An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on November 11, 2010, at 4:00 p.m., Room 241, Second Floor, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from November 10, 2010.

PRESENT: Mr. Kenneth C. Boyd, Mr. Lindsay G. Dorrier, Jr., Ms. Ann Mallek, Mr. Duane E. Snow and Mr. Rodney S. Thomas.

ABSENT: Mr. Dennis S. Rooker.

OFFICERS PRESENT: County Executive, Robert W. Tucker, Jr., Assistant County Executive, Thomas C. Foley, County Attorney, Larry W. Davis, and Clerk, Ella W. Jordan.

Agenda Item No. 1. Call to Order. **Joint Meeting with School Board.**

SCHOOL BOARD MEMBERS PRESENT: Mr. Stephen Koleszar, Ms. Diantha McKeel, Ms. Pamela Moynihan and Mr. Harley Miles.

SCHOOL BOARD MEMBER ABSENT: Ms. Barbara Massie Mouly, Mr. Ronnie Price, Sr., and Mr. Eric Strucko.

SCHOOL BOARD STAFF PRESENT: Dr. Pam Moran, Superintendent, Dr. Bruce Benson, Assistant Superintendent for Planning and Operations, Mr. Jackson Zimmerman, Executive Director of Fiscal Services, Ms. Annie Kim, Senior Assistant County Attorney, and Ms. Jennifer Johnston, School Board Clerk.

Ms. Mallek, Chair, called the Board of Supervisors meeting to order at 4:01 p.m.

Mr. Koleszar, Acting Chairman, called the School Board meeting to order at the same time.

Agenda Item No. 1. Presentation: School Division base line **budget** review and future **funding** needs **(continued from October 13, 2010).**

Dr. Benson stated that the purpose of this meeting is to reconnect and continue the dialogue from the October joint meeting of the two boards. One of the purposes of the information being provided is to show the Board of Supervisors that the School Division's baseline budget is driven by formulas and the overwhelming majority of positions are determined by formula. They wanted to make the information as transparent as possible. He offered to Board members for himself and/or other school senior staff to sit down with them individually and go into greater detail budget items.

Dr. Benson said the prior discussion covered efficiencies, challenges, transportation and scheduling. He mentioned that he is currently reading a book on stretching the school dollar, and two of the recommendation areas for achieving efficiency are transportation and scheduling, both of which County schools have approached through investments in technology for bus routes and altering of class schedules to get teachers to teach six classes out of eight rather than five out of seven. Dr. Benson presented a chart related to class sizes, noting that there has been a significant increase in the number of high school classes with more than 27 students, which tends to be the annual reporting threshold.

Dr. Benson reported that the four areas of challenge he would be covering in his presentation are enrollment growth, use of one-time money to fund recurring expenses, enhancing the capital improvements program, and providing adequate compensation. He stated that they have put the VRS contribution issue on the watch list, as they have received projections from the VRS Director that are a little bit concerning. Dr. Benson also said that the Schools are concerned about the composite index uncertainty and have budgeted some money as recurring but it is expected not to be there within the next few years. He noted that the State is talking about moving towards an assessment model that would tie teachers directly to student achievement, and there is concern as to what the implications of that might be in the future.

Dr. Benson presented information on enrollment projections, adding that there has been un-projected growth over the last several years totaling 400 students, with 185 new students this fiscal year, which caused the schools to hire additional teachers and fund their salaries through one-time monies. He presented information on actuals as well as five years of projected growth, delineated by individual schools, with Brownsville Elementary expected to be specifically impacted along with challenges in the northern corridor schools. Dr. Benson said that the out years 3, 4, and 5 are more difficult to predict, but he is confident in the near-term predictions for enrollment. He stated that if the projections hold, there would be approximately 900 new students enrolled over the next five years.

Mr. Thomas asked if this was tied into DIA and NGIC. Dr. Benson responded that those projections are more difficult to pinpoint at this time.

