

**SCOTT COUNTY SCHOOL BOARD
AND
SCOTT COUNTY BOARD OF SUPERVISORS
JOINT WORK SESSION MEETING
6 P.M., THURSDAY, FEBRUARY 9, 2006**

The Scott County School Board and Scott County Board of Supervisors met in a joint work session meeting on Thursday, February 9, 2006, at the Cove Ridge Center in Duffield, Virginia.

CALL TO ORDER: Mr. Lowell S. Campbell, School Board Chairman, called the meeting to order at 6:40 p.m. and asked Mrs. Loretta Q. Page, School Board Clerk, for a roll call of members.

PRESENT(SCHOOL BOARD MEMBERS):

Lowell S. Campbell, Chairman
Joe D. Meade, Vice Chairman
Gloria E. "Beth" Blair
David T. Kindle
Glenn M. McMurray
E. Virgil Sampson, Jr.

ABSENT: None

PRESENT(BOARD OF SUPERVISORS MEMBERS):

David S. Redwine, Chairman
Paul S. Fields, Vice Chairman
D. Joe Horton
Danny S. Parks
Joe W. Herron
Chad E. Hood

ABSENT: Randall S. "Buck" Kinkhead

OTHERS PRESENT: James B. Scott, Division Superintendent; Valerie Rhoton and Travis Nickels, Gate City Middle School Teachers; John Kilgore, Scott County Director of Economic Development; Jennifer Meade, Dungannon Intermediate School Principal; Michael Brickey, Gate City High School Principal; Danny Meade, Scott County Schools Maintenance Supervisor; Wally Pat Ford, Citizen; Kathie Noe, Assistant County Administrator; John Strutner, County Administrator; Anthony Robbins, Citizen; Rex and Lisa McCarty, Scott County Virginia Star; Jim Fern, Auditor; C. Dean Foster, Jr., County Attorney; Kevin Castle, Kingsport Times-News; K.C. Linkous, School Board Deputy Clerk; and Loretta Page, School Board Clerk.

WELCOME AND OPENING COMMENTS BY MR. LOWELL S. CAMPBELL, SCHOOL BOARD CHAIRMAN: Mr. Campbell welcomed everyone to the meeting and stated that the meeting is being held to discuss concerns and future plans of the school board and county board of supervisors.

WELCOME AND OPENING COMMENTS BY DR. DAVID S. REDWINE, COUNTY BOARD OF SUPERVISORS CHAIRMAN: Chairman Redwine expressed appreciation to each member in attendance. He stated that the boards should get in a habit of meeting together at least once a year especially since the budget must be dealt with each year. He stated that the supervisors deal with a lot of items and that there is a need to prioritize items and that education is a priority. He cited an example that some items have short or long term timeframes such as two, five, or ten year ranges. He reported that you must put out proper preparation for growth and preparation for expansion. He stated a realization that it costs money to receive money (state funding). Chairman Redwine stated that it is understood that the school board likes to receive a motion of intent (with regard to the school budget and county allocation) and stated that the county board of supervisors will let the school board know as early as possible.

Chairman Redwine stated that he thought there was a misconception throughout the county about the purpose of today's meeting. He informed those present that informational exchange is purpose of the meeting. He encouraged each board to speak up and ask questions for clarification. He stated that there is ample time set aside at both the school board and board of supervisors meetings for community members to speak. He stated that this is not a public hearing but a time for the board's to open their information packet and to let each other know where they stand.

SCHOOL BOARD PRESENTATION BY SUPERINTENDENT SCOTT: Superintendent Scott presented a brief "past, present and future" overview on several topics as follows: School Membership (2002-2008), State and County Entitlements (2003-2008); Composite Index; 2005-06 School Allocations; Test Scores; School Debt Service; Facilities (Buildings, Maintenance); Technology; Nursing; Special Education; and Future Facilities and Maintenance (Water – Rye Cove, Sewage – Yuma & Other, Expand Alternative Education, Expand Classrooms – Duffield & Shoemaker, Gym Expansion, Weight Facility – Rye Cove High School, Drop Ceilings and Replace Lights, Paving, Replace Roofs, Hilton Heat/Air & Space Utilization).

School Membership: Superintendent Scott reported that for a few years the school system's enrollment had been decreasing by a few students but that recently the enrollment has been increasing. He stated that as the school division receives more state funding, the required local effort increases. He presented actual enrollment figures as of January 30, 2006 and projected figures for the 2006-07 and 2007-08 school years.

