

**PETERSBURG SCHOOL BOARD
PETERSBURG, VIRGINIA
BOARD BUDGET WORK SESSION – 6:30 p.m.
January 23, 2013
Jeanette P. Berrios, Board Clerk**

CALL TO ORDER

At 6:31 p.m., the Clerk of the Petersburg School Board called the Budget Work Session of the Petersburg School Board to order in the main Board Room of the School Administrative Office, 255 South Boulevard, East, Petersburg, VA.

The following school board members were present:

Ward One:	Mr. Steven L. Pierce, Sr., Vice-Chairman
Ward Two:	Mr. Atiba H. Muse
Ward Three:	Mr. Kenneth L. Pritchett, Chairman
Ward Five:	Dr. Kenneth W. Lewis
Ward Seven:	Dr. Elsie R. Jarmon

The following school board members were absent: Ms. Patricia A. Hines (Ward 4); and Mr. Bernard J. Lundy, Jr. (Ward 6).

The following staff members were present:

Dr. Joseph C. Melvin	Superintendent
Ms. Gianna Grier	Director/Human Resources
Dr. Shannon Smith	Director/Elementary Instruction
Mr. Charles Ponton	Director/Technology
Mrs. Gwendolyn Price	Coordinator/Testing
Ms. Nicole Bell-Van Patten	Public Information Officer
Mr. Johnny Fobbs	Supervisor/Warehousing
Mrs. Jeanette Berrios	Clerk of the Board

Budget Work Session Discussion – Dr. Joseph C. Melvin and Ms. Denise Sandlin

Dr. Joseph C. Melvin welcomed school board members to the school board budget work session. He noted that members had received the *PCPS Superintendent's Draft Budget for FY2014*.

Dr. Melvin indicated an overview of the budget work session objectives to include the following:

- Overview
- Proposed Budget Calendar
- Enrollment/ADM Projections
- Position comparison
- Projected Fiscal Outlook
- Revenue Projections
- Budget Considerations
- Potential Savings
- Sequestration
- Capital Projects
- Board Recommendations or Areas of Consideration

Dr. Melvin stated that the budget calendar was approved at the last school board meeting (January 9, 2013). The calendar consists of the following:

PETERSBURG PUBLIC SCHOOLS 2013 – 2014 DRAFT BUDGET DEVELOPMENT CALENDAR	
October, 2012	School Board Meeting & Leadership Team discussion with the Superintendent for the upcoming budget development
November, 2012	Budget Materials to Top Management & Leadership Personnel – School Board Office
December 18, 2012	Governor’s Proposed Budget Released
January 23, 2013	School Board Budget Work Session Overview Based on Governor’s Proposed Budget School Board Office, 6:30 P.M.
February 4, 2013	Budget Work Session with School Board School Board Office, 6:30 P.M.
February 21, 2013	Liaison Meeting with City Council and School Board
February 25, 2013	Public Hearing – School Board School Board Office, 6:30 P.M.
March 4, 2013	Budget Work Session with School Board School Board Office, 6:30 P.M.
March 13, 2013	Approval of FY 2013-2014 Draft Budget by the School Board School Board Office, 6:30 P.M.
TBD	Joint Meeting with City Council and School Board Petersburg High School, 6:30 P.M.
April 2, 2013*	Submittal of FY 2013-2014 Budget Request to the City Manager
April 4, 2013*	City Council Work Session Train Station, 7:30 P.M.
April 16, 2013*	Public Hearing – City Train Station, 7:30 P.M.
April 18, 2013*	City Council Work Session Train Station, 7:30 P.M.
May 07, 2013*	Approval of FY 2013- 2014 Budget by the City Council Train Station, 7:30 P.M.
May 15, 2013*	Approval of FY 2013-2014 Budget by the School Board School Board Office, 6:30 P.M.

*Tentative

Dr. Melvin highlighted the following topics:

- The Petersburg City Public Schools' (PCPS) *Mission Statement*
- The Superintendent's Seven-point Priority Plan (as follows):
 1. To ensure that strong and consistent leadership is provided for every school and department throughout the school division
 2. Increase student achievement at all levels and grades
 - Detailed focus on professional development for staff with assistance from division partners
 - Thorough review of instructional programs
 3. Meet State accreditation and all federal mandates
 - Focus on instructional excellence
 - Data decision making
 4. Intense focus on early literacy in grades pre-K through grade 5
 5. Building a 21st Century environment
 6. Ensure our schools are safe and secure
 7. Improve communication among all division stakeholders
- Budget Concerns – FY 2014
 - Salaries have not increased prior to FY 2008

It was indicated by Dr. Melvin that at this point, the average salaries for Petersburg's beginning teachers and principals are among the lowest in the region (the figures may be provided upon the request of the school board).

