

A Special Meeting of the Albemarle County School Board was held on November 13, 2019 at 2:30 p.m., Albemarle County Office Building, 401 McIntire Road, Lane Auditorium, Charlottesville, Virginia 22902.

SCHOOL BOARD MEMBERS PRESENT: Dr. Kate Acuff; Mr. Stephen Koleszar; Mr. Jonno Alcaro; and Mr. Graham Paige.

SCHOOL BOARD MEMBER ABSENT: Ms. Katrina Callsen; Mr. Jason Buyaki; and Mr. David Oberg.

SCHOOL BOARD STAFF PRESENT: Dr. Matt Haas, Superintendent; and Mrs. Jennifer Johnston, Clerk of the School Board.

BOARD OF SUPERVISORS PRESENT: Mr. Norman G. Dill; Dr. Ned Gallaway; Ms. Ann Mallek; Ms. Diantha H. McKeel; Mr. Rick Randolph; and Dr. Liz Palmer.

BOARD OF SUPERVISORS ABSENT: None.

STAFF PRESENT: County Executive, Jeff Richardson; County Attorney, Greg Kamptner; Clerk, Claudette Borgersen; and Senior Deputy Clerk, Travis Morris.

Agenda Item No. 1.1. Call to Order.

Dr. Gallaway called the meeting of the Albemarle County Board of Supervisors to order at 2:31 p.m. Mr. Alcaro called the Albemarle County School Board to order.

Introductions

Dr. Gallaway introduced the members of the Board of Supervisors and School Board, along with Ms. Maya Kumazawa, Director of Budget and Planning for the School Division, Ms. Lori Allshouse (Office of Management and Budget), and Rosalynn Schmitt (Chief Operating Officer of the School Division). He noted that supporting staff from both the County Executive's Office and School Division as well as staff from Finance were also present.

Dr. Gallaway also introduced Officer Reuschling from the Albemarle County Police Department.

Agenda Item No. 2.1. Joint Meeting: Five-Year Financial Plan Work Session.

Ms. Allshouse said this was an important time for the County because they would soon be entering into the annual budget process, and that it was important to think long term. She said this was a time for the County to think about all the major areas, noting that the School Division and Capital Improvement Plans were the ones they would talk most about during the meeting. She said this creates the framework for the annual budget development process, noting that it is a critical process for AAA bond ratings, where financial planning is a very important component of what people look at when they look at the County.

Ms. Allshouse said attendees would see many slides with many numbers, many of the numbers being assumptions. She said as they go out longer than five years, the numbers are not as solid as the earlier numbers and that they would change. She said they are assumptions and as they get closer to budgeting, revenue updates will be provided. The numbers presented were early numbers and should be taken into account.

Ms. Allshouse said she had three high-level desired outcomes for that day. She said first, they will continue efforts for the two Boards to work together and build commonality. She said this desired outcome was taken directly from the newly-revisited CIP process that they were currently in. She said they have found great success so far, staff to staff and board to board, in the transformative CIP process, and that the hope was to carry this forward into operational planning as well.

Ms. Allshouse said they would also review preliminary long-term plans and projections from the perspective of revenues, CIP, and the School Division. Finally, they would dedicate some time for the members of the two Boards to discuss what they will hear regarding those topics.

Ms. Allshouse said the time was broken out as such: first, they would receive revenue forecasts, the CIP process update, an overview of basic shared assumptions for both the School Division and General Government operational plans, and receive the School Division five-year forecast.

Mr. Steve Allshouse, Department of Finance, said he would be speaking about general fund revenues and where they are projected to go in the next five years. He mentioned that the current year was much easier than the remaining four.

Mr. Allshouse said that general fund revenues are primarily state, local, and federal tax revenues as well as fees that the County receives. He said they do not include any transfers and is strictly General Fund, so it was somewhat limited in scope.

Mr. Allshouse said that the five-year financial plan creates a framework for long-range financial considerations. He said there is a committee and a revenue team, which he heads, at the County consisting of team members across various departments and divisions on the local government side as well as occasionally from the school's side. He said they used a number of different analytical tools to figure out what will happen with revenues. He said they look at trend lines and that he did some econometric modeling, and most importantly, looked at the institutional environment, meaning what's going on with economy both globally and locally, and how that affects revenue streams.

Mr. Allshouse said they have kept an eye on what has been going on and that so far, the results were good. He said the Revenue Team has been in existence since 2012 and that generally speaking, if all the revenues in the General Fund are aggregated together, they have been within about 2% of what they forecast, noting that this was a good track record.

Mr. Allshouse said given the economy and where they think it is headed, and given the economy locally, they will likely see FY 20 looking solid, but that there could possibly be a slowdown in FY 21 and FY 22. He said there was a diminished rate of growth premised on potential slowdown in the next 12-18 months.

Mr. Allshouse said that he didn't think they would see a slowdown or downturn anywhere nearly as scary as the last recession. He said there had been a big recession that affected the local economy in the past, but that he didn't see anything like that happening this time. He said to be aware of some headwinds.

Mr. Allshouse said as far as negatives, there was the yield curve inversion. He said that in the summer, everyone was mentioning this particular economic phenomenon. He said there are certain treasuries that have different maturity yields, so something with a maturity of three months generally has a lower yield than something maturing in 10 years. He said what happened over the summer was that yields flipped, and there were three-month treasury yields that were higher than 10-year yields. He said this situation, historically, has been a good indicator of a recession or slowdown coming.

Mr. Allshouse said this was the situation for about a month, and the yield has since flipped back and is looking more like a regular yield curve. He said there was talk in financial media and among economists that they may have dodged a bullet, and that if there was a slowdown or downturn, it might not be as severe. He said this was still something to keep an eye on.

Mr. Allshouse mentioned the ongoing trade dispute between the U.S. and China and that it hasn't been resolved yet and is affecting the macro picture. He said there is manufacturing still done in the U.S. He said he was looking recently at the ISM's Supply Management Index, which was below 50 and would seem to indicate a potential slowdown or drop off in manufacturing in the next 12 months. He said a year earlier, this figure was above 50, indicating expansion, so this had flipped.

Mr. Allshouse said there was also talk about Europe being in a recession, which was tentative and something that was being considered recently as far as Germany's economy, which was experiencing a slowdown in its manufacturing sector and perhaps in its economy overall. He said Germany is the economic heart of Europe, so there is some issue that this might spill over into the rest of the economy.

Mr. Allshouse said that on the positive side, U.S. city and local labor markets are still very strong. He said as of September, Albemarle's unemployment rate, for example, was 2.3%. He said that is within what is called a range of a labor shortage, which is why they would certainly see some upward pricing pressure on wages and salaries.

Mr. Allshouse said another good thing currently happening is that interest rates are still low. He used the example of the 30-year fixed rate. He said for mortgages, the rate about a year earlier was about 5%. He said they have since gone down more than a percentage point, so with a 30-year fixed mortgage, the rate is about 3.7%. He said interest rates are low, which is also very positive.

Mr. Allshouse said regarding the U.S. equity markets, the U.S. stock market is near an all-time high. He said this was important because people tend to invest in them through pension plans or 401(k)s. He said when stock markets are high, they feel as if they have a certain amount of wealth that they can spend out of. He said generally, this is a good sign for consumption.

Mr. Allshouse presented a slide showing actual and projected General Fund revenues from FY 16 through FY 25. He showed the figures for FY 16 through FY 20 and the historical growth seen over those years, noting that FY 20 was only an estimate. He said it also showed somewhat of a flattening in FY 21 and 22, then a recovery in FY 23 through FY 25.

Mr. Allshouse said that this was primarily driven through real estate revenues. He said what they were looking at was, likely for the rest of FY 20, a very solid real estate market. He said he and Peter Lynch had talked about the real estate market and both agreed that for the time being, there is nothing on the horizon that would suggest a recession in the real estate market, noting this was good for the County's revenues.

Mr. Allshouse said that one thing he should have pointed out about the slide was that the curve was showing a curve for FY 16 through FY 19, noting that it was fairly steep. He said to keep in mind that this was historical data from FY 19 and backwards, and that those numbers include tax rate increases that the Board adopted. He said if they were to factor those out, that portion of the curve would be flatter, and then what is going forward. He said to keep in mind that anything in the current fiscal year or anything in the future subsequent years is calculated with an 85.4 cent tax rate. He said the historical data, on the other hand, includes tax rate increases.

Mr. Allshouse presented a slide showing the real estate revenue curve, noting it looked similar to the curve for total revenues. He said it did well in FY 16 through FY 19 due to a number of tax rate increases, and they have flattened out some but not projecting a downturn. He said even if the economy goes into a slowdown, he didn't think they would see much of a change in real estate values.