State Entitlements and Local Match: Superintendent Scott presented state entitlements and the local match figures for the years of 2003-2008. He stated that when the school system receives more funding from the state, the county must provide additional funding to meet the match requirements for the state funding. He explained that these matching fund requirements are based on the composite index for Scott County.

Composite Index: Superintendent Scott presented the Composite Index of Local Ability-To-Pay for the years of 1998-2008. The information presented showed that the Composite Index Ability-To-Pay is figured by using the county's true value of property, adjusted gross income (excluding non-resident adjusted gross income for divisions with 3% or greater non-resident AGI), taxable retail sales, March 31 Average Daily Membership (student enrollment), and total population. He explained that currently Scott County's composite index is the second lowest in the state (.1962), with Lee County being the lowest (.1769).

School Allocations: Superintendent Scott presented a school-by-school listing of allocations from the school board to each school for copier paper, copier expenses, instructional supplies and equipment, custodial supplies, and Title V Grant. He also presented the rates paid for the schools' local and long distance telephone service, internet access fees, and fiber lease fees.

Superintendent Scott explained that the allocations for supplies are based on the enrollment at each school and that Mr. Jim Fern, Auditor, worked with the school system to set up the accounting of expenditures for the funds allocated to each school. Superintendent Scott reported that sometimes the smaller schools have to have more financial assistance.

Test Scores: Superintendent Scott presented a report of Attendance, Dropouts, SOL Assessment, and EOC Assessment. The report contained current information and information for the past few years. He stated that since it was several items, members could review the data at their convenience.

School Debt Service: Superintendent Scott presented a schedule of the School Debt Service payments beginning with July 1, 2002, and ending with the final payment scheduled for May 15, 2012. He stated that the report shows a decrease in payments each year until the final payment in 2012. He also stated that the school division projects that have been completed in recent years have been done without having to ask the county to borrow money.

Facilities: Superintendent Scott presented a detailed report of previous, current, and on-going facilities projects that members could review at their convenience. He stated that the school system has been able to complete various projects using funds received from the county's local effort and through state funding. He reported that the biggest project has been the replacement of windows at various schools. He also reported that the payback in savings for heating and air conditioning expenses was estimated at six years.

Technology: Superintendent Scott reported that the school division is in "good shape" with regard to computers and technology items throughout the school system. He explained that this has been possible due to the school division receiving VPSA technology funds from the state.

Nursing: Superintendent Scott reported that probably a question that has been asked is "Why is there not a school nurse in each school?" He stated that he would like to see one nurse for each school and that maybe in the future it can be done. He further stated that as shown in the handout provided, the school division has come a long way with the nursing program over the past few years.

Special Education: Superintendent Scott reported that the special education program is a great cost for the school division. He explained that some classes have ten students while others have twenty. He reported that depending on the special education class some are allowed more students. He also reported that space is a problem and more classrooms are needed.

Future Facilities and Maintenance: Superintendent Scott reported that there are some facilities and maintenance needs that the school board and board of supervisors need to talk about and be partners on in working with the projects.

Superintendent Scott stated that there is a critical need for water at Rye Cove Intermediate and High Schools. He reported that the well is currently pumping 22 hours out of 24 hours just to maintain the present level. He also reported how if something is left on at the schools the school division has to haul enough water for over 500 students and other personnel at the schools. He explained how this is accomplished and that it is no easy task.

Superintendent Scott stated that the school board hopes to find a means of getting water for the schools and due to the urgent need he doesn't feel that the school system can wait to see if a grant could be obtained for this project. He stated that the school division could use funding the county allocates to them and allocations from the state for this project.

Superintendent Scott reported that the school division would like to run an 8 inch waterline from the Mabe/Stanley Town area to the schools. He also reported that this would be approximately 15 thousand feet and cost approximately \$450,000. He stated that these schools would then become a part of the Public Sewer Authority (PSA) Water System.

Superintendent Scott reported that the school division does have a space problem and a need for more classrooms. He reported that two classrooms have been built at Weber City Elementary School but that classrooms are needed at Shoemaker and Duffield. He stated that more classrooms will be needed due to enrollment increases and he explained that the governor has made it plain that a program needs to be established for four year olds throughout the Commonwealth of Virginia. Therefore, the anticipated mandated program for four year olds would make additional classroom space needed in the school division. He also reported that every area at Duffield Primary School is currently being used.

Superintendent Scott stated that he realizes that with both the boys and girls having practice and ballgames at the same time, the county has a facility use problem. He further stated that space is a problem at both Rye Cove and Twin Springs and although the Gate City area has more space available it is still a problem for them also. He proposed building a gymnasium at Duffield and adding classrooms to it which would reduce the total cost of building since you would not be building separate facilities. He also proposed the same type project for the Twin Springs area. He stated that he would like to begin these three

projects and have the classrooms ready by fall. He also stated that other areas could be done next year and others could be reviewed for the following year.

Mr. Danny Meade, Maintenance Supervisor, explained that the proposed facility would be a shell building and he answered questions with regard to the proposed project.

Superintendent Scott stated that the proposed building projects could be a deal between the boards and that state and local funds allocated from the county could be used to fund the projects. In answer to some questions about the maintenance personnel building these projects, Superintendent Scott reported that it does help with labor cost if the maintenance crew works on these building projects; however, he explained that members need to keep in mind that other maintenance items within the county does not get done as quick while the crew is busy with building projects. Superintendent Scott stated that the maintenance crew could assist with these type projects but he does not want the schools to suffer from not having maintenance personnel available for their needs. He reported that state school construction and lottery funds could provide a good start toward the cost of these projects along with funds from the county. He stated this would be a great project and a help to the whole county. He also stated that other projects could be looked at.

Superintendent Scott reported that with the increase in funds being requested from the county for next year's budget, the total amount is around \$5,294,984.00. He explained that one thing that has been able to help the county is that the school division has been able to pay an indirect cost for some county expenses that are figured by Mr. Jim Fern (county auditor). Superintendent Scott reported that for last school year the amount was \$204,000 and that for this year it is \$188,000.00, which he explains, helps the county in providing their local effort to the school division.

Superintendent Scott stated that it is important that the school system and county work together. He reported that he would like to start on the water at Rye Cove and hopefully have classrooms in place this fall.

Superintendent Scott, school board members, county board of supervisors members, and the school division's maintenance supervisors, discussed the proposed water project at Rye Cove. Superintendent Scott explained that the school system has no intention of trying to keep the water line up. He further explained that it is the school system's intention that after the line is installed to turn it over to the PSA and that they could complete user agreements for whoever wanted them. He requested that the PSA think about giving them a good deal on the monthly billing for a while.

Board of supervisors members present that also serve on the PSA board assisted with providing current information on the project. It was explained that the study and engineering for the Rye Cove water project has been completed. Also, that some user agreements are already in place, PER's completed and that the project has been submitted to the health department for approval. It was also explained that upon the health department's approval, the project would be sent on to the state for approval.

County Administrator Strutner stated that Dan Danko and Dean Henderson could be contacted and maybe get this project fast tracked and maybe it could be under construction by this summer. Chairman Redwine agreed with contacting Dan Danko to proceed with the project. Mr. Fields stated that County Attorney Foster and County Administrator Strutner could get with Ron Flanary and Dan Danko on the project.

It was discussed that once final construction for this project is approved by state, the mechanics worked out, project assurances completed, this project could be moved forward with PSA, put the project out to bid, execute a contract between the school system and PSA, and that if the project were written and structured correctly, maybe this project could be a reimbursable loan since PSA would recoup funding over a period of time.

Superintendent Scott and others discussed the fact that the county has sewer projects that need to be completed within the county. He reported that sewer projects are a future need since the school division

has four sewer plants that have been in place for a number of years. He stated that more can be done by the school system and county working together.

With regard to the gym facility needs, Superintendent Scott explained the difference in court sizes, elementary, high school, etc. that could be built. It was suggested by a couple of the members present that it would be good to complete a tournament size gym facility for seating purposes and that in doing so now would alleviate having to come back in the future and do something else should the facility not meet the needs. Superintendent Scott explained that a plan would have to be completed; cost figures presented, and stated a possibility that a tournament size facility may not be able to be done without more financial assistance from the county. He stated that he knows the public is constantly requesting the use of gym facilities.

Superintendent Scott stated that he feels the school system can save enough funds between now and the end of the year for the water project and to start work on the gym project next year.

Superintendent Scott informed the board of supervisors that when they look at the good test scores for the county, they need to remember that they are the number one reason for them. He explained that the board of supervisors have been giving the school system a motion of intent to fund the budget by April 1 or before which has allowed the school system to go ahead and hire the best teachers possible for the coming school year. He reported that this practice is crucial and will continue to be crucial. He expressed thanks to the board of supervisors for making this possible.