- State funding a 2% compensation supplement with a local match to SOQ teachers only
 - State will not sustain increase the following year
 - Must be able to meet local match
 - It is tied to another bill to be passed
 - 2% can be applied towards the VRS 5% mandated increase to employees

In addition, it was noted that the 2% increase proposed by the governor will cost the school division an additional \$1 million.

- VRS mandated minimum 1% increase toward the total 5%
 - PCPS will have to meet 2% towards the 5% needed

Last year the state required the school system to apply a 5% VRS contribution (i.e. 5% in one year, or spread it out over a 5-year period).

PCPS opted to spread the amount out over a period of five years. Thus, this year the school division will be required to make a 2% contribution.

Dr. Melvin shared that PCPS covered 100% of health insurance costs last year. This year a 15% health insurance increase has been quoted by our current health care provider.

- Federal grants funds reduced by \$709,000 (i.e. School Improvement Grants, etc.)
- Reduced staff levels, thus fewer employees to absorb responsibilities
- Increase in average age of employees
- Competitive salaries for teachers, administrative, and support staff.

A breakdown of the health care 15% increase was provided as noted below:

- ❖ Health care reforms fees of \$142,910 (an additional 2.9% increase)
- ❖ Large claims in FY 2013 will increase premiums by 4.3% (which added \$200,000 to the projected cost)
- ❖ As indicated previously, PCPS funded 100% of the FT 2013 increase of 12%
- ❖ Employees absorbed the FY 2012 cost increase of 8%
- ❖ Part-time employees that work 30+ hours must be offered health insurance due to health care reforms
- ❖ All part-time positions that will be affected follow:
 - Bus Drivers
 - Food Services
 - Security Guards
 - Paraprofessionals
 - Day Tutors
 - Substitutes
- Additional academic supports are required to assist students

Dr. Melvin indicated that when employees absorb the health care costs, there is a direct decrease in their salaries. In addition, he noted that there should be a causal relationship of increased enrollment with an increase of teachers, or vice versa, but this is not always significant.

He added that in some cases, when there is a decrease in student enrollment, an increase in teachers may be needed due to special education concerns, etc. Declining enrollment does not always mean that the district has fewer teachers.

The Maintenance of Effort (MOE) (SPED) at this point is higher than required for a school division the size of the PCPS. Dr. Melvin stated that in order for the district to continue to meet federal and state requirements, the division must provide a certain number of employees in order to meet the MOE.

Dr. Melvin presented budget and enrollment comparisons for FY 2009-2010 and 2013-2014. He noted that it may be seen that the school district's state funds in 2010 were more than projected state funds for FY 2013-2014, which is nearly a \$3 million decrease. He added that city appropriation has decreased by \$605,000; other local funds and revenues have also decreased. In addition, special revenue (federal funding) (i.e. Stimulus funding, etc.) has decreased in the comparison presented, by \$3,408,169. On a positive note, Food Services has shown an increase from \$2,113,101 in FY 2009-2010 to a projected \$2,251,180 in FY 2013-2014 (a difference of \$138,079).

It was indicated that the total deficit between the FY 2009-2013 and FY 2013-2014 projected figures is \$7,530,169, and there is not a direct correlation with the district's enrollment decrease (i.e. 4,248 in FY 2009-2010, and a projected 4,161 in FY 2013-2014).

It was noted by Dr. Melvin that the district's September 30 Average Daily Membership (ADM) for FY 2012 was 4,121, and the projected ADM for FY 2013 was 4,161. He reminded the school board that each student represents a per pupil expenditure of approximately \$9,000.

Position comparisons between FY 2006-2007, FY 2012-2013, and FY 2013-2014 were presented by Dr. Melvin. It was seen by the data that the district has lost a considerable number of staff members (i.e. 886 in FY 2006-2007, and 678 in FY 2012-2013). The projected position loss for FY 2013-2014 is 687.

Ms. Denise Sandlin presented the projected fiscal outlook and information related to the governor's proposed budget. She indicated it was a pleasure to present the proposed budget to the board, and invited any questions members may have. She expressed her appreciation for Dr. Melvin's guidance, and noted they make a *good team*.

