



pencils down

LAUREN ROTH
lauren.roth@pilotonline.com
222-5133

VIEW FROM THE TOP: SCHOOL BOARD LOOKS TO THE NEXT YEAR

With a lovely panorama of Town Center 10 floors below, 10 members of the Virginia Beach School Board recently spent a weekend taking a long view of the year ahead:

MONEY WOES

Superintendent Jim Merrill painted a bleak financial picture and said raises would be unlikely in the next budget unless class sizes go up.

But he said the Beach will press ahead with plans for teaching methods focused more on critical thinking and teamwork than repeating facts on a multiple-choice test.

"This is critical work. It's for the future of our kids," he said. Principals have been planning the changes for the past year and will share details with their staffs this month.

THINKING TESTS

One of the first changes students will see is a focus on new types of testing. A third of the city's 11th-graders this fall will take a test that requires students to read materials from different sources and form a persuasive argument. Jared Cotton, who

oversees the testing program, said the city is "serving two masters," trying to bolster workplace skills while keeping test scores up.

As part of the re-balancing, city schools are eliminating some local tests and allowing 10 pilot schools to develop their own local tests.

Other changes to come will include online portfolios for students at three grade levels, candid conversations about race among district staff and a new collaborative model for schools called Professional Learning Communities.

RETREAT STYLE

The mood was professional, but the dress was casual, at least for some board members. Em Davis and Sandra Smith-Jones stuck to patterns and florals, while Carolyn Weems wore jeans with intricate embroidering and patterned cuffs. Among the men, chair Dan Edwards and Dan Lowe wore tried-and-true polos, while Patrick Salyer wore a dress shirt without a tie. Brent McKenzie missed the memo and brought a dress jacket Saturday, but he went downscale with a polo Sunday.

But it was Bill Brunke who took the most ribbing, brought on by the gym shorts and collared jersey he wore Sunday. He was coaching his daughter's team in a softball tournament in Yorktown that afternoon and didn't want to stop and change. He joked that he was like a news anchor: "I look fine from the waist up."

DATE: 8-9-09

PAPER: Beacon

FILE NAME: School Board



beachcombing

AARON APPLGATE + DEIRDRE FERNANDES

aaron.applegate@pilotonline.com | deirdre.fernandes@pilotonline.com
222-5122 222-5121

AUDIT UNCOVERS OVERPAYMENTS TO OPTIMA

Between January 2008 and February of this year, the city and schools overpaid for health insurance claims by \$146,233.

That's a big number. But consider this: Optima Health, which provides coverage for the city's and schools' employees, processed nearly \$76.9 million worth of claims during that time.

"It's fairly low," said John Graham, with the consulting group Healthcare Horizons, who audited the claims for the city and identified how much money Virginia Beach should get back from Optima.

The city will be able to recover about \$107,000 in overpayments, some of which were discovered by Optima. The city can't recover the rest of the money, because the claims are older than a year.

Most of the payment errors were tied to eligibility issues. Optima was slow to identify employees who no longer worked for the city and continued to bill the city for their insurance claims, the audit found.

Optima has hired someone to run a termination report

more frequently.

The city will conduct these audits annually. Healthcare Horizons is only paid if the company identifies overpayments.

HIGH-RISE TAX POTENTIAL

Speaking of big numbers. The city's budget office recently completed an estimate of how much Virginia Beach would lose in tax revenue if the Federal Aviation Administration only allowed buildings to climb 9 or 10 stories at the Oceanfront.

Over 50 years, the city could lose out on \$1.3 billion of direct and indirect revenue, said David Bradley, the city's assistant budget director.

That's based on the assumption that all new hotels planned and redeveloped on the Oceanfront could not be built to the maximum density allowed under current zoning code.

Readers may recall that the FAA determined earlier this summer that 18- to 20-story buildings at several key locations at the Oceanfront would interfere with radar that is used for national security. The radar is located at Oceana Naval Air Station and is one of few protecting the East Coast.

Beach officials plan to present their cost estimates to

the FAA and federal legislators to support their argument that the radar should be moved because it's squelching the city's economic future.

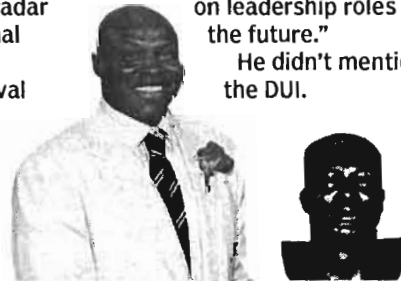
SMITH TAKES A PASS

Two days before he was inducted into the NFL Hall of Fame earlier this month, Bruce Smith, below with his bust, sent a letter to the Virginia Beach City Council. The Norfolk native and Beach resident said he'd prefer that the city not honor his achievement with an official celebration, as originally planned.

Smith's July conviction on drunken driving charges prompted most City Council members to say the city should cancel the event.

Smith wrote in his letter, "I would much rather see the funding for this event used instead to address the serious needs of young people throughout our city... it's much more important to inspire our youth to study harder, make wise choices, stay away from gangs and prepare to take on leadership roles for the future."

He didn't mention the DUI.



DATE: 8-16-09

PAPER: Beacon

FILE NAME: Budget



Published on HamptonRoads.com | PilotOnline.com (<http://hamptonroads.com>)

Layoffs possible as Kaine seeks \$1.3B budget cut

RICHMOND

When he delivers the latest batch of bad news about state finances today, Gov. Timothy M. Kaine is expected to tell legislators that revenues will fall about \$1.3 billion below anticipated levels in Virginia's budget this fiscal year.

More state government spending cuts will be needed as a result to offset that shortfall in a budget already slashed by billions and balanced through a reliance on federal stimulus funds.

The governor is to brief the General Assembly's joint money committees this morning. He is not expected to give details on proposed cuts and other savings strategies until around Labor Day.

Kaine has already advised state agency heads to prepare expense reduction plans and said that employee layoffs are an option.

He telegraphed today's news earlier this month when he revealed that the revenue shortfall could be as low as \$700 million or as high as \$1.5 billion for fiscal year 2010, which began July 1.

The governor narrowed that range Monday, telling reporters the revised forecast would not fall on the low side of that balance. A legislative source speaking on the condition of anonymity said the updated figure is roughly \$1.3 billion and could exceed that amount.

Kaine's office declined to confirm that number.

The lingering recession has some officials worried the worst may be ahead because stimulus dollars aren't expected to last beyond 2011.

Cuts to the budget adopted earlier this year would have been more dramatic without federal economic aid - legislators overcame a \$2.9 billion shortfall in the updated two-year, \$77 billion package.

"I'm glad to see the governor is taking an extremely conservative approach because I think we're in for some continued declining revenues," said state Sen. Ken Stolle, R-Virginia Beach.

"It's going to be painful," added House Majority Leader Morgan Griffith, R-Salem. "The governor's going to make the first stab at it. Then we'll come back in January and figure out whether we agree with his cuts or not."

After lawmakers hear the sobering economic news, they will turn their attention to the matters pending before them in the special session starting today.

Kaine reconvened the legislature to adjust state law to fit the standard created by a recent U.S. Supreme Court decision.

The ruling in *Melendez-Diaz v. Massachusetts* now requires prosecutors to present live courtroom testimony from forensic analysts. Some prosecutors contend that ruling could lead to drug and drunken driving cases being

tossed out of court and guilty people going free.

Current law allows prosecutors to use a forensic lab report as evidence at trial in the absence of testimony from a technician who performed the analysis.

Among the short term fixes proposed is giving criminal defendants the right to accept the forensic report as evidence or demand a lab analyst appear in court.

Another option is to adjust state speedy trial rules so hearings can be scheduled to accommodate testimony from a forensic technician.

Julian Walker, (804) 697-1564, julian.walker@pilotonline.com

Source URL (retrieved on 09/02/2009 - 10:45): <http://hamptonroads.com/2009/08/layoffs-possible-kaine-seeks-13b-budget-cut>

Sandi Maxwell

From: City of Virginia Beach [mcg@vbgov.com]
Sent: Wednesday, August 12, 2009 12:01 PM
To: Sandi Maxwell
Subject: Virginia Beach City Page

**VIRGINIA
BEACH**

City Page

Keeping Citizens Informed and Involved - August 12, 2009

[News Releases](#) | [Animal Shelter](#) | [Laskin Road Gateway](#) | [Light Rail Study](#) | [Pembroke Plan](#) | [Stimulus Money](#)

Pacific Avenue Trail Under Construction



Imagine an eight-mile walking and biking loop from the Oceanfront to the Aquarium, around Birdneck Road and down Norfolk Avenue. Its happening. Construction is under way on a key part of that loop the Pacific Avenue trail, a boardwalk along the edge of Lake Holly at the resort.

[View Entire Story>](#)
[View Related Video>](#)

Summer Sun Meets Clean Beach: How it Got That Way



Visitors often comment about how clean, well-maintained and family-friendly our Oceanfront is. It all seems to just happen, right? Not a chance. While most people are grabbing some winks, dedicated employees from Public Works are cleaning and maintaining the resort so visitors and citizens can enjoy it when the sun rises.


[View Entire Story>](#)
[View Related Video>](#)

City Departments: Select A Department

City Services: Select A Service

BUSINESS CAREERS CITY COUNCIL CITY HALL LEARNING LEISURE ONLINE SERVICES RESIDENTS WELLNESS VISITORS

August 17, 2009
82°F Scattered clouds.

Translate 

City of Virginia Beach

Search




[Click here for Live Online Assistance](#)

[Dial 311 for Live Telephone Assistance](#)

[VBgov.com Home](#) > [Media & Communications](#) > [What's Hot](#)

Media & Communications

 [Printer-Friendly](#)

[Media & Communications Home](#)

[Hot Topics](#)

[What's Hot](#)

[Beach Magazine Online](#)

[Beach Magazine](#)

[About Beach](#)

[City Page Online](#)

[Current Issue](#)

[About City Page Online](#)

[BRAC](#)

[BRAC](#)

[BRAC Commission Decision and City Response \(after Aug. 24, 2005\)](#)

[BRAC Commission Deliberations \(prior to Aug. 24, 2005\)](#)

[BRAC \(after March 30, 2006\)](#)

[My Virginia Beach Podcast](#)

[My Virginia Beach](#)

Economic Stimulus Projects

Economic stimulus money has started arriving in Virginia Beach. We're ready with projects that can begin quickly and will generate jobs to counter the current economic slump.

As of April 1, Virginia Beach has received \$70 million in stimulus funding for schools, roads, housing, police and other agencies.

See the complete list of Virginia Beach Economic Stimulus Projects - some funded, some with applications pending.

Contact Information:

Media & Communications Group

2401 Courthouse Dr.

Municipal Center, Bldg. 1

Virginia Beach, VA 23456

Main: (757) 385-4679

RELATED DOCUMENTS

[Economic Stimulus Projects, 7-20-09](#)

[Economic Stimulus Projects, 5-19-09](#)

[Economic Stimulus Projects, 4-1-09](#)

RELATED LINKS

[United States Conference of Mayors MainStreet Economic Recovery](#)

[Federal Stimulus Page](#)

[State Stimulus Page](#)

[IRS Stimulus Page](#)

[VDOT: I-264/Lynnhaven Parkway Interchange](#)

[Princess Anne Road - Phase IV](#)

[Witchduck Road - Phase I](#)

 [Bookmark this Page](#)

[Home](#) | [Site Map](#) | [About VBgov.com](#) | [Contact Us](#) | [Employees](#) | [Terms of Use](#) | [Privacy Policy](#) | [Accessibility](#) | [RSS](#) | [Podcasts](#) | [Email Newsletters](#)



Hampton Roads - America's First Region.

© 1999 - 2009 City of Virginia Beach. All rights reserved.

*Call Name: Budget
from The City Page*

Economic Stimulus Funding Information

As of 7/20/2009

Department	Funding Description	Total Applied Funding	Total Approved Funding	Approved Funding by City Council	Detail
Housing and Neighborhood Preservation	1) Emergency Shelter Grant (ESG)	\$ 1,010,599	\$ 1,010,599	\$ 1,010,599	Upon notification that the City would receive these new ESG funds, a proposal was developed that helped to enhance and expand the programs funded by the Dragas programs. This proposal enhances the proposed family homelessness services and makes assistance available to other homeless persons as well.
Housing and Neighborhood Preservation	2) Community Development Grant (CDBG)	\$ 660,901	\$ 660,901	\$ 660,901	Provide funding for the rehabilitation of eligible owner-occupied housing units. This program is currently operational, creates or preserves jobs in the construction business, and has been a core element of our housing programs for the past fifteen years.
Human Resources	1) Summer Youth Employment Program	\$ 322,161	\$ 322,161	\$ 322,161	Grant used to provide young adults age 14 to 24 with valuable summer employment and learning opportunities with the City
Fire	1) Fire Station Construction Grant Program	\$ 5,000,000			FEMA grant to assist Fire departments to build new or modify existing fire stations in order to enhance capabilities and protect communities.
Constitutional Officer	Restored State Cuts	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	State used Stimulus funding to restore State cuts
Police	1) JAG/Byrne Formula Funding	\$ 881,256	\$ 881,256	\$ 881,256	JAG/Byrne Formula Funding - Criminal Justice related programs
Police	2) JAG/Byrne Competitive Funding	\$ 296,662			JAG/Byrne Competitive Funding – Applications not available yet, no projection on probability of success
Police	3) Community Oriented Policing Hiring (COPS)	\$ 2,839,262			COPS – Applications available this month – competitive process for funding law enforcement positions

Department	Funding Description	Total Applied Funding	Total Approved Funding	Approved Funding by City Council	Detail
Police	4) ARRA Port Security Grant	\$ 1,814,600			Fund awarded are to be used to add additional port security to the Hampton Roads area.
Police	5) JAG/Byrne Competitive Funding	\$ 118,667			JAG/Byrne Competitive Funding – Applications not available yet, no projection on probability of success.
Police	6) JAG/Byrne Local Solicitation Grant	\$ 214,208			JAG/Byrne Local Solicitation grant amount has already been set aside for City of VB; however, planned use of funds must be submitted with app. prior to official award letter being received.
ComIT	1) Broadband Infrastructure	\$ 673,000			Broadband - Submitted proposal on line but no response – Expand microwave and optical backhaul infrastructure to support public safety and government.wireless initiatives
Public Works	1) Witchduck I Road Project (CIP 2-931) UOI - \$12.2 Million City Request	\$ 10,640,000	\$ 10,640,000	\$ 10,640,000	MPO-SST. This funding is being provided to and managed by the City.
Public Works	2) Princess Anne Road Phase IV (CIP 2-305) VDOT - \$19.1 Million City Request	\$ 16,700,000	\$ 16,700,000		This funding is being provided to and managed by VDOT. None of this funding is coming directly to the City.
Public Works	3) Great Neck Ramps / I264	\$ 10,640,000	\$ 10,640,000	\$ 10,640,000	Dedicated MPO stimulus funds. This funding is being provided to and managed by VDOT. None of this funding is being provided directly to the City.
Schools	1) Title I Funding	\$ 9,141,374	\$ 9,141,374	\$ 9,141,374	Funding used to support Title I programs.
Schools	2) IDEA Part B Funding	\$ 16,969,683	\$ 16,969,683	\$ 16,969,683	Funding used to support the IDEA program.
Schools	3) Title II Part D	\$ 275,900	\$ 275,900	\$ 275,900	Funding used to support Title II programs.
Schools	4) Title VI Part D Preschool Funding	\$ 571,379	\$ 571,379	\$ 571,379	Funding used to support Preschool Title VI programs.

Department	Funding Description	Total Applied Funding	Total Approved Funding	Approved Funding by City Council	Detail
Schools	5) State Stabilization Funds	\$ 22,122,238	\$ 22,122,238	\$ 22,122,238	Restored and enhanced pay-as-you-go financing for school capital projects and restored all or a portion of several programs that were reduced or eliminated in the schools operating budget
Total Funding to Virginia Beach		\$ 103,591,890	\$ 92,635,491	\$ 75,935,491	
City		\$ 51,811,316	\$ 40,854,917	\$ 24,154,917	
Schools		\$ 49,080,574	\$ 49,080,574	\$ 49,080,574	
Constitutionals		\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	

Beach expects \$84M shortfall in '10-'11

Deficit could rise higher if state makes more budget cuts

By Deirdre Fernandes
The Virginian-Pilot

VIRGINIA BEACH

This year's budget shortfall was unprecedented, and next year's could be worse.

Beach budget analysts forecast an \$84.4 million financial gap for the 2010-11 fiscal year, split between the city and the schools. And that number could increase if the

state makes further cuts in its budget and employee retirement program rates increase.

The city's share amounts to \$41 million and the shortfall for the schools is estimated at \$43.4 million. The gap assumes that salaries for city and school staff stay flat.

Drops in real estate and personal property taxes and funding from the state and federal government — about \$61.3 million — is driving the deficit. The rest is in increasing costs of school

grant programs and public utilities, which needed more workers to upgrade the city's water and sewage system. Virginia Beach, along with other South Hampton Roads cities, are being required by the federal government to replace aging infrastructure. The cost to the Beach over 15 years is estimated at \$217 million.

"We have long-term structural imbalances in our budget," said Catheryn Whitesell, the city's budget director, as she presented the City Council and School Board with the

five-year financial forecast on Tuesday.

Tax rate and garbage fee increases aren't enough to plug this hole, Whitesell said.

Raising real estate taxes by 4.2 cents to 93.2 cents for every \$100 of assessed value and increasing the personal property tax rate by 20 cents to \$3.90 for every \$100 of value would bring in about \$27 million.

A combination of tax increases and spending cuts are needed, Whitesell said.

"It is a lot of money," Mayor Will Sessoms said of the

shortfall.

The city will have to reduce staff, more than it did last year and primarily through attrition, Sessoms said.

Sessoms projected that the city will again have to reach into the "rainy day" funds to close the budget shortfall.

Most other South Hampton Road cities have yet to present their 2010-11 budget forecasts. Norfolk officials are projecting a \$29 million shortfall.

Deirdre Fernandes, (757) 222-5121,
deirdre.fernandes@pilotonline.com

DATE: 11-18-09

PAPER: Pilot

FILE NAME: Budget

VIRGINIA NEWS

BUDGET SHORTFALL COULD LEAD TO CUTS TO SCHOOLS, STATE PROGRAMS

The Roanoke Times

RICHMOND

Virginia faces a budget shortfall of as much as \$2.7 billion over the next two fiscal years, a deficit that could trigger deep and lasting cuts to state programs, lawmakers learned Tuesday.

Lawmakers also face the prospect of cutting \$300 million from the budget that expires June 30, as tax collections continue to fall short of projections.

About \$6 billion has been cut from the budget that took effect in July 2008. Slow revenue growth also won't be sufficient to meet spending needs and offset the expiration of federal stimulus funds during the two-year period that begins July 1, the House Appropriations Committee was told. The prospect of further shortfalls had lawmakers talking Tuesday about the possibility of cuts to public schools and considering the elimination

of some state programs.

Gov. Timothy M. Kaine will deliver a two-year budget to lawmakers in December, less than a month before his term expires.

"You can't look at a budget and not realize that Medicaid is an issue and the education budget is an issue and everything is being looked at," Kaine spokesman Gordon Hickey said.

Bob McDonnell will become governor in January and confront the task of managing Virginia's finances and working with lawmakers to balance the budget.

"I think we should figure out what we can live without and permanently cut that," said House Majority Leader Morgan Griffith, R-Salem, who attended Tuesday's meeting.

Del. Clarence "Bud" Phillips, D-Dickenson County, said lawmakers could do their part by shortening the upcoming legislative session to 45 days from 60.

DATE: 11-18-09

PAPER: Pilot

FILE NAME: Budget

Beach budget may take a bigger hit as property values slip

By Aaron Applegate
The Virginian-Pilot

VIRGINIA BEACH

Property values are falling more than previously predicted, a situation that threatens to punch a bigger hole in the city's budget.

The value of residential and commercial properties could drop an average of more than 6.5 percent, City Assessor Jerry Banagan warned city leaders in a memo. Banagan previously forecast a 5 percent fall.

The predicted drop is the latest bad news for city budget officials facing an \$84.4 million shortfall between the city and schools. The predicted change is equivalent to a loss of about \$7.5 million in city revenue, said Catheryn Whitesell, the city's budget director.

Whether taxpayers get a break remains to be seen. The City Council has floated the idea of a "revenue-neutral" budget in which the tax rate would be raised to make up for falling property values.

Mayor Will Sessom said the city managed to maintain the tax rate and city services despite last year's falling

values, but he said that might not be possible again.

"I don't know that we can do that again this year," he said.

The city's general tax rate is 89 cents per \$100 of assessed value.

The city is considering layoffs, fee hikes and a new charge for garbage pickup to raise money.

In late February, Banagan will give a final report that shows final numbers and breaks down the average assessments for residential and commercial properties.

Last year, total assessments fell 2.3 percent, with residential property values falling 4 percent. That meant about \$135 in lower tax bills for the owner of an average home previously valued at \$327,200, according to last year's final assessment report.

Assessment notices go out in March.

Before last year, the city had seen dramatic increases in property values, with average spikes as high as 22 percent.

Aaron Applegate, (757) 222-5122,
aaron.applegate@pilotonline.com

DATE: 1-14-10

PAPER: Pilot

FILE NAME: Budget

forecast | Virginia schools

STAFF CUTS. PROGRAM CUTS. LARGER CLASSES.

considering cuts
in teaching staff

88%

According to a survey of state school superintendents:

88 percent may reduce teacher positions to meet their budget.

84 percent may increase student-teacher ratios.

49 percent may trim days teachers are contracted to work.

24 percent would propose salary cuts to save money.



FILE PHOTO

By LAUREN ROTH | *The Virginian-Pilot*

LAST YEAR, LOCAL SCHOOLS avoided deep budget cuts with federal money. There will be no such bailout this time. "Unless somebody comes in on a white horse with some money this year, people are going to start to see employees being laid off by school systems," said Milton Liverman, superintendent of Suffolk Public Schools and president of the Virginia Association of School Superintendents.

Liverman said school finances are the worst he's seen in 37 years.

"You're going to see programs being closed, even schools being consolidated to save money" statewide, he said. "Things we haven't seen before."

A survey of the superintendent association's members found 84 to 88 percent are considering increasing student-teacher ratios or cutting teacher positions. Half said they may cut back programs like summer school, preschool and tutoring.

The stress is a result of the squeeze on schools' three main sources of funding - the federal, state and local governments. School divisions don't have taxing authority in Virginia.

The financial straits on the state level are so dire that Virginia plans to borrow next year's federal stimulus money to fill the current year's school budget gaps. And local

See SCHOOLS, PAGE 10

the problems

Virginia school divisions don't have the power to levy taxes, so schools get most of their money from federal, state and local governments, which have seen tax collections and revenues dip.

what's on the block at local schools

Salaries make up the largest expense for schools. To meet leaner budgets, Hampton Roads schools are weighing smaller staffs, larger classes, fewer alternative, specialty and extracurricular programs, and reductions in technical and instructional support.

the next step

Local superintendents will release draft budgets during the next few weeks, but the figures will be preliminary until divisions know how much money they will get. Final budgets won't be adopted until the spring.

DATE: 1-27-10

PAPER: Pilot

FILE NAME: Budget

SCHOOLS | *Drafts of budgets expected in a few weeks*

Continued from Page 1

governments are seeing dipping tax collections.

That all means less for the schools, which spend most of their budgets on salaries.

Cities dedicate up to about half of their funds to schools, which have budgets ranging from about \$150 million in Portsmouth and Suffolk to nearly \$700 million in Virginia Beach.

Local superintendents plan to release first drafts of their 2010-11 budgets over the next few weeks, but they will be preliminary until divisions know how much money they'll be getting. Final budgets won't be adopted until the spring.

In Portsmouth, Superintendent David Stuckwisch said class sizes will increase in the fall, though he doesn't know by how much. Many programs will be cut back, and 100 positions will be eliminated through attrition, including many teachers, he said.

Norfolk Superintendent Stephen C. Jones called his division's budget situation "grave" in a memo last week to employees and parents.

"We will be forced to consider such unpalatable options as larger classes, fewer alternative, specialty and extracurricular programs, and reductions in technical and instructional support provided to our schools," he wrote.

Liverman, on behalf of the state association of superintendents, is pushing lawmakers to give school divisions more leeway this year. That could include relaxing staffing requirements for positions like technical support specialists and pushing back new initiatives, like a new class on economics and finance. The state Department of Education requires the course of all students who will enter high school this fall.

Superintendents also want to hold off on a new mandate

online

See PilotOnline's school salary database at hamptonroads.com/schoolzone.

that schools write personalized academic and career plans for each student by eighth grade. That could require additional guidance counselors, Liverman said. "We're looking at having to reduce guidance staff to meet budget," he said.

Chesapeake and Virginia Beach schools are also leaving all options on the table but hope to preserve jobs as much as possible.

That will be the budget year's biggest challenge for Suffolk and other divisions, Liverman said. "Teachers are going to be the last people we cut, but there will be some reductions in teaching staff," he said.

Even charging for sports is possible, Liverman said.

"We've got to consider everything that costs money."

Lauren Roth, (757) 222-5133, lauren.roth@pilotonline.com

STATE BUDGET

SCHOOL LEADER RALLIES OTHERS AGAINST PLAN TO CUT FUNDING

governor's proposal

School divisions in the region would lose a combined \$58.4 million.

By Lauren Roth
The Virginian-Pilot

VIRGINIA BEACH

The superintendent of schools, Jim Merrill, is rallying city and school leaders in the region and state against the governor's plan to shift millions in school funding from Hampton Roads to Northern Virginia.

Statewide, 93 of 132 school divisions would lose money in the change, which would redistribute money to communities where real estate prices were hardest hit several years ago. A majority of the money would go to Northern Virginia — where about half of the beneficiaries are.

The 15 school divisions in the Hampton Roads region would lose a combined \$58.4 million, with \$14.9 million coming out of Virginia Beach alone.

On Monday, Gov. Bob McDonnell said he wants the state to

See FUNDING, PAGE 5

DATE: 2-10-10

PAPER: Pilot

FILE NAME: Budget

FUNDING | *Beach superintendent's letter asks lawmakers for a compromise*

Continued from Page 1

proceed with a scheduled change to the funding formula for schools, called the composite index. The formula is intended to assess a locality's ability to support its own schools. Generally, less-affluent communities are expected to pay less and the state kicks in more.

Former Gov. Timothy M. Kaine had proposed freezing the formula for a year to save money. The change would cost the state \$29 million to implement.

Hampton Roads officials were surprised and fuming Tuesday. Northern Virginia officials had spent the past few weeks lobbying McDonnell.

"It's another example of how Hampton Roads is being ignored once again," said Patrick Salyer, a Republican Beach school board member who was quoted in McDonnell's campaign materials last year. His fellow board members called on the public to contact their legislators.

By the end of Tuesday, 11 of 15 superintendents in the region signed on to a letter Merrill will send to local legislators. He plans to reach out today to the rest of the 93 divisions that would lose money.

The letter calls on legislators, who have the final say on the budget, to restore the freeze to the composite index or work out a compromise that would spread the change over two years. Local school divisions began rolling out their proposed budgets this month.

In Norfolk, Superintendent Stephen C. Jones signed on out of concern that the loss of an additional \$8.9 million could be catastrophic. In the division, already facing a shortfall of \$40 million, hundreds of jobs are in danger and class sizes are guaranteed to grow, he said. Mayor Paul Fraim called McDonnell's proposal a handout to affluent communities and "terribly disheartening. The school systems in the urban cores are being decimated."

In Virginia Beach, the total shortfall would become \$47.4 million, and Merrill said class sizes probably would increase.

His letter says McDonnell's plan would disproportionately hit urban and rural districts and favor Northern Virginia over Hampton Roads. It says the funding loss could force program cuts, layoffs, furloughs and larger class sizes in many affected schools.

Suffolk and Chesapeake schools have also signed the letter, while Portsmouth Superintendent David Stuckwisch said he needed to consult with the School Board.

Franklin, Isle of Wight, Newport News, Poquoson, Southampton, Surry and York have also signed on.

In Virginia Beach, both the School Board and City Council on Tuesday passed resolutions supporting freezing the formula.

Mayor Will Sessoms started to call local legislators Tuesday, who told him the budget picture could get even more bleak.

possible losses

The localities in Hampton Roads could lose a total of \$58.4 million under a change to the state funding formula for schools.

Division	Projected loss of funding
Virginia Beach	\$14.9 million
Chesapeake	\$11.1 million
Norfolk	\$8.9 million
Newport News	\$4.7 million
Hampton	\$4.5 million
Suffolk	\$4.2 million
Portsmouth	\$3.9 million
James City	\$2.3 million
Gloucester	\$873,212
Isle of Wight	\$774,454
Southampton	\$638,140
York	\$635,502
Poquoson	\$494,990
Franklin City	\$337,534
Surry	\$214,805
Total	\$58.4 million

SOURCE: Virginia Department of Education

"It's costing us \$15 million and we're already in the hole," Sessoms said. "I don't think the governor wants to do this."

Pilot writers Jaedda Armstrong, Hattie Brown Garrow, Harry Minium, Cheryl Ross and Steven G. Vegh contributed to this report.

Lauren Roth, (757) 222-5133, lauren.roth@fotonline.com

spotlight



“There has never been a program of this scale, moved at this speed, that has been enacted as effectively and as transparently as the recovery act.”

President Barack Obama

A YEAR LATER, STIMULUS PLAN IMPACT IS STILL BEING EVALUATED

in the area

In Virginia, the stimulus package provided nearly \$2 billion in aid, including tax credits and expanded unemployment benefits, to about 5.3 million people, according to a report released Wednesday by a nonprofit research group in Richmond.

The organization, the Commonwealth Institute for Fiscal Analysis, said the program was a success. “These payments went out quickly to people in need and helped boost consumer spending at the very time the economy needed it,” said its executive director, Michael Cassidy.

— Pilot writer Phil Waizer



ILLUSTRATION BY LISA MERKLIN

Most of \$862B is unspent; many numbers remain scary

By Brett J. Blackledge and Jim Kuhnhehn
The Associated Press

WASHINGTON

Did the stimulus work or not? A year after Congress passed President Barack Obama's huge economic revival plan, the results are mixed — and hardly final.

Despite Obama's bold promises, unemployment remains stubbornly high. But job losses have slowed dramatically.

And the nation's recent economic growth is real, even though the government has spent just one-third of the stimulus law's \$862 billion so far. The program is to continue pumping federal money into the economy into 2011.