Mr. Zimmerman stated that the data in these projections is based on assumptions that there is a relative pattern of growth across the County, as those students associated with NGIC will show up in other counties as well. He added that there is only a certain amount of elasticity in the amount of population that is going to be moving in that brings school-age children, emphasizing that they are not ramping up with 1,000 families at once but are trickling in at a rate of a few at a time. Mr. Zimmerman said that schools have observed an upward trend over the last few years, but needed a couple of years data to establish that trend.

Dr. Benson reported that the use of one-time monies for recurring expenses is something that schools would like to back out of in the near future, noting that there is $1.0 million of Fund Balance budgeted forward into this fiscal year with the first year of the composite index hold harmless equaling approximately $2.6 million for a total of $3.6 million, the majority of which has been allocated to one-time expenses. He added that the schools did end up funding some recurring expenses with one-time money, such as principals and family support workers, equaling about $763,000 – and there is ongoing concern about the composite index impact.

Ms. McKeel reiterated that with one time money they funded two principal positions, family support workers and some recurring expenses.

Dr. Benson said that the Schools share the Board's concern with the lack of CIP funding, and it is on the short list of concerns moving forward. He also reported that there are a fairly large number of teachers who are eligible for retirement, and the schools want to make sure that these positions are filled by highly competent teachers, which will require a commitment to the goal of offering market-competitive salaries.

Ms. McKeel emphasized that the teachers who have been in the system longest have the highest salaries, so as they retire they will be replaced with teachers who have fewer years of experience and lower salaries. She added that the schools always try to hire a balance of new and experienced teachers.

Dr. Benson added that the schools hired about 60 teachers this year, and 10 of those were brand new teachers

Ms. McKeel noted that that was the fewest amount of hires in 10 years.

Dr. Benson said that he had the School Board Clerk listen to the conversation from the last joint meeting and they ascertained that there was very clear direction from the Board of Supervisors to staff to plan projections based on a 1% increase in salary, but they did not get that same clarity from the School Board, so he has taken information presented by Human Resources and incorporated it into schools' projections for the cost associated with giving raises. He added that these numbers are for planning purposes.

Ms. McKeel said that prior to that meeting the School Board discussed that they were not going to commit to anything at that point.

Dr. Benson responded that what was clear was that the final recommendations would come forward from the Superintendent and the County Executive as they presented their funding requests, considering available revenue and any movement with the competitive market. He said that for FY 11-12 schools do anticipate preliminarily that there will be some savings in salaries and health benefits, some increases in VRS costs, recurring expenses as mentioned earlier, bus replacement, and anticipated growth due to enrollment, with total expense changes of approximately $5.0 million. Dr. Benson stated that schools would be looking at approximately $2.1 million coming to the schools through improvement in revenues and savings through health care costs, leaving an estimated $2.9 million in recurring needs for next year. He emphasized that this does not take into account any changes at the state level, adding that that information won't be known until late December.

Ms. Moynihan said unanticipated growth is not in the School Board's current budget because it is unanticipated and is taking in those FTEs that had to be added this year and put into next year's budget as well as anticipating growth next year.

Dr. Benson explained that this years' 185 un-projected enrollment forced the schools to go out and recruit new teachers, which was paid with one-time monies, so that needs to be folded into recurring funds this year. Dr. Benson stated that the projections for next year include 167 additional students, and that growth has been incorporated into additional costs for next year.

Ms. Mallek asked when the allocations from the state for those students would be made.

Mr. Zimmerman responded that the amount reimbursed is less than 30%, but the state is not currently funding their SOQ requirements so the funding is somewhat uncertain. He added that they will see an actual decrease in state dollars for next year because of the reduction in composite index funding, but what the final state numbers are at this point is still somewhat up in the air.

Mr. Snow asked if the additional $1.6 million for additional teachers would help alleviate the current overcrowding. Dr. Benson responded that that will only accommodate the additional students expected.

Ms. McKeel noted that this is just an estimate because it is uncertain how many students will show up next year.