It was indicated that the governor's proposed budget came out on December 17, 2012, and it is fully expected on February 17, 2013, that the House and Senate will weigh in on his budget. It is anticipated that the governor's budget will be accepted without change.

Ms. Sandlin indicated that last year there were a number of revisions to the benefits rates (i.e. rate increases for retirement and disability) which greatly impacted the school system. There were no revisions this year. VRS had a great impact last year, but this year there was not a big impact in this area. Following are additional highlights shared related to the governor's proposed budget:

- ✓ No revisions to employer rates for fringe benefit contributions paid to VRS for benefits costs
- ✓ Provides funding for state's share of 2% salary for all funded SOQ instructional positions for FY 2014 (i.e. tied to another bill and contingent on the bill's passage). In addition, the state communicated via conference call that this 2% is not sustainable by the state, and will not guarantee a state share for next year or the following year, but will only be available this year. If the bill passes, it will provide \$270,000 for Petersburg for the referenced salary increase.
- ✓ Updating sales tax and Lottery revenue
- ✓ Updating direct aid accounts for enrollment changes, program participants, and other technical changes
- ✓ Provides funding for the state's share of one reading specialist per elementary school that scored below a 75% (A.P. Hill Elementary School) – the state provided the salary, and the school division matched by providing benefits for the reading specialists.
- ✓ Removal of funding for cost competing adjustments for support positions
- ✓ It is always possible for new program initiatives to come forth.

With regard to revenue assumptions, Ms. Sandlin noted:

- **State source:**
 - ❖ Declining due to enrollment loss
- **Federal grant revenue:**
 - ❖ Elimination of Stimulus Funds (completely off the table as of next year)
 - ❖ Reduced Entitlement Funding, federal government leaning towards competitive grants (Petersburg needs to look at available competitive grants to see how this district can compete with other districts.)
- **Local funding**
 - ❖ City appropriation is at level funding
 - ❖ Local fees – slight reduction

Ms. Sandlin highlighted some of the major anticipated revenue losses to include the following:

➤ **Federal Funding**

- School Improvement Funds – 1003g of \$709,000
(PCPS has school improvement grants; a portion will be kept for one school; however, the other school will lose all of its funding under the grant. On a positive note, the loss of funding in this instance will be due to the school meeting the Annual Measureable Objectives (AMO).
- Head Start – decrease in funding in the amount of by \$22,637
- Title I Consolidated – decrease in funding by \$25,000

This is indicative that the federal government is also trying to balance budgets as well.

➤ **State Funding**

- Sale Tax (51) - \$438,369
- State incentives (52) - \$48,883
- State Categorical (53) - \$23,829

Ms. Sandlin noted that it appears the state removed a portion of funding from the referenced categories to fund the 2% SOQ salary increases.

➤ **Local Revenue**

- Local School Board Revenue (58) - \$100,000
- It was indicated by Ms. Sandlin that for the past two years, the school district has collected no revenue for special education tuition from other districts for the past two years. (\$30,000)
- Field trips – non PCPS – The district has not rented school system busses in two years (\$5,000). She noted she is trying to *bring our budget to actuals*.
- Trips – PCPS – This \$50,000 was double counted as it is accounted for in federal grant revenue (i.e. either Title I or SIG grants). The amount was also counted as trips.
- Rental property – Over the past two years, it has decreased by \$15,000.

A fund summary comparison between FY's 2011, 2012, 2013, and 2014, was provided by Ms. Sandlin (i.e. General Fund, City Transfer, Food Service, and Special Revenue). The comparative figures were noted: FY 2011 (total – all funds: \$47,381,498) FY 2012 (total – all funds: \$47,738,722) FY 2013 (total – all funds: \$50,086,417) and FY 2014Gov (anticipated – total – all funds: \$48,255,576). The school district has reduced revenue of \$1,830,941 (FY 2013 vs FY 2014 (-16.48%). She noted the General Fund takes into consideration everything but the federal funds.

Ms. Sandlin presented comparative revenue detail of FY's 2013 and 2014. Sales tax increased slightly; however, the State Basic category was decreased. Additionally, a decrease in state incentive (52) in the amount of \$48,883.00 was noted (i.e. ISAEP grants, K-3 Class Size, etc.). In (53) state category, funds are decreased by \$23,829.00 (i.e. vocational education, special education homebound funding, special education tuition funding, etc.). An order of business during the budget development is to match expenditures with revenues.