One year into the program:

- Many states and local governments owe their fiscal survival to the stimulus. But those governments are scrambling to find ways to fill the holes in the coming year.

- Thousands of road and bridge projects broke ground with stimulus money, helping to keep the anemic construction industry afloat. But job losses still were significant, with as many as 1 in 4 construction workers unemployed.

Obama used Wednesday's one-year anniversary to offer his own assessment and, predictably, rated the effort an unprecedented success.

“There has never been a program of this scale, moved at this speed, that has been enacted as effectively and as transparently as the recovery act,” the president declared.

But the legacy of the American Recovery and Reinvestment Act is yet to be sealed.

In the next 12 months there will be a second wave of government spending, perhaps topping \$300 billion. By this time next year, the country could have a better idea whether the program was a costly, debt-increasing blip that made ripples in the nation's economy, or a lifesaving jolt that shielded the country from a financial abyss.

Obama argued Wednesday that the history already had been written. “One year later, it is largely thanks to the recovery act that a second depression is no longer a possibility,” he said.

How are others to judge the recovery program?

When Obama launched it, he cast the program as bigger and better than just an ordinary jobs bill. The program, he said, would provide lasting public works projects, improve education, save ailing state and local governments, offer relief to millions devastated by losing their jobs and homes and help provide much-needed health care.

Despite the broad range of those promises — and evidence shows that at least some of them have been kept — Obama's stimulus will forever be judged by jobs. By the time the stimulus program kicked in last April, the recession had cost the economy more than 6 million jobs. Since the program began, the nation has lost 2 million more.

Job creation became the administration's mantra. And the White House said the program would be held accountable with an unprecedented public report of every job linked to the stimulus.

Indeed, the jobs were documented one by one on a new government Web site, and the administration proudly pointed to more than 640,000 linked to the stimulus in the early months. It was the best evidence to indicate that the stimulus was well on its way to fulfilling Obama's promise of 3.5 million jobs saved or created by the program.

But those counts were seriously flawed, including greatly exaggerated job claims, positions included that had nothing to do with the stimulus, and spending that had nothing to do with saving or creating jobs. It was a blow to Obama's efforts to prove the stimulus truly performed as promised, and it ended with the White House deciding to count jobs the old-fashioned way — by estimating.

When Obama signed the stimulus law, the nation's unemployment rate was 7.7 percent. His administration had promised the program would stop the jobless rate from passing 8 percent. But weeks after the stimulus became

law, that threshold was broken.

Since that time, Republicans repeatedly asked, “Where are the jobs?” as monthly unemployment rates rose to as high as 10 percent before dipping to 9.7 percent last month.

The job losses have slowed over the past year, from 779,000 in January 2009 to about 20,000 last month. Obama's advisers are predicting actual job growth in the next few months.

Perhaps the best news for Obama has been the overall economic growth in recent months, a sure indication of recovery. The gross domestic product, the broad mixture of the nation's economic activity, sank at an annual rate of 6.4 percent at the beginning of last year but has rebounded to gain at a rate of 5.4 percent in the most recent quarter.

Economists generally agree the infusion of federal money contributed to that impressive growth, although many credit a combination of other recovery programs, including bank rescue efforts by Treasury and the Federal Reserve.

There are more concrete examples of success when considering the other promises Obama made when signing the stimulus law — better health care, better schools, better infrastructure.

The stimulus provided more Medicaid health benefits, unemployment checks, food stamps, tax cuts and other relief to millions crippled by a tough economy. In fact, the expanded benefits led congressional budget analysts to increase the overall cost of the stimulus by \$75 billion.

The program also allowed states and local school systems to hold onto hundreds of thousands of teachers and other school workers who might have been let go but for the extra federal money. The single greatest count of jobs saved under the stimulus goes to school employees whose jobs were threatened by deep deficits in local and state budgets.

Obama's promise of a better infrastructure remains at least partially unfulfilled. Last year, he said stimulus spending would pay for “remaking the American landscape” with new highways, bridges and transit that “will bring real and lasting change for generations to come.”

But much of the transportation stimulus money spent last year went to paving existing roads and repairing bridges that were not among those in the worst shape.

State transportation officials described them as necessary projects, but the initiative doesn't live up to Obama's claim that his infrastructure spending compared to President Dwight D. Eisenhower's mammoth interstate building program of the 1950s.

AT LAST, A PLAN FROM THE GOVERNOR

THE ISSUE Bob McDonnell unveils a proposal for closing a \$4 billion budget gap.

WHERE WE STAND There is still much work to do.

GOV. BOB McDonnell joked Wednesday that some legislators wanted him to subject his budget recommendations to a full public vetting, while others preferred that he keep quiet.

"I tried to accommodate both," he said.

By waiting until four days before legislators are scheduled to release their own plans, McDonnell has accommodated no one. His announcement ignited a wave of panic across the state, but it will be days or even weeks before mayors, school boards and hospital officials can dissect his proposals and offer an educated response. Although he has shared ideas with a handful of lawmakers, most are learning about his plan a few days before they must decide which elements they will embrace and which ones they'll reject.

McDonnell's statements on Wednesday revealed his most comprehensive response to the \$4 billion budget gap, which he must close during his first months in office. The governor wants to protect colleges and law enforcement from cuts because they were hit harder in previous reductions. There's logic in his reasoning, but he has yet to make a case why public schools and health care programs are better targets.

Those programs were shielded because the consequences of these cuts will fall most heavily on the poorest of Virginia's children. The \$731 million in school cuts will be felt most acutely in low-income cities heavily dependant on state aid. Among McDonnell's \$316 million in health care cuts is a freeze on medical insurance for children of working-class families.

McDonnell correctly notes that education and health care spending have grown in recent years, but that's due to increased demands for academic accountability and increased need as thousands of Virginians

have lost their jobs and health insurance.

The weight of McDonnell's decisions would land squarely on cities and counties. His advice to council members and supervisors wasn't much help: "They'll be innovative, they'll be creative, and they'll find a way to manage better."

But the governor's brand of innovation was to substantially dump state obligations onto local governments. They, in turn, will have no one to turn to but their homeowners and the property taxes they pay.

The void left by budget cuts will be felt in every community, but in some the losses will be particularly tangible. Five parks will be shuttered, including False Cape State Park in Virginia Beach.

McDonnell proposes relief for state and local governments by reducing contributions into the public employee pension fund by \$750 million over two years. Some savings come from a plan to reduce benefits. But the governor also is relying on tweaks in actuarial assumptions that have somehow concluded that less money is needed to meet future obligations for existing workers.

State lawmakers should examine these assumptions closely and ask tough questions. McDonnell said his plan will not endanger Virginia's coveted triple-A credit rating, but Finance Secretary Ric Brown admitted he has not consulted with rating agencies on the changes.

Likewise, legislators should be cautious about spending \$40 million that former Gov. Tim Kaine tucked away to bolster the state's rainy day fund. While trends in tax collections justify McDonnell's prediction that state revenues will improve by \$200 million, legislators shouldn't spend it until they see it.

Finally, legislators should re-examine McDonnell's plan to furlough state workers for 10 days but then give them a 3 percent Christmas bonus next year.

McDonnell acknowledged that lawmakers have already rejected some of his more cryptic ideas. His willingness to compromise is a good sign. The give-and-take is just beginning, and he must continue to be part of that process. His job isn't done.

DATE: 2-18-10

PAPER: Pilot

FILE NAME: Editorials

SOME CRY FOUL OVER 'BONUS' TO NORTHERN VA. SCHOOL DIVISIONS

additional funds

\$72.1M

The money that localities in or near Northern Virginia are slated to get from the state this year.

By **Lauren Roth**
The Virginian-Pilot

As Hampton Roads educators reel from multiple blows to local school budgets, a bonus for Northern Virginia school divisions is drawing new scrutiny.

Eighteen localities either in Northern Virginia or within commuting distance are slated to get \$72.1 million in extra funds from the state this year.

The money, called Cost of Competing Adjustments, recognizes the added expense of hiring teachers and other staff in the region. The bonuses, originally restricted to nine divisions bordering the state line, date to 1988. But in recent years, other neighboring

See SCHOOLS, PAGE 10

DATE: 2-20-10

PAPER: Pilot

FILE NAME: Budget

SCHOOLS | *Lawmakers still discussing budget, status of the payments*

Continued from Page 1

divisions such as Spotsylvania and Winchester have begun to get a smaller portion of the funds.

The extra monies are "on the table" as legislators work on a version of the state budget to release Sunday, said Del. Bob Tata, a Beach Republican who heads the House Education Committee. Tata said he doesn't believe that all the communities that receive this money should be getting it.

Jim Merrill, superintendent of Virginia Beach schools, questioned the fund's fairness.

"In South Hampton Roads, we are all trying to beat our neighbors" on salary, he said. "We don't ask the state for extra money to be No. 1."

The average teacher salary in Fairfax is \$64,559, among the top in the state, compared with \$53,343 in Virginia Beach.

The money is awarded regardless of school divisions' ability to pay higher salaries and covers a small portion of school personnel costs. But the total can be significant.

The Fairfax and Prince William divisions are each slated to receive about \$23 million from the fund in 2010.

Virginia Beach is the state's third largest school division, behind Fairfax and Prince William.

Keith Imon, spokesman for Prince William County Public Schools, said the division uses the money "so we can have the best and brightest teachers in our classrooms."

Despite high unemployment rates, he said the market for teachers in that area is still competitive. Average pay for Prince William teachers is \$63,873.

Dominic Melito, president of the Virginia Beach Education Association, which represents teachers and other school employees, said the solution is to increase teacher pay in Virginia overall.

NORTHERN VIRGINIA SCHOOL FUNDING

About \$72.1 million in the state budget is set to go to Northern Virginia school divisions to help them hire staff. Some Hampton Roads school divisions say this is unfair.

Projected FY2010 state funding for cost of competing (amounts budgeted for instructional and support positions) at northern Virginia school divisions

DIVISION	PROJECTED FUNDING
Arlington	\$2,411,676
Clarke	\$1,18,236
Culpeper	\$587,550
Fairfax	\$22,928,789
Fauquier	\$535,174
Frederick	\$1,097,875
Loudoun	\$10,660,470
Prince William	\$23,545,489
Spotsylvania	\$2,121,907
Stafford	\$2,290,131
Warren	\$426,757
Alexandria	\$1,474,367
Falls Church	\$233,645
Fredericksburg	\$90,335
Winchester	\$262,148
Fairfax City	\$322,256
Manassas City	\$2,085,815
Manassas Park	\$952,892
TOTAL	\$72,145,512

SOURCE: Virginia Department of Education

THE VIRGINIAN-PILOT

"The areas they're competing with, in D.C. and Maryland, teachers are paid much better," Melito said.

Milton Liverman, president of the Virginia Association of School Superintendents, urged school leaders to band together to improve school funding, rather than criticizing current allocations.

Earlier this week, 87 of the state's 132 school superintendents, including Liverman, sent a letter to Gov. Bob McDonnell protesting his support for a scheduled change in the school funding formula.

The effect of the change would shift education dollars to Northern Virginia, the Eastern Shore and several counties in the far western part of the state at the expense of Hampton Roads and most other areas.

"This budget crisis has already pitted regions against

each other at a time when we should all be working together even more closely," said Liverman, the Suffolk Public Schools superintendent, in an e-mail.

But Portsmouth schools Superintendent David Stuckwisch said he understands the concern over the Cost of Competing payments.

Because the payments have been around for so long, "it's not usually talked about," he said. But the potential shift of other education money to Northern Virginia schools has revived the issue.

"It looks like they're double-dipping," Stuckwisch said. "Now everyone's crying foul."

Pilot writer Deirdre Fernandes contributed to this story.

Lauren Roth, (757) 222-5133, lauren.roth@pilotonline.com

Date: 2-20-10
 Paper: Pilot
 File: Budget

Senate plan easier on schools

the cuts

The House and Gov. Bob McDonnell have proposed around \$700 million in cuts to education. Senate members say their plan would cut "hundreds of millions less."

furloughs and fees

The governor seeks as many as 10 unpaid furlough days for state workers to save \$180 million. The Senate budget calls for fewer but wants to add \$100 million in fees.

THE DEMOCRATS' BUDGET, which will be released today, would cut "hundreds of millions" of dollars less than the governor's.

By Julian Walker
The Virginian-Pilot

RICHMOND

Democrats in the state Senate are promising a "dramatically different" approach on K-12 education spending from the reductions Republican Gov. Bob McDonnell has proposed.

One Senate official, who spoke on condition of anonymity because the plan will not be released until today, said the education cuts would be "hundreds of millions less than" McDonnell's.

Sources said the Senate agrees with McDonnell's plan to "unfreeze" adjustments to the composite index, a complex formula

that determines state school funding based on community wealth.

But the Senate is expected to provide funds to offset the losses those adjustments would mean for localities outside Northern Virginia.

The Republican-controlled House of Delegates' budget proposal is expected to more closely resemble McDonnell's ideas for closing a roughly \$2 billion shortfall.

Over the next few weeks, lawmakers will work to compromise

See BUDGET, PAGE 2

DATE: 2-21-10

PAPER: Pilot

FILE NAME: Budget

BUDGET |

Plans differ on furloughs, fees, school funding

Continued from Page 1

on a balanced two-year budget.

In December, then-Gov. Timothy M. Kaine outlined \$2.3 billion in cuts and called for rolling back \$1.9 billion in car tax relief, but Republicans want to avoid any tax increases.

The budget plans of the House Appropriations Committee and McDonnell will both call for reductions to state pension plan funding and cuts to education in the neighborhood of \$700 million, legislative sources said.

McDonnell wants to save more than \$600 million through two moves: paying less toward the state's unfunded pension liability in the short term, and requiring future employees to contribute more toward their retirement costs.

Likewise, Senate officials are expected to incorporate into their budget changes to Virginia Retirement System funding.

On education, House leaders said, their approach will differ somewhat from McDonnell's although the sum will be similar.

One official said the House proposal would relax some mandated program standards to give school systems more flexibility to help offset some cuts.

"But the bottom line is, it still means more kids in the classroom," said Colonial Heights Republican Del. Kirk Cox, a high school teacher and vice chairman of the Appropriations Committee.

The House budget will "tread very lightly" around cuts to health and human services, one official said.

"You're not going to see the same level of cuts from us," the official added, alluding to the \$316 million in reductions that McDonnell has recommended.

The Senate budget is expected to provide funding for free clinics and community health centers, which would face significant reductions under McDonnell's plan.

Sources said the Senate plan also would avoid the enrollment freeze McDonnell wants to impose on a state health insurance program for low-income children and pregnant women.

A key difference between the House plan and McDonnell's is the issue of unpaid furloughs for state workers: the governor wants up to 10 days over two years to save the state \$180 million.

"We're not big on furloughs – you won't see them in our budget," Cox said.

The Senate budget includes some furloughs, but fewer than the 10 McDonnell has called for.

It also features at least \$100 million worth of fees, including money to be earmarked to offset cuts to sheriff's offices and police departments.

"It will be the best budget we can get out under the circumstances," Prince William County Democratic Sen. Chuck Colgan, chairman of the Finance Committee, said Friday.

The plan by the House does not include any fees; Republicans in that chamber have rejected the idea of raising new revenue to address the shortfall.

And McDonnell has said he would block any attempt to raise taxes.

Julian Walker, (804) 697-1564,
julian.walker@pilotonline.com



LOCAL SCHOOL FUNDING UNDER THE VA. HOUSE, SENATE BUDGET PLANS

The House and Senate expect to vote Thursday on budget plans with major consequences for local school divisions. Here are their plans.

Schools get a large chunk of their funding from the state. However, the proposed funding levels aren't the whole story. A plan to lower the amount schools set aside for their employees' retirement could reduce a significant expense.

	ORIGINAL BUDGET PROPOSAL	HOUSE AMENDED	SENATE AMENDED
Chesapeake	\$219,295,661	\$205,349,666	\$214,791,712
Norfolk	\$195,351,005	\$173,318,363	\$191,519,345
Portsmouth	\$94,430,332	\$84,670,176	\$92,349,779
Suffolk	\$80,366,066	\$74,165,617	\$78,812,312
Virginia Beach	\$340,596,714	\$317,958,964	\$333,462,677

SOURCES: Virginia House and Senate

THE VIRGINIAN-PILOT

DATE: 2-24-10

PAPER: Pilot

FILE NAME: Budget



pencils down

LAUREN ROTH | 222-5133
lauren.roth@pilotonline.com
www.twitter.com/BeachEdReporter

GOOD BUDGET NEWS MAY MEAN LESS NEED TO DROP TEACHERS

New teachers can exhale a bit after hearing the latest budget news. General Assembly willing, Beach schools may need to cut up to \$15 million less from their \$699 million budget. Also, retirement expenses may drop, and city revenues could come in higher.

"It's pretty good news," said CFO Farrell Hanzaker. But the staffing side is still bracing for the worst. Teachers on temporary annual contracts won't be renewed, and 124 probationary teachers – most new to the division – got notices that their jobs could be on the line. HR head John Mirra said the notices are "just in case." But so far, fewer than two dozen of about 5,500 teachers have said they'll retire this fall. If class sizes increase, the number of teachers the division will need may drop by several hundred.

Mirra said he doesn't like to keep people waiting, but wants to hold off as long as possible in hopes of

avoiding any terminations.

READ ACROSS AMERICA

Live near Town Center? Visit Barnes & Noble from 2 to 4 p.m. today for a book fair and Read Across America events. Ten percent of all sales to buyers who mention code 10145613 will go to the Virginia Beach Education Association.

SCIENCE WHIZZES

This time of year has much to offer for the science-minded. Teams from Bishop Sullivan Catholic, Kellam and Princess Anne highs faced off last month at the regional Science Bowl. Competitors had to answer questions such as: "What is the most common anatomical synonym for ventral, when locating a part of the human body in relation to another part?" (Answer: anterior). The local teams didn't place this year.

This Saturday, science projects from Kemps Landing Magnet, Princess Anne Middle and Ocean Lakes High will be displayed at the 59th annual regional Tidewater Science Fair. Go see them at ODU's Webb Center during the public viewing from 12:30 to 1:30 p.m.

DATE: 3-7-10

PAPER: Beacon

FILE NAME: Budget

Schools' budget allocates 9.5% less for 2010-11 year

By Lauren Roth
The Virginian-Pilot

VIRGINIA BEACH

The numbers will change, but for now Beach schools have \$628.5 million to spend for 2010-11, which is 9.5 percent less than this school year. The School Board adopted the initial budget Tuesday night.

The city doesn't yet have final numbers from the state, but administrators expect to employ fewer teachers, have fewer small classes in high schools and increase class sizes in fourth and fifth grade next year. The school division has reduced the impact of the budget cut by maintaining a cash reserve, finding energy savings and cutting non-personnel line items by 3 percent, among other strategies.

Superintendent Jim Merrill said the division

what to expect

Administrators expect to employ fewer teachers, have fewer small classes in high schools and increase class sizes in fourth and fifth grade next year.

shouldn't need to lay off any first-year teachers, reducing its staff instead through attrition. School officials expect the state Department of Education to release budget numbers later this week or early next week.

The school division's building plans were not spared from cuts. While current projects for Kellam High, College Park Elementary and Great Neck Middle will proceed on time, most projects further down the pipeline have been pushed back. Those include Princess Anne High

School, Princess Anne Middle School, John B. Dey Elementary, Thoroughgood Elementary and the combined Old Donation Center/Kemps Landing Magnet School. The school division did not put any new money into the six-year, \$643 million plan.

The board also discussed fees. It's considering charging \$600 for non-residents who take online classes. Behind-the-wheel driver's education would cost \$219, up from \$100. An administration proposal to increase tuition costs by \$700 for the children of employees who live outside the city was opposed by several School Board members. Merrill said he wouldn't oppose extending the price freeze for a third year because lifting it would net the division only \$15,000.

Lauren Roth, (757) 222-5133,
lauren.roth@pilotonline.com

DATE: 3-17-10

PAPER: Pilot

FILE NAME: Budget

**proposed
budget**

The city closed a \$111 million gap, up from the \$84.4 million projected earlier. It includes:

+\$.03

The real-estate tax increase to 92 cents for every \$100 of assessed value.

+\$.10

The increase on private vehicle personal property taxes to \$3.80 for every \$100 of value.

+\$.04

The increase on the cigarette tax, bringing it to 65 cents per pack.

For some, Beach taxes would rise

Drop in home values could offset rate hike for two-thirds

By Deirdre Fernandes
The Virginian-Pilot

VIRGINIA BEACH

What's in? Increased taxes, higher fees and cuts in positions.

What's out? A trash fee, furloughs and layoffs.

City Manager Jim Spore unveiled his \$1.8 billion spending plan on Tuesday, calling it "by far the most difficult budget we've had to bring forward."

The proposal is nearly a 7 percent reduction from this year's budget and would include:

- A 3-cent real-estate tax increase to 92 cents for every \$100 of assessed value. The owner of a home worth \$290,500 – the

See BEACH BUDGET, PAGE 4

DATE: 3-31-10

PAPER: Pilot

FILE NAME: Budget

BEACH BUDGET

SOME COUNCIL MEMBERS DON'T WANT TAX HIKE

Continued from Page 1

average assessed value in the Beach – would pay \$79 less in real-estate taxes under Spore's plan due to assessments decreasing an average of 5.75 percent.

- A 10-cent increase on private vehicle personal property taxes to \$3.80 for every \$100 of value.

- A 4-cent increase on the cigarette tax, bringing it to 65 cents per pack.

The taxes would bring in \$17.8 million.

The city had to cover a \$111 million shortfall, which is up from the \$84.4 million that officials had projected in the fall. The city's share of the gap remains about \$40 million. The increase is due primarily to the school budget, which took a blow in state funding.

Under Spore's budget, 200 positions would also be cut, half of which are vacant. But Beach officials don't anticipate layoffs, as employees whose jobs are eliminated would be transferred to open positions. Officials estimate the cuts would save \$19.4 million. The city would see additional revenue from parks and recreation and permit fee increases and savings from reductions in training and renegotiated vendor contracts.

Spore dropped his recommendation for a trash fee for now, after several council members opposed it. If the City Council wants to build and staff a new animal shelter and a recreation center in the Bayside district, Spore suggests raising the tax rate by another 1.1 cents.

"I think it's a balanced approach," said Catheryn Whitesell, the Beach's budget director.

Some council members were more skeptical.

"There is no need for a tax or fee increase," said Coun-

what's next

The City Council is set to vote on the budget on May 11.

cilman Bill DeSteph.

DeSteph and Vice Mayor Louis Jones said they want to see if the city can draw on savings from certain programs, like the agricultural land preservation and Sandbridge beach replenishment efforts, to avoid the real-estate tax increase.

Virginia Beach is the only South Hampton Roads city so far to propose a tax increase to balance the 2010-11 budget. Chesapeake and Portsmouth city managers have presented budgets that avoid real-estate tax increases.

Still, most residents would see their tax bills decrease because of the drop in home values, and the increased rate would be the second-lowest in the region, Whitesell said.

"The cost of the government on this community has decreased," she said.

But one in three residents would not get any real-estate tax relief or could see some increase in their payments, because their home assessments didn't fall drastically, Whitesell said.

Spore said his input from residents indicated that most were willing to pay additional taxes and fees as long as the city reduced spending. With the proposed reduction in library hours, less frequent mowing of the resort area, and delays in building renovations and road projects, residents would feel the cuts, Beach budget officials said.

The City Council is scheduled to vote on the budget on May 11.

Deirdre Fernandes, (757) 222-5121, deirdre.fernandes@plotonline.com

STARK CHOICES IN TOUGH BUDGET YEAR

THE ISSUE Hampton Roads cities start to consider their spending plans.

WHERE WE STAND

Given the economy and its prospects, tax increases should be off the table.

SOUTH HAMPTON Roads' cities, in the throes of debating spending policies for the fourth year of a recession, have proposed no tax increases for 2011 — except for Virginia Beach, where officials are recommending a 3-cent increase in the real estate tax rate.

Virginia Beach, the state's largest city and traditionally one of its best managed, used a cross-your-fingers strategy last year to balance its budget without layoffs or a tax increase. Managers took \$45 million from savings accounts, noting that it was a one-time approach that banked on the economy improving by this year.

The economy hasn't improved. Property values continue to drop. Retail stores are closing every week. More people have lost their jobs; some are losing their homes.

At a time more residents are coming to the government for help, it has less to give. And, as Beach budget director Cathryn Whitesell said, "2012 will be harder."

In such a climate, it's impossible to justify increasing the tax rate. State leaders were elected last fall promising not to increase taxes, and they didn't. They cut state contributions to education and to local government and passed costs on to cities and counties with the instruction that they get creative with their budgets.

Now we're seeing the fallout, the double whammy of a recession and a municipal election year.

Portsmouth officials, who oversaw 31 employee layoffs in 2008, suggest using \$2 million in bonds and \$1 million from an employee retirement fund to balance the budget but recommend no tax increase, layoffs or furlough days.

Chesapeake is considering two furlough days and layoffs but won't raise taxes.

Norfolk and Suffolk have not released budget proposals, but Norfolk may be instituting furloughs and requiring employ-

ees to pay more for health insurance costs.

In Virginia Beach, however, Mayor Will Sessoms and City Manager Jim Spore say that without more money, the city can't maintain the quality of life residents are accustomed to.

The budget calls for increasing the property tax rate to 92 cents from 89, the tax on personal vehicles by a dime and the tax on cigarettes by 4 cents. Most Virginia Beach homeowners, because of reduced property values, would still see a small decrease in what they owe, but the proposal has angered many.

Spore's budget is nearly 7 percent smaller than last year's, and many of the cuts he proposed are painful. For the second year, employees would get no raise. Nearly 200 jobs would be cut, reducing the police force by 23 officers, including six detectives.

Mowing and landscaping of parks and medians would be less frequent. Libraries would close two hours earlier and on Sundays. Resident parking fees at the Oceanfront would increase to \$2.

If these aren't cuts they can stomach, members of the City Council must find others. If they want to keep the tax rates as they are, they will have to find more cuts.

Virginia Beach — with the lowest tax rate and the highest property values in the region — is at a turning point. Starting Tuesday at their mid-year retreat, council members should identify the services they expect from the city in the coming years and what kind of place they want Virginia Beach to be.

Are the schools' extensive programs a priority? Low student-teacher ratios? A stable work force? How about police programs such as the one that shows high school students the perils of drunken driving?

Should the Beach continue to subsidize recreation centers and places where kids can learn to play golf? Should it maintain its vast parks? Should it absorb the cost of transporting people by ambulance? Should it continue to exempt fishing boats from property taxes when car owners pay hundreds of dollars a year?

Virginia Beach is trying to maintain its reputation as a full-service community. It's time to talk about whether residents are willing to pay for those services, find other programs to cut or do without.

DATE: 4-5-10

PAPER: Pilot

FILE NAME: Editorials

IN AN ERA OF CUTS, SOME SCHOOL DIVISIONS THINK LOBBYISTS WORTH THE INVESTMENT



AMANDA LUCIER | THE VIRGINIAN-PILOT

By Lauren Roth
The Virginian-Pilot

VIRGINIA BEACH

When it came to legislative battles this year, Beach schools won some and lost some.

But unlike most other school divisions in the region, the Beach paid a lobbyist \$87,955 to keep tabs on various bills and rally legislators. Norfolk schools pay former spokeswoman Lin-

da Steadman \$36,000 to lobby. Chesapeake stopped contracting with a lobbying firm this year, while Suffolk and Portsmouth don't hire lobbyists.

Officials with Beach schools credit lobbyist Kay Kemper, head of Kemper Consulting in Norfolk, with helping reverse a \$14.9 million funding cut in Gov. Bob McDonnell's budget

See LOBBY, PAGE 9

Lobbyist Kay Kemper is paid \$87,955 to represent Beach schools. Officials credit her with helping restore nearly \$15 million in proposed funding cuts.

DATE: 4-12-10

PAPER: Pilot

FILE NAME: Budget

STATE TO RETURN \$14.9M TO SCHOOLS

Continued from Page 1

proposal. The legislature added the money back after Beach Superintendent Jim Merrill and several staffers gathered support from the 93 of 132 school divisions that would have lost money.

The Beach effort, which also included the board chairman speaking at a meeting of Hampton Roads legislators, was part of the strategy orchestrated by Kemper after the governor announced his plan to unfreeze the composite index funding formula.

But two other bills introduced at the School Board's request failed. One would have allowed all schools to open before Labor Day in certain years and the other would require a study of a statewide grading scale.

"You don't just take something, go to Richmond and bring it back," said Kemper, who has been hired by Beach schools each year since 1997. "Some things take longer than a year."

She has been a lobbyist for 30 years, starting as a Norfolk public schools employee. This year, she also represented 12 other clients, including the city of Norfolk, Virginia Uranium Inc., Norfolk Airport Authority and Eastern Virginia Medical School.

Chesapeake schools, by contrast, has dropped a lobbying contract for about \$40,000 with Advantus Strategies of Richmond. "We could not afford it," said Tom Cupitt, schools spokesman. He is one of two school division employees who traveled to Richmond to lobby the General Assembly this year.

"I don't know if there's any way to determine if it's to your advantage to have a lobbyist or not," Cupitt said. "We have a good working relationship with our delegation. We had that before we



I don't know if there's any way to determine if it's to your advantage to have a lobbyist or not. We have a good working relationship with our delegation. We had that before we had Advantus and while we had them."

Tom Cupitt, Chesapeake schools spokesman

had Advantus and while we had them."

Most large city school divisions have state lobbyists, some as full-time employees, said Michael Casserly, executive director of the Council of the Great City Schools, a coalition of large, urban school systems.

Many cities do, too. In Virginia Beach, Bob Matthias, assistant to the city manager, is paid \$58,500 for lobbying work. He successfully led the opposition to the school division's Labor Day bill.

School lobbying has been around for at least 40 years, said Bob Hunter, who oversees the public policy staff at the American Association of School Administrators. "The interests of each community are different," he wrote in an e-mail. "Districts need to make their case ... and it definitely cannot be done long distance."

But John Moss, head of the Virginia Beach Taxpayer Alliance, called a lobbyist "a status symbol" for any public body. "The taxpayers wouldn't miss it," he said. "It's a waste of money, especially when we have a shortfall."

Beach school officials have not proposed eliminating lobbying services as part of more than \$30 million in cuts for the 2010-11 school year.