Mr. Miles asked where the one time funds for growth are shown. Dr. Benson responded that the request will be made at the next School Board meeting. He said that the un-projected growth figure will help schools with the students who showed up this year as well as what is projected for next year, and it needs to be covered with the budget for this fiscal year. He added that in the current year there are 185 new students, so the schools had staff that had to support those students. Administration will be making a recommendation to the School Board to fund that with one-time money in this fiscal year.

Ms. McKeel emphasized that the schools are always playing catch-up because there are always new students who were not factored into the budget.

Mr. Zimmerman added that the anticipated growth includes staffing necessary for 359 additional students.

Dr. Benson reported that a major watch list item is the composite index factor, as it is uncertain as to whether the $2.6 million will fall away over time from the state. He said that the other primary area of concern on the watch list was the VRS funding, as the current funding is slightly under 10% and projections in the out years are as high as 25%, and the schools have to pay whatever VRS decides must be paid.

Dr. Benson also stated that the schools are aware that they will need to move to an assessment format that goes well beyond the Virginia SOLs, in order to prepare students to be successful in college and ready to enter the workforce. He said that there have been reductions made over the years in human and capital management and professional development, and it is important for the future that teachers be able to use 21st Century technology in the future. Dr. Benson noted that the state is considering evaluating teachers on the value they added to a particular student's level of achievement, and this will likely involve a sophisticated data-management system.

Mr. Thomas asked what the gauge is and who is assessing the value. Dr. Benson responded that the current measure is the Virginia SOL system and growth can be tracked in reading and math, but the question becomes how other teachers might impact student performance in those areas. The school system will have some significant challenges with the state as it heads down this path.

Mr. Koleszar said that when the Five-Year Plan was presented last week the 60% split was left as-is, and he believes that the School Division should develop a five-year projection with those numbers included in the County's Five-Year Plan, with the split sometimes being more and sometimes being less.

Ms. McKeel agreed, stating that she does not see how the Board can plan five years out without information from the schools that ultimately impacts that Plan. She added they do not see how the Board can look at its five-year plan in the absence of how it impacts schools and how the Board wants the schools to perform and the impact of those dollars on the educational system. She mentioned that at a business leaders event held very recently, which included all of the major business leaders, it was vocalized repeatedly how important Albemarle County schools are to the community, and to their businesses to be able to attract and retain employees.

Mr. Thomas said, right now it has the 60% incorporated in it and the Board has not gone any further than that. Ms. McKeel replied, therein lies the problem.

Mr. Koleszar added that if there is no enrollment growth then the 60% is too much, but if there is dramatic enrollment growth it might not be enough. He emphasized that state funding for schools might also fluctuate greatly, and he would like to see the schools' projections merged into the Board's projections for the five-year plan.

Mr. Dorrier said he thinks that it is important in light of limited funds to integrate both five-year plans.

Ms. Mallek emphasized that at this point it is all estimation and she does not know how much finer detail can be provided for five years out. She added that if there is other information that the School Board has that the Board of Supervisors does not have, it would be great to get that information.

Ms. McKeel reiterated that she thinks the two documents need to be merged.

Mr. Boyd said if the school system presented the Board with its five year plan, they would definitely look at.

Mr. Koleszar stated that his point was whether the Board wants the schools to provide a flat 60% every time, or whether they want a more accurate five-year impact on where the School Division might be. He is sure the School Board would want to provide the Board with that information.

Ms. Mallek responded that it would be helpful to have that information if it is available. She added that the Board may not be able to do as much with that information as it would like, but the information would be available.

Mr. Thomas commented that it is a great idea, and it would be helpful if the state would make its allocations sooner.

Dr. Benson said that the School Division is trying to move in the direction of sharing this information in an effort to help the Board with five-year planning.

Mr. Koleszar agreed with Mr. Thomas that the hardest thing will be to predict state allocations. He added that the enrollment projections also have a significant impact on operations and CIP.

Mr. Boyd asked how accurate the schools have been with their enrollment, as that is a significant part of their growth needs.

Mr. Koleszar responded that the schools are usually within one-tenth of 1%. He said that the projection for this year was 165 students and it ended up being 185 students.

