The Rockbridge County School Board held a special meeting on Wednesday, January 20, 2021 at Maury River Middle School.

Present: Chairman Wendy Lovell; Trustees, Corey Berkstresser, Kathy Burant, Heather Hostetter, Neil Whitmore; Superintendent Phillip Thompson and Clerk Rhonda Humphries.

CALL TO ORDER
Chairman Lovell called the meeting to order at 4:00 p.m.

The purpose of the meeting was to conduct a Budget Work Session for Fiscal Year 2022.

BUDGET WORK SESSION
Superintendent Thompson provided a presentation on the School Board Budget. The highlights of the presentation were as follows:

- Mission, Vision, Goals

- RCPS School Board FY22 Budget Considerations

  As of January 20, 2021, the following are other FY22 budget considerations for the RCPS School Board:

➢ Local Composite Index (LCI): The state uses a local composite index to determine a school division's ability to pay for the local required share of education costs for the Standards of Quality. The LCI is calculated every two years with each new biennium, and considers property value, adjusted gross income, taxable retail sales, and the student and total population in each school division. It is difficult to entirely understand how Rockbridge County can be seen to have a higher ability to pay when compared to many other school divisions with seemingly a larger economic base from which to help pay for schools. The RCPS School Board continues to advocate with our representatives in the General Assembly in hopes they would support revisiting how the LCI is calculated to ensure a more fair distribution of state funds to areas of true high need such as Rockbridge County. He cautioned that state legislators often represent more than one locality so in order to help one locality, it may hurt another.

  - Trustee Berkstresser inquired if Lexington City is factored into the LCI for Rockbridge County.
    - Superintendent Thompson stated that Lexington City is completely separate and not included in the LCI for Rockbridge County. He stated that Lexington City gets ADM funding for the students who attend Rockbridge County High School and pay tuition to RCPS.
  - Trustee Hostetter inquired if it is known what the increase in the LCI for Rockbridge County is attributed to.
    - Superintendent Thompson expressed his belief that the increase in LCI is primarily based on real estate true property values.
  - Chairman Lovell inquired if there are indications that Virginia Department of Education may be able to help with LCI.
    - Superintendent Thompson stated that there may be hold harmless provisions in hopes for next year but no mention of any assistance with the LCI.

➢ Average Daily Membership (ADM): The RCPS FY22 budget is based on the VDOE ADM estimation of 2397, which is based on the governor's budget and will likely change. The March 31, 2020 ADM was 2516. The September 30, 2020 ADM was 2439. This low ADM count is well out of the norm when compared to recent years. The drop in ADM over the past two years can be partially explained by the two large graduating senior classes. There is also a much smaller than normal incoming Kindergarten class due in part to the COVID-19 pandemic. These factors combined with families of students from various schools at various grade levels moving out of Rockbridge County have resulted in the state projected ADM of 2397 for FY22. Fewer students (smaller ADM) means less state funding revenues for FY22. Superintendent Thompson expressed his recommendation to build a budget based on the state estimate in hopes it is better.

➢ Projected Additional State Funding for FY22: The estimated increase in state funding revenues will be approximately $17,292 more than FY21 state revenues when budgeting for FY22 using an ADM of 2397. Superintendent Thompson cautioned that $153,245 of the projected revenue from the state is tied to giving a 2% bonus to RCPS employees before the end of September 2021.

- Trustee Hostetter inquired that if a bonus is given this year FY21, if it would count for FY22.
    - Superintendent Thompson stated that, if given prior to July 1, 2021, it would not count for FY22.

> <u>RCPS School Board FY22 Budget Considerations:</u>

- ❖ As of January 20, 2021, the following are <u>mandated</u> FY22 budget considerations and associated cost estimations for the RCPS School Board:
    - <u>Virginia Retirement System (VRS)</u> - Increase Approx. $0: RCPS is currently in the second year of the biennium so there is no increase to VRS for the FY22 budget year.
    - <u>VRS Associated Charges for Group Life</u> -- Increase Approx. $0
    - <u>Health Care Credit</u> - Increase Approx. $20,182: The General Assembly added a new group of employees who qualify for this benefit (nonexempt employees). This is a new mandated benefit.
    - <u>Long Term Disability Insurance</u>- Increase Approx. $23,223