Kemper and her staff, including Joel Andrus, who

also works closely with the schools, are organized and are experts on the political process, school officials say. Several mentioned her longstanding relationships with legislators and staff, particularly on the Republican side.

"She's worth it, in my opinion," said Kathy O'Hara, assistant superintendent for communications for Beach schools.

Del. Bob Tata, the Beach Republican who introduced and then pulled the Labor Day bill, said Kemper makes his job easier. "She has access to you every day. You don't have to get tied up with calling the school division."

Tata said Kemper brings school officials to testify before committees and helps gather votes on important bills.

Before starting her own company in 1996, Kemper oversaw government relations for about 14 years at Old Dominion University, paving the way for the college to expand east of Hampton Boulevard, former ODU President James V. Koch said.

For Beach schools, "Kay is our master strategist," said Carolyn Weems, the board member who heads the legislative committee. "Obviously, it was a great investment this year."

Lauren Roth, (757) 222-5133, lauren.roth@pilotonline.com

Sandi Maxwell

From: City of Virginia Beach [mcg@vbgov.com]
Sent: Wednesday, April 14, 2010 12:25 PM
To: Sandi Maxwell
Subject: City Page

**VIRGINIA
BEACH**

City Page

Keeping Citizens Informed and Involved - April 14, 2010

News Releases | ITA Oceana-Fentress Study | Laskin Road Gateway | Light Rail | Pembroke Plan | TIFs Report

The Proposed Budget for FY2010-11: Striking a Balance in a Tough Economy



It's no secret. Every city in America is making tough choices to balance their budgets. For fiscal 2010-11, City Manager James K. Spore recommends a balanced approach, with some spending cuts and some new revenues. How would that work? Read here.

[View Entire Story](#)

Spending \$80 Million Less, Cutting 200 Jobs



The proposed budget contains some painful cuts. It was unavoidable. All told, Virginia Beach city and schools would spend \$80 million less than this year. The city would lose about 200 jobs. Where would they come from? The answers are here.

[View Entire Story](#)

The Path Not Taken: Balancing the Budget with Cuts Alone



The city manager recommends cutting 200 city jobs. But to balance the budget with cuts alone, Virginia Beach would have to eliminate 163 additional jobs. That means offering even fewer services to residents. Based on recommendations from department directors, here's how that would play out.

[View Entire Story](#)

Raising Some Fees and Tax Rates; Typical Family Would Still Pay \$52 Less



The city manager recommends small increases in the real estate and personal property tax rates, a small rise in the cigarette tax, and modest increases in some user fees. And yet most Virginia Beach families would still pay less than they do now. Read how this would affect your family.

[View Entire Story](#)

Capital Budget: \$66 Million Less for Construction



Fewer roads would be paved. Fewer schools would be renovated or replaced. Aging buildings would wait for improvements. The capital budget would drop \$66 million next year alone. The city's entire six-year Capital Improvement Program would be affected.

[View Entire Story](#)

Schools: Budget Gap Grew Larger After State

Cuts



Education bore the brunt of state budget cuts. As a result, the Virginia Beach City Public Schools deficit grew from an estimated \$43 million in November to \$71 million today. The School Board is looking for ways to close the gap.

[View Entire Story](#)

Budget Workshops and Public Hearings



Public Hearings:

Thursday, April 22 - 6 p.m. - Tallwood High School
Tuesday, April 27 - 6 p.m. - City Council Chamber

City Council workshops:

(All in City Council Conference Room)

April 15 - 3 p.m.

April 20 - 3 p.m.

April 27 - Time to be determined

May 4 - 4 p.m. - Reconciliation

Budget Hearing and Adoption

Tuesday, May 11 - 6 p.m. - City Council Chamber

How to Reach Your City Council Representative



Mayor William D. Sessoms, Jr.

wsessoms@vbgov.com

Vice Mayor Louis R. Jones

Bayside District

ljones@holloman-brown.com

Rita Sweet Bellitto

At Large

rsbellitt@vbgov.com

Glenn R. Davis, Jr.

Rose Hall District

gdavis@vbgov.com

Bill R. DeSteph

At Large

bdesteph@vbgov.com

Harry E. Diezel

Kempsville District

hediezel@vbgov.com

Bob Dyer
Centerville District
bdyer@vbgov.com

Barbara M. Henley
Princess Anne District
bhenley@vbgov.com


John E. Uhrin
Beach District
juhrin@vbgov.com

Rosemary Wilson
At Large
rcwilson@vbgov.com

James L. Wood
Lynnhaven District
jlwood@vbgov.com

[VBgov.com](#) | [City Council](#) | [Media & Communications Group](#) | [VBTV](#) | [Podcasts](#) | [RSS](#)

Forward email

 **SafeUnsubscribe®**

This email was sent to smaxwell@vbschools.com by mcq@vbgov.com.

[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



City of Virginia Beach | 2401 Courthouse Dr. | Municipal Center, Bldg. 1 | Virginia Beach | VA | 23456

City Departments: [Select A Department](#)City Services: [Select A Service](#)[BUSINESS](#) [CAREERS](#) [CITY COUNCIL](#) [CITY HALL](#) [LEARNING](#) [LEISURE](#) [ONLINE SERVICES](#) [RESIDENTS](#) [WELLNESS](#) [VISITORS](#)[Search](#)[GO](#)[Click here for Live Online Assistance](#)[Dial 311 for Live Telephone Assistance](#)April 14, 2010
56°F Partly sunny.[Translate](#)[VBgov.com Home](#) > [Media & Communications](#) > [Current Issue](#)[Printer-Friendly](#)

Media & Communications

Schools: Gap Grew Larger After State Cuts

[Media & Communications Home](#)[City Page Online](#)[Current Issue](#)[About City Page Online](#)[Hot Topics](#)[What's Hot](#)[My Virginia Beach Podcast](#)[My Virginia Beach](#)[Beach Magazine Online](#)[Beach Magazine](#)[About Beach](#)[BRAC](#)[BRAC](#)[BRAC Commission Decision and City Response \(after Aug. 24, 2005\)](#)[BRAC Commission Deliberations \(prior to Aug. 24, 2005\)](#)[BRAC \(after March 30, 2006\)](#)

When the state legislature began budget discussions in January, we feared the worst. We knew the state would push some of its obligations and costs to cities, and we were right.

This was particularly true for schools.

In November, we estimated that Virginia Beach schools would have a \$43 million gap in FY2011. That was before the General Assembly adopted its new budget. Now, as a direct result, the schools' budget gap has grown to \$71 million.

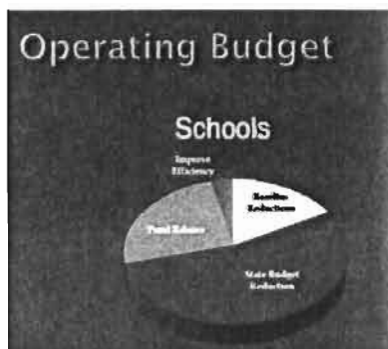


Chart Above: Closing the Gap for Virginia Beach Schools - State Budget Reduction (red), Fund Balance (green), Improve Efficiency (blue), Baseline Reductions (white)

How will the School Board close that gap?

In part, the board will do what the city did last year: Use some fund balances. For example, the board will use \$8.8 million from last year's Reversion Funds, \$4.2 million from the School Reserve Fund, and \$3.9 million in unused GASB 45 payments. School leaders also have found \$2.4 million in improved energy efficiencies.

The personnel impact will not be as great as on the city side. While the School Board will eliminate 60 positions, it also is will create 80 new jobs through grants. That's a net gain of 20 positions.

Even so, the School Board will need to find \$36 million in additional savings or revenues to make up for the loss of state money. This will come from either additional use of fund balances or by additional service and staff reductions.

Contact Information:

Media & Communications Group
2401 Courthouse Dr.
Municipal Center, Bldg. 1
Virginia Beach, VA 23456
Main: (757) 385-4679

[Bookmark this Page](#)

[Home](#) | [Site Map](#) | [About VBgov.com](#) | [Contact Us](#) | [Employees](#) | [Terms of Use](#) | [Privacy Policy](#) | [Accessibility](#) | [RSS](#) | [Podcasts](#) | [Email Newsletters](#) | [Surveys](#)



Hampton Roads - America's First Region
© 1999 - 2010 City of Virginia Beach. All rights reserved.



Published on HamptonRoads.com | PilotOnline.com (<http://www.link757.com>)

Beach School Board expected to approve budget

VIRGINIA BEACH

The School Board is expected to approve next year's budget during its regular meeting tonight.

The meeting begins at 6:15 p.m. at School Administration Building 6, 2512 George Mason Drive. A 4 p.m. workshop is held before the formal meeting.

The board is expected to eliminate the April 27 meeting from its schedule.

Source URL (retrieved on 04/20/2010 - 04:46): <http://www.link757.com/2010/04/beach-school-board-expected-approve-budget>

VIRGINIA BEACH

No layoffs for division

the budget

\$639.2 MILLION

The 2010-11 Beach schools budget - which is 4.8 percent smaller than this year's - is subject to approval by the City Council.

\$14.9 MILLION

The amount restored by the state budget to the school division. The state budget also helped the schools spend millions less on retirement payments.

Schools budget won't increase class sizes, doesn't project raises for employees

By Lauren Roth
The Virginian-Pilot

VIRGINIA BEACH

The School Board on Tuesday adopted a \$639.2 million budget for 2010-11 that won't increase class sizes.

The budget, 4.8 percent smaller than this year's, will shrink personnel funds but won't result in any layoffs or fewer class days or classroom size changes. Each was considered a possibility under earlier budget projections.

The state budget restored \$14.9 million to the school division to cover the change to the composite index formula, which funds public schools. The state budget also helped the schools spend millions less on retirement payments.

Avoiding layoffs is a relief, said Dominic Melito, president of the Virginia Beach Education Association, which represents about 2,100 teachers and other school employees. However, the budget doesn't project raises for employees in either of the next two years. They didn't get

See SCHOOLS, PAGE 7

DATE: 4-21-10

PAPER: Pilot

FILE NAME: Budget

SCHOOLS | *Budget for next 2 years to be balanced using most of reserves*

Continued from Page 1

raises this year, either.

"Expectations continue to rise, and somebody has to step up and do something to help our public school employees," Melito said.

"We're doing some things we wouldn't normally do," said Superintendent Jim Merrill, citing "the use of one-time money to plug holes." But he said it's necessary to get by. The budget for the next two years will be balanced using most of the school division's reserves.

Despite avoiding cuts that would affect day-to-day operations, board Chairman Dan Edwards said "it's still a really tough budget," down \$58.1 million since 2008-09.

School officials will present the budget to the City Council next week.

The 2011-12 budget may be more difficult. School officials expect to make 3 percent cuts across the board and foresee possible increases to class sizes.

Also Tuesday, the board heard some ways that the new national health care bill could affect schools. First, the division will need to cov-

■ "We're doing some things we wouldn't normally do."

Superintendent Jim Merrill

er dependents up to age 26, which could increase costs by \$1 million, said Chief Financial Officer Farrell Hanzaker. In the midterm, costs are likely to rise because of restrictions on annual and lifetime coverage limits. And in the long term, employees could face excise taxes on high-cost plans, he said.

Hanzaker also told the board about a plan to eliminate paper checks for employees, converting all to direct deposit by the end of October. Hanzaker said the division would work with local banks and credit unions to establish low- or no-fee checking accounts for the 9 percent of division employees who do not use direct deposit. New employees are already required to use direct deposit.

Lauren Roth, (757) 222-5133,
lauren.roth@pilotonline.com

what's next

School officials will present the budget to the City Council next week.



beachcombing

AARON APPELEGATE + DEIRDRE FERNANDES
aaron.applegate@pilotonline.com, 222-5122
deirdre.fernandes@pilotonline.com, 222-5121

SCHOOLS' REVENUE SHARE WOULD DROP WITH 3¢ TAX HIKE

The City Council has grumbled about wanting to change its revenue-sharing formula with the school division for several years now, especially with enrollment declining.

Well, the proposed 3-cent tax increase essentially does that.

School officials didn't ask for the proposed tax increase, so by policy they can't benefit from its revenues. The \$17 million that could be raised from increasing the real estate tax and personal property tax rates would go to the city's coffers only.

The formula, which divvies up certain taxes between the city departments and the school division, was developed to favor the schools. Both sides agreed to the formula to avoid annual squabbles about how much money should go to education.

The school division's share has shrunk since the formula was established in 1997, but it has always remained above 50

percent. This year, the schools got 51.2 percent of the money, and the city received 48.8 percent.

Under City Manager Jim Spore's proposed budget, the schools would receive 49.7 percent, the city 50.3 percent.

Of course, if the City Council ditches the tax increase, which most council members have indicated they plan to, the balance between city and schools will remain.

DATE: 4-25-10

PAPER: Beacon

FILE NAME: Budget

the fund

The schools' savings fund is generated from leftover school money that historically reverted back to the division at the end of the year.

the issue

Educators argue that taking the money eliminates incentives for the schools to be fiscally prudent and endangers schools in the event of future shortfalls.

response

City officials contend that it's all taxpayer money, and any extra should be used for other things taxpayers want or should be returned to them.

last year's figure

\$8.8 million

is the amount tapped from the schools' savings fund by the city. The council has declined to comment on how much money the city will take this year or what it will be used for.

Schools' savings eyed to plug city's budget again

Support among the council to find money for 2 unfunded projects grows

By Aaron Applegate and Lauren Roth
The Virginian-Pilot

VIRGINIA BEACH

For the second year in a row, the City Council plans to use school savings to balance the city's budget — a notion that has angered educational leaders.

The last-minute move, expected to be announced today, was developed by Mayor Will Sessoms and Vice Mayor Louis Jones. Both declined to comment on how much money the city will take or what it would be used for.

Last year, the city tapped the school fund for \$8.8 million.

"If they're just going to take it from us, there's no reason to be fiscally prudent," schools Superintendent Jim Merrill said. "We do a good job of managing our budget. We've

reduced spending. We've saved money and put aside money to fill budget holes. The reward is it's being taken from us."

The city should use its own reserve funds, Merrill said.

"It's not their money," Councilman Glenn Davis said. "It's the taxpayers' money. Those funds need to be used for other things the citizens demand or given back to the citizens."

About half of the city's budget goes to the school division. School money left over at the end of the year goes back to the city. Historically, this "reversionary money" was returned to the schools' budget. Over the past two years, school officials have set most of it aside as a reserve to balance future budgets.

The plan to tap the schools' fund coincides with growing

See BEACH, PAGE 3

DATE: 5-4-10

PAPER: Pilot

FILE NAME: Budget

BEACH

PLAN RAISES EDUCATORS' IRE

Continued from Page 1

support on the City Council to find money to build a new animal shelter and to move forward on the proposed Bayside recreation center. The two projects were not funded in City Manager Jim Spore's proposed budget.

About \$9.8 million is needed to build the shelter, and about \$2 million is needed to finish design work on the recreation center. Council members have ruled out raising the real estate tax as proposed by Spore.

The City Council meets today to complete its one-year budget starting July 1. The School Board will hold an emergency meeting tonight to respond to the council's changes.

Merrill said that depending on how much money the city takes, the loss could result in increased class sizes, a shorter school year and possible layoffs.

School Board Chairman Dan Edwards, who learned about the plan in a Thursday night call from Sessoms, said he's waiting to see how much

budget meetings

City Council budget workshop

4 p.m. at City Hall
2401 Courthouse Dr.

