An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on October 10, 2013, at 2:30 p.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from November 7, 2012.

PRESENT: Mr. Kenneth C. Boyd, Mr. William B. Craddock, Ms. Ann Mallek, Mr. Dennis S. Rooker, Mr. Duane E. Snow and Mr. Rodney S. Thomas.

ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley, County Attorney, Larry W. Davis, Clerk, Ella W. Jordan, and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. The meeting was called to order at 2:33 p.m., by the Chair, Ms. Mallek.

Agenda Item No. 2. **Departmental Budget Presentations:**

Item No. 2a. Office of Housing.

Mr. Foley addressed the Board, stating that staff has been doing a modified zero-based budget review for the past several years, taking two departments each year and looking at the programs and services they provide – and also breaking those budgets down in an effort to help the Board understand how those budgets are built and what the expenditures comprise. He said, this year, staff from Housing and Fire and Rescue Departments would provide a review of their budgets at this meeting.

Mr. Ron White, Director of Albemarle County's Office of Housing, addressed the Board. Mr. White said, in contrast to larger departments, the Housing budget is relatively small, and his goal is to provide insight into the budget, how it is developed, including the revenue and leveraging. He stated that the Housing Office manages federal funding held in special revenue accounts, and those funds do not appear in the housing budget itself – with the two primary ones being the Housing Choice Voucher Program and the Community Development Block Grant (CDBG). For the current fiscal year, he said the Office of Housing's operating budget is just over $482,000 – and they expect a federal offset of about $225,000 which is a little low due to several reasons including sequestration.

Mr. White said, of the total budget amount, staffing is at $445,000 with office operations at approximately $24,000. He stated that they do a capital outlay each year for vehicle replacement and have one vehicle assigned to their office, which is currently about 13 years old with several recent repairs and in the process of being replaced. Mr. White said included in the $482,000 budget is the pass-through for The Crossings, and he has removed that allocation from the rest of his budget calculations.

Mr. Boyd asked if this budget was for FY13-14 or FY14-15, because he wasn't sure why there was any money appropriated for The Crossings. Mr. White said this is the FY14 budget, and appropriations only carry through June 30, 2014.

Mr. White reported that the operational budget is heavy on the staffing side – over 94% – with six staff in the Housing Office - 4.5 of them assigned to the Housing Choice Voucher program. He said staffing in 2000 was authorized at 10 FTEs, with one temporary employee. Mr. White stated that non-discretionary costs comprise about 2% of the budget, and these are either contractual or formula-driven items, such as their software license for the program used to manage the voucher program. He said there was a formula used for computers and equipment based on the number of computers in the office, and that money goes back to IT to support replacement and repairs, etc. He stated that there's another small amount for criminal history checks, which costs $8 for every check ordered – adding that a criminal history is mandatory for every applicant 18 years or older.

Mr. White said other costs they have some control over comprise only 3.6% of the budget, the largest of which is postage as they are a paper-intensive office, along with supplies, fuel, mileage and training. He stated that he tries to adopt a modified zero-based budget approach, looking at staffing levels annually to ensure there is sufficient staffing to cover the workload. Mr. White said he has tried to compare the local Housing Office with other jurisdictions, but he didn't find a comparable office that was running just a housing program – as most localities have housing either combined with the community development departments, within social services, or handled by a nonprofit agency.

Mr. White said he looked at some surveys which HUD had done, with the most recent from 1999 when they surveyed housing agencies and, for agencies the size of Albemarle's – managing up to about 500 vouchers – the average number of cases or units per staff was 134, and his office averages 190. