An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on December 15, 2010, at 4:00 p.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from December 1, 2010.

PRESENT: Mr. Kenneth C. Boyd, Mr. Lindsay G. Dorrier, Jr., Ms. Ann Mallek, Mr. Dennis S. Rooker and Mr. Rodney S. Thomas.

ABSENT: Mr. Duane E. Snow.

OFFICERS PRESENT: County Executive, Robert W. Tucker, Jr., Assistant County Executive, Tom Foley, Assistant County Executive, Bryan Elliott, County Attorney, Larry W. Davis, and Senior Deputy Clerk, Ella Jordan.

Agenda Item No. 1. Call to Order.

Ms. Mallek, Chair, called the Board of Supervisors meeting to order at 4:02 p.m.

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

Agenda Item No. 2. Appointments.

Mr. Tucker thanked Mr. Pat Mullaney for the outstanding leadership he has provided in establishing Albemarle's Parks and Recreation services as one of the top programs in the Commonwealth. He stated that Mr. Bob Crickenberger and other employees have been assisting with the many departmental accomplishments. He then recommended the appointment of Mr. Crickenberger as the new Director of Parks and Recreation effective January 1, 2011 following Mr. Mullaney's retirement. Mr. Tucker pointed out that Mr. Crickenberger has been employed with Parks and Recreation since 1974 and has served as Deputy Director since 1990, where he has managed the day-to-day operation of the department, and assisted in the preparation of the annual operating budget and control of expenditures and related revenues.

Ms. Mallek **moved** to appoint Mr. Bob Crickenberger as Director of Albemarle County Parks and Recreation effective January 1, 2011. Mr. Rooker **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

AYES: Mr. Thomas, Mr. Boyd, Mr. Dorrier, Ms. Mallek and Mr. Rooker.
NAYS: None.
ABSENT: Mr. Snow.

Mr. Koleszar expressed his appreciation on behalf of the School Board to Mr. Mullaney and the cooperative working relationship he has fostered between local government and the schools.

Ms. Mallek said that at its meeting this past Monday, the Board appointed Mr. Bill Kittrell as the White Hall District representative on the Albemarle County Service Authority. Mr. Kittrell is a biologist by training and an environmentalist by nature and vocation. Ms. Mallek commented that Mr. Kittrell will balance the needs of the people and the rivers in the County's challenged watershed. Mr. Kittrell is Director of Conservation Programs for the Virginia Chapter of The Nature Conservancy. Mr. Kittrell provides management of and guidance for the Conservancy's state-wide conservation staff and programs including conservation planning, land and water management, research, outreach and other innovative ecosystem conservation programs, Mr. Kittrell has been the lead negotiator on numerous complex conservation deals and has been involved with water resource planning, protection, and conservation programs. Ms. Mallek said that Mr. Kittrell is a native of Greenville, NC, and received degrees in biology and economics from UNC-Chapel Hill; he now lives in Crozet with his family. She is excited that Mr. Kittrell has agreed to serve on the Albemarle County Service Authority.

Agenda Item No. 3. Consent Agenda. **Motion** was offered by Mr. Boyd to approve the consent agenda. Ms. Mallek **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

AYES: Mr. Thomas, Mr. Boyd, Mr. Dorrier, Ms. Mallek and Mr. Rooker.
NAYS: None.
ABSENT: Mr. Snow.

Item No. 3a. Virginia Retirement System (VRS) Plan Changes - Resolution to Pick up Employee's Contribution.

The executive summary states that the Virginia General Assembly adopted several benefit plan changes for the Virginia Retirement System ("VRS") for employees hired on or after July 1, 2010. One change stipulated that employees hired on or after July 1, 2010 with no prior service credit (VRS 'Plan 2' employees) must pay their VRS member contribution unless their employer elects to pick-up (in whole or in part) the five percent (5%) member contribution. Localities and school divisions may elect to pick-up, in whole or in part (in whole percent increments) the 5% member contribution for their VRS Plan 2 employees. The employer's decision to pay all or a portion of the member contribution for VRS Plan 2 employees is not irrevocable; however that decision must remain in effect for a full fiscal year (July 1 – June 30).

On June 2, 2010, the Board of Supervisors and the School Board decided to not pick-up the VRS Plan 2 employees' five percent (5%) member contribution for FY 2011, but directed staff to assess market trends and present a recommendation for FY 2012. At the October 6, 2010 joint meeting with the School Board, staff provided market data indicating that a majority of localities did elect to pick up the member contribution. At that meeting, the Board of Supervisors and School Board decided to pick up the five percent (5%) member contribution effective July 1, 2011. VRS requires that a resolution be adopted by any county or school board that elects to pay any portion of the VRS Plan 2 employee contribution. A resolution is attached authorizing Albemarle County to pick-up the five percent (5%) member contribution for VRS Plan 2 employees effective July 1, 2011. The School Board will also be considering a resolution to pick-up the member contribution for its VRS Plan 2 employees at the December 15th joint Board meeting.

There is no impact for this fiscal year. The budget implications for the upcoming year will be reflected in the FY2011-12 budget.

Staff recommends that the Board of Supervisors adopt the attached resolution authorizing Albemarle County to pick-up the five percent (5%) member contribution for VRS Plan 2 employees effective July 1, 2011.

By the above-recorded vote, the Board adopted the following resolution authorizing Albemarle County to pick-up the five percent (5%) member contribution for VRS Plan 2 employees effective July 1, 2011:

The Virginia General Assembly, in its 2010 session passed legislation creating a separate retirement plan for employees hired on or after July 1, 2010 (hereafter referred to as "Plan 2" employees). The legislation amended VA Code § 51.1-144 to provide that Plan 2 employees will pay their 5 percent member contribution and that, absent other action by the employer, such contribution will be paid through salary reduction according to Internal Revenue Code § 414 (h). Internal Revenue Code § 414 (h) provides that a governmental employer may "pick-up" mandatory employee contributions and thereby cause the contributions to be made on a pre-tax basis. The formal written action required by Internal Revenue Code § 414 (h) to effect the pick-up has been taken by the General Assembly with the Governor's signature.

The legislation also permits each county, city, town, local public school board or other local employer to pick-up, in whole or in part (in 1 percent increments), the 5 percent member contribution as an additional benefit not paid as salary. The employer's optional payment of the 5 percent member contribution may be phased in over a period approved by the VRS Board not to exceed 6 years and may only be made on a uniform basis for all its Plan 2 employees. The formal written action required by Internal Revenue Code § 414 (h) to effect the pick-up using the alternatives permitted by the legislation must be taken by the governing body of the specific employing entity and must be effective only on a prospective basis.

Please indicate, by selecting one option below, how member contributions will be paid:

- ❑ This is to acknowledge that________________________ (Employer Name) will have the employees pay the 5 percent member contribution according to the terms of the legislation. This action does not require action by your governing body. ___________________________(Authorized Signature)____________(Date)

- × This is to acknowledge that the County of Albemarle, Virginia elects to pick-up some or all of the 5 percent member contributions as detailed in the following duly approved resolution.

RESOLUTION

Authorization to Pick-up the Employee's Contribution to VRS
Under § 414(h) of the Internal Revenue Code For Plan 2 Employees

WHEREAS, the Virginia General Assembly, in its 2010 session passed legislation creating a separate retirement plan for employees hired on or after July 1, 2010 (hereafter referred to as "Plan 2 Employees"). The legislation stipulates that Plan 2 Employees will pay their 5 percent member contribution and that, absent other action by the employer, such contribution will be paid through salary reduction according to Internal Revenue Code § 414 (h) on a pre-tax basis; and

WHEREAS, the legislation allows certain employers, including the County of Albemarle, Virginia, to pick-up and pay all or a portion of the member contributions on behalf of its Plan 2 Employees as an additional benefit not paid as salary; and

WHEREAS, the election to pick-up and pay all or a portion of the member contributions on behalf of its Plan 2 Employees as an additional benefit not paid as salary shall, once made, remain in effect for the applicable fiscal year (July 1 - June 30) and shall continue in effect beyond the end of such fiscal year absent a subsequent resolution changing the way the 5 percent member contribution is paid; and

WHEREAS, employee contributions that are picked-up as an additional benefit not paid as salary are not considered wages for purposes of VA Code § 51.1-700 et seq. nor shall they be considered salary for purposes of VA Code § 51.1-100 et seq.; and

WHEREAS, the County of Albemarle, Virginia desires to pick-up and pay its Plan 2 Employees' member contributions to VRS as an additional benefit not paid as salary in an amount equal to 5% of creditable compensation; and
WHEREAS, VRS tracks such picked-up member contributions and is prepared to treat such contributions as employee contributions for all purposes of VRS.

NOW, THEREFORE, IT IS HEREBY RESOLVED that effective the first day of July, 2011, the County of Albemarle, Virginia shall pick-up member contributions of its Plan 2 Employees to VRS as an additional benefit not paid as salary in an amount equal to 5% of creditable compensation subject to the terms and conditions described above; and it is further

RESOLVED that such contributions, although designated as member contributions, are to be made by the County of Albemarle, Virginia in lieu of member contributions; and it is further

RESOLVED that nothing herein shall be construed so as to permit or extend an option to VRS members to receive the picked-up contributions made by the County of Albemarle, Virginia directly instead of having them paid to VRS.

Item No. 3b. Resolution – Proposed Financing for Greater Charlottesville Habitat for Humanity, Inc.

The following letter dated December 14, 2010, was received from the Mr. Blake Hurt, Secretary, Economic Development Authority of Albemarle County, Virginia:

Greater Charlottesville Habitat for Humanity Inc. ("Habitat") has requested that the Economic Development Authority of Albemarle County, Virginia (the "Authority") assume, modify and reissue an existing $6,000,000 note (the "Original Note") of Southwood Charlottesville LLC ("Southwood"), whose sole member is Habitat, originally entered into in connection with the acquisition of approximately 350 trailer pads for the Southwood Mobile Homepark (the "Project"), which is located on approximately 100.5 acres of land at 387 Hickory Street, Charlottesville, Virginia 22902 (collectively, the "Project").

As set forth in the resolution of the Authority attached hereto (the "Resolution"), the Authority has agreed to assume, modify and reissue the Original Note as requested. The Authority has conducted a public hearing on the proposed financing of the Project and has recommended that you approve the assumption, modification and reissuance of the Original Note as required by Section 147(f) of the Internal Revenue Code of 1986, as amended, and Section 15.2-4906 of the Code of Virginia of 1950, as amended.

Attached hereto is (1) a certificate evidencing the conduct of the public hearing and the action taken by the Authority, (2) the Fiscal Impact Statement required pursuant to Virginia Code Section l5.2-4907, and (3) the form of resolution suggested by counsel to evidence your approval.

By the above-recorded vote, the Board adopted the following resolution to propose financing for Greater Charlottesville Habitat for Humanity, Inc.:

RESOLUTION
OF THE BOARD OF SUPERVISORS OF
ALBEMARLE COUNTY, VIRGINIA

WHEREAS, the Economic Development Authority of Albemarle County, Virginia (the "Authority"), has considered the application of Greater Charlottesville Habitat for Humanity Inc. ("Habitat") requesting the Authority's to assume, modify and reissue an existing $6,000,000 note (the "Original Note") of Southwood Charlottesville LLC ("Southwood"), whose sole member is Habitat, originally entered into in connection with the acquisition of approximately 350 trailer pads for the Southwood Mobile Homepark (the "Project"), which is located on approximately 100.5 acres of land at 387 Hickory Street, Charlottesville, Virginia 22902;