School Board special budget meeting

6 p.m. at the school administration building
2512 George Mason Dr.

the city will take. "I don't know if I've got a sand box or a sand pit," he said.

"It's certainly disappointing to find ourselves in this position again because we have been very proactive over the last few years to make sure we were prepared for the current economic circumstances," School Board Vice Chairman Bill Brunke said. "If the city knew they needed the money, they should have approached the schools earlier."

Aaron Applegate, (757) 222-5121, aaron.applegate@pilotonline.com
Lauren Roth, (757) 222-5133, lauren.roth@pilotonline.com



Charge it.

PROCUREMENT CARDS speed purchases, ease bookkeeping and save bucks - and they are catching on at Hampton Roads schools.

By Lauren Roth
The Virginian-Pilot

VIRGINIA BEACH

Like many households, the Virginia Beach public schools use credit cards for big purchases. Unlike most households, their spending tops \$14 million over the past two years.

A select group of employees have metallic blue Visa cards emblazoned with the school logo.

With checks and balances in place, auditors have found no major problems. And the school system aims to greatly expand the program over the next year.

The 10 highest spenders between March 2008 and March 2010 made \$8.2 million in purchases for the school plant and transportation departments. They used the cards to pay for maintenance and supplies like bus engines and loads of tires. Transactions are monitored and checked by supervisors.

the cards

Unlike regular credit cards, procurement cards must be paid off in three to 28 days. Users have different purchase limits, depending on their needs. Also, the school division can block purchases from vendor categories such as hotels, restaurants and airlines. All transactions must be recorded, approved by a supervisor and reconciled with receipts.

See CHARGE IT, PAGE 8

DATE: 5-9-10

PAPER: Pilot

FILE NAME: Budget

CHARGE IT | Beach got \$46,000 rebate with card use

Continued from Page 1

"In the school division, we've embraced the 21st century," said John Kalocay, assistant superintendent for operations. Before procurement cards, all transactions were done through paper. Purchases had to be pre-approved, then checks had to be cut.

"The immediacy of using the cards is a gain in productivity," Kalocay said.

Broken buses sit idle for fewer days and shattered classroom windows are fixed more quickly. Orders come in five to six days more quickly than they did before the cards, department directors said.

The division got its first procurement card about a decade ago for a traveling recruiter, and has been gradually expanding their use, said Kevin Beardsley, director of purchasing.

Over the past few years, the number of card holders has increased to 322 among more than 10,000 full-time employees.

"It's about getting the school system to do business like the rest of the world," Beardsley said.

Among area school divisions, Norfolk and Suffolk use the cards, while Chesapeake does not. Information on Portsmouth was unavailable.

Individuals at a third of Beach schools have the Bank of America cards, most issued within the past year. And more are on the way.

"To me, we're just seeing the tip of the iceberg of what we could be doing to use it to its full advantage," Beardsley said.

Adriene Payton is the division's top spender. A financial assistant at the school plant, she has put \$2.9 million on her card in the past 24 months.

"Good thing it's not my personal one," she said.

Most of the payments were to companies that maintain the alarms, sprinklers, boilers and other systems in the school division's 90 buildings.

"That's a hefty little credit card bill," she said. "Good thing they pay it off every month."

Unlike regular credit cards, procurement cards must be paid off in three to 28 days. Each user has a different spending limit, depending on needs. Nineteen people, including Payton, can spend \$20,000 or more

PAYING WITH PLASTIC

In the past few years, Virginia Beach schools have turned increasingly toward special credit cards for much of their high-volume spending. The 10 biggest users all work for transportation or school plant.

**Top procurement card users in Virginia Beach schools
March 2008-March 2010**

NAME	TITLE	TOTAL AMOUNT OF CHARGES	NUMBER OF TRANSACTIONS
Adriene Payton	Financial assistant, school plant	\$2,867,724.14	1,412
Michael Reis	Warehouse manager, school plant	\$1,439,014.66	797
Gary Waddell	Assistant warehouse manager, school plant	\$1,310,703.54	1,446
Robert Clinebell	Fleet manager, transportation	\$579,753.44	271
Donald Blaufus	Warehouse manager, transportation	\$466,829.22	2,003
Kevin Williams	Assistant warehouse manager, transportation	\$409,316.46	1,965
David Phillips	Warehouse manager, transportation	\$318,997.53	1,557
Klaus Allison	Warehouse manager, transportation (retired)	\$291,398.29	1,543
Wendell Fifield	Assistant warehouse manager, school plant	\$286,973.90	255
Raymond Caffee	Garage supervisor, transportation	\$261,004.33	409

SOURCE: Virginia Beach City Public Schools

THE VIRGINIAN-PILOT

online

Who bought what and when? View the database at <http://hamptonroads.com/newsdata/procurements>.

on a single purchase. Most cards have much smaller limits.

"It's a great way to go green," added Payton. "There's a lot less paperwork."

The school division can block purchases from vendor categories such as hotels, restaurants and airlines, depending on the employee. For example, someone who books conferences could make a reservation at the Doubietree in Roanoke, but a plumber could not.

The procurement cards also produce rebates, depending on how quickly they're paid off. Beardsley said the school division received \$46,000 in rebates last year. The city also uses procurement cards that earn rebates.

Bruce Chase, executive secretary for the Virginia Government Finance Officers' Association, said the cards are catching on statewide.

"People are seeing the advantage of using them," he said. For example, using a

card saves much of the \$20 to \$40 it takes to process even a small transaction.

Card use needs to be monitored closely to prevent abuse, Chase said.

In the Beach, audits have found no major problems, though a few users were found to rarely or never use their cards.

Beardsley said some cards are redundant, issued to make sure at least two people on a work crew have them.

Also, it takes users a while to become comfortable with the cards. "When schools first get cards, they're afraid to use them," he said.

Payton said the cards make her job easier, but she was surprised that she charges twice as much on the card as the next highest user, Michael Reis, school plant warehouse manager.

"And they say women are dangerous with credit cards?" she said with a laugh.

Lauren Roth, (757) 222-5133, lauren.roth@pilotonline.com

Beach superintendent did the right thing

By CAROLYN WEEMS

AS A MEMBER of the Virginia Beach School Board, I'd like to ask our citizens a pointed question: Would you prefer that the School Board fight to retain \$8.8 million in school funding so we don't have to raise class sizes and lay off staff in the 2011-12 school year, or do you want us to spend our time making rules on the use of the division's rapid alert telephone service?

A story in the May 6 Virginian-Pilot questioned Superintendent Jim Merrill's decision to launch a recorded message to 84,983 phone numbers. The purpose of Merrill's message was to inform stakeholders of the City Council's plan to take \$8.8 million of school sav-

Merrill's message informed stakeholders about the City Council's plan to take \$8.8 million of school savings to spend on an animal shelter and a recreation center.

ings to spend on an animal shelter and a recreation center for the Bayside area.

Merrill is under fire from council members who say his call was a political move. In fact, they want the School Board to put limits on how he uses the system.

My answer to that sentiment? No way. I was elected by the citizens of this city to make important decisions, many of them financial, for the schools. My job description shouldn't include micromanaging the superintendent.

I maintain that Merrill did the right thing. He sent a communication out to stakeholders that informed them of plans that could dramatically affect the future of our school system. The real politicians were the ones who tried to keep this quiet.

On April 29, Mayor Will Sessoms alerted School Board Chairman Dan Edwards that the city intended to take between \$8 million and \$9 million we were saving to plug holes in the second year of our biennial budget. Ironically, just one



Superintendent Jim Merrill

week earlier, the City Council had held a budget hearing at Tallwood High School. Did council members share those plans with the community? No.

What Merrill did was share important information that was deliberately kept from the public. Virginia Beach citizens were denied the opportunity to weigh in on this plan — a plan that will eventually affect their children and teachers.

The message Merrill sent

out was factual, simply advising our parents and staff of an emergency School Board meeting on the plan and advising them of how they could stay informed. At no time did the superintendent encourage people to lobby for a specific vote or outcome.

Plus, this rapid alert system isn't reserved for emergencies only. The division and individual schools use it routinely to share important non-emergency school news, such as special-event announcements, schedule changes and attendance calls.

Don't let the City Council take attention off the real matter at hand with this red herring that Merrill was "political." (The Isle of Wight superintendent recently used its rapid alert system for a

budget message, too.)

Our school system saved \$23.5 million over four years by making tough decisions — such as closing a school, ending a year-round program at four schools and ending an after-school program.

The City Council made a unilateral decision to reap the benefit of the school division's sacrifices without any input from or collaboration with the School Board. The council is raiding the division's savings while planning to put about \$7 million into its \$167 million savings account.

So tell me: Who are the real politicians in this scenario?

Carolyn Weems, who represents Bayside on the Virginia Beach School Board, has been on the board since 2002.

DATE: 5-10-10
PAPER: Pilot
FILE NAME: Edwards

DIVISION'S RESERVES

Beach schools, city reach compromise on funding

By Aaron Applegate
The Virginian-Pilot

VIRGINIA BEACH

The City Council is taking \$8.8 million in school reserves for its own budget but will try not to do the same next year, according to an agree-

ment reached in a Monday meeting.

The council's decision to use the money to partially fund a new animal shelter and recreation center has angered school advocates. A protest at City Hall organized by the Virginia Beach Educa-

tion Association is planned for tonight, an hour before the final City Council public hearing on the budget.

School Board Chairman Dan Edwards said Mayor Will Sessoms and Vice Mayor Louis Jones said that the schools can keep their "reversion," or unspent end-of-year money next year. Historically, the City Council has returned that money to the school division. This year and last, the city has

See BEACH, PAGE 7

the deal

The council will take \$8.8 million from school reserves, the second straight year it has dipped into them. It will try not to do so next year.

DATE: 5-11-10

PAPER: Pilot

FILE NAME: Budget

BEACH | *Schools chief's message about funds angered some on council*

Continued from Page 1

taken some of that money for its own budget.

"They have indicated we can count on those funds," Edwards said, referring to the next budget cycle.

Sessoms said, "Council has a history of allowing the school system to take reversionary funds and use them as they see fit." He added the City Council will try in the future to return that money to schools but noted it is not required by law.

Edwards said the City Council has fully funded the school division for next year, a point he thinks might be lost on protesters.

"It's very important for

those that are protesting to know that they have supported the school in the past and they are supporting the schools next year, and we are reasonably hopeful that they will continue to do so beyond," he said.

The \$8.8 million cut has been projected to affect schools, possibly with larger class sizes and layoffs, in fiscal year 2011-12.

Superintendent Jim Merrill sent out an automated message last week to all employees and parents of school children about the possible funding loss, a move that angered City Council members.

Sessoms stressed that the school division will get all the

The mayor said the City Council will try in the future to return that money to schools but noted it is not required by law.

money it requested in the upcoming fiscal year and next. "The bottom line of this is they are whole based on their budget for the second year," he said.

Aaron Applegate, (757) 222-5122, aaron.applegate@pilotonline.com

VIRGINIA BEACH

Budget passes, but not quietly

FUNDING SHIFT BEWILDERS SCHOOL BOARD

By Deirdre Fernandes
The Virginian-Pilot

VIRGINIA BEACH

The City Council has approved a 2010-11 budget that launches several building projects, leaves the mounted police patrol intact, and keeps libraries open on Sundays, all without raising the real-estate tax rate.

What the council couldn't restore under the budget plan, though, was its relationship with the School Board.

In the budget approved Tuesday, the City Council will use \$8.8 million of the school division's savings to partially fund a new animal shelter and recreation center.

In a last-minute change, the council also decided to roll back some financial freedoms it recently had given the school system. The division will now

See BEACH, PAGE 3

unhappy school division

USE OF SCHOOL SAVINGS

The City Council will use \$8.8 million of the school division's savings to partially fund a new animal shelter and a recreation center.

SCHOOL FUNDING CHANGE

The school division will now have to ask the city for funding by category instead of getting a lump sum and spending the money as it sees fit.

Norfolk

Schools and police would get more funding. *Page 3*

Portsmouth

Budget passes with no layoffs. *Page 3*

DATE: 5-12-10

PAPER: Pilot

FILE NAME: Budget

BEACH | *Meeting draws angry crowd*

Continued from Page 1

have to ask the city for funding by category, instead of getting a lump sum and spending the money as it sees fit.

School board members fired back with a resolution Tuesday night saying that they "deeply regret" the City Council's decision to tap the school's reserves and move away from lump-sum funding.

"It really surprised me," School Board member Carolyn Weems said. "I'm hoping it wasn't punitive, but it's curious that came up at this point."

The relationship between the two boards has grown contentious in the past week and a half as they argued about the use of division savings. Superintendent Jim Merrill sent out an automated message last week to all employees and parents of school children about the possible funding loss, a move that angered City Council members.

"We have an awful lot of work to do to restore the confidence that has been lost over the past week," Councilwoman Barbara Henley said.

Council members stressed that the school division is getting the money it requested for the 2010-11 budget and that the city will try not to dip into education reserves next year. The school division expects to see a bump in its

reserves because of some changes in the state's retirement plan that should help in its 2011-12 budget, Mayor Will Sessoms said.

Still, Tuesday's hearing drew a crowd of angry teachers and parents.

The budget process has been difficult, but Virginia Beach is lucky, Councilwoman Rosemary Wilson said.

The city is funding several major projects, including a new Kellam High School, Wilson said.

The \$1.9 billion spending plan, which goes into effect July 1, relies heavily on savings and an \$18.1 million loan repayment from the Southeastern Public Service Authority.

The budget also eliminates 170 positions, almost half of which are vacant, and requires new employees to pay 5 percent of their salary toward their retirement benefits, a cost the city currently covers.

The City Council approved the budget in a 9-0 vote.

Bill DeSteph was registered as an abstention after he said he approved of most of the budget, but didn't actually vote on it.

Rita Sweet Bellito was absent because of a family death.

Deirdre Fernandes, (757) 222-5121,
deirdre.fernandes@pilotonline.com

BEACH COUNCIL USING BULLYING TO PUNISH SCHOOL BOARD

ANYONE WHO thought politicians on the School Board and City Council were going to join in a chorus of "Love Train" once the Virginia Beach budget was approved this week got a shock.

Not only did vindictive city officials go ahead and raid the schools' cookie jar, but they then whacked educators on the knuckles for good measure.

That'll teach the superintendent to question the big boys.

Without warning on Tuesday, the City Council decided to return to a very bad practice known as "categorical funding of schools." In other words, they want to micro-manage the way school money is spent.

It's budgetary bullying.

Incensed school officials say no other city in Hampton Roads uses the heavy-handed method and claim that only 48 of 132 school divisions in the entire state operate under similar restrictions.

Here's how it works: Instead of giving school officials a lump sum of money,

See DOUGHERTY, BACK PAGE

DATE: 5-13-10

PAPER: Pilot

FILE NAME: Editorials

DOUGHERTY | *Board has done well at managing money*

Continued from Page 1

the city will now allocate it into five funds – instruction, transportation, operations, technology and administration – and educators will have to ask permission from the City Council to move dollars where they are most needed.

So a simple decision to fill an emergency need for textbooks by tapping the technology fund would require a trip to City Hall and delays of up to 60 days.

Bet schools chief Jim Merrill wishes he'd kept his mouth shut last week when the city began salivating over his rainy-day fund.

Word of advice to city honchos: Be careful before yapping about how that loot really belongs to the people.