Mr. Allshouse presented a slide showing sales tax revenue and consumption, noting that prior consumption is a major portion of the local economy, and that this was also true at the national level recently. He said the BPOL (business license tax) is an indicator of how businesses are doing in the community, and that food and beverage numbers also get at the issue of consumption. He said historically, there was no rate change in the way of the numbers, with a flattening out and then an increase in subsequent years.

Mr. Allshouse said BPOL was a sort of oddball in terms of local revenues. He said BPOL is a backward-looking revenue function. He said BPOL is collecting the payments once a year in June, and seems to reflect what happened to them in the previous calendar year. He said, for example, in June of 2020, businesses will be paying the County their BPOL revenues, which will reflect business activity that existed in calendar year 2019. He said if

there is a downturn in FY 21, this would have the affect shown on the slide in FY 22. He said to keep in mind that this was somewhat of a backward-looking indicator.

Mr. Randolph asked about the upward slope for sales tax accelerating dramatically in FY 21. He asked Mr. Allshouse if he was looking for the County to be recouping internet revenue.

Mr. Allshouse replied yes, adding that they were looking at use tax. He said when a sale is done in the County, at Fashion Square, for example, the County is collecting sales tax on that sale. He said what is going on now is if someone shops on Amazon and their order is delivered to their address in Albemarle County, there is something called use tax. He said use tax is collected at the same rate as sales tax, though the facility one is ordering from might not be located in Albemarle County.

Mr. Allshouse said they were beginning to see more and more of this come in. He said he was talking to the Financial Revenue Tax people a few weeks earlier and that they were starting to see this pick up now. He said this accounts for that increase in the sloping up of that particular function.

Ms. Palmer said she had assumed this was the case but that she had a question about it. She said a lot of the companies are outside of Virginia. She asked if there was a difference between companies in Virginia versus companies outside of Virginia in terms of sales tax.

Mr. Allshouse replied that in terms of sales tax, if a company is physically located within Albemarle's jurisdiction, the company is remitting. He gave an example of a company located in Manassas that sells on Amazon. He said the County would still receive the use tax from them, as long as the product is delivered to an Albemarle County address. He said if there was an order delivered to Charlottesville, Charlottesville would receive the use tax on that.

Mr. Koleszar said that since Albemarle has two fairly sizeable retail pillars, before they were collecting the sales tax in that location, it was shipped to anywhere in Virginia. He said if they were to now lose that revenue, if this had been taken into account in the numbers.

Mr. Allshouse replied yes, that this was taken into account.

Ms. Palmer asked if someone's address is Charlottesville, but they are physically located in Albemarle County, if this makes a difference.

Mr. Allshouse replied no. He said theoretically, the retailer should know that the person is in the County and should remit the use tax to the County. He said this is why the County has auditors because for years, people with a Charlottesville address but living in Albemarle were ordering on the internet and the use tax was showing up in the City's taxes.

Ms. Palmer said this had then been solved.

Mr. Allshouse said the County has auditors. He said he didn't want to claim to have solved it.

Ms. McKeel said Mr. Allshouse had given the example of a business located in Virginia. She asked if a business was located in another state, if it would matter.

Mr. Allshouse said it did not matter, and that as long as the product was being shipped to Albemarle County, the County will receive its use tax. He said the caveat is a nexus between companies. He said this is why Amazon has a distribution facility in Virginia, but the laws have been interpreted differently.

Ms. McKeel asked if Mr. Allshouse could go back to the slide about real estate taxes. She said he had talked about the fact that the County had had tax rate increases that affected the increase in total revenue. She

recalled that he also mentioned that the post-FY 20 line was predicated on a figure and said she wanted to make sure she understood.

Mr. Allshouse explained it was predicated on 85.4 cents per \$100 of assessed value. He said this was historical data and that this explained a jump.

Ms. Mallek said she still had concern around 22901 and what she said was a mess than happened 6-7 years before. She asked if this was a full-time effort going on by one person on the issue or if there were other staff involved.

Mr. Allshouse replied that they have two auditors in the Revenue Administration Division who work diligently to make sure that revenues are going to the County and not to the City.

Ms. Mallek asked if Mr. Allshouse had any analysis on primary business versus not. She said the dollars going around in the community from product made there versus that from product from outside the locality would be very different.

Mr. Allshouse said he did not have those numbers or the analytical framework for it.

Mr. Allshouse said in summary, he was saying that for FY 20, the economy looked solid and that he didn't think they would see a downturn in the current fiscal year. He said there was a potential slowdown, given the headwinds he had discussed earlier, that could affect FY 21 and 22. He said analysis was not severe as the most recent recession or downturn. He said what they were likely to see is that the County's revenues will continue to grow, but perhaps not at the same rate as current years.

Ms. Allshouse once again presented, noting that the board members would be hearing from several different voices in the conversation. She said one thing they were asked to add to the presentation was to talk about how local revenues are shared. She said they sometimes talk about what they call 60-40, and that she wanted to show briefly how they are shared. She said they keep a detailed piece of information about how it is done in the budget documents and that the board members could read this. She said in general each year, first they project the local tax revenues, and then adjust for some committed expenditures. She said revenue sharing through the City is an adjustment and that this revenue sharing payment had decreased over many years in the past. She said she didn't see this trend continuing as it did in the past, and that this affects both schools and local government.

Ms. Allshouse said they have dedicated water resource funding, and that years ago, the Board of Supervisors increased the tax rate for water resources in the General Fund. She said that tax rate change, as the value of a penny on a tax rate increases, a small amount of increase is dedicated to the water resource category. She said tax relief for the elderly and disabled is also an adjustment that is made. She said they also plan that some of the taxes they receive will be refunded back out for reasons along the way. She said that some funding also goes to capital and debt allocation.

Ms. Allshouse said the Board of Supervisors dedicate revenues in the past. She said this has been done in the past where the Board will dedicate the revenues to capital and debt services. She said sometimes, there were dedications to the Schools or General Government based on different things going on in the organization.

Ms. Allshouse said the revenues are shared, with 60% going to the School Division and 40% going to General Government. She said these are guidelines and how the budgeting process is started. She said the revenues are updated frequently and continue to be updated the closer they get to the budget. She said her office continues to work closely with the Schools office to make sure they communicate updates.

Ms. Allshouse said the change in revenues is added to what is called the "base funding," which is the current funding being received by Schools. She said this is usually an increase unless they are undergoing a recession. She said the General Government side also receives State and other funds directly.

Mr. Koleszar asked Ms. Allshouse if she could flesh out why it is that she was saying that the revenue sharing with the City was flattening out.

Ms. Allshouse replied that it was a formula. She said the contract the County has with the City has a two-year lag and that the formula takes many things into account, with the Finance Department making the calculations. She said some of the calculations come in late in January, so they cannot see the full picture, but that it has to do with relative changes in taxes that are received by the City and County. She said they could see some evidence of the past and do part of the formula to see some of the information that is going into it.

Ms. Allshouse said based on that, they did not have the whole picture yet, but they were thinking that that was no longer going to continue to decrease like it has in the past. She said there was a very significant decrease in the last year, and the calculation is done in January, so it comes in late, but it did positively impact the revenues that were shared with schools and local governments.

Ms. Mallek said the City is growing, and the County was not growing as much.

Ms. Allshouse said it was relative and that she did not know all the details about the formula, but there was relativity in how the County changes versus how the City changes, which includes the use of real estate sales tax ratios, and that there are many components to the formula.

Ms. McKeel pointed out it was a two-year lag.

Ms. Allshouse said yes.

Mr. Koleszar asked if there was also a real estate tax rate adjustment so as the County increases the tax rate, the amount of the payment to the City goes down.

Ms. McKeel said the latest she saw was \$14 million. She said it has been as high as \$18 million.

Ms. Allshouse pointed to page 170 in the adopted budget, noting that it was posted online, and explained that it shows the history. She said the black line means it has been going up for years since 1982, and then the red line, a decrease, provided a positive impact on the County from 2012 on. She said in the last year, 2020, there was \$14.2 million and a decrease of about \$1.5 million from the year before, which was extremely significant.

Ms. Mallek said what killed the County was that the \$18 million year was based upon two years earlier. She said they were hard into the recession by the time they had to pay that \$18 million, which made it even more punishing for everyone.

Ms. Allshouse said this was correct.

Mr. Dill said regarding elderly tax relief, he was curious what the cutoff point was, or how the elderly is defined, as the County is gentrifying and having more seniors moving to the area. He asked if it was strictly age-based.

Ms. Laura said the finance department has that calculation. She said they could get that information to Mr. Dill.

Mr. Dill said he was curious as to whether that would result in a loss of revenues as people age.

Ms. Allshouse said they could watch the usage of it and budget accordingly to the usage. She said recently, they had to increase it somewhat.

Ms. Mallek said it was increasing as the numbers of elderly are increasing and more people are qualifying.

Mr. Dill asked if people had to apply for the tax relief.

Ms. Mallek said this was the property tax waiver for disabled people of any age and low-income seniors. She said this was for people with assets below \$200,000, not including the house with 10 acres. She said the value of the land has shot up so much over the last 20 years that this has put people who have no cash into a bind, making the relief program wonderful. She said they need much more to be able to help those people who are right on the margin. She said her question for Mr. Kamptner was as to if the County is maxed out on its State limits on the program.

Mr. Kamptner replied that they have found that they are about as high in the exemption as anyone else in the State.

Ms. Palmer said the Board was told by Mr. Kamptner's predecessor four years earlier that they were.

Ms. Mallek said there were statutory changes that happened. She said if there were other programs that the County does not have that may help people who are on the margin, this would perhaps give the County some ability to increase the pot.

Ms. Palmer said if this doesn't go up with inflation, noting she didn't know if it does, the Board may want to consider adding this to their legislative agenda as a request in the future.

Dr. Gallaway said that after years of hearing about what comes off the top, the breakout of explaining how the process works was very well-done and clean in that version of the presentation. He expressed his appreciation for the way Ms. Allshouse explained the projections and adjustments. He said it was a good way of explaining it not just for the boards, but for everyone.

Ms. McKeel said there had been confusion about it.

Dr. Gallaway said when there is talk about what comes off the top, he has heard the phrase many times, but that it was actually an adjustment before the sharing happens. He said he hoped this kind of presentation would continue as a way the County explains how the process works.

Ms. Allshouse said if they look in the book and see the details, there were a couple other net zero pieces in it, but they are not tacked to the dollar amount.

Five-Year Capital Improvement Process Update Plan

Ms. Kumazawa said as she mentioned previously, the County was currently in a newly re-envisioned CIP process. She said this year, it was new that they were talking about the CIP within the context of five-year planning, as the CIP is a five-year plan with revenue implications and impacts to both the General Government and the School Division.

Ms. Kumazawa said it began with a kickoff meeting in May, where the Boards discussed affordability. She said they could see all the process and steps that have been taken along the way. She said the present meeting was where the CIP track meets up with the full operational planning process so that they can consider and discuss the recommended CIP within the full context of the operations of the School Division and operations of the General Government.

Ms. Kumazawa said a lot of work had been put in by both the boards and the CIP Advisory Committee. She said Ms. Allshouse would provide the boards with what that update is.

Ms. Allshouse said there were many of the people in the room that day who are on the CIP Advisory Committee and that she hoped they felt comfortable with them joining in. She said she had a few slides to provide an update. She said the committee meeting in October was one out of three meetings in which they talked about the CIP. She recalled that there was an affordability conversation that the boards had in May that resulted in not wanting to go higher than a certain amount and not add more than \$55 million over the next five years, noting this was just for projections and conversation. She said this was a place where they would not talk about anything much past that as far as building it into a model for CIP. She said the CIP is a plan, and the first year is the budget.

Ms. Allshouse recalled that on September 17, the boards had a meeting in that room where they talked about the priorities from the Schools and the priorities from General Government, and there was discussion about putting them together and determining the top priorities. She said what was done from this meeting was that the priorities were combined into one list for the CIP Advisory Committee to work from. She said they then organized it, noting that there were some ties. She said they organized what came in the top versus how it was ranked by the two boards.

Ms. Allshouse said that for purposes of the consideration that day and in the future, four projects from the very top were considered. She said they don't want to go over the cap of the \$55 million, so those are the four projects that are modeled into the five-year plan.

Ms. Allshouse read the top projects, which were the Transportation Leveraging Program, the Economic Development funding for the P3s, Cale Elementary Expansion and Site Improvements, and Crozet Elementary Addition and Improvements.

Ms. Palmer asked if Ms. Allshouse was suggesting from this that they drop all the things from below the four top projects, and that they moved \$500,000 from the current year into the Climate Action Plan and Implementation.

Ms. Allshouse replied that this was in the County's operating budget. She said Ms. Palmer was correct, and that the Board of Supervisors was able to move some funding over to Climate Action Planning in the operating budget at July's meeting.

Ms. Palmer asked if there was anything else on the list that would be in the operating budget below the top four priorities.

Mr. Randolph said that this was all CIP.

Ms. Palmer said she recognized that.

Ms. Allshouse said she was thinking about this from the General Government side and that there may be observations from the School side.

Ms. Mallek said those were the bricks and mortar projects they had been talking about, and were not for operations.

Ms. Allshouse presented a slide, noting that there were many numbers on it and that she would go slowly on it. She said she tried to make it as simple as possible. She said when the committee got together to work, they started with something called the "base." She said the base has ongoing programs the County does as far as maintenance of its current buildings, and there were some things built in from the past that ended up in the base because CIP just doesn't start in a vacuum, but work had been done over the past years.

Ms. Allshouse said the base includes the maintenance and replacement programs for Parks and Rec, Schools, and General Government. She said it also includes ongoing programs that have been funded on an ongoing basis due to the nature of the projects that they need to continue, which includes courts.

Ms. Allshouse said the bike-ped funding came into the current time period. She recalled that in FY 19, they approved Center 2 and \$12 million of extra school projects as well as \$12 million of what is called “quality of life” General Government projects, which included bike-ped and Parks and Rec projects. She said of this was already prior to FY 21 in the budget, and some of the debt and the timing of debt are planned out in the next five years. She said she was mentioning the new projects coming in in FY 21 and 25, reminding the boards that there are some prior year projects they are continuing and that they pass on the financials.

Ms. Allshouse said the five-year total in the base was \$155.6 million. She recalled from prior conversations that there was an estimated equivalent, or a way they look at additional resources that are required in the CIP, based on all the modeling and assumptions, pennies on the tax rate of 2.3 cents. She said 1.5 was needed in calendar year 2021, and 0.8 wasn’t CIP, but was CIP-related and related to the operating costs of Center 2. She said there was an estimate for when Center 2 opens for some additional operating costs, and they didn’t want to lose that, so they built it in. She said thinking back to the slide about the sharing of revenues, it would be a dedicated revenue that would go to the School Division’s operating costs, when the center opens.

Ms. Mallek said she needed to clarify again because she thought this was going to go away after their discussion in the CIP meeting the last time as far as the way it was described. She said it was not borrowed money for operations, and that it has to be factored into the School budget.

Ms. Allshouse said this was correct.

Ms. Mallek said it troubles her that it was sitting there because it confuses people. She said the one lesson they had learned years ago was to never borrow money for salary and things of the like.

Ms. Allshouse said this was correct. She said the number was there to describe and not to forget that when they think about a tax rate increase that may be needed, that a part of that isn’t just CIP but would be an operating impact related to CIP.

Ms. Mallek said this was part of the discussion the School Board has to have about how they are expanding some things and perhaps not doing other things. She said it was not necessarily an increase of everything.

Ms. Allshouse agreed. She said they used end-of-year funding, so if funding is available at the end of the fiscal year, then we actually end with cash and that the cash can go into the CIP. She said the assumption built into the model was that there would be about \$4 million over the five years that would come in as cash, at a minimum, to support that plan. She said on the green side of the slide was the recommendation that came out of the CIP Advisory Committee. She recalled on the slide before that there were four projects that were added, and it was \$55 million. She indicated to the projects on the slide, which were Transportation Leveraging, Economic Development P3 Funding, Cale, and Crozet.

Ms. Allshouse said there was also reserve built in. She recalled they had talked about the importance of some type of reserve built into the CIP for when things come up or things happen. She said the five-year total would be \$210.6 million. She said this is not a tax rate increase, but just a planning number of what would be an equivalent tax rate that would be required. She said the committee had recommended instead of having odd numbers of 2.3, for instance, in one year, to make it a smoother approach. She said the way it was put into the financial modeling would be one cent per year.

Ms. Allshouse said this was not in addition to 2.3, but that this incorporates the 2.3 in. She said it also does include the impact of Center 2 and that the boards should be mindful that this still does include this and there wouldn’t be any extra for that.

Ms. Allshouse said there would need to be some additional one-time end-of-year money as well for the way the model is currently working.

Ms. Allshouse said the next slide was a “thank you” to the CIP Advisory Committee members. She said she thought the meetings went well and there was good discussion. She thanked everyone for their work on this, noting that the meetings were intense. She said at that point, there would be a pause in the conversation for anyone who had questions for the committee, or for committee members to add to the conversation.

Ms. Mallek said the last slide had talked about the Transportation Leveraging, meaning they would be drawing down an equivalent amount of money from the State, which had never been done adequately in the past because the County hadn’t felt like they could. She said the Economic Development funding was also something that has tremendous leveraging capability to bring in many times more than what the County is putting in. She expressed those two things were positive and would change the numbers going forward.