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), provides that the governmental unit having jurisdiction over the issuer of private activity bonds and over the area in which any facility financed with the proceeds of private activity bonds is located must approve the issuance of the bonds;

WHEREAS, the Authority issues its bonds on behalf of Albemarle County, Virginia (the "County"); the Project is located in the County and the Board of Supervisors of Albemarle County, Virginia (the "Board") constitutes the highest elected governmental unit of the County;

WHEREAS, the Authority has recommended that the Board approve the assumption, modification and reissuance of the Original Note (the Original Note, as assumed, modified, and reissued, is hereafter referred to as the "Note"); and

WHEREAS, a copy of the Authority's resolution approving the execution and delivery of the Note, subject to the terms to be agreed upon, a certificate of the public hearing and a Fiscal Impact Statement have been filed with the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF ALBEMARLE COUNTY, VIRGINIA:

1. The Board approves the execution and delivery of the Note by the Authority for the benefit of Habitat as required by Section 147(f) of the Code and Section l5.2-4906 of the Code of Virginia of 1950, as amended (the "Virginia Code"), to permit the Authority to assist in the Project.

2. The approval of the execution and delivery of the Note does not constitute an endorsement to a prospective purchaser of the Note of the creditworthiness of the Project, Southwood or Habitat.

3. This resolution shall take effect immediately upon its adoption.

Item No. 3c. Resolution to Amend Section 5.3 of the Regional Jail Authority Service Agreement.

The executive summary states that the City of Charlottesville and the Counties of Albemarle and Nelson have established the Albemarle-Charlottesville Regional Jail Authority that operates pursuant to the *Service Agreement for the Albemarle-Charlottesville Regional Jail.* Section 5.3 of the Service Agreement requires the Jail Authority to maintain an Operating Reserve Fund in an amount equal to not less than 90 days or 25% of the adopted Annual Budget for the Jail Authority. The Superintendant of the Jail Authority has requested on behalf of the Jail Authority that Section 5.3 be amended to reduce the Operating Reserve Fund requirement to 20% of the adopted Annual Budget. SunTrust Bank, the holder of the current revenue note representing the outstanding indebtedness, has advised the Jail Authority that the note does not require the maintenance of the Operating Reserve Fund, and that SunTrust does not object to a reduction of the balance in the Operating Reserve Fund. Section 10.5 of the Service Agreement provides that the Agreement may be changed or amended only with the consent of the Authority and each Member Jurisdiction.

The Jail Superintendent, by letter dated December 7, 2010, has requested an amendment of the Service Agreement and has set forth the reasons for the request. (See Attachment A) The background information regarding the jail security system referenced in the Superintendent's letter is provided in the attached Jail Authority Executive Summary dated November 11, 2010. (See Attachment B) If the Board concurs in the request to amend the Service Agreement, a Resolution has been prepared for the Board's adoption. (Attachment C) Concurrent Resolutions will be considered by Charlottesville, Nelson, and the Jail Authority.

There is no impact on the County budget. This action will facilitate the acquisition of the jail security system by the Jail Authority.

Staff recommends that the Board adopt the attached Resolution to Amend Section 5.3 of the Service Agreement for the Albemarle-Charlottesville Regional Jail. (Attachment C)

By the above-recorded vote, the Board adopted the following resolution to Amend Section 5.3 of the Service Agreement for the Albemarle-Charlottesville Regional Jail:

**A RESOLUTION
TO AMEND SECTION 5.3 OF THE SERVICE AGREEMENT FOR
THE ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL**

WHEREAS, the City of Charlottesville and the Counties of Albemarle and Nelson (the "Member Jurisdictions") have previously established the Albemarle-Charlottesville Regional Jail Authority, and adopted an agreement (the "Service Agreement") that established their respective rights and obligations regarding the financing, construction and operation of the regional jail serving their jurisdictions; and

WHEREAS, since its initial adoption, Section 5.3 of the Service Agreement has included a provision, intended to provide assurance to the bank that provided the financing for construction of the jail, that the Jail Authority would maintain an Operating Reserve Fund equal to 90 days, or twenty-five percent, of its annual operating budget; and

WHEREAS, over the ensuing decade, the amount in the Operating Reserve Fund has increased, and the unpaid balance of the Jail Authority's indebtedness has decreased; and

WHEREAS, SunTrust Bank, the holder of the current revenue note representing that outstanding indebtedness, has advised the Jail Authority that the note does not require the maintenance of the Operating Reserve Fund, and that SunTrust does not object to a reduction of the balance in the Operating Reserve Fund; and

WHEREAS, the Jail Authority has determined that certain major security system components in the jail have reached the end of their useful life, and need to be replaced; and

WHEREAS, the Jail Authority and the Member Jurisdictions have determined that the most prudent and cost-effective way to pay for the security system replacement is to withdraw the required amount, not to exceed $850,000.00, from the Operating Reserve Fund; and

WHEREAS, the Jail Authority and the Member Jurisdictions wish to amend the Service Agreement to allow that withdrawal, thereby reducing the Operating Reserve Fund to twenty percent of the current Annual Budget, and to provide a method for approval of future withdrawals; now therefore, be it

Resolved by the Boards of Supervisors of Albemarle, and Nelson Counties and the Council of the City of Charlottesville, with the concurrence of the Albemarle-Charlottesville Regional Jail Authority, that

1. Section 5.3 of the Service Agreement is amended and readopted as follows:

   Section 5.3 **Operating Reserve Fund.** The Authority agrees to provide for an Operating Reserve Fund in each of its Annual Budgets in an amount equal to not less than ~~90 days~~ *twenty percent* of its projected Annual Budget for each year, less debt service. The Operating Reserve Fund will be established as a separate account and will be used to cover periods of revenue shortfall when the Authority's revenues are not sufficient to cover its Operating Expenses or Debt Service, *or in such other instances as may be approved by the Authority and concurred in by the chief administrative officers of all member jurisdictions. If such withdrawals reduce the Operating Reserve Fund below twenty percent of the Annual Budget, the Authority shall adopt a plan to restore it to that level over a period not to exceed three fiscal years.*

2. The chief administrative officers of the Member Jurisdictions and the Jail Authority are authorized to sign a conformed copy of the Service Agreement incorporating this amendment.