Superintendent Scott reported that he feels good about the projected ADM and revenue figures for the 2006-07 Proposed School Budget. He explained how it is a danger in not meeting the local effort if you cut the figures too close. He stated that it would be better to be over the local effort by a small amount rather than him having to come back and ask for more funding at a later date.

Superintendent Scott stated that in the future Scott County needs to get more water and sewer services throughout the county and hopefully, this will help to get jobs into Scott County. He stated that the boards need to work together to help the county.

Superintendent Scott stated that low rates are available for the literary loans; however, he reported that you have to "stand in line to get them."

Superintendent Scott stated that the school system does what it can for the children and does everything it can legally do to help the county. He also stated that any way the school system can help the county, they will try.

Chairman Redwine thanked Superintendent Scott for his structured and thorough presentation.

COUNTY FINANCIAL OVERVIEW BY COUNTY ADMINISTRATOR STRUTNER:

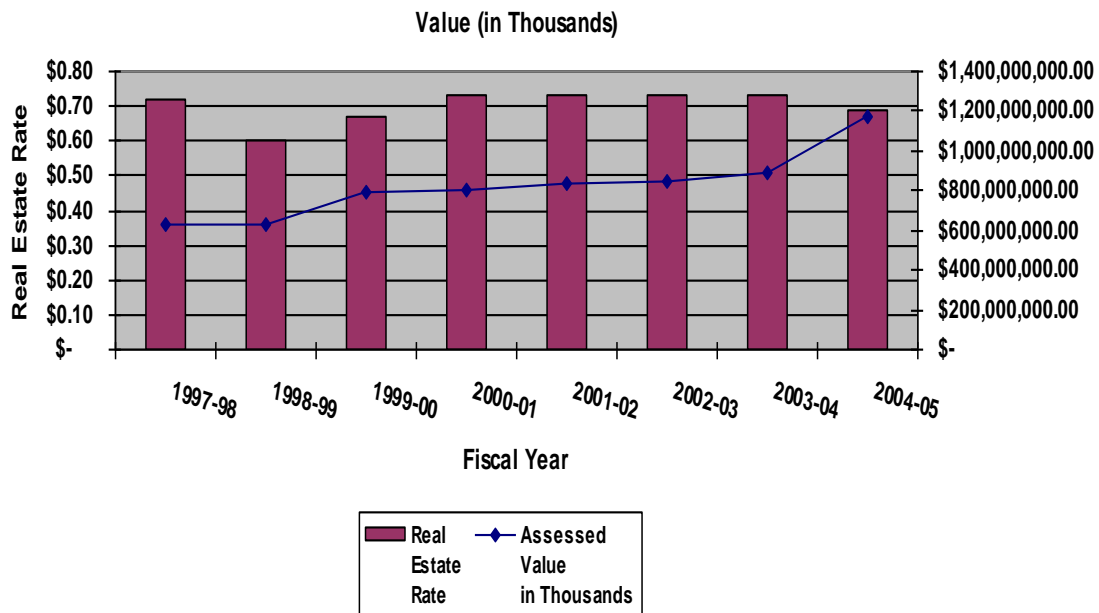
County Administrator Strutner explained that one item that has changed with regard to the local effort provided from the county to the school division is that student revenue from school cafeteria sales can no longer be counted.

County Administrator Strutner discussed and presented the following reports: Real Estate/Value (Rate, Population, and Assessed Value in Thousands for 1997-98 to 2004-05); Real Estate Rates vs. Assessed Value (Graph for 1997-98 to 2004-05); Financial Information (Cash on-Hand, Checking, Invested, Total for 6/30/99 to 6/30/05); Financial Information (Graph for 1999-2005); General Fund Balance History (Fiscal Year General Fund Balance for 1997-98 to 2004-05); and General Fund Balance (Graph for 1997-98 to 2004-05):