Mr. Zimmerman pointed out that the last few years have had the largest enrollment changes ever, and that is a little more than one-tenth of 1%, whereas in previous years they have been in the low hundredths of one percent.

Mr. Koleszar said that the economy impacts the normal pattern of growth, and when housing prices decline in Albemarle more students enroll, as people who could not afford to live here now are able to do so.

Mr. Boyd emphasized that the provision of affordable housing also increases school population, noting that it happened with both Mallside and Wilton Farms.

Ms. McKeel noted that the schools are really good in projections for the big picture of the County, but not as good in predicting which specific schools will be impacted.

Mr. Koleszar mentioned the projected growth to 900 students at Brownsville Elementary by 2020, which would definitely have an impact on the CIP.

Mr. Boyd stated that the schools can certainly provide information for the five-year plan, adding that they could have done it before now.

Mr. Koleszar said that the schools were not thinking as holistically before now, adding that there are some benefits to recessions as it forces you to sharpen your pencil and think better.

Mr. Boyd pointed out that the five-year plan is based on revenue projections, not just need projections, adding that there are needs that will not be met.

Ms. McKeel stated that all the schools are asking is for the Board to look at what needs would not be met based on the five-year plan.

Mr. Snow commented that everyone works hard in the school system, and he genuinely appreciates what the School Board has to deal with. He added that he thinks the Board is behind the School Board, dealing with the economy that everyone is working in.

Ms. Mallek said that it is encouraging to see signs that the recession is leveling off and perhaps the economy is even creeping upward.

Dr. Benson restated his offer to have senior staff and school officials available for a more detailed look at the school budget.

Mr. Koleszar mentioned that the Superintendent's request could be shared with the Board of Supervisors earlier so that the Board has a chance to look at it.

Ms. Moynihan asked if the problems with the CIP have been discussed, given the enrollment growth projections.

Dr. Benson responded that it is being reviewed now by the Oversight Committee and would be coming to the joint boards in December.

Ms. Moynihan added that over the five-year period some of the schools are over what the mandated size should be, noting the projected enrollment levels of Albemarle High School and Brownsville Elementary School. This is a situation they need to look at now.

Mr. Dorrier agreed, adding that there needs to be maintenance of equipment and property to avoid larger expenses in the future.

Mr. Thomas added that local government is in the same situation with the CIP as the schools.

Ms. Mallek said that it would be helpful to have information on what the capacity is at each school. She also asked if there was any explanation of fund balance considerations the School Board presented.

Dr. Benson replied that he didn't bring that information forward, as the School Board was going to have some dialogue from a policy perspective about the fund balances and their intended uses.

Dr. Benson asked Ms. Lorna Gerome, Acting Director of Human Resources, to present information that was given at the recent joint meeting that included the WorldatWork data.

Ms. Gerome addressed the Board, stating that she is not planning to focus on the compensation recommendations based on the joint board-adopted methodology. She explained that regarding the suggestion to fund a one-time lump-sum bonus using the medical reserve for the FY10-11 increase, staff was able not to come to the Board and ask for that increase because money was used out of the reserves, resulting in a cost savings of $1.2 million. Ms. Gerome said that staff is proposing a lump-sum bonus out of that cost savings to reward employees for their dedication and service during these times, as there have been staff reductions on both the school and local government side. She added this gesture would just go a long way to recognize that hard work and dedication. She said that when this was proposed at the joint board meeting, the feeling was that there was not sufficient information available about revenues, but now that picture is much clearer. Ms. Gerome added that it would essentially be a $350 one-time lump-sum payment for all employees, both teachers and classified.

Ms. McKeel asked if these would be bonuses that are taxed at a higher rate, or at the current employees' rate. Ms. Gerome responded that it would depend on whether the bonuses were given as separate check or rolled into paychecks. She said that staff is recommending putting this into regular paychecks so it would be the regular tax rate at their individual rate, adding that the take-home would be roughly $300 per employee.