Agenda Item No. 4. **Joint Meeting with School Board:**

SCHOOL BOARD MEMBERS PRESENT: Mr. Stephen Koleszar, Ms. Diantha McKeel, Mr. Harley Miles, Ms. Barbara Massie Mouly (arrived at 4:06 p.m.), Mr. Ronnie Price, Sr., and Mr. Eric Strucko.

SCHOOL BOARD MEMBER ABSENT: Ms. Pamela Moynihan.

SCHOOL BOARD STAFF PRESENT: Dr. Pam Moran, Superintendent, Dr. Bruce Benson, Assistant Superintendent for Planning and Operations, Mr. Billy Haun, Assistant Superintendent for Student Learning, Mr. Jackson Zimmerman, Executive Director of Fiscal Services, and Ms. Jennifer Johnston, School Board Clerk.

Item No. 4a. Brief Update on Access Albemarle.

The following executive summary was provide to Board members:

Albemarle County entered into a multi-year partnership with Microsoft Corporation several years ago to develop an integrated local government/school business management system to improve many of the County's key business systems. These improvements were designed to help the County meet its strategic objective of efficiency and effectiveness in county government operations. The partnership with Microsoft was developed to capitalize on the County's current use of Microsoft products and the County's existing enterprise agreement with Microsoft. The project's initial phases involved extensive analysis of existing business processes across local government and school division departments, requiring significant research and assessment of numerous functions related to the County's financial and human resources activities.

When completed, *Access Albemarle* will provide the County with an integrated public sector solution that combines and streamlines operations that are currently provided through separate mainframe systems that are not integrated. This integrated system will allow the County's existing business functions, which include financial management, purchasing, human resources, payroll, budgeting, and tax collection, to work together and will allow County leadership to better identify and track County financial and human resource operations.

The County first started working towards this integrated application in 2006, knowing that although the end result would be very beneficial, it would be a long and complex process to analyze and integrate numerous functions related to our financial and human resources activities. It has proven to be challenging and we have encountered some setbacks as we have worked with Microsoft and several other vendors to develop this integrated business management system. In spite of these setbacks, staff has continued in this effort to protect the County's previous investment in the development of the system and has successfully negotiated a no additional cost agreement with Microsoft to move the project forward.

Thanks to the hard work and persistence of staff and the successful partnership with our implementer, Avastone (formerly Anderson Tackman Company). Phase 1 of the project became operational centrally in the Finance Department on July 1, 2010. This phase includes General Ledger/Financial Management System, Procurement and Accounts Payable, Fixed Assets, Miscellaneous Billings and Receivables Management and the integration of the Financial Management System (FMS) with Enterprise Reporting. In addition, the *basic* Budgeting and Reporting components of the new system for local government have been successfully implemented and are currently in use. Remaining steps to achieve full implementation of *enhanced* budgeting and reporting for local government will continue in preparation for the coming fiscal year. With the exception of these *enhanced* budgeting and reporting items, the final step for implementation of the core business systems of the County, which was the primary objective of Phase 1, will be the distribution of the new system to departments for their use, beginning with the IT Department this month. Due to some of the unique budgeting and tracking needs of the school system, the decision was made to focus attention on implementation of the core needs of the Financial

Management System and local government budgeting and complete school budgeting for utilization for FY 2012-13, after those components had become operational.

System Benefits:

There were a number of critical organizational benefits that motivated the County to undertake this significant effort several years ago. These benefits are especially important now in providing opportunities for increased efficiencies and streamlined processes across the organization:

- Improves access to data - providing decision-makers with real time information and increasing the County's ability to make data driven decisions
- Standardizes business operations in a server based environment - improving operational flexibility
- Provides integrated business systems and processes:
    - reducing paper flow
    - eliminating duplicate data entry
    - removing/reducing redundant systems and process steps
    - reducing time to process reports
- Improves data transparency and clarity of County operations
- Results in a more modern and user friendly system interface
- Supports the County's efforts in performance management
- Will create more customer focused government operations

How the Project Scope has evolved:

The project scope evolved over time as county staff worked with Microsoft and other vendors to focus specifically on meeting the County's core business needs and developing a reasonable and supportable approach to implementing the various phases of the system. The following are key adjustments that have allowed Phase 1 of the Access Albemarle project to successfully become operational in July, 2010:

Original Project

- Software development effort - new product with considerable effort to develop
- Large, complex, all or nothing effort designed to be implemented all at one time
- Run by consultants from various companies with varying degrees of local government experience
- *Focused on development*

Revised Project

- Utilizes maturing set of existing Microsoft products which are the core of the system
- Focused on meeting the County's basic business needs first, with the potential for future enhancements
- Phased approach to implementation
- Standardization - Part of larger potential Virginia local government client base
- Run by experienced government consultants
- Stronger County project management focus - Measured approach with phases and milestones
- *Focused on implementation*

Project Milestones:

***Phase 1**: Fixed Assets, Financial Management & Reporting, Procurement – Currently operational centrally*
Distribution to departments beginning with IT in progress
Local Government Budgeting – Department input and utilization by OMB for FY 2011-12 Budget preparation
School Budgeting – Planned to be operational for FY 2012-13 Budget

***Phase 2**: Payroll (and required Human Resources modules) – Planned to be operational by April, 2011*
Human Resources (remaining functionality) – Planned to be operational on July, 2011

***Phase 3**: Revenue & Tax Collections – Planned to be operational by December 31, 2011*

The County has expended approximately $4 million to date for all software, hardware and consulting service through the arrangement with Microsoft, though no funds have been expended for the past two years while implementation has continued. The County will incur no additional project costs through the Microsoft agreement, with the exception of $88,000 for non-Microsoft software needed for implementation.