Real Estate Rate/Value

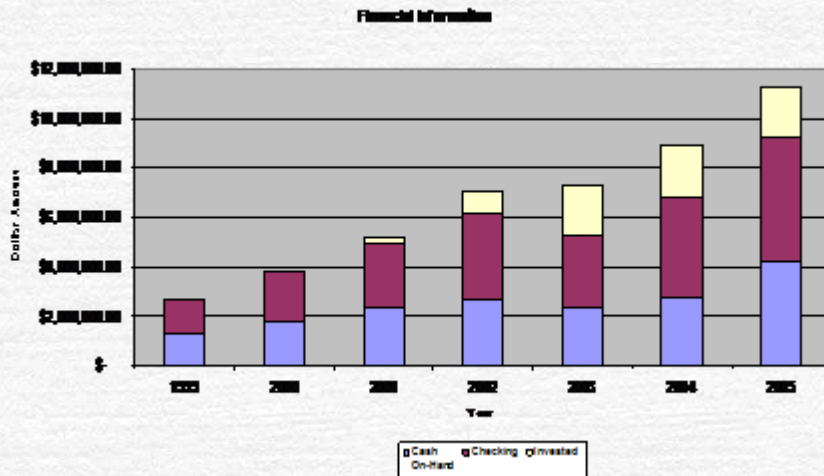
Fiscal Year	Real Estate Rate	Population	Assessed Value in Thousands
1997-98	\$ 0.72	23,204	\$ 624,501,009.00
1998-99	\$ 0.60	23,204	\$ 624,589,499.00
1999-00	\$ 0.67	23,204	\$ 796,055,720.00
2000-01	\$ 0.73	23,403	\$ 799,630,447.00
2001-02	\$ 0.73	23,403	\$ 832,470,839.00
2002-03	\$ 0.73	23,403	\$ 850,468,421.00
2003-04	\$ 0.73	23,403	\$ 892,848,899.00
2004-05	\$ 0.69	23,403	\$ 1,175,972,639.00

Real Estate Rates vs. Assessed Value



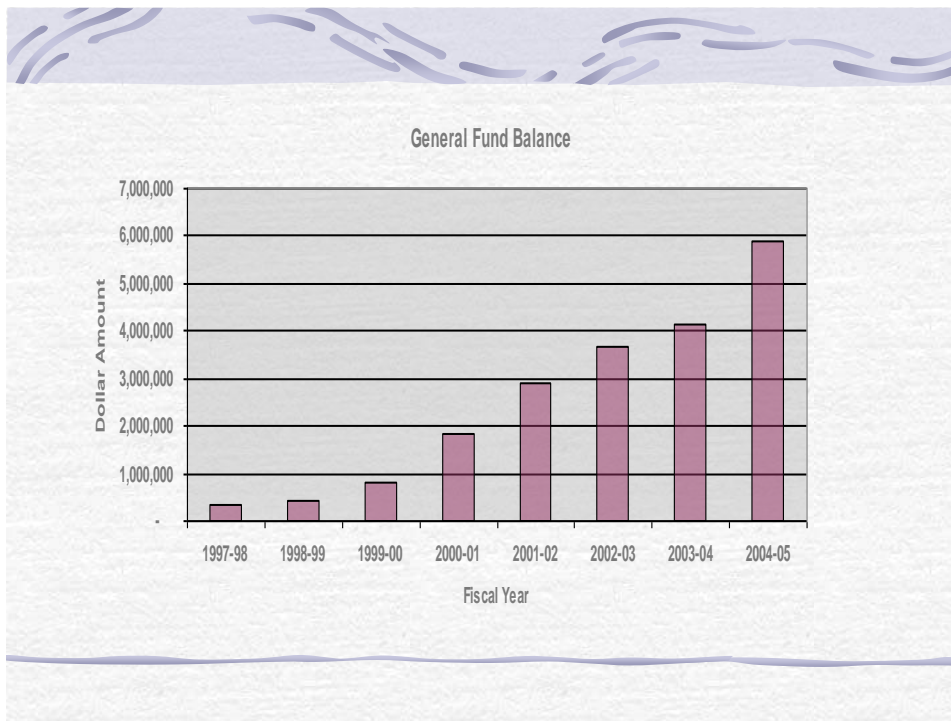
Financial Information

Year	Cash On-Hand	Checking	Invested	Total
6/30/99	\$ 1,261,189.59	\$1,397,489.63		\$ 2,658,679.22
6/30/00	\$ 1,818,424.21	\$1,983,183.39		\$ 3,801,607.60
6/30/01	\$ 2,400,828.18	\$2,513,633.77	\$ 301,932.33	\$ 5,216,394.28
6/30/02	\$ 2,657,200.79	\$3,505,045.92	\$ 836,364.25	\$ 6,998,610.96
6/30/03	\$ 2,324,420.17	\$2,975,750.19	\$2,030,043.85	\$ 7,330,214.21
6/30/04	\$ 2,776,007.18	\$4,076,637.02	\$2,052,027.86	\$ 8,904,672.06
6/30/05	\$ 4,180,508.90	\$5,018,477.63	\$2,095,922.58	\$11,294,909.11



