

Office of the Superintendent

MEMORADUM

TO: School Board Members.

FROM: Aaron C. Spence, Ed.D. 

SUBJECT: BUDGET RECOMMENDATIONS

DATE: February 24, 2015

As we are all aware, submitting a balanced budget that works within the confines of the city-schools revenue sharing agreement is the course the School Board must follow at this time. The strategies administration chose to balance the budget have, I hoped, proved to be the most practical course of action in everyone's eyes. That said, we all agree the Superintendent's Estimate of Needs is not an expenditure plan designed to fuel progress. It is merely the least objectionable way to address a serious funding shortfall.

There are many challenges ahead of us that demand additional resources. These include the need to improve salaries to strengthen our position in the competitive employment marketplace since employee raises have averaged a mere 1.58 percent over the last six years. While when we adjust for VRS offsets, we are doing well in the region, we must keep up if we are to remain competitive, as other divisions will continue to give raises as well. We must also correct a structural flaw in the operating budget by reducing our reliance on reversion funds to handle ongoing expenses. Most importantly, we must maintain a commitment to services that benefit children.

To that end, the discussion at the February 19 budget workshop underscored the fact administration and the School Board share a common understanding of which of our unmet needs deserve the highest priority. We also agreed that we must work strategically with City Council to improve the funding situation for Virginia Beach City Public Schools. Consequently, the School Board at that meeting asked administration to identify the amount of additional funding that would be needed to: 1) increase salaries by 5 percent (inclusive of the 1.34 percent VRS offset); 2) continue work on improving the Unified Pay Scale; and 3) reduce reliance on year-end reversion funds. After reviewing the current financial situation and our goals once again, our Department of Budget and Finance has projected costs. They are as follows:

- A 5% salary increase: \$14.3 million
- Reduction of reliance on reversion funds: \$4 million
- Unified Scale adjustments: \$2 million

TOTAL: \$20.3 million

Since the city-schools revenue sharing agreement requires that the School Board identify the level of real estate tax increase required to meet the school system's additional needs, we have done so. *It will take an increase of 4 cents on the real estate tax rate to provide the \$20 million necessary to meet the above-identified priority needs. Therefore, my recommendation to the School Board is to assign priority to the needs outlined in this memorandum and to seek the requisite funding to address those needs by requesting that City Council increase the real estate tax rate accordingly.*

I certainly understand a request for a tax increase will not be universally popular and know this will be a difficult decision for the Board to consider. A tax increase does affect many people financially, including all of us school employees who are homeowners. However, our commitment to the welfare of Virginia Beach City Public Schools, and hence the welfare of children, makes it apparent to me that this is the only recourse available to us at this time. Finally, I know we all take comfort in knowing that most citizens will support our goal of preserving and protecting this city's finest asset, its public school system.