

At the budget workshop meeting of the Giles County Board of Supervisors on Monday, March 29, 2010, at 4:00 PM in the Giles County Administration Building, 315 North Main Street, Pearisburg, the following were present:

Barbara Hobbs	Chairman (Central District)
Eric Gentry	Vice Chairman (Eastern District)
Howard Spencer	Western District
Richard McCoy	At-Large Supervisor
Paul "Chappy" Baker	At-Large Supervisor
Chris McKlarney	County Administrator
Rhonda Tickle	Finance Director
Susan Kidd	Board Secretary

Ms. Hobbs called the meeting to order. Mr. McKlarney said Dr. Arbogast will be joining them to discuss school board budget issues at 5 PM. He said at this time the school is asking the board for around \$400,000 in new money. There is also an additional \$182,228 for anticipated unemployment costs. That is the upper estimate for a full 26 weeks. Ms. Tickle said VEC in Richmond said the current extensions on unemployment end March 31st. However, the CFO for VEC anticipates it being extended through the end of the calendar year. Ms. Hobbs noted this is assuming the school board goes with Dr. Arbogast's proposal. If not and there are more layoffs, then the cost of unemployment could be higher. Mr. McKlarney said that was correct if there were more layoffs or if the time frame for benefits was extended. He did not foresee any additional layoffs this year unless additional cuts are made in December.

Ms. Hobbs stated that she did not really buy what the school board wanted. If this board does not give the school board what they want and do not agree to \$400,000 and unemployment costs; then the school board has to find that money somewhere else. It will probably be more layoffs according to what they told this board. Mr. Gentry said that is what the board has been hearing, but did not know for certain. He asked if Ms. Hobbs felt there was extra money out there. Ms. Hobbs said she did not, but she also did not feel the county had extra either. She felt the school would have to find extra money somewhere if this board does not agree to everything they want. Mr. Spencer asked if there were some funds from payments that were delayed that would cover the \$400,000. Mr. Baker asked what would they do about the next year. Mr. Spencer said the budget will not get any better next year. If the board takes the money budgeted for another expense and uses it now that simply keeps the pain away for a year. Mr. McKlarney said the county will not make principle payments this year on the most recent school renovation projects because the state Literary Loan program was discontinued at least for two years. The county will continue to use the interim financing for two years. This is an interest only payment and reduces the total payment by about \$400,000 for those two years. If that program does not return in two years, the county will have to look for other permanent financing. The schools and county went into this project believing that Literary Loan funds would be available at 2% interest. Mr. Spencer asked if it was wise for the board to even consider that \$400,000 as part of this solution. Ms. Hobbs said if they do, then they will be in the same boat next year. If they don't cut this year and plan for next, they will be hurting. Mr. McCoy said the school board is proposing some substantial cuts. Ms. Hobbs agreed but asked board members to look at the cuts the county has made throughout county operations already for the past 2-3 years. Mr. Baker agreed and said county employees haven't had a raise while school employees have. Mr. McKlarney said it would be only two years this could be done. Then they will have to start making principle payments. Mr. Spencer asked if that meant they would have to find that \$400,000 in two years. Mr. McCoy said he would like to think at some point the state will put the Literary Fund back in place. Giles is not the only county left out hanging because they discontinued that program. Mr. McKlarney agreed and said Montgomery and Pulaski both have projects on the table now. Mr. McCoy said state-wide, it affected a lot of people. He said this was the first year he could recall the state taking money from K-12 education. This is obviously not something they do lightly. Of course, there is no assurance that Literary Funds will ever come back. If it does, hopefully the older projects would be first. But there is no guarantee it will ever come back.

Mr. Spencer asked if it was wise for the board to count on Literary Loan Funds coming back at some point and to go ahead and use that \$400,000 to help them and to ease the school board's pain a little. Mr. McKlarney said there are potentially 20-25 teachers eligible for retirement this year. Of course, none of them have to retire. The cost of a new versus a 30 year teacher is about a \$20,000/\$25,000 annual saving. If those do retire, there could

be savings of \$400,000 or more. That is the hope the board has short of an increase in state funding or increase from taxes. He did not feel they would see increases in funds from the state for the next 2-3 years.

Ms. Hobbs said they may see more cuts from the state. Mr. McKlarney said this proposed budget is anticipating about \$100,000 in additional cuts in December, 2010. Mr. Gentry said they had also discussed doing away with the benefit to pay insurance for 30 year retirees. Mr. McKlarney said that is a benefit the county and school provide, but to his knowledge it is not provided by any other locality around. If that benefit goes away, he did not foresee people eligible for it now letting it pass without taking it. The school board has told teachers it is there now but they would not guarantee it in the future. Ms. Hobbs said she was not convinced that it will work to make people retire. The cost of living is going up every day and she felt some could not afford to retire. Mr. McCoy said if someone 55 doesn't take it now, then they would have to pay their own insurance cost later until they reached 65. Mr. McKlarney said that cost is about \$5,700 annually. Again, they can only estimate and cannot determine who would or would not choose to retire. Mr. Spencer said it may result in losing the best teachers with the effective classroom management skills and role models for younger teachers. They would bring in 25 year olds and that may be an issue. Mr. Baker asked when a 25 year old would get a chance to start – some people teaching are 70 years old and still working. Mr. McCoy said anyone who thinks however this ends up is not going to affect the quality of education in Giles County is wrong.