General Fund Balance History

Fiscal Year	General Fund Balance
1997-98	\$ 322,756
1998-99	\$ 438,209
1999-00	\$ 791,740
2000-01	\$ 1,846,850
2001-02	\$ 2,921,125
2002-03	\$ 3,653,339
2003-04	\$ 4,153,229
2004-05	\$ 5,910,743



County Administrator Strutner reported that this is the first time in ten years that the county has not had to borrow money prior to receipt of anticipated revenues. He also reported that 34% of the general fund is available for expenditures. He further reported that it is recommended by the auditor that you try to hold at least from 10-25% for expenditures.

County Administrator Strutner presented upcoming major expenditures as follows:

- An additional \$100,000 beginning next fiscal year is needed for the new Virginia Retirement Rates (VRS) and he explained that the premium holiday for VRS Life Insurance has been re-impositioned.
- An additional \$112,000 in operating costs will be needed for next fiscal year's budget for the Regional Jail Authority.
- A new packer truck for next fiscal year for Solid Waste Operations at a cost of \$150,000.
- A need to replace windows and exterior doors at the court house at a cost of \$150,000 plus.
- A cost of landfill and solid waste related items as follows:
(2006-07) \$175,000 is needed for gas, groundwater, transfer station design, permitting and bidding, and disposal fee
(2007-08) \$1,041,200 is needed for gas, groundwater, transfer station construction, and disposal fee;
(2008-09) \$713,567 is needed for gas, groundwater, landfill closure bidding and construction, groundwater CAP progress report and disposal fee

County Administrator Strutner reported that a future space study needs to be conducted for the court house, sheriff's office, county administrative offices, and the library. He also reported that it is unknown what the construction and renovation costs will be upon completion of the needs study. He further reported that the county employee pay plan needs to be upgraded to the prevailing area market rates in order to attract and retain quality employees.

He stated that the school board is requesting \$500,000 more in local funding for 2006-07 and explained that if you use the \$188,000 cost allocation reimbursement to the county that Superintendent Scott spoke of, the request is \$300,000 plus. He also stated that these funds could be appropriated from the fund balance. He reported that one reason that the fund balance has been built up is for legitimate use as decided by the board for strategic investment.

Chairman Redwine stated that it is time to spend funds for needed projects. He credited the superintendent, school board, and prior board of supervisors for helping build the fund balance. He feels the school system has been very frugal in not asking for much above the minimum effort.

Mr. Sampson expressed appreciation to everyone in attendance and applauded the county for their efforts in building up the fund balance.

Mr. Meade recognized and congratulated County Administrator Strutner for his efforts toward building the fund balance during his tenure with the county.

County Administrator Strutner stated that it has been good management of both boards and staff members decisions that has made this possible.

Mr. Jim Fern, County Auditor, reported that 10% of the fund balance would be sufficient for expenditures and that with the funding being available it is now time to take care of projects needed.

CLOSING COMMENTS BY CHAIRMAN REDWINE AND CHAIRMAN CAMPBELL:

Mr. Lowell S. Campbell, School Board Chairman, expressed appreciation to everyone in attendance and stated he hopes that the boards can work together on the items discussed.

Dr. David S. Redwine, County Board of Supervisors Chairman, expressed appreciation for the opportunity to learn more and discuss important issues that affect a lot of families. He stated that the boards should meet more often to see "where" the school board is and "where" the county board of supervisors is. Chairman Redwine stated that when budget matters are being discussed throughout the county and members have to promote, defend or discuss items, he would appreciate everyone's help. He stated that the average person does not understand the local match. He stated that everyone needs to understand the concept that it costs more local dollars to get more funding from the state. He stated we

need to keep in mind that projects come up that have to be done. He hopes these projects can be done with funds as discussed.

Chairman Redwine stated that the school board looks for a motion of intent to fund the school board budget and he understands that there is expected to be a fairly large turnover with teachers. He stated that the board of supervisors understands the importance of these projects. He informed the superintendent and school board members that the board of supervisors will give the school board their intent at the earliest possible time regarding what they can fund.

Chairman Redwine expressed thanks to everyone.

SCHOOL BOARD ADJOURNMENT: The school board adjourned at 8:20 p.m.

Lowell S. Campbell, School Board Chairman

Loretta Q. Page, School Board Clerk