In response to an inquiry from **Dr. Kenneth W. Lewis** related to whether a regular tuition line item is in the budget, Ms. Sandlin noted there is no tuition line item in the budget. She added that she can review data for the past two years to determine the amount that has been collected and include such a line item if desired.

Ms. Sandlin reiterated that there has been a slight increase in food revenue, which is attributed to the receipt of *fruits and vegetables* monies received. A portion was received last year, but was not budgeted last year. The funds; however, have been included in this budget as food service revenue.

Fund 07 Special Revenue (federal funding) was highlighted, which includes summer programming. Ms. Sandlin stated that State Incentive (52) comes through some federal funding. The State Categorical (53) revenue was noted; Title I-A, revenue was at \$2.6 million last year, which reflected \$180,000 in carry forward funds utilized from the previous year. The true funding for Title I for FY 2012-2013 was \$2.5 million. The FY 2013-2014 revenue projection is \$2.4 million.

In addition, when the school system receives the School Improvement Grant (SIG) for Peabody Middle School, it will be classified as a 1003a versus a 1003g, which is why the revenue detail schematic presented indicates \$370,000.00 in projected revenue for FY 2013-2014, and no 1003a revenue is shown for the previous year.

It was reiterated that the school district will lose the SIG grant for Vernon Johns Junior High School (VJHS) as the school is going to meet AMO. \$370,000 has been moved from the \$1.79 million 1003g line item to the 1003a line item.

With regard to the fact that Vernon Johns' success leading to loss of funds, **Dr. Kenneth W. Lewis** asked if there is a strategic plan in place to ensure that VJJHS will continue to be as successful without the funding.

Dr. Joseph C. Melvin responded that discussions have been held regarding sustainability, and being to recreate some of the things that have happened over the last two or three years to improve VJJHS and some of the other schools. Dr. Melvin indicated this is part of the *Superintendent's Seven-point Priority Plan*. Committees will meet with turnaround partners in order to put together a strategic plan in order to sustain best practices.

Dr. Lewis presented an analogy of having *a very expensive bandage that covered an academic wound; now the wound is healed and bandage is gone, but we want to make sure there is no internal infection that causes it again.*

Dr. Elsie R. Jarmon asked Ms. Sandlin to provide a breakdown of the programs that are being eliminated by the loss of the \$709,000 SIG funding (i.e. people hired, duties performed, tutors, etc.). Ms. Sandlin provided a breakdown of SIG funded programs at each of the four PCPS district SIG schools.

A.P. Hill Elementary School will not lose any SIG funds next year; the school will receive \$545,725.40. Funding from the SIG is provided for day tutors, after-school tutors, Saturday writing tutors (all of which will come through the district's payroll), summer school teachers, incentive stipends, professional development (i.e. provided over the summer or out of contract hours); stipends outside of contract hours, intervention specialist (to help with reading and math), and an *Accelerated Reading* coach (part-time position), along with personnel benefits the school division will have to pay. Ms. Sandlin added that as many of the tutors are classified as part-time, only FICA benefits are required.

Under purchase services, it was noted that one of the requirements for the SIG is that the district must have external lead turnaround partners, and the bulk of the grant money is expended for this item. The remaining funds are utilized to purchase software systems that aid students in the learning process. Travel expenses are also incurred (VDOE expects staff members to attend certain meetings). In addition, there are material and supply expenditures, *Accelerated Reading* incentives for the students (i.e. *AR Cougar Bucks*, instructional materials, and teacher recognitions).

Ms. Sandlin noted that **J.E.B. Stuart Elementary School** receives the same amount of SIG funding, which covers the same types of activities and associated expenditures as indicated for A.P. Hill Elementary School.

Peabody Middle School received \$641,000 but now will only have \$370,000. Ms. Sandlin indicated this has been confirmed with VDOE. Even though typically the 1003a grant does not allow the addition of any personnel, because the personnel existed previously, the funding is being allowed.

Ms. Sandlin stated that if this grant goes away next year, or the following year, there are teachers covered under the funding, along with four paraprofessionals, full-time benefits and FICA on teachers, and there is a pay for performance as well.

According to Dr. Kathleen Smith with VDOE's Office of School Improvement, while the schools will not have a lead turnaround partner, they will have an alternative to that. This is something that must be determined. There are also different consultants (i.e. math consultant) to assist as the district moves forward. Ms. Sandlin indicated she is unsure if funding for diagnostics will be needed, as this depends on the type of testing that is utilized. Ms. Sandlin left the item in the budget in case it is needed. She added that *Carnegie Software* is new software that is being used to support reading and math skill development. Funding also covers the expenses of math manipulative materials, reading supplemental materials, and student incentives. Ms. Sandlin reiterated that expenditures for these items and/or services comprise the \$370,000 SIG funds noted.

