

**PETERSBURG SCHOOL BOARD
PETERSBURG, VIRGINIA
SCHOOL BOARD BUDGET WORK SESSION
Petersburg City Public Schools
School Administrative Office
January 12, 2012 – 6:00 p.m.
Jeanette P. Berrios, Board Clerk**

CALL TO ORDER

At 6:12 p.m., Mr. Kenneth L. Pritchett, Chairman of the Petersburg School Board, called the budget work session to order in the main Board Room of the School Administrative Office, 255 South Boulevard, East, Petersburg, VA.

The Board Clerk called the roll with the following members responding:

Ward One:	Mr. Steven L. Pierce, Sr., Vice-Chairman
Ward Two:	Mr. Fred B. Wilson
Ward Three:	Mr. Kenneth L. Pritchett, Chairman
Ward Four:	Mrs. Mary Jane Hendricks
Ward Seven:	Dr. Elsie R. Jarmon (arrived at 6:15 p.m.)

The following school board member was absent: Dr. Kenneth W. Lewis, Ward Five; and Mr. Bernard J. Lundy, Jr., Ward Six

The following staff members were present:

Alvera J. Parrish, Ed.D.	Superintendent
Mrs. Tracie L. Coleman	Director of Budget and Finance
Dr. Shannon Smith	Director of Elementary Instruction
Mr. Willie J. Bell, Jr.	Director of Secondary Instruction
Mr. William Rawles	Director/Technology
Mr. Russell Lawrence	Supervisor/Buildings & Grounds
Ms. Donna Johnson	Supervisor/Food Service
Mrs. Jeanette Berrios	Clerk of the Board

**Budget Discussions – Proposed Budget Development (FY2012-2013) –
Dr. Alvera J. Parrish and Mrs. Tracie L. Coleman**

PCPS Superintendent, Dr. Alvera J. Parrish, welcomed meeting attendees to the first budget work session of the year. She indicated enrollment projections have been previously reviewed, and meetings were held with the leadership team, as well as school level leaders. Dr. Parrish noted that the governor's proposed budget has been released and comparisons and analyses have been done to determine how it will impact Petersburg schools. In addition, one Liaison Committee meeting has been held between city council and the school board.

Dr. Parrish indicated that the goal of the budget session was to provide a high level presentation of *where the school division is* and to address revenue, impacts, and possible reductions as we go forward. She noted that suggested dates for the budget development calendar, along with adjustments, were provided for the school board's consideration and approval. Dr. Parrish introduced Mrs. Tracie Coleman to provide a walk through of the proposed budget development for FY2012-2013.

Mrs. Coleman indicated this is the long session of the General Assembly, noting the General Assembly just convened a sixty-day session the week of January 9th, and that the session is not to end until March. Because the figures will, therefore, be received late, the budget will likely go forward using the governor's proposed budget.

It was noted by Mrs. Coleman that at the state level, both chambers are highly conservative with the Senate being somewhat equal in representation (in terms of Democratic and Republican sides of the chamber) as well as the House being largely Republican. In the past, when the House and Senate versions of the budget came forth, often the governor's budget was somewhere in between the two. She stated that the House was a bit more conservative in spending, which meant that recommendations for educational spending were specific to conservative initiatives, which may have brought about additional funding, but for special types of initiatives that were available at that time.

Mrs. Coleman suggested looking toward the Virginia School Boards Association (VSBA) as the bills come forward, and noted the Association is very active at the state level, and will keep the school board abreast of relevant bills and provide avenues for feedback through the VSBA.

In November or December, the budget development calendar was shared with the school board; however, the dates are place holders and subject to change based upon the needs of the school board and meetings that come forward.

Additionally, Mrs. Coleman indicated she will provide discussion on some of the budget considerations, as well as legislative concerns, projected enrollment (ADM), revenue and expenditure projections. Recommendations and considerations of the school board will be requested as information is brought forward.

Mrs. Coleman suggested delays on the dates for a budget work session on schedule for the following week, as well as a joint meeting with city council to determine a more feasible calendar of meetings as the budget development advances. She indicated that many of the dates have been proposed in order to meet the requested deadline for the school division budget to be provided to the city by March 23rd.