Ms. McKeel asked if said another way, they were looking at about \$55 million in the affordability cap and if they were getting there through those recommended projects that Ms. Allshouse had listed on the slide.

Ms. Allshouse replied that this was correct.

Ms. Palmer said she had one issue she had to bring up. She expressed her appreciation for the work in the CIP Advisory Committee. She said that with respect to the solid waste management planning, which had been going on for several years, there were two additional drop-off spots that were recommended in the plan. She said this has been narrowed down to one because of money, and now it looked to her like that one spot was being taken out. She said this was very concerning to her, and that she spent some time the day before reading the new DEQ report that came out recently on where Virginia is going with solid waste management and recycling.

Ms. Palmer said she also spent some time the night before reading through what different counties are doing, and that Bedford County does a better job than Albemarle does in putting out those services for their people. She said Bedford County is small, and there are a huge number of counties that do a better job. She said Albemarle is the sixth largest county in Virginia in the area, and their people actually need the services more than many of the smaller communities.

Ms. Palmer said there were also co-benefits with climate change, as well as possible co-benefits with Economic Development to be able to have the money in the CIP.

Ms. Palmer said she had a hard time simply letting the matter go after six years, and four years of talking about the report and the need that the committee has put forward for this, for a whole host of reasons. She said this was something that had been worked on for years, and they don’t have a spot for it because they are trying to figure out where they are going to do it and if they do it on the north side, for instance, how this will work with construction debris and other factors of redevelopment. She expressed her extreme disappointment in throwing everything out as far as smaller cash items for larger items.

Ms. Mallek said she thought the matter was very important and that the projects were not thrown out, but that perhaps a quarter of the reserve fund could be used to implement the one location when it has a site, and/or some Economic Development leveraging money could also come in if there was a business that needed to jumpstart this.

Ms. Palmer said she was not giving up, but that it was hard to plan for a site without having the money in the budget. She said if they do not have the money identified, she could not see anyone spending an incredible amount of time looking for a spot.

Mr. Randolph observed that politics was the art of having to make hard choices with limited resources. He said the decision of the committee was not to go with a low or middle funding strategy and base, plus \$17 million or plus \$24 million. He said the base was at \$55 million and clearly, leveraging transportation and Smart Scale funding was viewed as a very high priority because the one thing that keeps coming up on every single land use application in the development area is transportation. He said with Economic Development P3, both bodies are fully aware that the best way going forward is to stimulate additional non-property tax revenue for the County.

Mr. Randolph said there are over-enrollment problems at Cale and Crozet, and there are other needs that the School Board is well aware of, especially in technology, that they would love to have another \$500,000 to \$1 million to begin to address. He said it would be wonderful to have another \$1 million in the budget to do solid waste, but they couldn't find it and it is not currently available, given all the other high-profile, high-value priorities within the CIP.

Mr. Randolph said he would add for both the consumption of School Board members and Board of Supervisors members who didn't participate in the CIP that they did discuss, going forward, that in fact they are going to fund the additional \$55 million, rather than resorting to a proposed sawtooth pattern of 2.5 cents in calendar year 2021, followed by 0.8 cents in 2022 and one penny in 2023, is to try to look for a steady amount of pennies going forward and that there is a need of commitment for both the School Board and Board of Supervisors to work together to help inform the public as to where the money is going and what the benefit will be to the public in the \$55 million additional.

Mr. Randolph said this otherwise looks like "tax-and-spend democrats" as they heard that fall during the campaign. He said this wasn't the case at all, but was a question of essentially meeting needs within the County that are currently not being met. He said he was not talking about the needs in five years, but the needs that were there together and were actually there a year before, and the year before that, that hadn't been met. He said they were playing catch-up, and that's why it was critical to look at the priorities established.

Mr. Randolph said he would go back to where they started, that the role on the CIP Advisory Committee was to come to some hard choices, and there were some things that the School Board and Supervisors wanted that were not included there.

Ms. Palmer said she recognized the fact that the CIP Advisory Committee had hard choices to make. She said what she was trying to do was say that this is a basic core government function that the County has not done a good job on. She said that for a community that produces 7 pounds of trash per person, per day, over the average of 4 pounds per person per day, it was amazing that they could not do a better job at meeting people's needs and expectations.

Ms. Palmer said she recognized that the County gets more complaints about transportation issues than they do about trash issues, but she was also very concerned that there is a changing landscape out there and that the County will not be able to take care of some of the Economic Development situations that they want to take care of. She said some of the redevelopment concerns they have are fill-in waste problems in the County.

Ms. Palmer said many of the members of the boards had a vision that the next center could be somehow connected with a construction debris demolition effort, which would be an Economic Development effort, so there were co-benefits. She said she wanted to put this point out because she thought that many people get their trash picked up and never see the problems, but that there were many people who do see the problems.

Ms. McKeel said she didn't disagree with Ms. Palmer's points at all. She said there may be other ways to get at what Ms. Palmer was talking about, because they do have some land that could possibly be used for [inaudible]. She said that any number of the board members could go through the same process Ms. Palmer was going through. She said looking at drainage infrastructure, the County hadn't dealt with that in 20 years, for instance.

Ms. McKeel said the two boards set the \$55 million, and some at the table had argued that this was much too high at the time. She said others argued that they needed to raise the amount. She said this was the number they came up with.

Ms. Palmer said everyone there would likely change the numbers around somewhat, and that she certainly would. She said they were all making concessions. She said she could not move on without saying that, in her opinion, solid waste was a critical issue in the County.

Ms. Mallek said something will have to be done as far as State or Federal that they will have to be able to respond to.

Mr. Koleszar said he would put the conversation into a historical perspective. He said when he was first on the School Board, they had plenty of CIP money to build schools. He said somewhere about 12-15 years earlier, the Board of Supervisors cut money out of the CIP, cut the tax rate, and took a large amount of money out of the CIP to fund operations. He said if they put 5 cents into the tax rate going forward, they would have adequate money for those kinds of needs, going forward. He said the five years does a lot of the catch-up the County needs to do, and they will have more money going forward. He said he thought they would be able to meet the needs if they do this, if they don't have a recession, and if they don't cut the CIP like they did in 2008.

Mr. Randolph said it was in 2009.

Ms. McKeel said the recession was when the Board of Supervisors cut the money.

Ms. Palmer said the Board of Supervisors was trying to close the only transfer station that they had in the entire 725-square-mile County.

Ms. Mallek said 2015 was a big year as far as getting the recognition of solid waste.

Dr. Gallaway said the positive aspect Ms. McKeel alluded to was that that year, both boards met in May and were all on the record as to speaking to what they thought the affordability should be. He said it was now playing out as such, and their constituents can draw the thread back to where they stood when the decisions were being made.

Ms. McKeel said some had argued that the \$55 million should have been lower.

Ms. Palmer said they could take the \$55 million and switch it around.

Mr. Dill said he was disappointed for somewhat different reasons about the solid waste issue, but that part of the problem was that it muddled Rivanna Solid Waste Authority (RSWA) also being involved. He said with some of the issues they have talked about, it seemed like it was not very clear who is supposed to be budgeting for what and where the line is drawn.

Ms. Palmer replied that the County pays them to take care of everything. She said they do not get revenue.

Mr. Dill asked if RSWA, then, does not have that much initiative on the matter.

Ms. Palmer said it was not a matter of initiative, but that RSWA works for the County. She said they are an authority and the Board of Supervisors are on their board, and that they work for both the County and the City.

Five-Year Compensation/Benefits Assumptions

Ms. Allshouse recalled that every year, another thing done in a pattern working towards the budgets is talk about the compensation and benefits and the commonality on those things as they move forward in planning. She recalled that Human Resources staff came forward in October and talked about what they are seeing in the world and market. She said they do the World at Work and look at market based on history and how they are doing with the comparison groups.

Ms. Allshouse said that Human Resources had mentioned about a 2.7% salary increase for employees, plus they set a performance metric to it. She said what they always do is they thank Human Resources for the

information, but they also have to think about this in context of the County's finances. She said the boards don't automatically accept the recommendation without some thought about the timing and the financial situation.

Ms. Allshouse said that for purposes of planning, the Schools would share their operating assumptions and forecasts moving forward. She said they would present the Local Government information to the Board of Supervisors on December 4. She said they thought about providing a salary increase between 1.5% and 2.7%. She said they were still talking about a range because the numbers weren't done yet, and they have to be mindful that they are very considerate of what they heard from the Human Resources specialists.

Ms. Allshouse said for the five-year planning purposes, as she was presenting some operational numbers in front of the boards, they were placing 2% in each year of the five years. She said for planning purposes, she wanted the boards to see how they were addressing it in the five-year plan that they would see for the Schools side, and they would then see the plan for Local Government in December.