Say it often enough and the taxpaying schlumps may realize that the city's \$167 million reserve fund is theirs, too.

Back to the new policy. "It was punitive," School Board member Carolyn Weems said of the move. "We've done a heck of a good job of managing our finances."

She's right. Whether or not city officials admit it, this new budget restriction punishes the School Board and suggests it needs oversight.

It doesn't.

Even if it did, the last bunch on Earth that should micromanage school spending is the city honchos who have demonstrated all the restraint of a teenage girl with Daddy's Visa card on a Forever 21 bender.

Remember, the city is run by some of the same

characters who once saw the Beach as a golf mecca and invested in greens and fairways, which are now hemorrhaging money.

The same ones who envisioned the city as a professional soccer capital and built a Sportsplex to accommodate the crowds.

The same ones who nearly ran the Navy out of town, costing taxpayers \$15 million to correct a colossal zoning mistake.

Oh, yeah, and the same ones who foisted an unpopular public-private partnership on taxpayers to help build a luxury hotel and parking garage at the Oceanfront to cater to upscale conventioners. No sooner did it open than they began to bloviate about the need for a new "headquarters hotel" for the city's \$202.5 million Convention Center.

And just this week, the council gave a big thumbs-up to an \$11 million animal shelter and a new rec center in Vice Mayor Louis Jones' backyard.

Let's not forget that the city manager wanted to hike taxes but a no-tax-increase budget was crafted only after reliable milque-toasts on the council – who are facing the electorate in six months – suddenly found the courage to stand up and shake their tiny fists in protest.

These spendthrifts want to have more control over schools?

Please.

Then again, maybe categorical budgeting could work.

If school officials were put in charge of the city's checkbook, that is.

Kerry Dougherty, (757) 446-2306, kerry.dougherty@cox.net

POWER STRUGGLE IN VIRGINIA BEACH

THE ISSUE City Council brings the School Board's spending to heel.

WHERE WE STAND Given the fight over reserves, the decision looks suspiciously like payback.

IF THE VIRGINIA Beach City Council were starring in a reality TV show, members would be congratulated for their back-to-back blindsides of the School Board. Trouble is, this isn't a reality show or a game, much as the city's financial governance seems to resemble one these days.

After the public hearings on the city's \$1.9 billion budget for 2010-11 — none of which included discussion about using school reserves to pay for city projects — the council told the School Board last week that it planned to take \$8.8 million from school savings accounts to help pay for an animal shelter and a recreation center.

It did so Tuesday night, as is its right and responsibility as caretaker of all the city's money.

But in a move that fueled an already seething School Board, the council also voted, without notice or discussion, to remove the freedoms the schools were given last year to decide how to spend their money.

The School Board and administrators are angry, and with good reason.

The schools have been financially responsible, spending conservatively and saving wherever they could. With the blessing of the city, the School Board set aside about \$25 million in savings in 2008 to offset budget cuts expected over the next few years.

Last year, when the City Council told school officials it needed about \$9 million from that savings account to shore up the city's budget, the coun-

cil agreed to give the School Board more authority to transfer money within its budget, to use savings from one category for expenses in another.

This week, the council yanked that budgetary freedom, a decision that showed no respect for either the fiscal responsibility the schools have shown or for the City Council's relationship with the School Board.

Contrary to the expressed wishes of Mayor Will Sessoms to improve communication between the two elected boards, this latest action looks suspiciously like bullying, almost like payback for school officials having the temerity to challenge the City Council's wishes.

It's true that Virginia Beach is paying for every penny the School Board requested in its budget. It's true that since 1997, the city has backed a massive plan to replace or renovate two dozen schools. The city pumps money into the schools and the schools lure employers and residents to Virginia Beach.

So why risk sabotaging that? Why risk damaging a relationship that has served citizens well?

If city leaders believe their spending plan is in the best interest of all Virginia Beach citizens, why wouldn't they be forthright about it with the School Board? Why not discuss it openly, so everyone understands the reasons, the strategy, the history?

This budget battle wasn't really about schoolchildren, or homeless animals, or a place for underprivileged kids. It was about power, a fact driven home by the City Council's decision to take the School Board down a financial notch.

Sadly, if the council and the School Board can't find a way to begin working together productively, this power struggle between adults will eventually become very much about the city's schoolchildren, and how they're victims stuck in the middle.

DATE: 5-14-10

PAPER: Pilot

FILE NAME: Editorials

BEACH COUNCIL, SCHOOL BOARD FIGHT SMOLDERS

By Deirdre Fernandes
and Aaron Applegate
The Virginian-Pilot

VIRGINIA BEACH

Six of the top city and school leaders met in private last week to head off a simmering argument.

The week before, the City Council had said it would take \$8.8 million in school reserves for city projects. School Board members were livid. Superintendent Jim Merrill complained about the move and then sent an automated phone call about it to parents and employees. Council members were flooded with calls and e-mails questioning their commitment to education.

At the private meeting Mon-

See RESERVES, BACK PAGE

DATE: 5-16-10

PAPER: Pilot

FILE NAME: Budget

RESERVES | *Meeting did little to cool resentment*

Continued from Page 1

day, Mayor Will Sessoms chastised school leaders for making an issue of the \$8.8 million, a small percentage of the division's \$628.5 million budget. He asked them to send out a second automated phone call explaining that schools are fully funded.

That message never went out, and the next day, when the council adopted its budget, it changed the process for funding schools, increasing the council's oversight. School Board members were shocked, and some said the maneuver was punishment for complaining about the city taking school reserves.

"I don't know if that is fair," Sessoms said.

Would the City Council have moved ahead with the more restrictive funding process if school leaders had sent out another mass message as requested?

"Probably so," the mayor said. "It's just a better way to keep a handle on where funds are."

Either way, the relationship between the two bodies has reached its lowest point in more than 10 years.

"I'm not satisfied with where we are and where we may be headed," School Board Chairman Dan Edwards said. The last time the two elected groups were at odds like this was in the late 1990s, Edwards said.

Then, the battles were also over budgets and how to use the schools' surplus money. The two boards reconciled after going on a joint retreat.

Edwards and Sessoms met again Thursday to discuss the chilled relationship and the implications of the restrictive funding. Nothing has been resolved, Edwards said. He and other School Board members are calling

■ "As far as I'm concerned, it's done. It's over with. I don't have any hard feelings."

Vice Mayor Louis Jones

for better communication and more meetings among the leadership. But several council members said they are ready to move on.

"As far as I'm concerned, it's done. It's over with," Vice Mayor Louis Jones said. "I don't have any hard feelings."

Jones said the City Council did what it had to do.

The differing views on the future may be tied to the unequal relationship between the groups. While School Board members are elected, and education accounts for the bulk of city spending, they don't have taxing authority. The City Council holds the purse strings.

"The buck stops with the city," Councilman Jim Wood said. "We're the ones who have to decide where the money goes."

Faced with another difficult budget looming next year, the relationship needs to warm up, School Board Vice Chairman Bill Brunke said.

"I think if we go into our next budget cycle and there's a perception that the two bodies don't get along, emotions can get in the way of rational thinking," he said.

Deirdre Fernandes, (757) 222-5121, deirdre.fernandes@pilotonline.com

Aaron Applegate, (757) 222-5122, aaron.applegate@pilotonline.com

“Our duty is clear: It is to serve the public with skill and character, and to exercise First Amendment freedoms with vigor and responsibility.”

FRANK BATTEN, publisher 1954-1976

MAURICE A. JONES
President and publisher
maurice.jones@pilotonline.com

DONALD LUZZATTO
Editorial page editor
donald.luzzatto@pilotonline.com

Sunday | 05.16.10 | THE VIRGINIAN-PILOT | PAGE 8



WALT TAYLOR

your views

DATE: 5-16-10

PAPER: Pilot

FILE NAME: Editorials

Pay your taxes.

i PILOT INVESTIGATION

By MEGHAN HOYER | *The Virginian-Pilot*

Some of South Hampton Roads' largest landowners are also the region's biggest tax delinquents.

In each of the five cities, developers and development companies owe hundreds of thousands of dollars.

From large, mostly empty oceanfront condominium developments in Sandbridge to never-started commercial projects on farmland in Suffolk, the recession-stung developers haven't been able to finance or sell their projects.

Without cash coming in, many have been unable to pay even their most basic bills. Now their struggles are trickling down to cities wrestling to balance budgets gored by cuts in state funding and other revenue shortages.

An analysis by *The Virginian-Pilot* shows that as of mid-April, more than \$40 million combined was owed to the five cities in unpaid real estate taxes, fees and interest. Much of that – and certainly the largest individual chunks of it – was owed by developers.

"Everyone's on the same sword, getting stabbed a different way," said Rick Gregor, a partner in the Futura Group, a development company that owes more than \$100,000 in real estate taxes to Virginia Beach and last year owed twice that to Norfolk.

"It's a double or a triple whammy for the cities," Gregor said. "They're not getting the property taxes, they're not getting their building fees, they're not getting revenues from improved properties."

"I'd much rather pay than not pay. But it's a cash-flow issue, no doubt about it."

See **PAY**, PAGE 11

who's delinquent?

Find out at this online database:
hamptonroads.com/newsdata/delinquencies

Later.

developers

The bad economy has hit real estate developers hard, and many of them are unable to pay the taxes they owe. More than \$40 million in unpaid property taxes are owed to the five cities in the region.



OK...

cities

As cities are cutting services and laying off workers, unpaid property taxes couldn't come at a worse time. Yet cities are patient with developers because they want their vacant properties to sell – and bring in taxes in the future.



DATE: 5-16-10

PAPER: Pilot

FILE NAME: Budget

CITIES WANT DEPENDABLE CASH FLOW

Continued from Page 1

During the rosy housing market five years ago, Gregor's Futura Group began construction on the Spectrum at Willoughby in Norfolk and the Sanctuary at False Cape in Virginia Beach, two waterfront condominium complexes projected to command top-dollar sales prices.

Then the economy collapsed and financing dried up along with sales.

The Spectrum never got built and slid into bankruptcy. Crews completed work on the Sanctuary, at the southern tip of Sandbridge, but the complex sits largely empty. Units are still for sale, and several have gone to auction to generate some revenue. The company still owes taxes on both the Sandbridge condominium complex and on a handful of homes it was building in the North End of Virginia Beach.

Futura Group stopped paying its real estate taxes on the Spectrum in June 2007. By late last year, it owed Norfolk almost \$250,000. The company brought its bill current, with interest, in December but immediately began missing payments again.

The Spectrum is now caught up on its taxes, but its ups and downs are not atypical.

In Suffolk last fall, the list of who owed the most in real estate taxes was topped by three development companies. Two of them caught up on their bills in the winter after The Pilot inquired about tax delinquencies.

The city collected nearly \$500,000 from L.M. Sandler and Co., which had two developments – Graystone Reserve and River Club – that had fallen more than a year overdue on its taxes.

Sandler, which in recent years has had financial troubles because of overextension, paid Suffolk in December.

The company still owes more than a half million dollars to Virginia Beach and more than \$400,000 to Portsmouth – a figure that translates to two-thirds of a penny on Portsmouth property owners' tax rates.

In Virginia Beach, the company owes nearly \$300,000 on its barely started Wedgewood development. It did not owe taxes on another one of its neighborhoods, Ashville Park, which was foreclosed on by the bank and is scheduled to be sold at auction later this month.

Neither Art nor Steve



DAVID B. HOLLINGSWORTH | THE VIRGINIAN-PILOT

Futura Group is one of the developers struggling to keep up: Its Sanctuary at False Cape in Virginia Beach, above, was completed in 2007. Futura Group owes taxes on the complex, which is largely empty. It also owed Norfolk but caught up on its balance in December; then it began missing payments again.

Sandler, the brothers who run the company, responded to multiple phone calls to their office requesting comment on the unpaid taxes.

The developers don't represent the typical taxpayer. Across South Hampton Roads, the huge majority of property owners – more than 95 percent in each city – still pay their taxes on time.

Beyond that, any time a property sells, taxes are the first thing to get paid, meaning the cities eventually collect in all but a fraction of cases.

"I don't look at it as something the city should be concerned about," Virginia Beach Treasurer John Atkinson said. "It's revenue we're going to get. They can't escape paying it."

Those who don't pay are hit with large fines. Each city charges penalties on late bills, including interest calculated at 10 percent of what's owed.

"At all times, it's drawing interest, a very good rate of interest, to the tax-paying citizens," Atkinson added. "Those people who are paying on time can look at it and say, 'Well, they're certainly paying for their problems.'"

Virginia Beach is also the region's largest city and has more than \$160 million in cash reserves to get it through tough times. Most other South Hampton Roads cities don't have as large a

cushion.

When a major landowner doesn't pay taxes for a long time, and then catches up all at once only to fall behind again, it can create havoc on municipal accounts, officials said.

"We need to have a cash flow we can depend on," Norfolk Councilman Barclay Winn said. More developers need to go on the city's payment plan to ease the roller-coaster effect, he said. "We need to work on getting them on level payments."

Two years ago, unpaid taxes were a driving force behind drastic budget cuts in Portsmouth. The city's budget, which always had been balanced on the assumption of collecting 100 percent of real estate taxes, was thrown into turmoil when the economy started to falter and some major property owners began not paying, said Betty Burrell, the city's chief financial officer.

"That was part of our financial meltdown – extremely overly optimistic revenue projections," Burrell said. "It all went south at the same time."

Combined with decreases in other revenues, it created a crisis that ended with 30 employees being laid off in 2008 and remaining city workers being given unpaid furlough days in 2009.

Now, she said, the city budgets on the assumption that it will collect only 96 percent

of its real estate taxes. "We don't want to have budgeted for revenue that will not come to fruition," Burrell said. "What we're extremely cautious about is to make sure we're controlling our expenditures."

Those are the same kinds of pains that all South Hampton Roads municipalities face this year.

Chesapeake has seen its real estate tax collections decrease slightly, from 98.6 percent last fiscal year to 98.1 percent so far this fiscal year, Treasurer Barbara Carraway said. So far, the small downturn hasn't been a problem, she said, adding that she'd be worried if it dropped a point or more.

Like Virginia Beach, Chesapeake accumulated extra cash during boom years, and it maintains a surplus of more than \$135 million.

"Everything considered, we're doing pretty well," Carraway said.

In every South Hampton Roads city, a developer or development – in Chesapeake, it's a luxury apartment complex – tops the real estate tax delinquency list.

Yet cities are reluctant to take developers to task for nonpayment, and officials say they're put in an awkward position when a delinquency occurs on a major construction project.

Although treasurers often turn to wage liens and other garnishments against

homeowners who fall behind in their tax payments, development companies are a different matter, according to Atkinson and Portsmouth Treasurer Jimmy Williams.

"Some of our collection options don't work on a developer," he said.

In many cases, developers have run out of financing, and they have no money coming in because homes aren't selling.

Development companies such as L.M. Sandler often build their projects under different corporate names, limiting their liability and the ability of others to go after their other holdings.

"If there's no cash in the bank for me to get, there's not much I can do," Williams said.

In some cases, cracking down on nonpayment would mean bringing properties to tax sale – an act that could interrupt major economic development projects mid-stream. And in most cases, a new owner would have no better luck selling properties than the current one.

"They're not selling a ton of houses," Williams said of the Sandlers' New Port at Victory development.

"But nobody is."

Besides, he said, Portsmouth residents and city officials are most concerned about having the half-finished neighborhood built out, rather than stopping work entirely.