- ❖ As of January 20, 2021, the following are other FY22 budget considerations for the RCPS School Board:
    - <u>Health Care Premium Increases</u> - Increase Approximately $628,425: Health Care costs continue to rise. While it is still relatively early to truly know the cost of any potential health care cost increase, our health insurance broker, at this time, is estimating an increase of approximately 23.7%. The driving cost is prescription medications of employees. This increase does not account for any new participants electing to enroll in the health care plan provided by the school division for the 2021-22 school year. RCPS Administration will be meeting with our broker soon for a more thorough evaluation of what we can expect for FY22.
    - <u>Statewide Minimum Wage Increase to $11.00/Hour</u> - $26,159: Employees will not see this increase until the mandated effective date of 1/1/2022.
    - <u>Worker's Compensation</u> - Increase Approximately $0: Much like health insurance rates, each year we must reassess and negotiate with worker's compensation carriers for favorable rates. At this point, we believe we will be able to keep this cost at the same rate for FY22.
    - <u>Property & Casualty Insurance</u> - Increase Approximately $4,632: Property and casualty insurance carriers are reassessed and negotiated annual for favorable rates. A slight increase for FY22 of approximately $4,632 is anticipated.

- ❖ As of January 20, 2021, the following are mandated FY22 budget considerations and associated cost estimations for the RCPS School Board:
    - <u>Bonus/Salary Increase for All RCPS Employees (2%)</u> - $495,967: In the Governor's proposed budget released on December 17, 2020, $153,245 was allocated toward our FY22 state funding if we give a minimum of a 2% employee bonus or salary increase between July 1, 2021 and September 30, 2021. If this minimum mandate is not met, RCPS state funding for FY22 will be reduced by $153,245.
    - <u>Additional Salary Increase for All RCPS Employees (2%)</u> - $495,967: In FY21, RCPS proposed a salary increase for all employees. Due to the poor economic conditions caused primarily by the loss of revenue toward the end of FY20, our employees did not receive any salary increase. Several of our surrounding school divisions were able to offer their employees varying degrees of a salary increase for FY21. This has created a wider gap between salary scales and caused RCPS to be less competitive in our mission to hire and maintain the highest quality teaching staff possible.
        - Superintendent Thompson provided a document which contained Teacher Salary Comparisons of surrounding areas. He stated that it is desired to provide a raise that will aide in getting the salaries back on track to be near the middle when compared to surrounding areas.

- Superintendent Thompson also stated that he would like to see teachers receive a bonus in FY21 for the extra work being done this year.
    - Chairman Lovell inquired if this proposal can be presented to the Board of Supervisors at the joint meeting of January 21, 2021.
    - It was the general consensus that this proposal be presented to the Board of Supervisors at the meeting of January 21, 2021.

- FY22 Estimated Funding Projections/Needs as of January 20, 2021
  - FY22 ESTIMATED FUNDING PROJECTIONS/NEEDS as of JANUARY 20, 2021

<u>Mandated Cost Increases for FY22</u>	
• Virginia Retirement System (VRS)	$0
• VRS Associated Group Life Insurance	$0
• VRS Associated Health Care Credit	$20,182
• Long Term Disability Insurance (.5% increase)	$23,223
• Health Care Insurance (Early/Conservative Estimate - 23.7%)	$628,425
• Worker's Compensation	$0
• Property and Casualty Insurance	$4,632
• Minimum Wage Increase to $11.00/Hour (as of 1/1/22)	$26,159
▪ Approximate Mandated Cost Increases for FY22	$702,621
<u>Bonus/Salary Increase for All RCPS Employees</u>	
• All RCPS Employee Bonus/Salary Increase for FY22 (2%)	$495,967
• Additional All RCPS Employee Salary Increase for FY22 (2%)	$495,967
▪ Approximate Personnel Costs Increases for FY22	$991,934
<u>Additional Personnel Needs</u>	
• Additional Preschool Teacher (Governor's Preschool Initiative)	$73,489
• Additional Approximate Personnel Costs Increases for FY22	$73,489
<u>TOTAL of Approximate Budget Increases for FY22</u>	$1,768,044
<u>Projected Increase in State Funding for FY22 (Governor's Budget)</u>	$17,292
<u>Projected Total of Additional Needed Funding for FY22</u>	$1,750,752

Superintendent Thompson inquired if board members are comfortable with the "ask" of the Board of Supervisors.