Ms. Sandlin noted that when the lead turnaround partner is removed from the equation, a large portion of the monies are eliminated.

Mr. Kenneth L. Pritchett asked if it is true that Cambridge Education will be gone from the schools before the end of the school year. Ms. Sandlin indicated this is a comment she received from Dr. Annie Harman, Chief Academic Officer. The information has not been decidedly confirmed. Dr. Melvin indicated he has a meeting with the State Department in February, and the details will likely unfold, noting 100% verification has not been received.

Dr. Elsie R. Jarmon noted that her concern is definitely about sustainability with the money removed as the tutors, intervention specialists, and software will still be needed. Dr. Jarmon indicated this remains her greatest concern, that the district still has money to cover these most needed positions.

Ms. Sandlin indicated that in the event VJJHS does not meet AMO, the school will receive the same amount of \$370,000 in SIG as Peabody Middle School as indicated by Dr. Kathleen Smith. Ms. Sandlin noted she has already moved the funding to cover anticipated needs to the General Fund, and the budget is inclusive of this.

Dr. Melvin added that what we have seen thus far with the preliminary SOL results is that VJJHS looks good at this point. He noted the expectation is that VJJHS will meet required standards.

Dr. Jarmon reiterated her concern regarding sustainability and indicated, *“They look good because of the support that was provided; if you move the ladder, will they fall?”* Dr. Melvin responded that to prevent this from happening, *we will get our committees together so that we will be able to duplicate and sustain what has been done over the last couple of years.* He noted *the best time to do that is when they are still here.* This will be started as of February 4, 2013, and should have a draft for the school board of best practices for all of our schools by May or June. This process will take place while everyone who has been part of the process is still in place. *We will have the sustainability guide to be able to move forward even with a change of staff.*

Ms. Sandlin indicated that meetings have been held with federal programs related to all of the budgetary spreadsheets, and with VDOE Consultant, Ms. Brenda Spencer. Ms. Sandlin stated that one thing the district does need to work on is the alternate program piece. She said that at the end of the budget the schools are able to see where their money is, what account codes they are in, what they can spend (the spreadsheet is also able to be expanded as needed) and thus schools will have a useable document as they move forward.

Ms. Sandlin indicated her spreadsheets contain information on all of the federal programs if school board members wish to receive copies. Dr. Jarmon indicated she would like to receive a copy. Ms. Sandlin said she will forward the document to board members.

Dr. Kenneth W. Lewis asked about the evaluation process for the effectiveness of the program, and asked Dr. Melvin and/or Ms. Sandlin to address this. Dr. Melvin responded that with the turnaround program, a monthly Executive Alliance meeting is held (minutes of which are available). The district has been assessing the turnaround partners over the last couple of years in Petersburg, and indicated that since he has come onboard; he has attended every Executive Alliance meeting. Dr. Melvin noted that he requested a two-year data trend be provided to indicate where the district was two years ago with the turnaround partner, and where we are today. This information will be reported to the State Department as of next month. Dr. Melvin indicated the school board will certainly receive a draft of the information for review before it is reported to the State Department. He added that it will certainly address sustainability, as well as the results of the input of the turnaround partners over the last three years, and the data to show those results.

Dr. Melvin reiterated that the district needs to be able to sustain the process if in the worst case scenario funding for recovery is not forthcoming. The purpose was not for the turnaround partners to stay here, but for the district to be able to continue on our own. He added that while the money is something that is needed, the district *cannot be saddled with this, but we need to be able to sustain ourselves independently, or with programs that will enable us to make the kinds of decisions in order to move our schools forward.*

Dr. Kenneth W. Lewis asked if the report notation regarding teacher pay for performance of \$3,000 for up to ten teachers is something that has actually happened or is it something that is projected to happen. Ms. Sandlin responded that this happened this past year; however, based on the performance measurement, not every teacher was rewarded. The pay for performance reward was tied to student growth percentiles. Payments went forth in October, 2012. She added that a principal performance measure is now being considered. Ms. Sandlin indicated the district is budgeted for the maximum amount, but this does not necessarily mean that the total amount will be paid out.