Mrs. Coleman added that a public hearing will be needed, followed by a period of time for discussion and suggestions before action is taken on supporting the budget going forward to the city. The budget calendar dates become very close in order to meet the strict time requirements of the Code of Virginia. Mrs. Coleman stated that with the school board's approval, she will make necessary calendar adjustments for presentation to the school board at the February 2nd regular school board meeting with the understanding that the dates are subject to change.

It was noted by Mrs. Coleman that the preparation of the budget has as its goal to maintain the mission of the school district, which is to strive to ensure that our students become life-long learners. Additionally, it is to attain the superintendent's goals, which address student achievement, teacher quality, leadership capacity, communication with stakeholders, and safe and secure environment; these are the goals being kept at the forefront.

Mrs. Coleman noted that there have been significant increases to the Virginia Retirement System (VRS) and other benefit rates that have been introduced by the governor. Additional funding is always needed to support the increased benefit costs and any potential raises for 2013. She indicated that employees had to absorb some of the medical and dental insurance costs in FY2012. Some of the costs were included in the budget, but some were passed on to employees.

The school division's first wellness program was initiated and ended on Tuesday, January 9, 2012, which highlighted *Maintain, Don't Gain*. Mrs. Coleman indicated that many employees participated in the program. Staff members in the PCPS Business and Finance Office are working on the next phase of the initiative, which will address a weight loss initiative. Individuals have been walking a course around the central office building in an effort to get healthier. Hopefully, this will help produce long-term health benefits.

Reduced staff levels and the need for fewer employees to absorb responsibilities has been an ongoing concern. Also, the average age of employees is increasing. Among the concerns noted by Mrs. Coleman, it was indicated that this is the last year of Federal Stimulus Funds and there will be reductions in entitlement funding as well. *No Child Left Behind* will be a topic of discussion. She noted that normally, when one thing is removed, something else is *put in its place*; this is an unknown variable.

Mrs. Coleman stated that among ongoing concerns is an increase in state and federal standards, an increased need for additional academic supports to assist students, and ongoing maintenance costs for aging facilities. With regard to student enrollment, Mrs. Coleman shared that while enrollment is still declining, it has stabilized somewhat, and the division does not have the number of enrollment reductions as seen previously.

It was indicated that the division has had major renovations and upgrades recently. Mrs. Coleman added that a \$1.5 million Qualified Zone Academy Bond (QZAB) was issued on December 16, 2011, for major capital improvement projects (to include replacement windows at Peabody Middle School).

Ongoing concerns also include providing competitive salaries for teachers, administrative, and support staff. Mrs. Coleman added that the *Efficiency Review* continues to come up for discussion. She noted that people sometimes forget about *where we were* as a division, and *what the funding was*. Mrs. Coleman provided the following budget and enrollment comparison, highlighting how downturns in the economy have required reductions:

Budget Comparisons			
	Fiscal Year		
	2006-2007	2011-2012	Difference
State Fund	\$32,614,990.00	\$26,047,918.00	(\$6,567,072.00)
City Appropriation	9,730,000.00	9,945,000.00	215,000.00
Other Local	667,220.00	697,500.00	30,280.00
Special Revenue	6,787,085.00	8,972,063.00	2,184,978.00
Food Service	2,080,705.00	2,076,241.00	(4,464.00)
Total	\$51,880,000.00	\$47,738,722.00	(\$4,141,278.00)
Enrollment Comparisons	4,747	4,046	(701)

The *Efficiency Review* was implemented in January of FY2006-2007, at which time the school division had an operating budget of \$5.8 million. Mrs. Coleman noted that there has been a major shift in funding since that time. The federal funding has gone up, but of the \$2.1 million difference, \$1.2 million is JOBS funding. In addition, \$1.2 million is school improvement funding. In 2013, \$1.2 million *comes off the top*. While this does reflect additional funding, it must be spent on specific needs.

It was indicated that student enrollment has only declined, as noted above, by 701 students, with state funding reduced by \$6.5 million, and this figure is just for this school year.