- Chairman Lovell replied that there is no way that the school board can't ask for funding a raise for teachers.
- Trustee Hostetter stated that she is comfortable with the funding "ask".
- Trustee Whitmore indicated he is comfortable with hopes that the insurance numbers will go lower.
  - Superintendent stated that he is hopeful the numbers will go down as claims go down, reminding that prescription medication costs are driving the cost currently.
- Chairman Lovell noted that last year there was again an incentive offered to change insurance tiers and noted that the ultimate goal is to put more money in the pockets of employees.
  - Superintendent Thompson noted that there was a lot of movement the year before last, but not as much movement last year.
- Chairman Lovell inquired when it will be known if the 2% proposed from the Governor will be a bonus or raise.
  - Superintendent Thompson stated that the General Assembly will be in session for thirty days in which the House and Senate must combine their budgets into one version. He cautioned that if the 2% is a bonus, it will not help employees with their VRS.
  - Mr. David Daniels, Director of Finance, stated that Governor could also wait and base any potential change on the revenue forecast.
- Trustee Berkstresser inquired if the $153,245 is part of the $495,967.
  - Superintendent Thompson stated that the $153,000 is in the operating budget. He cautioned that the $153,245 of the projected revenue from the state is tied to giving a 2% raise. If the school division does not give a raise, the funds go away.
    - Chairman Lovell expressed her sentiment that she feels not putting the amount in the budget is not being fiscally responsible.
    - Superintendent Thompson felt it was important to remind the School Board that during FY21, there was $630,000 cut in from the budget in instructional personnel and no raises were given to our employees.

- Chairman Lovell inquired if the school division can consider a bonus for this year, FY21.
  - Superintendent Thompson stated that the division may be able to as there has not been a purchase of busses this year. He also stated that there may be money to return to the county this year which in turn could mean that the operating budget may have funds for an employee raise, if permitted by the Board of Supervisors. He further stated that Mr. Randy Walters, Director of Transportation and Maintenance, is comfortable with no bus purchases for FY21. It was the consensus of the board to make this proposal to the Board of Supervisors at the joint meeting of January 21, 2021.
    - Trustee Hostetter noted that even though some expenses have been cut, it does not change the budget moving forward, the base budget needs will remain.
    - Superintendent Thompson confirmed that with anticipation of next year being normal, the needs may be even more.
- Trustee Burant stated that some responses from constituents reflect the feeling that teachers are not doing as much because students are at home and may reflect the optics of people who may not see why a bonus is needed. She inquired what can be done to help with this perception.
  - Superintendent Thompson shared that he feels there are different optics throughout the county. Parents and teachers alike are frustrated but also noted that there are constituents who know that teachers are going beyond to help our students.
  - Chairman Lovell stated that in the beginning of the pandemic, the hope was that the virtual instruction would increase teacher engagement with families, even though it was not always positive communication. She noted that there have been good stories as well.
- Chairman Lovell emphasized that a lot has been cut from operating budget but that it will need to be added back in for next year. She expressed her sentiments that she would advocate for a raise or bonus particularly since there was no raise last year.
  - Superintendent Thompson stated that there is currently a bonus in the Governor's budget for FY22, with potential to moving it to a 2% raise if the economy continues to look promising for the remainder of this current fiscal year.

Mr. Jason Kirby, Director of Technology and Human Resources, provided information on the Early Retirement Incentive Program (ERIP).

- Timeframe of the ERIP policy:

1994:	Policy implemented
2001 / Revised:	Must be 50 years old; Required 10 years service in VRS and RCPS; Not to exceed 20% of contracted salary, but no minimum or maximum work day requirement; Could stay on program for 12 years
2017 / Revised:	Must be 50 years old; Required 20 years of service in VRS and RCPS; Not to exceed 15% of contracted salary; Can participate in the program for 7 years. Work between 100 and 200 hours per school year to maintain participation. (*Requirement was waived last year due to COVID-19*)

- The cost of ERIP has increased by about ten percent annually over the past five years.

Mr. Kirby stated that Rockbridge County is the only division that has an early retirement program as vast and as rich in the surrounding areas.