Dr. Elsie R. Jarmon noted that some will agree that the district can sustain without turnaround partners, but some of the other persons are needed (i.e. tutors, intervention specialists, and consultants, etc.) Ms. Sandlin concurred that if the district does not have turnaround partners, support staff are definitely needed. Ms. Sandlin indicated she sees turnaround partners as entities that *teach you how to fish so you can fish forever*.

In response to an inquiry from **Dr. Elsie R. Jarmon** related to the report information that states that PCPS has not received any special education tuition in two years, Ms. Sandlin answered affirmatively. To clarify, Ms. Sandlin noted that other school districts have not sent their special education students to Petersburg to be taught. The district; however, has been budgeting as if this was going to happen, but it has not happened. Ms. Sandlin stated that as she is very conservative related to revenue, and as no revenue has been seen in two years, she pulled this piece from the budget. She added that Petersburg is sending some special education students to other school districts, but the other districts have not sent their students to PCPS. Ms. Sandlin indicated she wants to ensure that revenues and expenditures are aligned. **Dr. Jarmon** expressed appreciation for this.

Mr. Steven L. Pierce, Sr., with regard to the teacher pay for performance, asked how many teachers received the incentive. Mr. Sandlin responded that based upon the report information provided by the instructional department, payments were made to three teachers whose student growth measurement met requirements for the incentive pay. The information was also reported to VDOE. **Mr. Pierce** asked where the unexpended pay for performance funds was distributed. Ms. Sandlin clarified that as the funds are grant monies and had to be spent, the funds were transferred. In essence, the grants must be spent or returned. **Mr. Pierce** inquired if the report may reflect where the remaining funds were transferred. Ms. Sandlin answered affirmatively, and noted that the grants are reconciled on a monthly basis. Monies may be moved through VDOE and the OMEGA program to various line items where funds are needed. Ms. Sandlin indicated she will provide detail on the transferred funds.

Dr. Kenneth W. Lewis asked about the math consultant fee of \$1,200 per day. Ms. Sandlin indicated the consultant is well-respected in her field and has had a tremendous impact. She does not know if this individual's services; however, will continue to be utilized.

Mr. Kenneth L. Pritchett asked if at the end of the budget process a plan for Peabody Middle School is to be presented. He indicated that as a board it is known that if Peabody becomes accredited, it will get the state, senators, delegates, and governor *off of Petersburg's back*. He asked if a plan for Peabody can be presented this year to *bring Peabody out ASAP*. Dr. Melvin answered affirmatively. Mr. Pritchett noted that the results are going up, but not quickly enough.

Dr. Kenneth W. Lewis noted that he learned of a new opportunity today that the governor has for schools such as Peabody. **Mr. Kenneth L. Pritchett** expounded to say that there is proposed legislation, which he disseminated to principals and Dr. Melvin, that says if a school has been denied accreditation for two years, the state will operate the schools for five years and give overview of the schools back to the locality once the school is accredited. Mr. Pritchett added that the monies would go to the state. **Dr. Lewis** noted that they are excited to bring this to Peabody.

Mr. Steven L. Pierce, Sr., indicated the history of it all is centered in charter school discussions. Ms. Sandlin added the state will likely determine the amount of money to be sent to them in the event the state takes on overview of a school.

Ms. Sandlin provided additional revenue detail comparisons between FY 2012-2013 and FY 2013-2014 noting federal grants, and reiterated that the Stimulus Grant (5597) will be gone for FY 2013-2014.

Budget projections for FY 2014 were presented and compared to FY 2013 revenue with highlights as follow:

- **FY 2013 Revenue:** \$50,086,417.30
- **FY 2013 Adopted Expenditures** Original Budget/Personnel: \$38,796,990.30
& Original Budget/Non-Personnel: \$11,289,427.00
- **Total FY 2013 Budget:** \$50,086,417

- **Revenue Change - FY 2014: \$1,830,940.98**
- **Proposed Revenue – FY 2014:** \$48,255,476.32
 - ✓ Special Revenue (Federal): \$7,670,175.00
 - ✓ State Revenue: \$27,474,876.00
 - ✓ Food Service: \$2,251,180.32
 - ✓ City Transfer: \$10,445,000.00
 - ✓ Local Revenue: \$414,245.00

- **Proposed Expenditures for FY 2014:**
 - ✓ Proposed Personnel: \$39,564,283.59
 - ✓ Proposed Non-Personnel: \$10,075,154.03
 - Total: \$49,639,437.62**

- **Health Insurance Cost – 15% Increase: (\$573,377.64)**
- **Health Care Reform ACA Fees: (\$142,910.00)**

- *Surplus/Deficit: (\$2,100,248.94)**

Following the presentation, the following questions/comments were received:

Dr. Kenneth W. Lewis asked who will realize the 15% health insurance cost. Ms. Sandlin indicated this is something the school board will need to decide. She added that various avenues are being considered. The new healthcare reforms are very complex, and as the school district has a lot of part-time employees this matter will be reviewed. Health insurance must be offered to employees who work 30+ hours per week; employees are considered to be full- or part-time (as well as substitutes) who are paid by the school system.