No action is requested by the Board at this time.

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Mr. Foley said that staff would provide a brief update today on the Access Albemarle project, which the staff has been working on for several years. He said that the project has a process-owners group that includes Mr. Boyd and Mr. Koleszar as well as the Superintendent and County Executive. There are also joint committees of School staff and local government staff that are working on and overseeing the project, and providing guidance as it proceeds.

Mr. Foley stated that the first goals of the project are focused on the replacement of the mainframe system and moving to a server-based environment so that there is more flexibility and adaptability for new software. The goals include standardizing business operations in a server based environment; integration of key business systems; improving operational efficiency (reducing paper flow, removing duplicate data entry, removing/reducing redundant systems and process steps, reducing time to process reports); improving access to data; providing "real-time" data analysis to desktops; and providing for data driven decisions.

Mr. Foley said the scope of the project is broken down into three major phases:

- *Phase 1*: Key Financial Management Systems
  - Fixed Assets
  - Purchasing
  - Accounts Payable and Receivables
  - Budget
    - Annual Budget Management
    - Budgeting Development
  - Financial Reporting
- *Phase 2: Human Resources and Payroll*
  - Employee Management
  - Compensation
  - Benefits
- Phase 3: Revenue & Tax Collections

He reported that as part of the "Key Financial Management Systems", fixed assets, centralized purchasing, accounts payable, accounts receivable, and components of the budget and financial reporting are all currently in use. Regarding the budget, Mr. Foley said, basic budget development and reporting for local government is in place and is being used for preparation of this budget, with delineation between basic budgeting and enhanced levels of budget analysis that continue to be refined. He stated that the highest level of that use will not come into play until the next budget cycle, but the departments have all entered their budget and the Office of Management and Budget is doing analysis that will be provided to the Board during its budget process. Mr. Foley stated that the annual budget management activity needed by departments is almost complete, with a few final pieces such as the integration of the monthly amendment process and a detailed account activity report for departments. In terms of final work that is in process – enhanced budget development and reporting – can be done now, but having those fully work within the new software is still in the development phase. He anticipates being in a position to use that function in the next budget year. He emphasized that the most challenging aspect of this project is the unique needs of the school system - tracking expenditure data at a different level, coding, etc. Staff decided to wait until the local government budgeting piece was complete so it can be built upon to achieve the School's needs. Mr. Foley noted that staff is also hopeful to be able to complete this before the next budget cycle, as the schools traditionally start their budgeting process in August. He added that the core business functions of County government are on the new system and working well.

In terms of the project status for the other phases, Mr. Foley reported that the processes for "Human Resources and Payroll" have begun. Payroll, including required HR modules, plans to cut the first checks on the new system in April. The system is currently in the design and configuration process. There are some core-related HR benefit tracking items that will be done as part of that timeframe. He stated that some of the more complicated issues related to the HR system would be completed by July 1, 2011. Some Finance and HR staff has been to other localities to look at best practices and how they track expenditures and benefits. Mr. Foley mentioned that staff may come back to the two Boards with some potential policy changes or changes in business practices. They will start with the process owners group to discuss some options they may want to consider for change in processes. He added that they have previously discussed the 10-month and 12-month payroll cycle, for teachers in particular, along with the possible advantages of using direct deposit and bi-monthly paychecks. Mr. Foley added that if there are any significant policy changes, they will come before the Boards for consideration.

Mr. Foley stated that the process for "Revenue and Tax Collection" is beginning with a target completion timeframe of the end of calendar year 2011. Staff is considering software packages that might work best for the County's operations.

Mr. Foley said staff has made substantial progress in the last year. There still are a few challenges but that is typical for a project of this size. He added that over the last two to three years the County has not spent any additional money on the agreement with Microsoft, as the company agreed to bring the project to a close successfully without any more costs. Staff is put a tremendous amount of time into this project. Mr. Foley said that some of the County's consultants are onsite this week to work and help bring it to completion, along with some key staff members who have been working extremely hard.

Ms. Mallek asked if the data would be configured in a way so that an interested citizen could capture certain parts of it. Mr. Foley responded that the eventual goal is to improve access, but the first part of the process is what is being done now. He added that as financial reports are presented to the Board and approved, the information and certain levels of data will be accessible to others.

Mr. Price pointed out that there will definitely be some efficiencies gained, especially in Human Resources, but confidentiality is a concern given the prevalence of hackers. Mr. Foley concurred.

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Item No. 4b. Work Session**:** Capital Improvements Program.

Mr. Bill Letteri, Director of the Office of Facilities Development, said that this meeting is part of the annual CIP review process, beginning with requests from departments and agencies over the summer, which are reviewed carefully by the Office of Facilities Development then forwarded onto the Technical Review Team where they are ranked and evaluated for appropriateness and inclusion in this year's amendment cycle. He explained that the TRT then presents a recommendation to the Oversight Committee for a balanced Plan, based on available revenues and resources. The Oversight Committee meets and discusses the degree to which these projects and the Plan conform to the policies and goals of the Board. He added that two Board of Supervisors members, two School Board members, a Planning Commission member and a citizen at-large serves on the Oversight Committee.

Mr. Letteri said that the resource and revenue assumptions that went into building this plan defines what can be done with the Plan and the capabilities for funding the projects. During this meeting he will provide an overview, through functional area, of the proposed plan. There is still an environment where the County has unfunded needs, which the Committee has compiled into a list. He said that there are other committee recommendations, and they have taken the opportunity in engaging the Oversight Committee to think generally about our policies and practices with regard to the capital program.