Ms. Allshouse said health care is another area that the boards look at together and that the health care program was doing very well. She said for calendar year 2020, they had a plan year for the health care program, they had fiscal year for the budgeting, and then calendar years. She said what they have done is moved the plan year for the health program to the calendar year. She said in calendar year 2020, there would be no change for employer or employees in the health care program and that they would continue as they were currently. She said for calendar years 2021-2025, based on the numbers and projections that the consultant in the health care area had shared, for planning purposes, they placed a 7% increase for employer and employees during those years. She said this applied to both Schools and Local Government.

Mr. Koleszar said it seemed to him that the 2% seemed very low, and that it was putting rose-colored glasses on an old financial projection. He said that number was probably the largest number on the expense side. He said he felt uncomfortable projecting 2%. He acknowledged that it depended on the economy and if they had a recession, they might make the 2%, but if they don't have a major recession, the 2% was low.

Ms. Palmer said they have to consider responding to the minimum wage changes by UVA and the City.

Ms. Allshouse said she could share information on different percentages and how it affects both Schools and Local Government. She said for the purposes of that day, she was presenting 2%.

Mr. Koleszar said he would like to see it at 2.5%, 2.3%, etc. as he had a feeling that it would make a huge difference.

Ms. Allshouse said he was correct.

Five-Year Financial Forecast - School Division

Ms. Rosalynn Schmidt, Chief Operating Officer for the School Division, said she would present the five-year financial forecast and preview into the early stages of FY 21 budget development.

Ms. Schmidt said the title of the forecast is "A Work in Progress" and is intentionally synonymous with the recent State of the Division report that the School Board would be unpacking the following night at their work session. She said she would share an excerpt from the introduction of that report explaining the title.

Ms. Schmidt said the phrase holds a dual meaning in that the core of the work at the Public School System is about generating progress. She said as a community of learners, they regard themselves and their School Division as unfinished works in progress. She said they feel this perspective of a determined belief that improvement is always possible. She said the annual report had its room for celebrating that also reveals deficiencies, and that they embrace both. She said with every failure comes a focused effort on discovery and improvement, while each achievement inspires a more ambitious target.

Ms. Schmidt said that as with all their work, the Strategic Plan is their framework for financial planning. She said the core purpose of Albemarle County Public Schools is to establish a community of learners and learning relationships, relevance, and rigor, one student at a time. She said the School Board adopts bi-annual strategic priorities, and the current priorities are to create a culture of high expectations for all, to identify and remove practices that perpetuate the achievement gap, and to maximize opportunities for students at all levels to identify and develop personal interests.

Ms. Schmidt reiterated that Schools are a work in progress. She said they are a great school system, but that they also have work to do. She said equity is, and will continue to be, the focus of their work. She presented the shared mission of the schools and the definition of equity. She also presented an excerpt from the equity table highlighting some of the inequities that exist in the School Division. She said the excerpts were just two examples of many data points that are concerning. She said if they were equitable, the percentages in the blue column on the table, which are overall students, would match the percentage in the pink/purple column.

Ms. Schmidt said black students represent 11% of the school system's student body, yet only represent 5% of the students who pass the Third-Grade Reading SOL. She said 31% of all the students are economically disadvantaged, yet only 13% of the students earning an advanced diploma are economically disadvantaged. She again said that there is work to do.

Ms. Schmidt said that in line with the Strategic Plan and their work around equity, their annual budgets are informed and developed by tools such as school improvement plans, the State of the Division annual report, employee and advisory group feedback, community surveys, and the State's standards of quality. She said with broad stakeholder input and strategies rooted in data, they aim to realize the School Division's mission.

Ms. Schmidt presented the five-year financial forecast. She said the forecast of expenditures was exceeding and outpacing their anticipated revenues. She said a gap of \$4.4 million may grow to as much as over \$12 million in five years. She said she would go into further detail on both the anticipated revenues and expenditures, and asked the boards to keep in mind that this only includes expenditure changes related to compensation and growth assumptions. She said it did not include expanded or any new proposals.

Ms. Schmidt said the School Division receives revenue from federal, state, and local sources, with the majority of the revenue being, and will continue to be, local. She said prior to the recession, the State supported over 30% of the budget, and is now 26%. She said they continue to be grateful for the support of the Board of Supervisors and the local community to make up for the lagging State aid.

Ms. Schmidt said a large portion of local revenue is the local transfer, and as Mr. Allshouse mentioned in his revenue forecast, local revenues are increasing at a slower rate than in recent history. She said that therefore, they are only forecasting a slight increase in the transfer.

Ms. Schmidt said in terms of the State, at that point, all the estimates were highly preliminary. She said the Governor releases his budget in December, which at that point, they would have more certainty. She said currently, there were two favorable conditions that will likely mean additional revenue. She said first, the local composite index has dropped, noting that this calculation is done every two years. She recalled that at that time two years before, there was a dramatic increase. She said the LCI calculation is done by the State to determine the local abilities to pay, so they have restored that to a more normal level. She said this was good news.

Ms. Schmidt said secondly, in terms of favorable conditions, the schools' enrollment is growing, so they anticipate additional revenue for the additional students.

Mr. Koleszar said that 40% of the LCI was wealth of Albemarle residents. He said if they have a few wealthy individuals sell stock in December, it would play havoc. He said there was \$1 billion more revenue in Albemarle County in the biennium because of people selling stock.

Mr. Dill said this was not being taxed in any way, shape, or form.

Ms. McKeel said this was very few people.

Mr. Koleszar said when they looked into it, it was nine families.

Ms. Schmidt presented a historic illustration of the amount of the local transfer for the last five years, for context. She said in that time frame, they were fortunate to benefit from a high year, over year increase that supported their needs. She said based on preliminary assumptions, the local transfer is only anticipated to be a 1.8% increase from the previous year. She said this ties back into what Mr. Allshouse said about the steep increase related to tax rates and other growth during that time frame.

Ms. Schmidt presented an illustration of State revenues, with some historical context. She pointed out it was much more volatile as compared to local revenues. She said the dip in FY 19 was related to the LCI increase that she mentioned and in FY 20, it rebounded due to increasing supplemental lottery funding. She said it also funded teacher raises. She said they anticipated an increase in FY 21, but State aid will still not reach the pre-recession funding levels when adjusted for inflation.

Ms. Schmidt said in summary, combined, they anticipate \$5.7 million in additional revenue, but as she mentioned, the forecasted expenditures will exceed that. She presented the primary expenditure increases. She said first, there was compensation and benefits. She said VRS may have reduced the rate of return assumption, which will require a higher contribution from employers. She said currently, they were estimating that this may be \$1.4 million, which was a preliminary estimate.

Ms. Schmidt said as presented in the October joint board meeting, the County needs to remain competitive with the local market to ensure they can recruit and retain high quality staff. She said UVA is raising their minimum wage for full-time employees to \$15/hour beginning January 1. She said that since the October meeting with the boards, UVA also announced that for their major contractors, they will also raise their minimum wage to \$15/hour beginning January 1. She said County Schools will need to take a multi-year approach to get there, but they are forecasting an increase to \$12.75/hour to start.

Ms. Schmidt said lastly, as Ms. Allshouse had mentioned earlier, they are using a joint assumption of 2% increase for the teachers and classified staff.

Ms. McKeel asked if the minimum wage of \$12.75 equates to \$1.6 million for the Schools.

Ms. Schmidt replied yes, in the way the pay structure was proposed by Human Resources.

Ms. Palmer said this deals with the compression issue.

Ms. Mallek said if it was correct to divide it in half, the 1% salary increase equals about \$1.4 million for the Schools side. She said this was something that Ms. Allshouse could provide the boards the next time as far as what the percentages mean dollar wise.

Ms. Schmidt said the School Division anticipates serving more students. She said they are a growing School Division, and the overall enrollment increase anticipated for the next year will require in the magnitude of approximately 30 teaching positions. She said this was a historically high number, but they also have increases to support demographic changes in the Spanish-to-English learner populations.

Ms. Schmidt said they do anticipate some non-discretionary operational increases. She said for planning purposes in the early stage, they model a 2% inflationary increase in operational support. She said when they build the actual budget, there is more specificity, and so she was simply presenting examples. She said they anticipate some increases in utilities. She said this was a minor example, but the rate of police officers and the sheriff has increased, so that impacts budgets for security at games and daily traffic people at intersections.

Ms. Schmidt said she mentioned growth as a primary driver of the increase. She presented a chart of their enrollment in the last five years, as well as the enrollment projections over the next five years. She said that for FY 20, the current school year, they had projected and budgeted for 13,733 students. She said they have, to date, enrolled over 300 more students than that, or about 14,000 students. She said they were projecting an additional 200 students next year, FY 21, so that is a budget-to-budget increase of 500 students, noting that this was large. She said they could also see how those additional students they currently enrolled that year influenced their out year projections.

