

March 23, 2022

The Board of Education of the County of Kanawha met in Statutory Session on Wednesday, March 23, 2022 at the Board of Education Building, Charleston, West Virginia. The meeting was called to order by Board President Becky Jordon at 3:05 p.m.

PRESENT

Becky J. Jordon, President
Tracy White, President Pro Tem
Ric Cavender
Jim J. Crawford, Sr.
Ryan White (via TEAMS)
Thomas E. Williams, Secretary

Debra J. Lewis, Recording Secretary

ADMINISTRATIVE STAFF

Melanie Meadows, Treasurer, Budget & Finance
Briana Warner, Communications
Leah Sparks, Executive Director, Technology

BUDGET WORKSHOP (Discussion on Budget)

Melanie Meadows-This is a meeting required by statute to discuss the financial condition of the Board. Usually by this time each year we have a line-by-line budget for you but this year we do not yet. However, I have completed a detailed analysis of anticipated revenues and expenditures for today's workshop. The reason we do not have a line-by-line budget for you just yet is because assessed values were delayed across the state primarily due to the issues surrounding the changes in valuations of oil and gas wells. Changes in this methodology, along with staffing issues within the State Tax Department, caused the delay in the local county assessors receiving the assessed values certifying them and getting them to us. We actually just received our assessed

BUDGET WORKSHOP (Discussion on Budget) continued

values a few days ago. Along with that, we have received preliminary comps from the WVDE but that doesn't include any information regarding the raise that was just passed in the legislative session. Because they did not have accurate assessed values, we don't have an accurate local share calculation, so that is why we don't have the typical line-by-line budget for you ready but it will be ready in plenty of time for our required Public Hearing coming up in May. You will see that we had another decline in enrollment but not quite as harsh as it was last year. This year we feel like COVID still impacted our enrollment a little bit. We are down 380 students compared to last year. We did have 326 new students enroll in the Virtual Program and we do get to count those students in our head count enrollment. We had 494 students switch to homeschool and as a result of the declining enrollment of 380 students we will lose roughly \$4 million in state aid. Since we had another decline in enrollment we will have to make some staffing cuts. This year we will cut 42 professional and 13 service. Again, as in previous years, staffing cuts will be handled by attrition and early retirements and transfers to positions with other funding sources available. Also for the 2nd year in a row we will continue to charge 12 people previously coded to our general budget to the ESSERF grants just like we did last year. For the 2nd year in a row, the County of Kanawha has experienced another decline in assessed values of property, so as a result, our projected levy revenues will decrease by \$1.9 million. When you factor that in with our roughly \$4 million dollar decline in state aid, we are looking at a pretty substantial decrease in expected revenues for next year. The loss under the regular levy will be mostly recovered through the local share calculation of the funding formula for state aid. Approximately \$1 million of the decline is in our excess levy, however I was able to look at our budget next year and I don't see any reason why we can't continue on with all the specific projects that we have in our ballot. The reasons for the decline, per the Assessor's Office, are the changes in taxation of oil and gas wells that I mentioned to you previously. I'll read you a specific quote from their office. They said that the state suffered a huge loss in industrials of \$237 million in assessed values alone related to industrials which are defined as properties used to develop, manufacture and produce goods and products as well as logistics and real estate that supports the movement and of storage of products and goods. Examples would be office space, food manufacturing, facilities, temperature controlled storage facilities, warehouses and fulfillment centers. Some items of note that will be included in our budget for the 2022-23 school year are the pay raise that the legislature approved across the board for school professional and service personnel. The amount will be approximately \$2,240 for 200 day professionals and \$1,220 for 200 day service employees. We are looking at a proposed increase in the supplemental pay rates that we discussed in previous board meetings. We have run some additional estimates but we are waiting on final comps which must be received