Mr. Letteri stated that the County is still in restricted economic times, but it is hoped that things are moving up and the five-year model reflects that optimism. He said that 2011 is an amendment year in the cycle which means they can only look at emergencies and critical needs with 2012 being a year for review of the full ten-year period. Mr. Letteri pointed out that there was clearly an understanding from the staff point of view that this was a difficult year, and the requests that came forward in the area of maintenance were conservative in their approach, with long-term needs not really considered in this cycle. He added that there are revenue and debt assumptions for a level tax rate over the five-year period, which translates into a large part of what comes into general revenues and in turn impacts what is transferred to the Capital Plan. Mr. Letteri stated that the committee has modeled projections in increases over the five-year period, with some assumptions about growth in real estate taxes, sales tax, etc.

Mr. Letteri said that the County has debt it recently issued, debt it planned for this spring, and more to come in the future of the Capital Plan. He stated that the estimates have been revised downward to reflect current market conditions, with the last issue at 3.5% and 4% expected for fall with 5% for the balance of the plan. Mr. Letteri added that bond counsel feels this is a conservative approach.

Mr. Rooker noted that rates for long-term treasuries have gone up quite a bit over the last three months.

Mr. Letteri responded that now is a good time to be borrowing. He also said that Albemarle had traditionally assumed a seven-year amortization schedule on heavy equipment such as fire engines, but peer localities around the country use a 10 or 12-year amortization, so the County has adopted that instead.

Mr. Thomas asked how maintenance might increase for apparatus over those additional three years. Mr. Letteri replied that maintenance is paid for through operations, not through capital. He added that he would be discussing that point in his presentation when talking about apparatus replacement.

Mr. Letteri stated that the plan assumes achieving a 9% fund balance, which will allow for transfer of an excess amount of $2.0 million from FY 2010 into the Capital Plan as part of resource assumptions. Mr. Letteri said that they are also making assumptions about earmarking future surpluses for operations, which he characterizes more as under-expenditures of an estimated $500,000 for the next three years and then increasing to $1.0 million after that. He added that the Committee has asked staff to look at updating the proffer revenue assumptions, which were increased over the five-year period.

Mr. Letteri said that the Plan funds required maintenance on existing facilities, continues the replacement cycle of critical equipment and apparatus, and funds the Ivy Fire Station through a series of liquidations of prior year accumulations. He said that he has sent the Board a draft proposal with those items outlined, but it will be discussed further at future meetings. Mr. Letteri said the Plan also funds Greer Phase II.

Mr. Rooker asked the schedule for the Greer project. Mr. Letteri replied that in order to get the project bid this summer, they would have to begin immediately with the design.

Mr. Rooker commented that the bid should go out as soon as possible given the current giving climate. Mr. Letteri agreed.

Mr. Boyd asked if they designed it in phases, instead of both phases at the same time. Mr. Letteri responded that it was designed conceptually, but the County did not proceed with the actual working documents that allow the work to be bid. He stated that they did not want to spend the money to actually design the final drawings until they knew they were going to do the project.

Mr. Letteri said that the overall CIP results in a five-year balanced plan, which means there is about $2.0 million in reserves at the end of the cycle. Mr. Letteri noted a rise in the General Fund transfer to the CIP, again reflecting the model, noting the net transfer after debt service. He pointed out that last year and in the first year of 2012, the County is spending almost all of the transfer on debt service. The goal is to be funding at least 3% of current revenues into the Capital Plan. Mr. Letteri stated that in the last year of the five-year period, the combination of net transfers, plus other current revenues, gets about

$4.5 million, or almost 3%. It is a positive trend heading in the right direction. He also said that there is about $45.0 million to $47.0 million in borrowing over the period. The Plan provides for approximately $73.0 million in project and maintenance costs over the period.

In the category of Courts, Mr. Letteri said that the Plan funds all the maintenance for the Juvenile & Domestic Relations and the Court Square project (Albemarle Courthouse). Money is included for the Old Jail. He hopes that the Historical Society will come forward with funds to take that project off the County's hands, but currently the County is funding some core maintenance needs.

The category of public safety includes primarily equipment replacement and apparatus. There are no major changes in this category.

Mr. Boyd asked why the Old Jail project is still in the Plan, as it could not have scored very high on the Committee's prioritization schedule. Mr. Letteri replied that the funding is only for maintaining the building in the most basic sense, to ensure that there is no water infiltration or other damage, and does not include any restoration.

Mr. Letteri said that in the area of apparatus, the Committee had proposed adjustments that leveled those costs out somewhat, with a few years added to amortization, which might increase maintenance costs for those later years.

Mr. Thomas said that it was discussed at the last ACFRAB meeting, and they have switched a few vehicles around in the priority list.

Mr. Letteri added that the Oversight Committee is recommending some policy revisions for apparatus.

Mr. Rooker mentioned that that is not really a change from last year; the items have just been moved around.

Mr. Letteri reported that Public Works projects include maintenance on government facilities and mandates such as Ivy Landfill obligations, Moore's Creek, and rental on the County's storage facility. He added that there is funding allocated for the Old Crozet School just to keep the building habitable for the tenants that are currently there. There was initially a larger request that has been reduced. There is likely to be some further discussion about the long term disposition of that property. They Committee has also consolidated the brick and mortar replacement project on this building to take advantage of the favorable bidding climate.

He stated that the Parks and Recreation portion of the Plan is primarily maintenance only except for the Burley and Lane field pole lighting, which would happen in FY16.

Mr. Rooker asked about the ultimate disposition of the Old Crozet School, stating that it would be wise to consider that prior to spending $200,000 on improvements there. Mr. Letteri responded that that is why the item is pushed out a year in this Plan, in order to provide some additional time to evaluate its placement.

Funding for Libraries are maintenance only, with much of it being joint agreements with the City to maintain the jointly owned libraries and smaller expenditures for other County libraries. He stated that the Plan includes continuation of running the County's server and all necessary equipment to run technology operations. Stormwater is maintained at the $100,000 level, which is reduced from previous years.

Ms. Mallek asked if that amount was just a placeholder, or an actual expense to maintain the facilities already in existence.