Ms. Hobbs said if the board elects to go the route of paying a portion of retirement, and since the county caps the amount of health insurance they pay and the school does not, then the board ask the schools to do their percentage and not put county employees into it until the insurance payments are level – one way or the other. Mr. McKlarney agreed that either the county cap should increase or the school board needs to set one. Ms. Hobbs said she hated to ask anyone to give up more take-home pay in today's economy, but it's either a cut there or somewhere else. Mr. Spencer noted that the GEA comments about a teacher with 14 years experience taking home only \$1,400 a month were misleading. A 14-year teacher makes about \$41,000. That number she gave is factoring in the family plan insurance and other deductions. Mr. McCoy said the GEA representative was factoring in a family insurance plan and basically saying they were on the poverty level. That argument really didn't prove anything. Mr. McCoy said the board has talked about this – the number is high for a family insurance plan but it is the best they can do. That is why county employees have a choice to be on another plan if a spouse works and other things. The board has worked with this every year and just can't get it any lower. Ms. Tickle said even then the county is a lot better off than they were five years ago. With Local Choice it would have been \$588 five years ago and it is only \$483 now for single coverage. Mr. Gentry said a lot of that relates to having the Wellness Program. Ms. Tickle said bidding out the service has also helped. Mr. Baker said if the school does not want to cut employee benefits, then the county shouldn't either. Mr. Spencer said the figures they had discussed earlier showed a 5% cut across the board would keep all programs and staff. Mr. McKlarney said right now the cuts for the schools alone were \$1,699,000. At the first budget session that figure was \$2.5 million. A 5% cut would get \$1 million, so basically they were talking about these cuts plus a 5% reduction. The figures from the state have been changing constantly. He said they fully anticipate cuts again in December and that is a purely political move to enable the General Assembly to say they have money for Constitutional Officers. When they come back in December, there will not be as much attention to it. In December, the localities just get letters saying here are the cuts, and then you have to deal with it.

Mr. McCoy said every county around is proposing a tax increase. That is another option that is never pleasant, but Montgomery, Radford, Pulaski are all doing it. This county is at 52 cents and that is low. He said he was not advocating raising it to get \$1 million, but look at it. Mr. Spencer said with the high unemployment, people are constantly looking for work. It is hard to consider raising taxes when looking at that. Mr. McCoy said they have considered those people; that last reassessment cost the county money. It is not like this board has burdened the people with taxes over the last five years. There has been one tax increase. Ms. Hobbs said they should only collect what they reasonably spend in a year. If you go back years and years, money has probably been spent that could have been saved. Mr. Gentry said they are at a point where the general accounts are where they should have been according to audit recommendations and that is what they have been building towards with the reserve. That has been the plan all along and where the board agreed they needed to go. He said he agreed they should only collect what they need to spend, but they cannot cut to the bone and then realize they need it later. Ms. Hobbs said this board didn't cut it; the federal and state cut it. Mr. Gentry said he realized that but it is this board's problem now. Ms. Hobbs asked if they were going to expect the taxpayers in Giles County to make up the cuts. Mr. Gentry said it is just something open to discussion. Mr. McCoy said 1

cent increase only gets \$100,000, so even 2 cents would only get \$200,000 and that wouldn't be picking it all up. That won't fix this and that only gets a portion of the deficit. He said he paid taxes in the county too and wasn't really fond of it. Ms. Hobbs said she was thinking of the people who were not working. Mr. McCoy said they have to plan for the future, but they also have to keep things going for the next fiscal year.

Mr. Spencer noted that AEP has only run the plant in Glen Lyn one week this year. It might run in June, but aren't sure. They put about \$10 million in the local economy and pay about \$1 million in taxes. He said that worries him. Mr. Gentry agreed but said he didn't know what this board could do about it. He said this board has to be planning for the future no matter what. Mr. Spencer said he knew the school board was going to ask for \$400,000. He has always voted on this board to fund education. However, he was not sure this year that the \$400,000 should be turned over to the school system. He hated to see people cut. Mr. McCoy said there is still going to be people cut even with the \$400,000. If they don't get that amount, even more will get cut. This is looking at giving some people more responsibility, changing a number of classes and positions and that is with the \$400,000. He didn't know if there was any "wiggle" room in that. Mr. McCoy said it comes down to the state. The governor said he wasn't raising taxes and instead is letting the lowest groups on the totem pole take care of it – the boards of supervisors and schools boards. Mr. Spencer said they don't want to decimate the educational system. Mr. Gentry asked where that point is. If you look at the list of proposed cuts, is there anything extra after that. Mr. Spencer said very little left except personnel. Mr. Gentry said he understood that, but there is also some on the benefits side. Mr. McKlarney said this potential budget indicates one teaching position cut. They are going into this with the idea of getting retirements and providing \$400,000 this year. That \$400,000 is in the budget no matter how you look at it. It is there without increasing revenue. Ms. Hobbs said it is there for loan payment and they will have to come up with that money sooner or later. Mr. McKlarney said 20 retirees would get them back close to that amount next year. That would give the board one more year to absorb cuts that may come the following year. This is not for the long-term because eventually -- in two years -- they are going to have to start making interest and principle payments. The money is in the budget this year. Mr. McKlarney said as long as they don't commit to it on a long-term basis, it can be used to lessen the blow. Ms. Hobbs asked if they give the money this year, won't they be looking at the same problem next year. She said she just did not believe retirees versus new teachers' would balance this out. Mr. Spencer asked if there was a way to get a commitment from retirees. Mr. McCoy said the school board can't make them retire but they can decide whether they are going to end the 30 year benefit or not. Mr. McKlarney said the school system has talked to employees about eliminating this program, but he would like to see them give a year's notice that it was going away. It's hard to give someone two months to make such a big decision. The county has Constitutional Officers in this same situation and he would not like to ask them to make that decision with that short notice.