Dr. Gallaway asked where they were projected to pop up at.

Ms. Palmer said they had 90 more at Cale that year than they had projected.

Ms. Schmidt said where they received the unanticipated students were Cale and Stone Robinson most dramatically, but also more at Brownsville and Baker-Butler. She said this all aligned with where the County was seeing new development.

Ms. Mallek said she understood that 100 more kids showed up in September at Brownsville.

Mr. Koleszar disagreed.

Ms. Mallek said this was what she was told at the CAC months earlier.

Mr. Dill asked if there was any sense of whether the additional students are home-grown entering the school system, or if people were moving to the area.

Ms. Schmidt said one of the hardest things to predict is the kindergarten class. She said that year, they received 100 more kindergarteners than they had anticipated, so this was a major portion of the increase. She said they predict their kindergarten class based on birth data from five years prior. She said historically, they compare birth rate to kindergarteners, and they don't receive as many kindergarteners as they had births. She said typically, it is 95%. She said that year, they received more kindergartners than they had births, at 105%, which was historically high. She said there is some migration involved, and whether or not this is a trend, only time would tell.

Dr. Acuff said usually, they are very good at predicting the overall increase and not necessarily where the students are. She said that year, they missed on both.

Mr. Koleszar said that one of the trends they are seeing over time is as the City gentrifies, more poor people from the City are moving into the County. He said 30 of the 90 at Cale is because of one subsidized apartment. He said they look first at people who live in Albemarle, but as people move out of the City into the County, it is increasing the enrollment.

Ms. McKeel said they presented that data as far as the other data in the urban ring where her district is about 35 years ago.

Mr. Koleszar said this was a long-term trend.

Ms. McKeel said it has happened for years.

Ms. Palmer noted they were putting more affordable housing into the Cale district and that there was another coming up.

Mr. Koleszar asked if Ms. Palmer was referring to the development that was almost finished building.

Ms. Palmer said yes, that Brookdale was. She said Timberlake was already built, and then there was another development that was down the street from it.

Mr. Randolph said that Royal Fern proposes affordable housing as well on 5th Street.

Ms. McKeel said this was another reason why they needed to distribute affordable housing throughout the area.

Ms. Schmidt presented the anticipated funding gap, assuming only those expenditure changes she had discussed. She said she would conclude with a slide to preview other funding considerations that are not included, but were the needs. She said there is a need for the expansion of existing programs such as foreign language in the elementary schools, or the Step Program. She said there was additional work needed related to equity, safety, and mental health, and that those were all valued by a majority of their stakeholders. She said Special Education continues to be an evolving, expanding need in not only the overall increase, which was captured in the data, but in the severity and complexity of the service needs.

Ms. Schmidt said there were additional growth considerations beyond teachers including additional bus routes and custodians to clean the trailers that have been added.

Ms. Palmer asked, given the last several years what has been going on at the State level, if Ms. Schmidt anticipated any more funds to come from the State, given the political changes. She asked if there was any expectation for change.

Mr. Koleszar said he felt as if there should be a ground swell for more support. He said the latest figure he heard was that State-wide, adjusted for inflation, the State is paying \$600 less per student than in 2009. He said that as they get new State legislatures, this ought to be the highest priority not only at the Board of Supervisors level, but especially at the School Board level. He said they need to try to get the State to commit significant more revenue for education across the State.

Ms. McKeel said this also frees up other monies in the County that they could be using in other ways.

Ms. Palmer asked if there was any initiative the School Division was aware of to deal with mental health concerns on the K-12 level.

Mr. Koleszar said that to him, it's a matter of the size of the pie. He said the State's pie is too small, so they would be putting more money into mental health, but take away from guidance counselors. He said the County could decide how to use the money if the State will increase the pie.

Ms. Kumazawa said the Board of Education, last month, released some potential SOQ changes, and there was a component of mental health. She said the big unknown was whether or not it will be funded.

Mr. Randolph said an observation he had about additional growth and transportation was that, given the repeated curve showing the gap as it widens with time, one thing that the new Board of Supervisors will look for from the School Board is a coherent transportation plan of how the School Division plans to meet the bussing needs of two learning centers, going forward, in as cost effective a matter as possible. He said operating large diesel-based, 40-seat buses, when transporting a small number of students in each bus, is both counterproductive in terms of climate change, but also counterproductive in terms of wear and tear.

Mr. Randolph said going forward, there are efficiencies available there and money that can be freed up with more creative transportation strategy. He encouraged everyone to be thinking about electric and on-demand transportation. He said that perhaps both of those, along with autonomous transportation, would be a way of meeting those needs and reducing transportation outlays that currently are committed very expensively in both the CIP for replacement of buses and in the operating budget as well. He said the operating budget is getting more expensive due to the cost of hiring drivers and retaining drivers continuing to go up.

Ms. McKeel said in doing that, it would require getting the right people at the table with those from the School Division to talk about the transit issue, through a different lens and with on-demand, rather than simply what they have done for decades.

Ms. Mallek said that State law changes would need to be done as well because they are currently required to transport from home to school in their own bus.

Ms. McKeel said there are things that can be done during the day to help do exactly what they are trying to do that don't require this. She said it was a matter of having the right people at the table to discuss it and not just siloed with the School Division.

Ms. Mallek recalled Ms. Schmidt had mentioned games and traffic control. She asked if the revenues that come in from the tickets at the games help to offset that, or if that was used for something else. She said they were important to have, but she didn't know if there was an enterprise for the athletics that took care of that.

Ms. Schmidt said the athletics operational budgets support it. She said she simply wanted to give a tangible example of an increase. She said the other side of it is sheriffs outside of Albemarle or Western, which is not funded via ticket fees.

Ms. Mallek said that in the State Revenues slide, she had written down \$5.7 million, but she couldn't write quickly enough to note what this was.

Ms. Schmidt replied that this was the sum of the total additional revenue, including local and state.

BOS and School Board Discussion

Ms. Allshouse said they could approach the discussion in any way the boards would like to. She mentioned that as the boards go into their conversation, they had heard a lot about Schools that day but they haven't had to talk much about Local Government because they wouldn't be doing this until December 4, and the boards do not do that together.

Ms. Allshouse showed the boards that they have a multitude of services that General Government provides. She said in addition to the departments, such as Department of Social Services and Public Safety, they support a lot of agencies such as Solid Waste, Transit, ECC, and Libraries. She presented a slide to demonstrate the breadth of the different types of functions that are provided under General Government. She said there were no details on the slide, but that she wanted the boards to see that there are many other items that they have to look at in addition to the School Division's needs.

Ms. Allshouse said the School Board and the Board of Supervisors do not jointly have a work session scheduled for December 4, but that they were welcome to attend, listen in, or read the minutes. She said General Government does their budget slightly differently. She said per the current Board of Supervisors policy, they take the five-year plan and balance the first two years. She said this is a different approach that aims for balancing the budget based on the current tax rate and presenting this to the Board of Supervisors. She said this would be demoeed differently for the Board of Supervisors.

Ms. Allshouse said they would also have very similar expenditure drivers, and that they would see the same pattern. She said work was underway and that they had the Compensation and market increase challenges. She said in terms of the full-year impact, there were some current obligations that they put in play for the current year, such as leases and other things. She said they want to maintain their current level of services in many areas such as Transit, Solid Waste, and Public Safety. She said the Board of Supervisors also has a Strategic Plan that drives the decisions as well. She said there were not many details on the slides, but that she wanted to note those things before the discussion to give both boards an understanding.

Ms. Allshouse presented a slide, noting that they were using some of the same things they did in the capital conversations. She said there were many considerations the boards had to think of when they were looking at the CIP, and the five-year plan for the operations should be similar. She said they have to think about growth and that they had heard some information about growth and operations that day. She said CIP debt is a factor that they have to think about collectively with operations. She said they have to think about the taxpayers' considerations.

Ms. Allshouse said they put together an idea for how the rest of the day could go, noting that they had until 4:30 p.m., or about 40 minutes left, for the boards' discussion. She said they thought about two different approaches, noting that it was similar to something the boards may remember from the CIP discussions. She said they thought in small groups of two or three people, they might spend some time to talk about what may have surprised them from the conversation, what pleased them, and what concerns them. She said this would simply be amongst themselves with no report-outs, and that would be for about 10 minutes. She said the large group discussion would then be 30 minutes.

Ms. Allshouse said staff put guiding questions out, but that the board members could have any discussion they like. She said the first question was about what they could do together to meet their longer-term community needs. She said she had already heard some conversation about that. She said they have to also consider having balanced budgets for both Schools and Local Governments. She said these were conversations the board members might want to have regarding balancing.