"Obviously, the city and everyone else wants to see it get done," Williams said.

Tax sales can occur after at least two years of nonpayment for real estate taxes.

In past years, Norfolk has taken a handful of developers to tax sale, said Wendy Petchel, the real estate supervisor in the city treasurer's office.

But by and large, it's not a tactic that city leaders like to use on developers who have often spent years working on a project.

"There's a fine line," Norfolk Councilman Winn said. "We don't want anyone to be hurt. These people have invested and made a commitment to our city."

The real key, Futura Group's Gregor said, will be for the economy to rebound so developers can start moving units – and paying their bills – again.

"It appears to slowly be getting better," he said. "We may be climbing up the other side."

But whether all the companies will survive and recover their footing before city finances take an even harder hit is unclear.

"I think the developers who are delinquent are very desirous to come clean," Portsmouth's Williams said.

"Whether they can, that's to be seen."

Meghan Hoyer, (757) 446-2293, meghan.hoyer@pilotonline.com

TOP 5 TAX DELINQUENTS IN EACH CITY

who's delinquent?

Find out at this online database:
hamptonroads.com/newsdata/delinquencies

DEVELOPERS ARE SOME OF THE BIGGEST TAX DELINQUENTS IN SOUTH HAMPTON ROADS

An analysis by The Virginian-Pilot shows that as of mid-April, more than \$40 million combined is owed to the five cities in unpaid real estate taxes, fees and interest. Much of that - and certainly the largest individual chunks of it - is owed by developers.

The properties range from condominium projects in Virginia Beach to commercial developments on farmland in Suffolk.

In some cases, large companies have fallen only a few weeks behind. In other cases, developers have missed several quarterly payments, which generates interest payments and penalties.

The unpaid money is causing problems for local cities, which are struggling with other decreasing revenues.

SOURCES: Local treasurers offices

CHESAPEAKE

3,602 property owners owe a total of \$9,750,437 in delinquent taxes, fees and interest on 4,540 properties.

Empirian Chesapeake LLC	\$167,299
Lifestyle HMS at Win Trace LLC	\$111,817
Dollar Tree Distribution Inc.	\$96,575
North Fork Chesapeake LLC	\$73,258
Providence Pointe LLC	\$70,205

NORFOLK

4,985 property owners owe a total of \$13,241,689 in delinquent taxes, fees and interest on 6,707 properties.

Pretty Lake Village LLC	\$104,750
Pretty Lake Village LLC ET ALS	\$99,829
RMF 4th Bay LLC ET AL	\$95,948
Claremont Development LLC	\$83,725
First Baptist CH TRS	\$77,553

PORTSMOUTH

3,121 property owners owe a total of \$5,373,603 in delinquent taxes, fees and interest on 3,627 properties.

Portsmouth Venture One LLC	\$405,810
Lincoln Family Communities LLC	\$260,192
Jermaine Powell	\$94,453
Peck Portsmouth Land Co.	\$93,466
Oxford Place LLC	\$81,627

SUFFOLK

1,776 property owners owe a total of \$5,875,793 in delinquent taxes, fees and interest on 2,135 properties.

Virginia Regional I LLC	\$138,260
Terry-Peterson Res Thirty LLC	\$104,244
Bernard H. Foley	\$75,946
McDonald Ventures XXV LLC	\$72,148
Gallagher Construction Corp	\$66,601

VIRGINIA BEACH

3,459 property owners owe a total of \$10,350,859 in delinquent taxes, fees and interest on 4,111 properties.

Wedgewood Associates LLC	\$289,723
South Independence Acquisition LLC	\$286,598
Sandler at Indigo Bay LLC	\$229,886
Bon Secours Hampton Roads ETC	\$71,838
South Independence Acquisition II LLC	\$66,166

THE VIRGINIAN-PILOT

DATE: 5-16-10

PAPER: Pilot

FILE NAME: Budget



beachcombing

AARON APPLGATE + DEIRDRE FERNANDES
aaron.applegate@pilotonline.com, 222-5122
deirdre.fernandes@pilotonline.com, 222-5121

THE WORD 'NOVEMBER' HANGS OVER CITY'S BUDGET DISCUSSIONS

Moving City Council elections from May to November was supposed to increase voter turnout and keep the annual spring budgeting discussion out of the political arena.

Well, voter participation is definitely higher in November versus May. But keeping politics out of the budget has been next to impossible.

With six City Council members facing voters in six months, the election was on everybody's mind.

Council members were more reluctant to support the 3-cent real-estate tax increase that City Manager Jim Spore initially proposed.

The budget included money for several long-delayed projects: an animal shelter, a Bayside recreation center and a new Kellam High School.

And speakers upset that City Council was taking money from the school division's reserves threatened council members at the final budget hearing last week that they would remember the move in November.

AS LONG AS WE'RE ALL HERE ...

The elections are six months away, but the budget hearing Tuesday proved to be a good time for some challengers to collect the signatures needed to get their names on the ballot.

Petitions for at-large and Bayside district candidates were passed out among the crowd of about 100 protesters gathered outside City Hall before the budget vote.

The filing deadline is June 8. There are six open seats in November.

SHORE DRIVE SAFETY

Concerned about the relationship between cars and pedestrians on Shore Drive?

Residents are throwing a "Save Lives on Shore Drive" event Thursday June 3 at 6 p.m. at CP Shuckers.

A group also met last Tuesday at First Landing State Park to talk about how to make the road safer.

Ten pedestrians - Whitney Lynne Hulce on April 18 was the most recent - have died on the road in the past eight years. Residents are gearing up to push the city to lower the speed limit to 35 mph from 45 mph on more sections and add more crosswalks and lighting.

DATE: 5-16-10

PAPER: Beacon

FILE NAME: Budget

Insulting budget

Re "Budget passes, but not quietly," Hampton Roads, May 12: During the public hearing, all but one of the speakers spoke against using \$8.8 million in Virginia Beach School Board reserve funds for the recreation center or the shelter. Several speakers requested that Councilman Bill DeSteph's recommendation for tapping other sources be used instead. The speakers were parents and teachers, and they said basically leave the money in the school budget.

Granted, the \$8.8 million is a small part of the budget. But the main bone of contention seemed to be the process by which the council decided to take the \$8.8 million.

Vice Mayor Louis Jones, who spoke after citizens had their say, in part tried to lay blame for high real estate taxes on the School Board. He stated that the school reserve fund was equivalent to about 4 cents in the real estate tax rate. He stated that citizens wouldn't be too happy to know that the School Board had been sitting on that tax money.

Jones' comments were unnecessary and vindictive and upset many in the audience.

In the end, our City Council voted to use the school funds for their own projects, ignored all the speakers and then insulted all of them, the School Board and all teachers and parents who, by inference, were guilty of causing the real estate tax rate to be too high.

Robert D. O'Connor
Virginia Beach

DATE: 5-17-10

PAPER: Pilot

FILE NAME: Letters to
the Editor

Tighten Beach belt more

An \$8 million reserve fund for a school system serving a community of a half-million people is not a lot. An animal shelter costing \$11 million is a lot.

We have a right to know how the existing facility fell into such extreme disrepair, to know what we're getting for this money and whether it will be competitively bid. Unless this new facility exceeds 30,000 square feet of finished space, we're being had.

Is there going to be a budget to maintain it, or are we going to do this same boondoggle in eight to 10 years?

And why another recreation center in Bayside? For that matter, why do we need 85,000-square-foot rec centers in the first place?

Public officials have got to stop saying, "How much can I get?" and start saying, "What do I really need, and how would I do this if I were spending my own money?"

Timothy Baka
Virginia Beach

Date: 5-21-10

Paper: Pelot

File: Letters to the Editor

WITH BUDGETS OK'D, TOUGH CHOICES AWAIT

AS DIFFICULT as this municipal budget season was — cities cut jobs, services were reduced, fees rose, and school divisions will have to do more with less — next year's go-round will likely be worse.

The same pressure to hold the line on the property tax rate is likely to grow unless there's a meaningful rebound in the economy. Employees who haven't received raises in years are likely to go another year without them.

A quick reminder of how the cities coped in the past few months:

Norfolk, which passed its \$1.1 billion budget Tuesday, balanced its ledger by a combination of eliminating 220 jobs, many of them already empty, raising a series of fees and cutting hours at libraries and recreation centers.

For the past two years, Virginia Beach has balanced its budget using contingency funds, school reserves and farm preservation and beach renourishment savings. This year, the City Council is again tapping reserves, including \$8.8 million from the school division and \$4 million from the farmland preservation program, to pay for its \$1.9 billion spending plan.

Council members said they can't stomach a tax increase this year, but that next year, the city must re-examine its budgeting process.

In its \$874 million budget, Chesapeake eliminated 74 jobs, including up to 18 in human services, and slashed \$702,000 from the city's parks and recreation department. The city

also opened a voluntary retirement incentive program.

In Portsmouth, the City Council passed a \$548 million budget that avoided layoffs, a tax increase or dipping into reserves — largely because of furloughs, layoffs and other cuts made during the current fiscal year. Utility rates will increase slightly, however.

Suffolk's \$450 million budget was passed without a tax increase or layoff. It'll bridge any financial gap with bond sales, money from its risk fund and by changing trash pickup.

Even though each city emerged from this budget season with services and its employees relatively intact, they can't keep doing this forever. Eventually citizens will rebel, either at increasing taxes or disappearing services. Employees, already managing their own homes with less money, can't continue to lose purchasing power.

Some of those frustrations came through this year, especially in Virginia Beach, where leaders had floated a tax increase. They will similarly surface in other municipalities next year.

While it's a sure bet that nobody on any city council is unhappy to see the budget season end, that's no reason to put the matter on the shelf — and leave it there — for another year.

Rather than declaring victory and moving on, now is the time for each municipality's leaders to begin the difficult philosophical conversations about the proper role of government, which services it should provide and how much it should tax and spend to do so.

Date: 5-21-10
Paper: Pilot
File: Editorials



pencils down

LAUREN ROTH | 222-5133
lauren.roth@pilotonline.com
www.twitter.com/BeachEdReporter

CITY-SCHOOLS MONEY FALLING OUT ISN'T OVER

The School Board feels like it's on a merry-go-round after the latest budget move from City Council.

Last year, when the city took \$8.8 million out of the schools' budget for supposedly one-time expenses, it granted the board's one request in return: The council stopped making the schools divide their budget into five categories, which required a visit to the council any time they wanted to move money across lines.

This year, council took another \$8.8 million from the schools, again claiming one-time needs, but punished the board and school administration for protesting. With an hour's notice, the council revoked the schools' lump-sum funding, divvying the budget back into categories.

"They want us to sit down and be quiet, but they're not going to get it," School Board member Brent Mckenzie said.

Board Chair Dan Edwards said the change will mean \$2 million



COURTESY VBEA

Parent Diane Gillespie, left, and teacher assistants Susan Edelson, center, and Mary McIntyre joined more than 100 school employees and parents who rallied May 11 in the rain outside City Hall before council passed the controversial budget.

to \$3 million less will go to the classroom. Instead of worrying about not overspending one big budget, the schools' money managers will need to leave enough money in five funds – instruction, transportation, operations, technology and administration.

"It inevitably means larger reserves at the end of the year," Vice Chair Bill Brunke said. That means the city will be able to make the

More PENCILS, Page 4

PENCILS

Continued from Page 3

argument again next year that the schools have too much money left over.

"I can see the conversation already," Brunke said.

RALLY REDUX

The School Board isn't the

only group objecting to what they see as fiscal bullying. More than 100 school employees and parents rallied in the rain outside City Hall before council passed the controversial budget May 11.

Many carried signs that read "S.O.S.: Support our Schools." About 16 went inside and gave formal comments.

To see what they said, go to this link – www.vbea.org/news-you-can-use/ – on the Virginia Beach Education Association's website and follow the instructions. You can also find a link to pictures from the rally.

VBEA President Dominic Melito said the group won't forget council's actions when it comes time to make election endorsements this fall.

Date: 5-23-10
Paper: Beacon
File: Budget

SCHOOL BONUSES LOSE OUT TO BUSES, SUPPLIES

By Lauren Roth
The Virginian-Pilot

VIRGINIA BEACH

The School Board came within one vote of giving \$450 bonuses to school employees but backed off out of fear of City Council.

Instead, the board voted Tuesday to spend \$15 million on interactive whiteboards, school buses and instructional supplies.

Board member Brent McKenzie's amendment to spend \$4.6 million on one-time bonuses failed on a 5-5 vote after three rounds of discussion. Em Davis was out of the country.

While the newest board member, Ashley McLeod, debated whether it is more important to reward employees or put technology in classrooms,

See BEACH, PAGE 7

BEACH | *Not spending money also was debated*

Continued from Page 1

22-year school employee Della Fortney cleaned the administration building's break room down the hall.

With a bonus, "I would probably pay bills, get groceries and get my grandkids some shoes," said the custodian, who earns \$30,669 a year.

Board members who voted for the bonus - McKenzie, Sandra Smith-Jones, Todd Davidson, Pat Edmonson and Carolyn Weems - said they wanted to reward underpaid employees such as custodians, bus drivers and cafeteria workers.

The majority of the money is the result of a state budget maneuver that cut school contributions to retiree pensions. The rest is the result of conservative budgeting.

McKenzie, a Norfolk teacher, said he believed the money should go to employees because much of it came from their retirement funds.

"There's no substitute for a happy teacher, no matter how much technology you provide," he said.

McLeod voted against the bonuses, as did Board Chairman Dan Edwards, Patrick Salyer, Scott Seery and Bill Brunke.

"Compensation is a volatile issue," Edwards said.

For two years in a row, City Council has taken \$8.8 million from school reserves, contending the schools didn't need the money. Spending money on bonuses in a bad economy could be provocative, Edwards and Salyer said.

Seery and Brunke were worried about fiscal prudence and moving too quickly. Seery also questioned whether the board should spend the money at all.

"I feel we've lost sight that this is an annual, regular procedure" to reduce excess end-of-year monies, said Superintendent Jim Merrill. "To not spend it, we'd leave money on the table that could benefit our classrooms."

In addition to 34 new buses, technology and supplies, portions of the money will be used for elementary science kits, copiers, school plant projects and an upgrade to the room where the school board holds its workshops.



■ "To not spend it, we'd leave money on the table that could benefit our classrooms."

Superintendent Jim Merrill

Rebuttal: Avoidable conflict

In "Avoidable conflict," (letters, May 19), the writer says that either Virginia Beach Superintendent James Merrill or School Board member Carolyn Weems deliberately misled taxpayers on the city's planned use of \$8.8 million taken from the schools' reserve account. That is unequivocally not the case.

The confusion seems to arise from the fact that the City Council took the disputed \$8.8 million from the schools while choosing to add another \$7 million to the city's own savings account.

While the timing is ironic, it is not the same pot of money.

Unfortunately, some readers may have jumped to the incorrect conclusion that the funds were the same.

The money taken from the school division was part of a reserve account accumulated from targeted efficiencies and prudent spending.

The council advised the board that it needed the \$8.8 million to pay for a new animal shelter and recreation center.

To be clear, the \$7 million the city is adding to its own "rainy day" fund is not coming from the school coffers, and no one with the school division ever said it was.

*Farrell Hanzaker
Chief Financial Officer
Virginia Beach Schools*

Date: 6-1-10

Paper: Pilot

File: Letters to the Editor