Mr. McKlarney said the board can deal with this request without a tax increase but understand that this budget is cut to the bone. There is zero contingency and everything is estimated extremely tight. Ms. Hobbs asked if he was talking about the budget other than the school. Mr. McKlarney said the operating budget only; they have not done anything with the Constitutional Officers. That is something the board is going to have to deal with. The state originally talked about eliminating all salaries by comp board except the constitutional officer. Then they gave most of it back. They were going to give money back to the constitutional officers through the comp board but make it up out of the localities Communications Tax. VACO got them to back off of that, but the money will have to come out of somewhere. They are reducing Constitutional Officers anywhere from 5% to 10% of last year's budget. Ms. Tickle said that is hidden; it is "flexible reductions" under savings. They have actually decreased what they gave the county, but they will send a spreadsheet that says the reduction is this amount and suggest that it be taken in a certain way. The county has to sign and return it and they will reduce the funding. Last time they took it from comp board funds, constitutional officers and CSA. The only difference is this time the county can see it coming. Ms. Tickle has estimated and included that in this budget.

Ms. Hobbs said in all probability they are going to be talking about constitutional officers again this year. Mr. McKlarney said they will just have to deal with it as it comes. Mr. McCoy said with the school systems taking these cuts, then whatever cuts come from the Compensation Board down to the Constitutional Officers, their offices need to make them. Ms. Hobbs said in the past they have cut Constitutional Officers to a degree. She said what should be a school board decision with the supervisors giving them the bottom line has somehow ended up back with the supervisors. Ms. Tickle said there was not a lot of "fluff" in the school board budget this

year. If they had not had the carryover from last year, they would not have been able to make the \$750,000 cut the state made in December for this fiscal year.

Mr. Spencer asked what was meant that the board still has to deal with the Constitutional Officers. Mr. McKlarney said in this proposed budget those offices are funded the same as they were for the year before. The board can pass along 100% of the cuts or a portion. Whatever is cut from those budgets will be added back to the budget. The only increase in there would be VRS rates.

Mr. Spencer asked if teachers would get step increases this year. Mr. McKlarney said he did not think there were any pay increases in there. Ms. Tickle said there were no step increases on the county side either. Mr. McKlarney said some of the things that have happened are the consolidation efforts with the county's employees, positions that were eliminated before the budget crunch even started, and changes with regards to transportation have already saved \$750,000 to \$1,000,000 before the cuts were even started to this budget. So that is \$750,000 that was already cut, the \$750,000 the school just cut, and now another \$1.7 million in cuts – that adds up to a huge cut in the budget.

Bill Holt: Mr. Holt said he did not think people in the county were aware of the economizing efforts the county has made. The perception is that the county has money to burn. It would be worth an article in the newspaper to let people know.

Mr. Gentry said the county pays \$450 toward employee insurance and school board pays \$488. If the school board set a cap at \$450 they would save about \$183,000. Mr. Spencer said that was a reasonable request; it is what the county is doing. The board asked the school to do that two years ago, but they did not push it. They can ask the school board to do that and give them \$200,000. Mr. McCoy said this board cannot make the decision but they can control funding. Mr. Spencer asked if the board needed to have a consensus before they meet with Dr. Arbogast later this evening. Ms. Hobbs felt they did need a consensus. Mr. Gentry said if the school board is correct in what they are saying that employees have been forewarned about losing the 30 year insurance benefit, then he did not have an issue on giving them an out. Mr. McKlarney said his recommendation has been that for employees who are losing their jobs have their insurance paid for one year as a severance package. There is a chance that the federal government will pick up 65% of the insurance costs on those people as part of the American Recovery Act. If that program continues they will pick up 65%, but the county will not know for certain until May. Ms. Hobbs said the board does not have to make that decision in connection with schools. There was further discussion on what could be offered for insurance costs or severance packages. The cost of insurance for employees for one year is about \$5,700. It was discussed whether to offer that as insurance or as a cash payment for severance that could be applied to insurance.