- Superintendent Thompson stated that the ERIP program is a tremendous benefit for employees but that the program does exponentially increase in costs annually.

Mr. Kirby presented three options that have been considered for the ERIP Program. They are as follows:

- Status Quo (Leave the program as is)
- Eliminate the program at the end of the 2021-2022 school year
- Change the program options and benefits to reduce the costs of the program as follows:

  Age requirement moves from 50 to 55 years old
  Stays at 20 years service in VRS and RCPS
  Teachers – not to exceed 9% of contracted salary
  Administrators – not to exceed 5% of contracted salary
  Participate no longer than 5 years (Down from 7 Years)
  Must work 200 hours per school year to achieve 9% to 5%
  Work minimum of 100 hours to maintain participation

- Chairman Lovell inquired what is gained with the increase in age.
  - Mr. Kirby stated that age 65 is the age that employees become eligible for Medicare.
- Trustee Berkstresser inquired if the sub rate for retired RCPS teachers is higher than a normal substitute.
  - Mr. Kirby stated that at present, it is not. It may be discussed moving forward.
- Chairman Lovell stated that she feels the ERIP program will be important next year as staffing issues may be worrisome due to COVID.
  - Superintendent Thompson expressed his sentiment of agreement and also noted the financial need to make changes to the program.

Mr. Kirby stated that as of this point, there are seven retirement notifications for the end of this school year that have been received from employees.

- Trustee Burant inquired how many retired teachers provide services as a substitute.
  - Mr. Kirby stated that approximately 75-80% retired teachers do substitute.
  - Superintendent Thompson further added that retired administrators may sub in a number of different ways; likewise, a retired secretary would not be expected to go into a classroom.
- Trustee Burant stated that she is not in favor of eliminating the program.
- Chairman Lovell stated that she is in favor of keeping the program.
- Trustee Berkstresser expressed his interest of the option for a higher pay rate for a retired RCPS teacher as an option if there is a change in the ERIP plan.
- Trustee Hostetter stated that if the ERIP program is changed, she would be in favor of changing the substitute pay rate for retired RCPS teachers. She also inquired how long a retiree can remain on the RCPS health insurance.
  - Mr. David Daniels, Director of Financial Services, stated that a retired employee can remain on the RCPS health insurance, if they were already on the plan prior to retirement.
- Chairman Lovell stated that she would be in favor of an elevated substitute teacher rate for RCPS retired teachers.
- Superintendent Thompson stated that administration feels there is enough availability of subs for this year, however, this is only if they are willing to work. He stated it is hard to say how a change in the ERIP program would affect the sub pool because it is a personal choice. He added that it may be helpful if there is potential of adding another pay tier for retired teachers.

Superintendent Thompson provided an overview of the adopted Capital Improvement Projects, which were included in the Board of Supervisors Capital Improvements Projects as well. He stated that the Feasibility Study helped to guide a priority list and that Central Office staff has worked to re-organize the list so that new projects could be accomplished as some items fall off from debt service.

- Chairman Lovell stated that the school board needs to keep Lexington City in mind and the impact it may have on their division.
  - Superintendent Thompson stated that he has communicated with Rebecca Walters, Superintendent, Lexington City Schools, and that she is appreciative of the information so her administration can plan accordingly.

Mr. Randy Walters, Director of Transportation and Maintenance, provided an update on the HVAC projects for Central Elementary School and Fairfield Elementary School nothing that he anticipates receiving the final proposals by January 21, 2021. He stated that the plans are on track to begin over spring break and that projects will not interrupt the school day for students.

- Trustee Hostetter confirmed that the ceilings and lighting costs are included.
- Mr. David Daniels, Director of Financial Services, stated that the county is working on getting a bond resolution for both projects with anticipation that it may be ready by the February 9, 2021 meeting of the Rockbridge County School Board.
- Superintendent Thompson stated that he is comfortable moving forward with the HVAC projects.

ADJOURNMENT

Upon motion by Trustee Berkstresser, seconded by Trustee Whitmore, and passed by 5-0 vote, the meeting was adjourned at 5:39 p.m.

Wendy W. Lovell

Wendy W. Lovell, Chairman

Rhonda B. Humphries

Rhonda B. Humphries, Clerk of the Board