Dr. Lewis inquired what is being done within the PCPS to encourage good health. He asked about the trends of the district's claims. Ms. Sandlin indicated the trend of our claims data in January is looking somewhat better. Two large claims; however, have affected the district's costs. In response to Dr. Lewis's question related to wellness encouragement, she noted that a health initiative was put in place last year for employees (i.e. healthy eating tips, and an employee walking path was mapped out at central office to encourage employees to eat right and walk to reduce body weight).

Dr. Elsie R. Jarmon stated that health insurance has a direct impact on the employee's paycheck. Mr. Sandlin noted that the school board last year agreed to assume the entire 12% health insurance increase. The board may decide to have the employee pick up a portion or the entire insurance cost increase depending upon what the school board decides to do from a budgetary stand point. In FY 2012, the employees did pick up the entire 8% health insurance increase.

In response to discussion by **Dr. Jarmon** regarding the insurance premiums being paid by PCPS employees, Ms. Sandlin indicated currently the employee pays a portion and the school system pays a portion. Some employees elect to have an individual or family plan. **Dr. Jarmon** noted that worker's compensation has a direct impact on the district's budget. She said there is a wellness program for employee health insurance impact, and with worker's compensation (i.e. risk management; slips, trips, and falls). Ms. Sandlin confirmed that the district is under the Virginia Municipal League (VML) program.

Ms. Sandlin indicated she has spoken with the Virginia School Boards Association (VSBA) and the association is going to provide a quote, as that organization is self-insured. She added that she has looked at the school district's claims and thinks they are on the high side, and feels there is more that can be done. VSBA does offer a safety plan with representatives to come in and train and work with our employees to help them. VSBA is also working on quotes for general liability property insurance. The big decision is whether or not the school division will elect to be self-insured for general liability property insurance, which is different from the commercial carrier we now have. Ms. Sandlin reiterated quotes will be received to determine the most cost efficient direction. Her concern with being self-insured is that the division is liable up to a point.

Following discussion regarding claims, **Dr. Jarmon** stated that there are a lot of legal definitions as to what is a compensable claim. Denied claims may also be appealed.

Dr. Jarmon noted the main thing that the district needs to look at is prevention, putting wellness initiatives into place, and provision of loss control safety programs that will instruct employees in safety practices.

Dr. Joseph C. Melvin shared that he asked Ms. Sandlin to look at some of the district's long-term employees who are 60 years of age or older with 30 or more years of service and to see what types of insurance advantages might be offered. He added that many employees defer retirement to the age of 66 for health insurance coverage (Medicare) purposes. Dr. Melvin stated that many school divisions offer 50% of healthcare costs as an inducement for the employee who may wish to retire. The offer may also provide a point of efficiency for the school district as well. Data will be gathered for presentation to the school board for consideration.

Dr. Melvin presented the *worst case scenario* options for consideration in reducing the budget deficit in the event no additional revenues are received to meet budgetary shortfalls. He further noted that the district's expectation is for level local, state, and federal funding. In order to reduce the district's deficit, the following options were noted by Dr. Melvin:

- **Reduction of Staff – Retirement and Resignation**
 - 26 teachers - \$1,554,422
 - 10 support staff - \$368,208
 - 3 operations staff - \$217,224

- **Review the Cost for Governor's School**
 - Maggie L. Walker - \$114,090
 - Appomattox Regional - \$469,800

➤ **Increase in Health Insurance Cost to All Participating Employees**

Dr. Melvin reiterated that the health insurance cost increase is estimated at 15%, which may be passed on in portion or fully to employees, which will result in a direct shortfall to employee salaries. He added that this is not even considering the 2% salary increase proposed by the governor, which will also increase FICA.