Mr. Letteri explained that there is a series of stormwater projects and areas that have been identified as needing work. There is an accumulated balance from past few years as well as additional amounts coming forward in the few years ahead.

For schools, Mr. Letteri said that there is a continuation of a number of the technology programs and grants that have been there in past years. The vast majority of the funding is for maintenance on the 26 school campuses, 2.5 million square feet of space. The Committee continues to evaluate these numbers in terms of their detail and overall reasonableness in terms of what is seen in the industry. Mr. Letteri noted that the schools' maintenance costs come in at about $1.65 per square foot, with government building costs at $1.45.

Mr. Rooker asked for an explanation of the terms, maintenance, and replace financed. Mr. Letteri explained that many of the schools' maintenance projects are quite large and have useful lives of more than 20 years and are appropriate for financing. Those projects include major component replacements such as HVAC systems, roof systems, major inside renovations, etc. He added those are the ones they have tried to capture and finance. They try to use the $500,000 to address the series of projects that are not so long term in nature.

Mr. Rooker commented that within the $2.9 million for FY12 there is a list of projects with estimated amounts. Mr. Letteri responded that that was correct. He added that each school and local government goes through a cycle periodically of a full assessment of facilities, sometimes with engineers going through to document the conditions. Timing/cost of renovations are then prioritized.

Ms. Mallek asked when that full information including background would be provided to the Board. Mr. Foley stated that the information is typically provided with the presentation of the budget document, but it can be provided sooner if the Board desires. Mr. Letteri said he can provide as much in-depth information as Board members want.

Mr. Letteri said that direct costs for project management fees are paid out of capital.

Mr. Letteri mentioned that some notable decisions the Technical Review Team and Oversight Committee had to make to balance this plan include the following: 1) reducing the Old Crozet School from $800,000 to $200,000; 2) moving the North Garden fire-engine truck acquisition from year three to year four; moving the Crozet fire-engine truck acquisition from year three to year four - acknowledging that it would increase the cost of the equipment because of inflation and may result in more maintenance costs; and consolidating the County Office Building mortar/brick re-pointing which he thinks will save a considerable amount of money.

In terms of unfunded submissions, Mr. Letteri noted that the TRT considered the Crozet Library project to be an emergency, and thus the project qualified for inclusion in an amendment year, however it was not funded in the program. Mr. Letteri said that there were other projects considered by the TRT, such as the library projects, a series of school projects such as gym floors, and the ACE Program. He mentioned that some of the projects from prior years include identified needs that will be a reality in the next five or ten years, including public safety projects, public works projects such as windows in the County Office Building, security improvements, recycling centers, and the whole area of Community Development, such as roads and street lights, which have not been funded over the last few years and are not slated for funding in the next five years.

Mr. Letteri reported that there were a number of park improvement projects that were suspended that remain on hold, with only maintenance currently being done on parks. He stated that the Support Services Complex for the schools has been deferred but remains a need, and there was also an Intergenerational Center project last year that was deemed viable but not funded. Mr. Letteri said that staff would be coming back to the Board in January to discuss the Levy project, as well as overall needs to address the General District Court and Circuit Court operations.

Mr. Koleszar said that when the CIP started, the School Division was not anticipating the enrollment growth that it is now anticipating, so in the next non-amendment year there will probably be a need for school additions or new schools that are not reflected in this plan. In the cycle of the CIP that data was not available.

Mr. Boyd asked about the status of the Greenway Program, noting that there was already money available for portions such as the stretch at Pantops. Mr. Letteri responded that those are still planned, but they have not advanced to a point where the County is ready to proceed.

Ms. Mallek commented that she thought those projects were already underway.

Mr. Boyd said the Central Library renovations are a joint endeavor between the County and the City, and asked if there would be some push back on that project.

Mr. Letteri responded that the entire project cost was approximately $14.0 million and at the time it was determined that more study was needed to address the issue of Administration, including the possibility of moving the Administrative office to the North Library. He added all of these discussions remain unresolved and need to go forward.

Mr. Elliott noted that regarding the greenways, there is funding available in the CIP for some bridges for the trail in the Pantops area, but if that is all used for bridges there will not be any remaining funds available. He also said that staff is hoping to wrap up the library analysis in January and have a work session with the Board in early February.

Mr. Boyd said that he recalls the contention encountered last year when reduced library operating funding was being considered by the Board. Mr. Elliott responded that that is why staff wants the work session to take place during the beginning of February.

Mr. Letteri reported that other recommendations from the Oversight Committee include the apparatus replacement policy. There was a strong sense that a strict set of criteria needs to be followed, including the length of time that equipment should be used and replaced and a rotational analysis where equipment with lower mileage may be transferred to another division. In general, the Oversight Committee felt that a policy statement should be developed and they will work with ACFRAB to develop a written policy that conforms to this recommendation.

Mr. Boyd said that volunteer fire departments do not seem to want to consider equipment rotation, but it is important for the Board to know what the cost of fleet rotation will be. He suggested that staff put together some information about how other units handle this and the potential cost savings.

Mr. Foley stated that the Oversight Committee felt strongly about a policy to give some direction, recognizing that there would probably be some opposition to that. He added that it will be a challenging issue to work through, but that does not mean they will not be able to work through it.

Mr. Letteri said that it has been a long-standing priority of the Board to fund maintenance programs. There has been discussion about creating this area as its own functional category in the CIP plan, so all functional areas would be grouped together in terms of just core maintenance on existing facilities, which would enable the staff to see it is a rising priority and provide a view of needs over time.

Mr. Dorrier asked if maintenance was outsourced.

Mr. Letteri replied that a lot of projects that are included in this funding are hired as contract workers, but most of the facility maintenance done internally is handled through operation budgets from General Services or Building Services.

Mr. Foley said a lot of the work is contracted because there is not staff available to do it.