BUDGET WORKSHOP (Discussion on Budget) continued

before we can talk about what we can actually do there. With utilities overall we are going to be able to actually decrease our budget primarily due to electricity. It seems like we are finally able to recoup some from our energy savings. Rate increases are anticipated from WV American Water and Waste Management so we are going to be down approximately \$500,000. Flood insurance premiums are expected to increase around \$68,000. This is due primarily to changes at the federal level. Our sponsor contribution to the food service program has increased by \$101,000. This is due to the increase in food prices. Budget expenditures will be reduced in all other categories in order to correlate with the overall decrease in budgeted revenues. In FY 2022-23 for FY 2023-24, a \$2 million unfunded adoption for World Language, Student Success, Technology and Computer Science is required. This adoption will be paid for using a combination of excess levy funds and anticipated FY 21-22 carryover funds. We still have a QZAB expense in the amount of \$173,000 a year. The QZAB was for the Edgewood Elementary School and this will end in June, 2027. In addition to the QZAB we still have a Bank of America lighting lease which will be paid off in 2025 and various leases for Apple iPads. The other leases that we have are for our excess levy projects. We are still paying the lease on the turf and on the HVAC/roofing Projects and those should be paid off by June, 2024. As stipulated by our current excess levy ballot the following items are still included in this budget: 12 elementary art teachers, 12 custodians and maintenance personnel, and 8 counselors, \$232,140 for safety and security needs, \$24,229,485 for HVAC improvements, \$2,440,971 for roofing improvements and \$1,963,404 for turf. The other funds that will be part of our final proposed budget consist of the Permanent Improvement Fund, the Special Revenue Fund, the Public Library Excess Levy Fund and the Federal Stimulus & Stabilization Fund. No significant changes are anticipated in any of these funds. For several years now we have managed to only cut staff in increments that correlate with our decline in state aid and I do think that for the first time we will have to start cutting staff to account for some of the rising expenditures in other categories. If we keep losing that tax revenue we are going to have to look at that a little bit more. In light of that, there are some other things on the horizon that could significantly impact future budgets so I wanted to mention that to you all today. The biggest item that I wanted to discuss is the West Virginia House Joint Resolution 3. This was part of last years' legislative session and what that means is that in the upcoming November election the citizens will be voting on a proposed amendment to change the WV Constitution regarding the taxation of manufacturing, inventory, business property and motor vehicles. Passage of this amendment will result in a significant decline in property tax revenues. An estimate was prepared by the WVDE back in 2020 and it predicted a decrease of our revenues of almost \$11 million a year. Of that \$11 million, \$9 would be taken off of our excess levy

BUDGET WORKSHOP (Discussion on Budget) continued

on an annual basis. Based on what we have been told from the WVDE, not only did this year get affected by the changes in the way oil and gas wells are being assessed, it sounds like the oil and gas companies are not happy with how they are being taxed and they still think they are being taxed too much. We are hearing they are planning to appeal in hopes of getting more decreases in what they pay in taxes, which would be a decline in tax revenues for us.

Mr. White-The property tax amendment previous iterations of that had some sort of make whole for school districts. Was that not included in this iteration? Melanie Meadows-I was able to attend community meetings with Dr. Duerring when he was Superintendent a couple of years ago when that was being discussed and that was what they said as well. They kept saying that the intent was they did not want to harm the school districts in any way, they wanted to make us whole. When we were in these sessions, other Superintendents were asking how we are going to be made whole. They couldn't give us a strong answer. I do know the intent is there. Mr. White-Can we ask again to see if we aren't going to be made whole? That changes my outlook on voting on that amendment. Melanie Meadows-Yes, I will be glad to check with the WVDE and see if they have any information on that. Mr. White-On the oil and gas valuation, do we have a lot of oil and gas in Kanawha County? Melanie Meadows-It's my understanding from the assessor's office that the oil and gas this year wasn't as significant in the decline as it was with the industrials. They quoted me as the industrials being the primary reason for the decline in Kanawha County. Mr. White-So is the word on the appeal just on the oil and gas industry? Melanie Meadows-The only thing I heard was the oil and gas companies. Mr. White-The oil and gas prices have went up tremendously in the last 6 or 7 months. I'm wondering if they are going to appeal the valuation when they are making a lot more money. Can you get a little more information about how the increase in the gas prices would affect their claim on their appeal so we can understand that? Melanie Meadows-The only thing I have currently is an email that was shared from the WV State Tax Department with the WVDE Office of School Finance but I'll see if they have anything else.

Mr. Crawford-I didn't see a total amount of a proposed budget. Melanie Meadows-I don't have a total amount yet since I don't have the final comps. I think it will be around \$242 million. We will have final comps any day now.

ESTABLISHMENT OF MEETING DATES

- A. Wednesday, March 23, 2022, 3:05 p.m.-Statutory Session (Budget Workshop)
- B. Thursday, March 24, 2022, 12:00 Noon-Statutory Session (Approval of the Schedule of Proposed Levy Rates)
- C. Friday, April 1, 2022, 2:00 p.m.-Personnel Hearings
- D. Monday, April 4, 2022, 4:00 p.m.-Special Session
- E. Tuesday, April 19, 2022, 12:00 Noon-Statutory Session (Reconvening of March 24, 2022, Meeting to Enter all Levies)
- F. Thursday, April 21, 2022, 5:00 p.m.-Regular Session

NOTE: The above meetings of the Kanawha County Board of Education, unless otherwise indicated, will be held in the Board of Education Building, 200 Elizabeth Street, Charleston, WV.

ADJOURNMENT

Mr. Ric Cavender moved: That the Statutory Session of the Board be adjourned. Motion was seconded by Mrs. Tracy White and unanimously carried. The Statutory Session was declared adjourned by Board President Becky J. Jordon at 3:25 p.m.

President

Secretary

djl
4/8/2022