Mr. McCoy said no matter how they look at it, this is going to have an effect on education. Ms. Hobbs said it wouldn't if people pay their portion of insurance or retirement. Losing that additional funding has nothing to do with this \$400,000. Mr. Gentry asked how the board felt about the list of proposed cuts they received from the school board. Ms. Hobbs said she marked hers up but honestly did not think this board had the right to make those decisions. She was not in agreement to giving loan payment money to balance the budget with the thought that things are not going to be any better next year. Mr. Gentry asked where that money would go this year. Ms. Hobbs said just because it was in there doesn't mean they have to spend it. Mr. Spencer said he might be in the minority but he felt they should take part of Mr. McKlarney's recommendation on the \$400,000 if there are enough retirees and support asking school system employees to pay the additional \$39 on their insurance. That is a saving of almost \$200,000 there. Mr. Gentry asked what he thought about the 30-year insurance. Mr. Spencer said if they get the money from the insurance savings, they would not have to use all of that \$400,000. If they get 65% of the insurance severance back, that would help. Ms. Hobbs cautioned that it was not only \$400,000; they are also asking for payment of unemployment of about \$188,000. Mr. McCoy said that may be a high number, but there is no way of knowing. They would only pay out what is required. Mr. McKlarney said they could not get there without cutting deeper and more employees unless the board agrees to pay the \$188,000 out of reserves. Mr. Spencer said with unemployment they have 26 weeks plus any extension to find work and a lot of them will. Ms. Hobbs said she felt it would be difficult to find work when everyone is laying off. The board continued discussion on cost saving measures including closing one high school. Mr. McCoy said that is something that needs to be considered but it could not be done by July. Mr. Gentry agreed but with the small class sizes at Narrows, it needs to be looked at. Mr. Spencer said he has always said the

only way he could support consolidation was that it be approved by voter referendum. He said he did think feelings of the people have changed in the past ten years about consolidation and some feel it would be a better education. However, Dr. McCracken always told this board that a middle school at Narrows and high school at Giles and the extra transportation would not save money. Mr. McCoy said as the boards continue to make cuts, a study needs to be done to see if that is actually still true. Mr. Gentry agreed it was not something they could do this year but something the boards need to think about.

Mr. Spencer said the \$39 from employees for insurance gets them closer to half of their request, and they should use a portion of that money to pay insurance for a year for employees laid off. Mr. McKlarney said he thought they should do something, but opposed to going that way, the board could increase the portion they pay for county employee. It would cost about \$20,000 to do that. They have not had a raise in two or three years and it doesn't look like they will get one in the near future. They could make that decision after the fact – after they find out how many are going to retire. Ms. Hobbs said the board was giving more and more all the time. Mr. McCoy said he did not think they had given the schools big increases. They were allowed to keep carryover but there has been no new money for quite a while. Mr. McKlarney said he is not suggesting doing anything this year, but felt they will know a lot more about this retiree situation after June. Ms. Hobbs questioned whether the board should plan a budget based on retirees. Mr. McCoy said they planning a budget now and they don't know what the numbers are; this is based on what the General Assembly and governor decide. Things could change completely. Mr. Baker said he agreed with going with Mr. McKlarney's recommendation. Mr. Gentry said he would like to see school board payment for insurance capped at \$450, the 30-year insurance benefit gone, and pay \$5,700 to cover insurance for those laid off. Also use the balance of the \$400,000 to fund unemployment. Mr. McCoy felt they should use the \$400,000 for the schools since the board knows it won't be used this year, and also pay the unemployment. He said if the school board doesn't have an issue, then he has no problem doing away with the 30-year benefit this year. Mr. Spencer suggested the board listen to what the school board had to say before making a final decision.

Ms. Hobbs asked if across the state all these cuts are made and people begin to hit the retirement system at the same time, won't the retirement contribution have to increase. The employer's part will go up. She also noted that the unemployment fund for Virginia is empty and they are using federal money. She asked if the county would be subject to higher unemployment taxes later. Ms. Tickle said the county is self-insured so they don't pay it as a tax. The county has to reimburse whatever amount is paid for our employees.

Ms. Hobbs said insurance for school employees is \$480 next year. With no cap, it could be \$500 the next year. Mr. Gentry said they need to set a cap at \$450. Mr. Spencer agreed. He felt it was fair to lower the school's contribution or raise the county's cap for their employees. Mr. McKlarney said he was not recommending anything right now. They should wait and see how many retirees sign up. If several retire, then this budget may be okay – as good as it can be done. Ms. Hobbs said she did not think they would get many retirees. She asked if the bottom line was to give the school what they ask for. Mr. McKlarney said Dr. Arbogast will be coming to answer questions. This is the bottom line for them and then they need \$400,000 plus the unemployment paid. Mr. Spencer asked if this board needs to present stipulations – ask them because they can require it. Mr. McKlarney said if the board gives the school \$400,000 and these people don't retire this year or next, then in year three somehow the additional revenue will have to be generated.