Ms. Kumazawa asked the board members to turn to the person next to them to form groups of two or three to talk about the three questions that had been presented.

Ms. McKeel asked if there would be any votes to come out of the meeting.

Ms. Kumazawa replied no.

At 3:53 p.m., the boards began their small group conversations.

At 4:04 p.m., Dr. Gallaway addressed the boards, noting that there had been robust discussions. He called the meeting back to order to come back to the large group discussion.

Ms. Schmidt said the idea for the large group discussion was to take what was discussed in the small groups to begin to brainstorm alternatives and options to address any concerning thoughts and what to do moving forward. She said this was the time to be creative, and was very preliminary. She said they were not asking for any votes or anything official, but that this was a space to hear what the board members were thinking and what they think possible alternatives are.

Ms. Schmidt said this could be done in a round-robin format so that everyone has a turn to speak, or it could be done for when people want to speak.

Dr. Gallaway said he liked the option of going around the table to give everyone a chance to talk. He asked if anyone wanted to volunteer to go first.

Mr. Randolph said regarding decreasing current operations, his small group conversation ended by him playfully referring to the proposed new high school that he was told about in 2016, when the Board of Supervisors voted for the referendum. He said Dean told them that he would be coming back to the Board for a new high school, but that that didn't happen. He said one of the benefits of that, which he refers to as a "white elephant" is that it forces the School Division to think more clearly about the role of high school education, especially the interface now with the need for employable skills coming out of high school, and a different way of operating secondary education. He said classically, it is operated in the American educational model, but that this was much more of a European model of education.

Mr. Randolph said that has significantly reduced operating costs that otherwise, the County would currently be struggling with in the budget because of not only the operating costs in the Schools budget for Learning Centers 1 and 2, but they will be comparatively minor versus what those costs would have been to operate a full high school. He said those costs would have included janitorial and maintenance costs as well as all the specialized services associated with it, specifically sports and extracurricular activities. He said the School Board has already made a long-term decision that will generate a significant increase in return on each taxpayer's dollars in Albemarle County as a result.

Ms. McKeel said when talking about the gap in State funding for education, she would like to seize the moment and try to influence the State somehow. She said VEA needs to step up to the plate and that the Board and School Board should help them get some synergy around the State funding education at least to cover the gap that they have taken away. She said every cent that the State pays towards education is money that the County doesn't have to spend locally, and that the County was supplementing a lot of money that the State has not been stepping up to the plate and paying.

Ms. McKeel said this is an issue that most everyone in the State could agree on because in terms of Economic Development, everyone says that education is the number one way to strengthen the community, going forward. She said this was the time to get this going and that VEA will have to step up to the plate.

Ms. Mallek said to predicate what Ms. McKeel had just said, it translates to between \$600 and \$650 over the past 10 years per student, so doing the math, it is 14,000 students and \$8-10 million per year for 10 years. She said \$80 million would have come in handy and the State still hasn't funded the County at the level they were doing in 2009.

Mr. Alcaro said he didn't think it would happen automatically. He said there was going to be an education in the process, especially for the new people coming into office, to explain what has happened, what the problem has been, and what the impact has been. He agreed that VEA has to step up, and there are those on the School Board who are going to go down to the advocacy both at the federal and state level. He said there is at least one member of the School Board who intends to have a real presence in Richmond, in addition to Helen Dunn from the Communications Department, who is the liaison.

Mr. Alcaro said the School Board would hammer this home to get the numbers out and do as much education as they can, as well as guidance for the County when they can.

Ms. McKeel said everyone talks about how important education is, and there shouldn't have to be much education around those issues. She said she understood what Mr. Alcaro was saying, but that she thinks there is a role for VEA because this affects everyone in the State of Virginia. She said this was not a single locality issue.

Ms. Palmer asked if there were current bills that churn year after year that the boards could support that they already know of.

Mr. Koleszar said the Republicans have been in charge of the State legislature, and any tax increases have been totally off the board. He said they are working with a very limited pool of money, and education gets what's left.

Ms. Mallek said they had a huge surplus that year and that this should be redirected in some way.

Ms. McKeel said the General Assembly keeps dicing and slicing the pie a different way rather than making the pie bigger.

Ms. Palmer said it was better to ask for something specific.

Ms. McKeel agreed.

Mr. Alcaro said they have their legislative packet put together and that he would be glad to send it to the Board of Supervisors.

Ms. McKeel said the Board of Supervisors should share theirs with the School Board as well, if they hadn't already.

Dr. Acuff said she wanted to thank the community and the Board of Supervisors for picking up much of the slack because it is basically a major cost shifting to the Local Government, which is why the School Division has been able to do as much as it has.

Dr. Gallaway said the State did their own study in 2015 that showed that Virginia, more so than any of the other states in the southeast region of the country, picked up more of a burden to fund education. He said if their own State study says that, then it shouldn't be questioning the rationale that there should be a swing-back the other way. He said he understood that there should be specifics to go after, but that Ms. McKeel was absolutely correct. He said the boards were all guilty as well in that they all tout education as a campaign issue. He said it was time to step up and make it a legislative priority.

Dr. Gallaway said they have seen what has happened over the last 22 years. He said the new legislators were people from a party that he is a member of that purport to be the champions of education. He said he has certainly heard other issues that suggest that now is the time. He said this is a basic "everybody touches everybody" issue that everybody should be able to get behind. He said he hoped this doesn't get lost in some of the other political issues that could be out there as well.

Ms. McKeel asked if VEA could come up with a plan. She said if all the voices are saying the same thing and it has to come through VEA state-wide, the County needs VEA help.

Mr. Koleszar added that BSBA and BASE also could help.

Ms. McKeel agreed.

Ms. Palmer said that they could get lost in all the other things they were doing, and she was sure that everyone has their list now that the House has flipped and what can they get done. She said there were many things that could take up a lot of bandwidth and to get the attention and front pages of the papers. She asked how they could get this back to one thing, such as education.

Dr. Gallaway said he has been capsulated with local groups and that he would use affordable housing as an example. He said when people come to the Board of Supervisors wanting an annual budget for affordable housing, they want to have the conversation about where the County finds the money for that. He said he says to a local group, one in particular that has been on affordable housing for two years and puts the Board in a very public situation in answering what they will support, so if a group advocates that the State fully funds education, they free up the dollars locally that he could now put into an affordable housing fund.

Dr. Gallaway said it was a matter of constantly advocating to the State legislators to put the money in education, which frees up the local money that can be put towards something else. He said it was constantly reeducating people who are advocating to the Board that this is appropriate, but that they also need to advocate elsewhere on a different issue, with the Board stepping up as well.

Dr. Gallaway said he hears the call of going down, and that it happens that he spends time in the Richmond area, so he will likely be able to get there in January and February to do his own advocating. He said the new representatives will be coming on board, and for some of the people around the table, they have decades on some of the people who will be serving in the State government. He said to be able to connect the historical dots about how one issue can impact another, they had to trace those lines for them.

Ms. McKeel said she wondered if they had something visual, such as a one-pager with talking points, for the community that would show the \$600 plus per pupil, and 14,000 pupils. She asked if there was a way to have that one-pager and what the best way to use it would be. She said it would be helpful for the boards to have something like that. She said it would at least start to give the representatives an understanding, as well as help the community understand.

Dr. Gallaway said that he appreciated that the increase in the pie would do it, but it is also a matter of the State understanding that when they give a teacher raise, they are not paying for the full teacher raise. He said this could also be looked at and that it could also free up local dollars to be used for other priorities.

Ms. McKeel said that this was confusing even to the public because they know that the State is giving a 2% raise, but that this didn't mean that Albemarle County receives it.

Ms. Mallek said that the County had to match it in order to have it.

Dr. Gallaway said the County also had to fund the positions that weren't covered under the raise.

Ms. McKeel said she thought they needed to keep it as simple as possible, but that she would love to have something in terms of a one-pager.

Mr. Paige said he had two ideas and that it was a question that started off as a tangent compared to what they had been discussing. He said Mr. Randolph had mentioned some ideas about transportation, and he wondered who could be discussing those ideas. He said this involved using transportation to bring kids to the centers, or transportation for some of the disadvantaged students to different programs within the County. He said transportation needs would be one thing.

Mr. Paige said the second main idea he shared with his group was that, much like Ms. Palmer is on the bandwagon for the recycling center, he was on the bandwagon for AHS and WAHS renovations. He said when they first talked about this, this was one of the main things that would be a part of the program that, when they would have the centers, all three of the high schools would be renovated. He said this seems to have dropped off the table completely and he wanted this to be in the forefront to think about.

Mr. Koleszar said he wanted to follow up on the transportation idea. He said Charlottesville Area Transit (CAT) was doing a terrible job serving the transportation needs of County residents. He said he didn't know how many millions the County was spending on school bus transportation, but that they had a huge transportation system. He said if they could find a way to leverage this to serve not only students, but residents as well, there was a huge possibility for improving services and ultimately reducing costs.