Mrs. Coleman presented a comparison of staff positions between FY2006-2007 and FY2011-2012 as indicated below:

POSITION COMPARISONS			
	Fiscal Year		Difference
	2006-2007	2011-2012	
Superintendent	1	1.0	-
Assistant Superintendents	2	1.0	(1)
Directors	7	5.0	(2)
Coordinators/Supervisors	10	12	2
Principals	10	8	(2)
Assistant Principals	15	10	(5)
Elementary Teachers	258	220	(38)
Secondary Teachers	190	129	(61)
Librarian	10	7	(3)
Guidance Counselors	13	12	(1)
School Nurse	10	8	(2)
Other Professionals	35.5	20.5	(15)
Security	5	5.5	0.5
Information Technology	7	7	-
Paraprofessionals	77	76	(1)
Clerical	63	45	(18)
Maintenance	23	19	(4)
Custodial	49.5	40.5	(9)
Bus Drivers	39	36.5	(2.5)
Bus Attendants	13.5	13	(0.5)
Food Service Workers	36	31	(5)
Cafeteria Aides	12	2	(10)
	886.5	709.0	(177.5)

Many of the position reductions were the result of economic conditions, which dictated that difficult decisions had to be made. Mrs. Coleman reiterated that even though the reduction in the number of students from 2006-2007 and 2011-2012 is 177.5, the division has seen the loss of thirty-eight elementary and sixty-one secondary teachers in comparison.

Mrs. Coleman noted the information in the news of the governor's intention to give \$400+ million toward K-12 education. She added that what one may not have heard is that a lot of the money is going back to VRS in benefits costs.

The governor's proposed budget was highlighted to include the following points:

- Revisions to employer rates for fringe benefit contributions paid to VRS for benefit costs.
- Technical adjustments due to re-benchmarking, enrollment, funded salary amounts, prevailing support costs, etc.
- New Composite Indices for 2012-2014 biennium (the Composite Index went up for Petersburg)
- New sales tax and lottery revenue estimates
- ¹Removal of funding for non-personal inflation and removal of funding for cost of competing adjustments for support positions
- ²Includes a portion of ARRA State Fiscal Stabilization
- New programs and initiatives are forthcoming from the governor and in the General Assembly

Mrs. Coleman indicated that benefits contributions are proposed to increase by the following percentages:

- ❖ Increase employer's contribution rate for the professional group (teacher pool) by 5.33%
- ❖ Increase employer's contribution rate for non-professional group by 1.65%
- ❖ Increase employer's contribution rate for health insurance care credit by .51%
- ❖ Increase employer's contribution rate for group life by .91% (nearly doubled)
- ❖ Potential legislature to allow localities to pass on 5% of the employees' share to employees. *Mrs. Coleman indicated that currently, state employees are picking up the cost of the employees' portion of the 5% VRS employee contribution. She added that the budget to be presented to the school board includes the continuance of the school division to contribute the 5% VRS contribution.*

It was noted that *the Composite Index (CI) determines a school division's ability to pay education costs fundamental to the commonwealth's Standards of Quality (SOQ). The CI is calculated using three indicators of a locality's ability-to-pay based on true value of real property (weighted 50 percent); adjusted gross income (weighted 40%); and taxable retail sales (weighted 10 percent).* Mrs. Coleman reiterated that the CI for Petersburg did increase due to the increase of real property values in the City of Petersburg in the base year of 2009 (an increase of 15%). The original rate was .2255, and the current rate is .2516 (an increase of .0261).

In addition, vocational education SOQ funding, as well as some one-time funding for operating costs decreased (*program funding decreased and redirected to governor's initiatives*). *This reduction may potentially include reductions in the pre-kindergarten program.*

¹ In essence, these removals from the funding formula mean the state is funding less.

² This means the state uses federal funds to support funding that was given by the federal government for K-12 education.

Currently, the school division's Average Daily Membership (ADM) projections have been favorable, which means the school division may garner additional revenue going forward. Additionally, Mrs. Coleman said this may help the school division in conversations with the city. Seventy-five additional students are projected for FY2013.

Mrs. Coleman presented an overview of the following revenue assumptions:

- **State Source**
 - ✓ Declining due to enrollment loss
 - ✓ Declining due to change in composite index
 - ✓ Increased VRS and other benefit rates

- **Federal Grant Revenue**
 - ✓ Elimination of Stimulus Funds
 - ✓ Reduced entitlement funding (Title I; Title II, Part A, IDEA - federal government leaning towards competitive grants)

- **Local Funding**
 - ✓ City appropriation, level funding (or increased support)
 - ✓ Local fees

With regard to major anticipated revenue losses, Mrs. Coleman noted the following: a JOBS Funding loss of \$1.2 million; the natural end of the approximate six-year Algebra Project funded by the Cameron Foundation in an amount of \$255,000; and miscellaneous entitlements and School Improvement Funds in the amount of \$369,310 (to include funds for Title I; Title II, Part A, and IDEA).