Mr. McKlarney said the county's revenue growth over the past five years (without tax increases or reassessment) in new construction alone is about \$239,000 annually. That is not the 6% increase in property values. That amount is only likely to decrease and he estimated it at half that amount this year. Mr. Spencer asked if the \$400,000 is basically buying two years. Mr. McKlarney said it was. The board has two years to work with it. If people do not retire, then they will have to generate additional revenue at the end of two years. Ms. Hobbs said it really wasn't buying two years; it is spending two years. If they give it this year, then they will count on it next year to keep that budget going. Mr. Spencer noted the school has sacrificed \$1.7 million and gotten it to \$400,000 they still need. He would have to support giving it to them with the recommendations for changes to be made.

Ms. Gentry asked about the difference in employees paying a portion of their VRS and the insurance cap. Mr. McKlarney said it is better for employees if they pay a portion of their VRS – that money goes into something they will see a benefit from. He said if salaries were just cut, then not only have they cut the salary but they

have cut future retirement. If you give them money and require a contribution, then at least it will be going into their retirement account. Mr. McCoy said they talked about asking the school system to either drop back to \$450 on insurance or the county go to \$480. Now they are talking about contributing to VRS, so they are talking about cutting salaries. Ms. Hobbs said it was not cutting salaries. Mr. Gentry said it was taking money out of employees' pockets. Ms. Hobbs said it seems better for a few to do with less than for a lot to do with nothing. Mr. McCoy asked who she meant – the 300 school employees or citizens in the county who aren't going to pay any more taxes and haven't for the past four years. He agreed with things but didn't really like it. He would hate to think he worked somewhere 29 years and had 2 months to decide whether to retire or not. Mr. McKlarney said he didn't think they would just cut that 30-year benefit off immediately. Someone with 29 years has been working toward this benefit and now it is suddenly jerked away. There has to be a cut off somewhere but maybe on a sliding scale or something. Mr. McCoy said they can't afford to keep that benefit and it does have to go; however, the insurance is a school board decision. Mr. McKlarney said on the county side they might have to look at extending it for Constitutional Officers through the end of their current elected term. Ms. Tickle said there are only three that the 30-year benefit would affect in the county. Ms. Hobbs concluded that the board agreed to give the school approximately \$460,000 and pay the unemployment if absolutely necessary. Board members agreed but wanted to hear school board's thoughts first.

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Dr. Arbogast joined the meeting to discuss the school board's budget. Ms. Hobbs asked if any board members had questions for Dr. Arbogast. Mr. Spencer said he would like to see what could be worked out so they do not have to lay off any teachers. He wasn't sure just how that could be done. He hated to see the school lose any staff but particularly teachers. Mr. Baker asked if they have a definite number on how many plan to retire. Dr. Arbogast said they did not. There have only been three in to sign up and several more asking. There potentially could be 20-25 this year. Mr. McKlarney asked if the school board does away with the 30-year retiree insurance benefit this year, how many did they think would go. Dr. Arbogast said 80-90% of those eligible would go by the end of June. They have been told if they have 30 years in Giles County Public Schools then insurance would be paid until they are 65. If they know it won't be there next year, most of those eligible would retire. He said he knew many were struggling to make that decision now.

Ms. Hobbs asked why the school board did not consider asking employees to pay a portion of their retirement instead of cutting positions. Dr. Arbogast said that is a question for the five members of the school board. Ms. Hobbs asked if it was discussed. Dr. Arbogast said it was one of the options and was near the bottom of the list. One reason for not discussing it was that morale is going to be low enough next year with the cuts they are having to make. Ms. Hobbs said if the money they have requested additionally wasn't there, then there would be even more cuts. She asked if it would be easier to hurt a little in the take home check than someone else hurt a lot by losing a job. Mr. Gentry said the county caps payment for health insurance at \$450. He asked if the school has considered looking at something like that. The school insurance is \$480 this year. Dr. Arbogast said he could ask the school board if they were willing to do that. Mr. Gentry said that would just be an overall fairness issue going on with the county and school employees and an overall help for the budget too.

Ms. Hobbs said they are talking about the next year's budget. If the school gets what they have asked for next year, what will happen the year after if the economy remains the same? Dr. Arbogast said they will have cut further. Ms. Hobbs said if they ask everyone to pay a portion of their retirement in this year, it would carry over to the next year and be a savings from now on. Dr. Arbogast said employees have not had any increase in several years either. Ms. Hobbs said it is not really a pay cut. It is a decrease in take-home. Salaries would remain the same and retirement would be the same. Mr. Gentry said it was a pay cut.

Mr. Spencer asked when the last time the school system got new money was. Dr. Arbogast said he was not sure but they are down about \$880,000 from 2003-04. Ms. Hobbs remarked that was from local funding, but they received a lot more state funding. Dr. Arbogast said that fluctuates from year to year. Ms. Hobbs said the bottom line is the board agrees to so many dollars and the school board decides what they have to do to get there. It is not this board's decisions whether the school cuts something or raises something. Mr. Spencer said the board is concerned about this year for sure, but also wondering what is going to happen next year. Dr. Arbogast said it was a gamble and he could not predict what things will look like next year. He does not think it will be good, but doesn't know exactly what that means. Ms. Hobbs said even the schools could face another

cut in January. Mr. Spencer said he hated to see them cut any personnel, but he realized they have spent a lot of time and effort on this plan. He asked if the \$15,000 was the all the coaching supplement and if the \$9,000 cut to field trips would cut all field trips. Dr. Arbogast said \$15,000 was money allotted to the schools for coaching supplements. The schools will have to make the decision on how to distribute the money they have available for supplements. The \$9,000 figure is the amount appropriated in the operating fund for field trips. So, that will be almost everything except for required ones. Dr. Arbogast said an example is the Technical Education competitions are required as part of the curriculum. There is almost nothing that is required at the elementary level. Mr. Meade emphasized that groups can still raise funds and go on trips, but the operating fund will no longer have money to support those.