Ms. Sandlin provided some of the potential savings options that are being considered as noted below:

➤ **Insurance:**

- Looking at various funding options for health, property, general, and workers compensation

➤ **Copier:**

- Networking all computers to copiers and eliminate all small desk printers

➤ **Office Supplies:**

- Forming a partnership with Staples
- Bulk orders at beginning of year for instructional supplies additional savings than quoted above
- Remanufactured ink for small printers (additional saving as quoted above)

Savings for the district may be garnered by networking printing to copiers versus using individual printers and cartridges. Long-term leases (3-5 years) on copiers include service and toner cartridges in the agreement. Ms. Sandlin has also been in communication with Staples Office Supplies and Office Depot regarding potential savings.

Ms. Sandlin noted sequestration cuts are not definite; however, if they were to occur, possible budgetary effects on federal programs are noted below:

- ❖ Title I-III - \$173,000
- ❖ School Improvement Grants - \$87,700
- ❖ Special Education (IDEA) - \$67,600
- ❖ Perkins Grant - \$7,600
- ❖ 21st Century - \$15,225
- ❖ Head Start - \$58,435
- ❖ Total amount of \$409,560

- ❖ Per VDOE it is expected to only be 6% and not 8.2% as originally determined

In conversation with VDOE representatives, no information on the possible effects of sequestration cuts on SIG grants is known at this time.

Mr. Kenneth L. Pritchett asked if the potential cuts to the Head Start program would mean fewer students would be served by the program. Ms. Sandlin indicated that VDOE noted the amount cut would be equivalent to one teacher's salary.

Ms. Sandlin presented budgetary information related to capital projects. She indicated that overall the City of Petersburg is paying the lease payment on the bus replacement debt of last year. She noted that the district also has Literary loans that the city pays, and the division is paying QZAB debt as well.

It was noted that the district is conducting a facility assessment student to determine the improvements needed for each school building. The preliminary assessment for each building follows:

- A.P. Hill Elementary School - \$548,713
- R.E. Lee Elementary School - \$367,400
- J.E.B. Stuart Elementary School - \$648,121
- Walnut Hill Elementary School - \$731,107
- Westview Early Childhood Education Center - \$394,713
- Peabody Middle School - \$1,354,411
- Vernon Johns Junior High School - \$303,863
- Petersburg High School - \$2,452,481
- Blandford Academy - \$969,500
- School Board Office - \$77,865
- Pittman Building - \$90,540
- Total of all buildings: \$7,938,714

Dr. Kenneth W. Lewis noted that every year the school district receives money from the city council. He indicated that each year the monies are received, but the presentation is not always as he might present the request. Dr. Lewis stated that essentially when the district representatives go to the city council it is to receive the city's portion of the school district's budget. He recommended clarity when the budget request is made before the city council, and he suggested providing the total amount of the school's budget and the amount needed from the city, followed by the reasons the monies are needed. Dr. Lewis said *this cuts to the chase*; otherwise, it can be distracting. Dr. Joseph C. Melvin concurred.

Dr. Elsie R. Jarmon indicated that we do have a person who was on city council, who would be able to discuss beneficial advice on how best to approach city council.

Dr. Kenneth W. Lewis expressed appreciation for the way in which the budget presentation was made, particularly with regard to potential sequestration losses.

Dr. Lewis asked if the ration may be show if the district were to actually lose the 26 teacher (indicated on page 29 of the presentation) so that *we can see how this would drive up the classroom sizes*. Dr. Melvin stated that *we certainly want to look carefully at the impact of any teacher cuts*.

Mr. Kenneth L. Pritchett stated that it would be great for the parents of students who attend the governor's schools to explain to city council the importance of funding the school district. He added it seems that when the budget is presented to city council, support is not always there.

Dr. Melvin stated that the next school board budget work session is planned on February 4, 2013. Items requested by the board will be brought back at that time. He added that normally the approved budget from the General Assembly is available by the end of February. The approval has been received later than that time over the last two years. It is anticipated on February 17, 2013, if it is not delayed.

Mr. Kenneth L. Pritchett indicated that in past years information was made available on the district web site to provide a vehicle for community members to provide feedback on the budget. Dr. Melvin responded that this can be done. In addition, the draft budget Power Point presentation will be placed on the school district web site for the public to review.

It was noted that the FY 2013-2014 Public Hearing will be held on February 25, 2013.

ADJOURNMENT

Following a motion by Dr. Elsie R. Jarmon, and a second by Dr. Kenneth W. Lewis, the school board, with no opposing vote, unanimously agreed to adjourn at 8:08 p.m.

Clerk of the Board

APPROVAL Approved:

Chairman of the Board