Mr. Koleszar asked if there was anyone who was working on that project. He said it may involve changes to State Code, but that better bus services were needed for the citizens and that this will also be needed for students to go to internships as well as to the centers. He said it was a challenge, but also a real opportunity, and that he didn't know who would do this, but they needed a champion or project manager.

Ms. Mallek said they may need some outside expertise, as well as transportation staff.

Ms. McKeel said the Board of Supervisors was already looking beyond CAT, recognizing that they are currently not in the position to be able to help with transportation. She said the Board recently received a presentation from Brad Sheffield from JAUNT about an on-demand service that will be started in the spring at Loaves and Fishes. She said to think of it as a pilot, and that they were starting with Loaves and Fishes because it is a discreet area with certain times they are open.

Ms. McKeel suggested getting Jim Foley and some of the people in Transit together with herself and perhaps others around the table to talk about what this would look like and how they could look at transportation differently for Albemarle County residents and the schools. She said this was why they originally had Mr. Foley

at the table with the Partnership because ultimately, they hoped to have goals that the School Division had. She said it was time to start having that discussion with different people in a different way.

Mr. Paige said it would have to be for the entire County and not just the urban ring.

Ms. McKeel agreed. She said in regards to getting kids to the centers, she has said many times that they should be talking about how they are going to move the kids around from internships. She said she represented many kids whose parents cannot buy them a car or cannot leave their jobs to move them to their internships. She said she wanted another way of getting those students around and reduce the barriers for children. She said in regards to equity, everyone should be put in the position of being able to do an internship if they want to.

Ms. Mallek said this is what Greene County Transit has been doing for their kids after school for years.

Ms. McKeel said that it was a matter of getting the right people at the table to start that conversation first and then speedily go with it. She said they need to figure it out.

Dr. Gallaway said that for the bus system, a fixed route is the right system, and there was the question of if it could come out of the School Division's piece. He said if they look at it from the on-demand, it could be a very realistic fix for the issue of the centers and internships. He said that as that starts to develop out, they would see how this would factor in because as Mr. Sheffield said, sometimes an on-demand route can indicate where a fixed route is needed and necessary, so it informs how to make the fixed-route system even better. He said they probably have buses they could free up that aren't having to do on-demand if there is a different type of service for it, and then this could ease up the demand to be able to do field trips.

Ms. McKeel said what she was talking about was, for example, Loaves and Fishes is close to the Lambs Lane campus. She said there is no bus stop for the families and the students that are there on that campus. She said if there is on-demand that is going to Loaves and Fishes, they could see what they can do for that Lambs Lane campus for the on-demand and how it might tie together. She said again that the right people had to be at the table to figure this out.

Ms. Mallek said it could get kids from the high school to Center 1, as it is in the same neighborhood.

Ms. McKeel said it may be the way to get some field trips for those children there.

Ms. Palmer said her understanding, from asking Mr. Sheffield, was that the School Board or School Division has not reached out to JAUNT yet to ask them to do that. She said she asked about this a month ago, and that others did too. She said to answer Ms. McKeel's question, it perhaps needed to start with reaching out to JAUNT directly also for some of the issues in the short-term. She said in the longer-term, it could involve larger plans.

Dr. Gallaway said that they at least had a transit professional, Mr. Sheffield, that they know is well-versed in the issues of what was just discussed, and is also a parent who knows the challenges of moving kids around. He said Mr. Sheffield is brainstorming and is passionate about it, and whether the School Division reaches out to him or not is probably on his mind.

Mr. Koleszar said it would probably require a vote from both boards, but that they should perhaps create a joint committee that would be responsible for getting the right people in the room, talking about it, and doing that kind of work to make the vision happen. He said it would require a vote from both boards to make it official and to give it some status.

Ms. Mallek said that this was what the Partnership was for.

Ms. McKeel said this would be somewhat outside the Partnership.

Mr. Koleszar said that to his knowledge, the School Board has never been asked to endorse that they want to create the Partnership.

Dr. Gallaway said that the Board of Supervisors hadn't. He said they just got an update on if they are interested in pursuing an on-demand pilot. He said they were not too far down the path.

Mr. Koleszar said his point was if the boards want to vote and create a joint committee to work on the issue, then the work could probably get done, rather than leaving it as having had a nice discussion. He said he was not asking to vote that day.

Ms. McKeel suggested saying that it would be great if the Superintendent and the County Executive could have a discussion as to how they might be able to move forward with two boards to reexamine the topic.

Dr. Gallaway noted they were closing in on time and asked if others wanted to speak.

Mr. Dill brought up the issue of online learning. He said three of his kids graduated from Western Albemarle and work for companies in different cities, and that one of his children works for an educational company. He said in some ways, hearing the discussion about buses taking kids around the County makes him think that so many people are doing online teaching and learning and that this must be part of the County's future as well. He said many colleges are doing online programs and he didn't see any reason why a high schooler couldn't learn a lot online as well instead of spending two hours a day sitting on a school bus.

Mr. Dill said he was not the expert on online learning, but that it would be environmentally more friendly, could be better educationally, safer, and could have other benefits.

Mr. Koleszar said online education is one of the things they are talking about with the centers and looking also to change CATEC from a half-day model to an every-other-day model. He said if they do this, it would cut transportation times for students as well as the County's transportation costs, as it would cut the number of trips in half.

Ms. Mallek said what pleased her was the process overall and that everyone had such a better understanding and more confidence in where they are going, based on what they had been through over the last six months. She said one thing that continually jumps out at her, and the citizenry in the County begins to truly understand, is the cost of growth and the new units, which never pay for themselves. She said the County must expand their economic pie through all the other aspects, in addition to taxation, whether it's local businesses growing, better jobs, or primary businesses bringing money from outside, etc.

Ms. Mallek said that they need to somehow focus the General Assembly's attention on the fact that they need to follow their own rules. She said it was not as if the County was saying they need more money because they want it, but because it is their rules that they are not following. She said the \$80 million could have been leveraged to \$500 million easily to do construction, and they would not be in the crowded situations in which they are currently. She said it was a powerful argument that would help somewhat. She said she hoped they would all march forward and go visit, talk to people, and continue to pound on that.

Ms. Mallek said from the VACO perspective, education funding is a very high priority, and all across the State, our salaries are pitiful. She said they know from economic development state-wide that when Governor Kaine brought all the focus on education, that's what put the State in the number one spot. She said the minute the cuts started happening was when it slid off.

Ms. Mallek said the Governor, over the weekend, did take a lot of credit for all the teacher raises, and that she really wanted to shout out, "Yes, but we had to match that." She said it is not exactly found money.

Ms. Mallek said her November reading assignment was from one of the earlier combined meetings, and under Increasing Revenues, one School Board member had asked the question about changing the land use

program. She reminded everyone that every house and every barn is assessed at market rate, no matter where it is. She said this was not something that is the basis for the County's growth management strategy. She said the repercussions, when those kinds of arguments are thrown out, are serious and upset people for the wrong reason. She said she hoped everyone would take that information in the spirit in which it was intended.

Mr. Alcaro said he has a total non-sequitur to everything that was being discussed. He said one was CATEC pies are now available for Thanksgiving. He said the apple pie was special. He said they could still order the pies until Friday and then pick up the three days of the week before Thanksgiving. He highly recommended them.

Mr. Alcaro said that the coming Saturday, at Southerland Middle School starting at 8:30, is a 5K run and walk that is open to all City, government, and school employees. He said that while family and friends are welcome to be there to cheer on, they are there to greet everyone at the end as this run was just for the City, County, and School employees. He encouraged the boards to spread the word. He said he would send out the link to the CATEC pies when he sends out the legislative kits.

Dr. Gallaways aid the Board of Supervisors had the need for a brief closed session after the meeting. He asked if Ms. Allshouse had any final wrap-ups.

Ms. Allshouse said she took a lot of notes for herself during the conversation. She said she appreciated the conversation and that she heard great ideas. She said she was looking forward to moving forward.

Ms. Allshouse presented a final slide about next steps. She said the School Board has a couple meetings coming up to provide additional information. She said January 23 is when the School Board will receive the Superintendent's funding request. She said on February 4, they will finalize the School Board's funding request.

Ms. Allshouse said that for the Board of Supervisors, they have two more work sessions on long-range financial planning. She said on February 19, the County Executive will be providing the recommended budget.

Agenda Item No. 3.1. Other Matters. None.

Agenda Item No. 4.1. Adjournment.

At 4:33 p.m., Mr. Alcaro, hearing no objections, adjourned the meeting of the Albemarle County School Board. The Board of Supervisors went into a closed meeting.

Chairman

Clerk