Mrs. Coleman noted that the revenue is somewhat flat, and while the decrease is relatively small at \$259,059 (using the governor's proposed budget), one must take into consideration what expenses will increase. If incomes remain the same, and expenses rise, expenses will need to be cut.

It was indicated by Mrs. Coleman that often the funds in the General Fund support programs within the schools. The federal funds, on the other hand, are very specific and can only be used to supplement, not supplant. Federal funds cannot be used for discretionary types of programs. Some of the General Funds are specific in nature, but there is generally greater flexibility in how the funds may be used.

Mrs. Coleman shared with school board members that revenue detail provided delineates line-by-line revenue streams, noting that items in red indicate reduced revenue. She noted there is reduced revenue in the amount of \$63,309 in vocational education, as well as \$412,008 in funding *support for personnel and operations* that has been eliminated. Funding for foster children is decreasing. Many local fees remain the same; however, the federal revenues are going down. Mrs. Coleman noted a \$169,509 reduction in Title I, Part A school improvement revenue. Additionally, she highlighted a reduction of \$141,121 for special education; \$11,968 reduction in Carl Perkins Vocational Education; \$29,830 reduction for *Gear Up (this is anticipated to be the last year of funding for this program that benefits PHS twelfth graders)*.

Dr. Elsie R. Jarmon indicated that *what is going to be really important to digest is not just the number figure, but the actual impact from that number figure reduction. That is what the community really needs to know.* In essence we are saying, “*We are missing this money, now we cannot do this or that.*” Mrs. Coleman concurred adding that where before the division may have been able to provide support by offering services using federal funds, this is now becoming a major challenge with the funds being removed at the federal level.

Mrs. Coleman stated that was her desire to let the school board know the reductions facing the school division and the impact from a programmatic standpoint for 2013. She added that *just because funding takes place at the state level, we will not know what the nuts and bolts mean until the detail is received of what it means to Petersburg schools.*

With regard to the \$255,000 Cameron Foundation funding for the Algebra Project, Mrs. Coleman noted that while the funds did not necessarily support full time staff, valuable staff development programs were supported, adding that the program has done a wonderful job of building capacity.

Dr. Elsie R. Jarmon noted that *as usual, even though we are constantly losing funds, we are still held to the same standards.* Mrs. Coleman added that even more is being required, such as the new teacher evaluation tool being discussed.

Mrs. Coleman addressed the *tough part of the budget considerations as we move forward.* She stated that the original revenue for FY2012 is \$47.7 million (the original personnel and non-personnel budget). Mrs. Coleman added that when the \$259,050 reduction is removed, the proposed revenue will then be nearly \$47.5 million (\$47,479,672). The personnel and non-personnel expenditures changed somewhat and the division is approximately at \$49.8 million.

She indicated efforts were made to determine the reason for the change; i.e. increase in personnel costs after the budget was approved (\$245,000 increase); VRS rate increase (nearly \$1.3 million); health insurance (\$120,000); group life insurance (\$237,000); other benefit costs (\$771); as well as an increase in federal requirements for SES services. Mrs. Coleman stated that *when the schools do not make Adequate Yearly Progress (AYP), SES services are required. Out of the approximate \$2.1 million in Title I, 20% is required to be set aside (over \$800,000 was set aside for SES services). When the school division has to set aside monies for SES, the funding is not available for other support services needed.*

Mrs. Coleman noted that the state did cover some funding for the VRS increase, but not all that is required for VRS coverage. She added that Budget Option #1 includes mandatory increase in VRS rates only. Budget Option #2 includes mandatory increase in VRS rates, and a potential 6% increase in health and dental premiums (at a budget shortfall of approximately \$2.7 million. Mrs. Coleman expressed that with this option the school division could request additional funding from the city to cover bonuses for employees using left over funds from the schools. Based on initial revenue discussions held between city administrators, Dr. Parrish, and Mrs. Coleman, it is anticipated that revenues will remain flat at the city, and funding will not likely be available to support increased spending for the schools. The city is looking at staffing in the city and looking at other ways to provide funding. Mrs. Coleman indicated it is unsure where these discussions will lead. If the school division can move forward with support for any remaining school district funds being utilized for bonuses for employees, as we did before, it is a positive discussion to have. At this time, based on end-of-year projections, it appears the school division will have a surplus of approximately \$1.2 million. She added that the division's increased enrollment will garner \$500,000.