Mr. Koleszar pointed out that it all comes out when an individual does their return, and either reduces or increases a refund.

Mr. Boyd said that he has trouble supporting this, given the outlook, even though he believes the employees deserve it. Given the economic outlook, local government is looking at tremendous shortfalls in the budget next year. He stated that this could be used for CIP projects and other things, noting that the revenue picture going forward is somewhat bleak.

Ms. Mallek added that this would be coming out of reserves, meaning that those reserves would be depleted going forward. She misunderstood when this was originally presented in that it did not have to be paid which is completely different.

Ms. Moynihan mentioned that it is funded out of medical reserves, which are in place in case there is a run on medical expenses. She expressed concern about using medical reserves for this purpose. There have been years in the past where the County has had huge medical expenses where they were glad to have the reserves.

Ms. Gerome explained that staff has done a five-year analysis on the medical reserve account and is very conservative with its use because claims are paid out of it. She added that there is a minimum threshold of 20% and a targeted reserve of 25% and there have been several years of exceptionally low claim levels. Ms. Gerome emphasized that the reserves now are strong and staff feels comfortable in making the recommendation, adding that staff also feels it is the fiscally prudent thing to do.

Ms. Moynihan asked if it is money that the County puts into the reserve, not employee money. Ms. Gerome said that the reserves are funded with a combination of the employee premiums that they pay in, as well as Board contributions. Ms. Gerome stated that a single employee pays about $40 per month toward the reserve fund.

Mr. Boyd noted that if the County were not self-insured it would go to premium payments.

Mr. Koleszar noted that the County has co-insurance, so one year of disastrous claims would mean that the co-insurance would kick in.

Ms. Mallek pointed out that her first year on the Board saw an increase of 12% in health claims, and this approach makes her nervous.

Mr. Boyd added that not long ago the County had to kick in some additional money to cover a potential shortage.

Mr. Thomas asked what the threshold is for co-insurance. Ms. Gerome responded that it was at $2.0 million, but with health care reform it is now unlimited, with a stop-loss insurance increase this year, all paid out of reserves also. She added that they still feel that the reserves are well-funded, and the $1.2 million is a cost savings. Mr. Gerome said that won't go back to the reserve regardless of whether the boards decide this bonus is the right path to go down or not, or they do not need it to go back to the reserve would be a better way to say it.

Mr. Boyd said that there is not automatic movement of that to any other location, and it would stay in reserves unless staff brought it back for re-appropriation.

Ms. Gerome added that this would keep the threshold at more than 25%, as the fund is well above that now. Staff feels that they need to do something to get it a little more in line to what it needs to be. In fact, they will not be asking for an increase in this year's budget even though there will be a medical insurance increase. They believe that the reserves are so strong that they can fund for this year also.

Ms. Mallek asked if it is 35%. Ms. Gerome responded that it is even higher than that.

Ms. McKeel asked if Human Resources was feeling very comfortable making this recommendation. Ms. Gerome said that she feels very comfortable with this recommendation and would like very much to see this happen.

Ms. Moynihan commented that she appreciates the intent, but every year she has worked on a budget the issue of medical reserves surfaces. It makes her nervous to not having the medical reserves funded properly. Ms. Gerome replied it is well-funded; you want it funded appropriately.

Ms. Mallek asked if these funds are in an interest-bearing account. Ms. Gerome replied, “yes”.

Mr. Koleszar noted that the goal is to have the reserve fund at 25%. He asked how much it is over funded at this point. Ms. Gerome responded that it is currently approximately $11.0 million and should be $5 million, but when the five-year plan is considered it comes in line with what it should be.

Mr. Koleszar said that there is a willingness to allocate the $1.2 million now, while leaving the rest in for other needs. Ms. Gerome replied, exactly.

Mr. Boyd stated that typically in the past what has been done is reducing the increase in medical contributions for that year. Ms. Gerome confirmed that they are also making that recommendation. She also said that there was a mandate to begin accounting for retiree liabilities through GASB requirements, and that ended up at $3.6 million that was earmarked out of the account, but changes occurred with that and it was moved out of the reserve last year, so that helped in building the strong reserves.