Mr. Rooker said that he would like to know what the differential would be if an equalized tax rate were adopted, and what could be accomplished if the additional revenues were leveraged.

Mr. Strucko asked if those additional funds would be subject to the 60/40 split with a portion of the differential going to schools for operations.

Mr. Rooker said if it were not in capital, it would be increased revenue and subject to the 60/40 split.

Mr. Rooker emphasized that there is an opportunity to bid projects now at a cost of 25% to 30% less than five years ago, and perhaps five years into the future.

Mr. Boyd said he has no problem with doing that, but he would like to revisit a bond referendum on the Board of Supervisors side to fund the projects that are not getting done, and therefore let constituents decide on these projects.

Mr. Rooker responded that going to a bond referendum to get $25.0 million in bonds does not pay for the debt service on those bonds.

Mr. Boyd said that it does if a tax rate increase is tied to it.

Mr. Rooker pointed out that he is not aware of tax increases being tied to referendum.

Mr. Foley explained that the Board has the choice to do that, and it is common practice to ask constituents whether they support a tax increase in order to pay for the projects. He said that in other localities, they put it out and say this is the best way to finance it without revealing a tax increase as part of it. He said that all of these things would be coming to the Board in a January work session. Staff will provide a broad scope of options for the Board to consider.

Mr. Strucko said that if the assumption is that 100% of the differential goes to capital, then the schools are kind of cut off from considering operational needs that may be more of a priority.

Mr. Rooker responded that the Board has not seen the Schools' budget yet, but this CIP budget is built upon the assumption that the rate is not going to change, as is the five-year financial plan. He is just putting this idea out for discussion at this point. He also said that having approval given through a bond referendum does not necessarily mean a locality would raise taxes.

Mr. Boyd stated that there is some risk in doing that because the voters could vote down the building of a new elementary school, which then means having to go another route for financing.

Mr. Foley commented that it is critical that the Board consider the whole approach, as an essential facility that gets turned down, such as a court that a Judge has mandated should not be put on a referendum.

Ms. Mallek pointed out that extra money into capital would certainly help with school projects in the next year, so it is not like they are not already getting a huge investment.

Mr. Rooker said that building a new school means new operational expenses that go along with it.

Ms. McKeel said that they are looking into a policy that says there should be some percentage kept in a fund balance, with anything over and above into capital. She noted that the School Board has not really had time to discuss that yet, but it is something they recognize as a possibility.

Mr. Rooker commented that it is a similar structure to what the Board has established.

Mr. Dorrier mentioned that Greer School was noted to be an emergency item, and asked if it still has that status.

Mr. Strucko responded that the conditions at that school are poor and it remains a priority.

Mr. Foley stated that a School policy could be significant in funding the CIP, just as the County's end-of-year balance beyond meeting targets for reserves that have to be maintained.

Mr. Boyd commented that there are different kinds of fund balances to be maintained, with the large one on the local government side being for cash flow needs.

In conclusion, Mr. Letteri said that it might make sense to consider isolating the maintenance issues to establish a consistent funding level and maintain levels that are consistent with industry standards based on square footage. He added that these recommendations will be further evaluated. They are continuing to look at debt strategies, what is being funded with cash, and what is being borrowed and when. This information will be taken to the Planning Commission in January and then forwarded to the County Executive's office with a final recommendation in March. There will also be an additional work session in January where they can take a more broader look at the capital fund about funding strategies.

Mr. Rooker asked how long rates are set on the current debt, such as what was borrowed last year.

Mr. Letteri responded that the County is locked into a 20-year term for that money. He added that all rates are fixed rates.

Mr. Foley added that the majority of the County's debt is to VPSA for school projects, and they do a periodic refunding that goes back into the CIP. The County's Financial Advisors have also looked at any debt the County has issued separately through an EDA refinancing such as facilities at 5th Street. In the spring staff will be coming to the Board with a refinancing of some debt which will maximize opportunities for the next several years.

Ms. Mallek asked if VRA has penalties. Mr. Foley said he does not think the County currently has any financing through the VRA, but continues to look at it as an option.

Mr. Boyd asked Mr. Letteri if he was asking for a consensus regarding Greer to go to design. Mr. Letteri said staff would like for an acknowledgement as that being a strategy to move forward. The funds for design has been appropriated, but action was suspended until they had a reasonable assurance that they were going to proceed.

Mr. Rooker said he supports the plan to move forward with bidding out the design work needed for the project. Other Board members concurred.

Ms. McKeel then **moved** to adopt the proposed resolution to authorizing Albemarle County to pick-up the five percent (5%) member contribution for VRS Plan 2 employees July 1, 2011. Mr. Miles **seconded** the motion. On a voice call vote, all School Board members voted aye; there were no nays.

Ms. Mallek asked how many new hires would be impacted. Mr. Price responded that very few had been hired.

Mr. Rooker commented that he thinks this will all become a moot point because legislation will likely be passed that requires employee's to pay their share.

Item No. 4c. Matters Not Listed on the Agenda.

Mr. Thomas said good-bye to Mr. Price and thanked him for his work on the School Board.

Mr. Rooker stated that it is a loss to the community to have Mr. Price leaving, adding that he has been a terrific School Board leader.

Agenda Item No. 7. Adjourn to December 21, 2010, 12:00 Noon, Meeting with Legislators.

At 5:13 p.m., Mr. Rooker **moved** to adjourn the Board meeting until December 21, 2010, 12:00 Noon, Room 241. Mr. Boyd **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

AYES: Mr. Thomas, Mr. Boyd, Mr. Dorrier, Ms. Mallek and Mr. Rooker.
NAYS: None.
ABSENT: Mr. Snow.

Mr. Strucko then **moved** to adjourn the School Board meeting. Mr. Koleszar **seconded** the motion. On a voice call vote, all School Board members voted aye; there were no nays.

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Chairman

Approved by Board
Date: 04/06/2011
Initials: EWJ