Mr. Gentry asked if the number of layoffs listed at 25 (aides) is county wide. Dr. Arbogast said that was total for all schools. He said individuals left would be assigned based on IEPs first. This only leaves about 7 not assigned to those programs.

Mr. McCoy said even getting the budget to the point the school is asking for will still have a negative impact on the quality of education in Giles County. Both boards have worked for years to get things to the point they are at now. He felt they need to do all they can to keep education at a level where they can recover when the money does start to become available. Dr. Arbogast said in discussions with Mr. Meade and school board members since December, they realize anything they talk about is going to have a negative impact. Mr. McCoy said things are to that point and it is a shame. Mr. Gentry said things are at the point of either taking it out of employees' pockets or taking out of the citizens' pockets with taxes. There are only so many places to get funds. Mr. Spencer said he felt the school board has demonstrated over the past 11 years a flexibility to work with the board. Things have been tight sometimes, but they have always risen to the occasion and done their best to make things work. He hated to see personnel cuts but felt the school board had better ideas on how to make this work than he did. No one here caused this situation but everyone will suffer the consequences. He asked what could be done to put that one teacher position back in. Mr. Baker said if they get enough retirees, they could put it back. Mr. Spencer asked when they had to send out contracts. Dr. Arbogast said they have to notify teachers by April 15th. If the school board doesn't know prior to April 14th school board meeting what their budget is, then they may end up telling people they have a job and then come back and cut them. Mr. McCoy said he hated to see this drag out any further. Dr. Arbogast agreed and said they had promised school administrators they would know as soon as the school board did. As soon as they are able, they will contact administrators and start talking to employees.

Mr. Gentry asked if in the conversations the school board had on the 30-year insurance would that be a huge blow to morale – especially with teachers who have 23 or 25 years. Dr. Arbogast said he had not talked to as many of those people as he has the ones with 29/30 years. Ms. Hobbs asked with what is proposed now, would that 30-year benefit end in this current budget year or at the end of the next budget year. Dr. Arbogast said in January/February of 2010, the school board told everyone that if they retire this year the benefit would be there. They were also told there was no guarantee it will be there at the end of 2010-11. Mr. McCoy asked if they knew how many would be eligible if this benefit was extended for a year. Mr. Meade thought there might be four. Mr. McCoy said it would be hard to work 29 years and then see that cut off a year before you were eligible. Mr. Gentry said maybe they could look at some type of scale. Mr. McKlarney said it was mentioned earlier that maybe the school board could get a letter of intent from those people to retire and they continue to work another year. Ms. Hobbs said she didn't know if that would be legally binding. Mr. McCoy said if it was tied to the benefit it may be. They could choose not to retire then, but the benefit would still go away and they would not be eligible for it later. Mr. McKlarney said they could do that with people who have 29 years and then maybe scale it backwards, but they would have to cut it off at some point. Mr. McCoy said ultimately the school board will have to make that decision, but they realize they are offering a benefit that no one else around offers. They just can't survive if they continue offering that.

Mr. Gentry asked how much they would save by capping school board insurance at \$450. Mr. McKlarney said that would save about \$138,000 for the school board. Mr. McCoy said that really is a pay cut too. Mr. Gentry said he was looking at things being fair with county employees in these cuts, and those savings for the school would be immediate. Mr. McKlarney said the school board, Mr. Meade and Dr. Arbogast have been very good to work through this with the county. They have tossed ideas around and already have some ideas and plans for what can be done for next year. He felt the county just needed to have an agreement on whatever they

decide to do and be ready with a plan and ideas for next year on what can be done. They also need to be ready and have ideas so when a letter comes from the state in December or later next year, they have a plan in place to deal with that. Mr. Spencer asked if the schools had carry over funds this year. Dr. Arbogast said that was returned to the state to make up the \$750,000 cut in funding this year. Mr. McCoy said a lot of this is coming down the road when they start looking at retiree issues. However, the supervisors have to decide if they are funding at this level in order for the schools to move forward and work with contracts. Basically, the schools need to know how much the board is appropriating so they can plan for next year. Mr. McKlarney said there are ways to look at equalizing the insurance; maybe the schools don't move back to \$450 but to some other number and the county moves up to match it.

