117,000 over 3 years and the County was budgeting \$115,000 in revenues. He explained that all agencies have to adjust lines from time to time and that it appears that the schools had been doing this in past years to cover the transportation lines. The County is continually trying to improve the accuracy of individual budget lines, right down to telephones and postage. He suggested that we would all benefit from an increase in communication. He explained that Mr. Bolster had been in touch with Maury River Principal / Director of Transportation Randy Walters recently and that he

expected that the increased communication would continue, to the benefit of all. Mr. Brooks expressed concern that the County had not taken into account recent dropping fuel prices in their estimate of revenues coming from the schools. Mr. Suter noted that fuel prices are volatile and that all it would take to quickly drive them higher would be another crisis in the Middle East, and that we were being conservative in estimates.

Ms. Hoofnagle then asked to revisit Mr. Campbell's earlier question regarding a potential future change in the composite index. She noted that any increases would go toward new teaching positions, and that the schools had no other place to go for funds in that area. Mr. McDaniel noted the schools' prior efforts, stating that 87% of their budget is in personnel-related and that they had reduced personnel by 55 position in past years.

Chairman Higgins noted that the Board of Supervisors would be meeting at 4:00 PM on Monday, March 23rd to continue budget discussions.

Mr. (Buster) Lewis asked if his Board considered the School Board's responses to the Board of Supervisors' questions responsive and if so, how the Board wished to proceed. Chairman Higgins asked Board members if they had any further comments. He noted that the Board has had a hard time getting answers to questions posed to the School Board and that Mr. Campbell has asked for a budget to review but has never received one. Mr. Hinty thanked the School Board for the quick response and said that it was very fair. Mr. McDaniel noted that he understands that Mr. Campbell wants a budget and that the School Board just does not have one right now to share. He noted however that Mr. Campbell has been asked on numerous occasions to come to the School's administrative offices to review budget figures. He said the offer is open and always will be.

Mr. Campbell moved to adjourn. Mr. Ford seconded the motion, and the motion was approved by unanimous roll call vote by the Board.

AYES: Campbell, Ford, Hinty, Lewis, Higgins

NAYES: None

ABSENT: None