Budget Option #3 includes a 12% increase in health and dental premiums. Mrs. Coleman stated that PCPS normally negotiates to try to keep the health and dental premiums below an increase of 12%. There is a potential 12% increase; however, this is not always the case in Petersburg.

Budget Option #4 includes a 1% increase in salary and a 12% increase in health and dental premiums (\$3.1 million). A little over \$3,000 will be required to provide a 1% salary increase. Budget Option #5 includes a 2% raise and 12% health and dental. Option #6 includes a 3% raise and 12% health and dental.

Questions and concerns of school board members follow:

Dr. Elsie R. Jarmon inquired about the availability of additional QZAB funding. Mrs. Coleman indicated a lot of discussion needs to be held with the city as to what is or is not possible as relates to QZABs and debt payment. She added that the discussions related to the feasibility of joint medical and dental insurance coverage for city and school division employees has been held.

Mr. Fred B. Wilson asked when QZABs may be paid off. Mrs. Coleman responded that the closest pay off of QZABs is 2014 or 2015.

Mrs. Coleman noted that the school board had been provided with the detailed line-item budget for each budget unit or location to include personnel and non-personnel expenditures. The expense line item for personnel costs are the projected costs using Option #1, the numbers would change depending on whether or not other options are utilized.

Mr. Kenneth L. Pritchett for clarification asked Mrs. Coleman if the deficit is \$2.3 million. Mrs. Coleman responded that the figure is including picking up the VRS required costs, not any other increases. He noted that we, therefore, really do not know what the deficit will be including the medical and dental. Mrs. Coleman answered affirmatively. Currently, we are working with just the \$2.3. Going forward, Mrs. Coleman said that if we work with a 6% with the possibility to request funds for bonuses, this will be a good conversation. Feedback from employees indicated concern regarding increased health insurance costs. Mrs. Coleman stated that, *"The truth of the matter is we are between a rock and a hard place."*

Mr. Pritchett indicated to Dr. Parrish, that if it was the will of the school board, that he would like to see what it would look like with the \$2.3 million deficit and where the reductions would come from to cover this amount. Dr. Parrish indicated that a number of areas, to include ARRA positions, attrition, and other variables to see what the impact will be, and will be brought back before the school board.

Ms. Mary Jane Hendricks asked if *there is any guarantee that monies set aside in the VRS will not be utilized again in two more years.* Mrs. Coleman said she is not aware of any guarantee. Ms. Hendricks said *we need to arm the teachers with the knowledge that they need to get in touch with legislators. As school board members, we do not have any control over this. She said the budget needs to remain a main focus.* One of her biggest concerns is that constant action is taking place with the budget while a budget and finance director is sought. Dr. Parrish said the next step is to bridge the gap between Mrs. Coleman leaving and another individual coming on board. Dr. Parrish indicated that the budget will be produced whether or not someone is in place.

Mr. Fred B. Wilson asked if the division is looking towards bringing someone in temporarily to assist with the budget development. Dr. Parrish noted that as superintendent, she would ensure the division is on schedule.

Mr. Linwood Christian – 410 Mistletoe Street, Petersburg, VA

Mr. Christian asked, in relation to the Liaison Committee, how many members it takes to address the school division’s budget. He noted discussions have been held previously regarding requesting assistance from the community.

Dr. Parrish asked if there was any additional feedback from the school board as we move forward. Mr. Pritchett indicated he will not have any until he sees what the anticipated cuts will be. Dr. Jarmon concurred. Dr. Parrish said she will move forward keeping the budget calendar fluid, and will hold off on a consideration for a joint meeting at this time.

ADJOURNMENT

Following a motion by Dr. Elsie R. Jarmon, and a second by Mr. Steven L. Pierce, Sr., the school board, with no opposing vote, unanimously agreed to adjourn at 8:33 p.m.

Clerk of the Board

APPROVAL Approved:

Chairman of the Board