Mr. Gentry said with the \$460,000+ the school needs and the \$188,000 in unemployment that is over \$600,000 they are asking the county for. Dr. Arbogast said the unemployment figure is high but that is the only way they could budget for it. Mr. McCoy said it was high, but if the benefits are extended for unemployment it could be even more. Mr. Gentry said the schools have been honest in their work here and he would agree to pay that. He would like to see the 30-year insurance be part of the agreement to either cut this year with severance or give them another year. Either way it will be a savings. Mr. Spencer raised questions about someone on a spouse's insurance, would they get the insurance severance if it is offered. Mr. Gentry said it would be difficult to police who has other insurance options. Ms. Hobbs asked why you would give them a benefit if they don't need it. Mr. Gentry said you really would not be able to know that. There needs to be a policy to cover that. Ms. Hobbs said she did not think this board should set policy for the school board. The supervisors need to agree on what the school board is going to get, then the school board will go back and decide how to spend it.

Mr. McKlarney said from a severance standpoint it might be best to have a committee with county and school board member on it to work on that. Board members discussed that if someone did not need the insurance, perhaps they could be offered a cash equivalent. Ms. Tickle explained that if a person is no longer employed, then they are no longer on the insurance. They can take COBRA for 18 months. It is anticipated that there will be an extension for the reduced premiums, but that will not be decided until May. Ms. Hobbs said if it was extended and they are given a cash buy-out instead of allowing them to stay on insurance, then the reimbursement is not there even if this is extended. Ms. Tickle said that was correct if the employee chose to opt out of the insurance and take the reimbursement. They have to be on the insurance. Mr. McKlarney said everyone in the school system is on the insurance. The school may want to look at allowing employees to opt out of their insurance plan for a set amount. It would be a significant savings. There are most likely people working in the school system covered by the school's insurance and a spouse's policy too. Mr. McCoy said the school board has to decide a lot of this.

Ms. Hobbs summarized the board's agreement to give the school board \$460,669 in an additional one-time only funding for this year and to pay unemployment benefits as needed. The \$460,669 will be appropriated to the school board only as needed. Mr. McKlarney said the school needs the assurance that the \$460,669 is available but it can be appropriated as needed. It may be less depending on the number of retirees. Ms. Hobbs said she did not totally agree with that. She felt if everyone suffered a little, then more people could keep jobs. The retirement payment would not reduce their retirement benefit because salary remains the same. Board members said that is what they agreed on. The board will not give the schools the money, but will stand good for the money. Ms. Hobbs asked them to please consider asking employees to pay a portion of their retirement. Mr. McKlarney said that may not be a possibility; the governor has said he was going to veto that provision.

Dr. Arbogast asked if the supervisors wanted to schedule a joint meeting with the school board. The supervisors felt it wasn't necessary. Dr. Arbogast can take the information to his board and they can work on a budget with that. Mr. McCoy said at some time in the future they may want to get together on health insurance and those types of thing. Ms. Hobbs said that can be done after the school board finishes their budget work. Dr. Arbogast said he understood the board is approving the \$460,669 and the unemployment as needed. Mr. McKlarney said the \$460,669 is as needed also – it is based on what the school board decides on retirees. If there are 20 retirees, then they will not need all of it this year. Mr. McCoy said there is still concern about next year, so this would be needed for next year too.

Mr. McKlarney asked about severance for the people who are cut. Ms. Hobbs said with all the board has given away, there is no money for anything else. Mr. McKlarney said they need to know before they announce any layoffs. Mr. Spencer said the board was proposing to pay insurance for a year for the people who are cut. Ms. Tickle said it was to pay insurance or give them the equal amount. Mr. McCoy said he supported that. The cost for paying insurance for a year is \$5,760 per person. Mr. McKlarney said the total would be \$201,000. Ms. Hobbs said she felt the board just did not have the money. Mr. McCoy said they were putting those people out without anything. Mr. Gentry said they have it in reserve. Ms. Hobbs said they need to look at the whole budget; they don't have to make that decision today. Mr. Meade said they do need to know what the severance was when they tell employees they don't have a job. Mr. McCoy asked if everyone in the school system got contracts. Dr. Arbogast said teachers and administrators are the only ones who get contracts. Teacher aides are basically year to year. They receive notification though. Mr. McCoy said if they want to offer a severance package, when would they have to let the school know. Dr. Arbogast said they would notify employees that they would no longer be employed, but they were not going to send out letters of intent to those classifications until after the 15th. Ms. Tickle said the school would like to know if there was a severance package though when they tell them they don't have a job, so they need to know that now.

Ms. Hobbs asked if the school board had money for that. Mr. McCoy said the request did not come from the school board; that came from other board members. They are talking about offering basically insurance and a portion of that could be picked up. Mr. Gentry said they were just talking about people not being able to afford anything, not raising taxes, and now these people are losing their jobs (through no fault of their own or the board) and they are going to be sent out without anything. Ms. Hobbs said she hated to see anyone laid off but they should have started working on this last year. Mr. Gentry said regardless, this is where they are now. Ms. Hobbs said if they are paying their insurance, maybe the severance package should be the insurance. If they are not on the insurance, then they get \$5,700 – but not both. Mr. McCoy said he did not think they were offering both – just one or the other. Ms. Hobbs asked if the school has agreed to that. Mr. McCoy said they had not; it was not their idea. He said there was no guarantee the government would continue to pick up 65% of health insurance benefits. They cannot count on that. Mr. McKlarney said worst case scenario, it would cost \$201,000. If that federal program continues, they could get 65% of that back – if not, it is \$200,000. Ms. Tickle said that money could stay in the county's account. She can just have the school invoice the county for insurance costs for these people every month and write a check for that exact amount. Mr. Spencer said they also said there was \$239,000 in growth they anticipate. Mr. McKlarney said this \$200,000 they are talking about would have to come from general funds this year. Mr. McCoy said that amount is the worst case scenario assuming they get nothing from the federal government on COBRA.

Ms. Hobbs asked if they are going to give the money monthly to people for a severance package. Ms. Hobbs said the school board first needs to meet and decide if that is what they want to do. They can let the supervisors know and they can discuss it at the April 7th meeting. Mr. McKlarney said the board really needs to let the school board know if they want to fund a package and the school board can decide whether to offer it or not. Dr. Arbogast said he assumed they were talking about paying health insurance for 12 months or giving them the equivalent in cash. Mr. McCoy said that is something the school board needs to decide. Supervisors just need to let them know if they can and will support that. Dr. Arbogast asked if they were talking about \$5,760 per employee that is cut. Mr. McCoy said that was correct – for employees who are laid off but not the retirees. Ms. Hobbs asked if the school board representatives had any other questions. Dr. Arbogast said he did not unless his board members came back with some later. Ms. Judy Nusen asked where the \$201,000 for insurance was coming from. Mr. McKlarney said it would have to come from reserve funds. Dr. Arbogast thanked board members for working with them and appreciated what they have done.

EMERGENCY COMMUNICATIONS DISCUSSION

Mr. McKlarney noted that ProComm and John Davis presented information to the board about a month ago concerning the county's emergency communication system. There have been problems over the past few years. The volume of radio traffic has been increasing also and the equipment is aging. Mr. McKlarney said he saw the problems first-hand a few weeks ago during the flooding. While he cannot guarantee this would fix all the problems, there does need to be some changes made soon. The cost is \$73,000 and there doesn't seem to be a choice except to spend money to fix this at some point. Mr. McKlarney recommended the county have their radio communication consultant look at the problems and see if this covers what they want it to do. This would be a contingency item, but Mr. McKlarney felt it was something that needs to be done. Eventually

something will have to be done and the longer it waits the more expensive it gets. Mr. McCoy wasn't sure the cell phone tower consultant was the best choice to review this; they are completely different things. The board said they did not have a problem having someone look over the bid though to make sure it will meet the county's needs for the long-term.

Mr. Gentry asked if this includes replacing all the radios for fire departments without high band. He said he still felt they should replace those to get everyone on the same frequency – it is another \$15,000/\$18,000. This allows everyone to hear and respond – it is the safest thing to do. Ms. Hobbs felt before they take any action, they should have someone review this.

Mr. Spencer asked if the PSA benefited from this upgrade. Mr. McKlarney said PSA has their own communication system. Ms. Hobbs said the towns would benefit from this. Mr. McCoy said the towns need to contribute then. Mr. McKlarney said the main reason for replacing Powell Mountain is the officers in Glen Lyn and Rich Creek not being able to communicate directly. Mr. McCoy said also the issue with the repeater on Mountain Lake going out – it was almost impossible to get to it this winter. **Judy Nusen** asked if the county goes to this, are the towns automatically included. Mr. McKlarney said they were. Mr. McKlarney will contact VDEM and see what they recommend.

EMERGENCY MEDICAL SERVICES BIDS

Mr. McKlarney said the pre-bid meeting on the emergency services RFP was held today. The only major change proposed was on the two ALS trucks provided by the contractor. The issue is that Giles Rescue picks up from the paid service when they are busy. If the county eliminated that much of their revenue by requiring two paid trucks, they would not be able to continue to exist. With two trucks running there would be nothing left for them to bill. The committee met today and decided to reduce that to one ALS truck provided by the contractor and negotiate if needed.

Mr. Spencer said Glen Lyn has 5-7 paramedics and those are required for ALS. They are part of Giles Rescue, but they have been running calls from Glen Lyn to Newport and all over. Ms. Hobbs said Newport sometimes has to come over to Pearisburg area too. Mr. Spencer asked if Carilion was planning to bid. Mr. McKlarney said they were, and there was a total of four vendors present at the pre-bid meeting. Ms. Hobbs asked if these people are going to do a blanket bid to provide service. Mr. McKlarney said it was based on previous year's calls. Giles Rescue is the pick-up on those though. We do not have 24/7 coverage now so they become the primary service in the off hours and on weekends. Mr. McKlarney stated that Giles Rescue does a good job but it is tough to get volunteers to cover round the clock. The new proposal asks for bids on 24/7 coverage. Mr. Spencer said one of the reasons for the RFP is the board had difficulty getting information from Carilion. Ms. Hobbs said the other reason is someone passed away and an ambulance did not arrive for about 30 minutes.

No further business was introduced. Ms. Hobbs recessed the meeting until 6:30 PM in the General District Courtroom.

APPROVED:

Chairperson

ATTEST:

Clerk