Ms. McKeel reiterated that this is money saved because employees have been healthier and have not had to draw down their premiums. Ms. Gerome agreed, adding that the stop-loss insurance did cover some high claims, but some of those were reimbursed.

Ms. Moynihan asked for the total amount of money the bonuses would cost. Ms. Gerome confirmed that the cost is $1.2 million.

Ms. McKeel commented that she is glad to hear that the wellness program and other factors have enabled employees to reduce their claims and it is good that they can now reap these rewards. She thinks the money should be shared with the employees.

Ms. Moynihan said that perhaps this should wait until after the budget is done, as she would hate to disperse it now and then find out in April that it is needed because of the loss of state money.

Ms. McKeel emphasized that this is one-time money.

Mr. Snow asked if the one-time money could go toward the gap in VRS funding.

Ms. Moynihan agreed that this would be an appropriate use.

Ms. Mallek said that it could also go toward potential state cuts.

Ms. McKeel responded that it is one-time money and those cuts would need to be addressed again in the future.

Ms. Mallek stated that one-time money can be used for catch-up.

Ms. McKeel emphasized that it should be used for one-time purposes, not recurring expenses.

Mr. Tucker pointed out that the state is giving a one-time bonus and the City is considering doing the same, and competitively that is something the County needs to consider.

Mr. Thomas commented that his company is self-insured and he knows what it means to go over the limit.

Mr. Snow asked where the money comes from if the fund draw is exceeded. Ms. Gerome responded that it would have to come from the County, or from employees, but there is no danger of that now. She added that they did have to do that about eight years ago.

Mr. Koleszar mentioned that employees have to pay a lot more out-of-pocket now for co-pays which are also where some of the reserves are coming from. Ms. Gerome agreed, adding that the plan design changes are impacting what employees have to pay, with costs being passed onto them.

Mr. Boyd said that this money could have been used to cover some of those costs.

Ms. Gerome explained that the changes in the plan were designed to get the County’s plan more in line with those of peers in the market.

Ms. McKeel mentioned that University of Virginia employees received bonuses, Charlottesville has given bonuses two years in a row, federal employees got a raise, but County employees have been without anything for two years. Staff is recommending with absolute confidence that the two boards do this.

Mr. Snow stated that he supports it and the employees have earned it; they are doing a lot more with less. He added a good portion of this money is their money because they have already paid into it.

Mr. Thomas agreed and said that the employees are the County’s biggest asset.

Mr. Boyd asked if this would have to come back for an appropriation. Mr. Foley responded, “no”, because it is already sitting in the operating budget and can be reallocated to bonuses without an official appropriation. He added for clarity that the boards would not be taking the funds from the reserves; they are saying that the funds do not need to be sent to the health care program because it is already well funded.

Mr. Snow commented that he would also like to have a letter of appreciation sent to employees letting them know what they have accomplished and soliciting their assistance as the County moves forward in keeping prices and costs down in helping to balance the budget in the future.

Mr. Dorrier said he supports the request.

Ms. McKeel then **moved** for the School Board to accept Ms. Gerome's suggestion of paying out a lump-sum one-time bonus of $1.2 million for all employees, with $350 going to each employee. Mr. Miles **seconded** the motion. On a voice call vote, the motion passed on a 3:1 vote; Ms. Moynihan voted nay.

Mr. Snow **moved** to approve funding a $350 one-time bonus for all eligible County employees. Mr. Thomas **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

AYES: Mr. Snow, Mr. Thomas and Mr. Dorrier.
NAYS: Ms. Mallek and Mr. Boyd

Agenda Item No. 5. From the Public: Matters Not Listed for Public Hearing on the Agenda.

There were no other matters.

Agenda Item No. 7. Adjourn.

With no further business to come before the Boards, the School Board and Board of Supervisors adjourned their meeting at 5:16 p.m.

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Chairman

Approved by Board
Date: 03/02/2011 Initials: EWJ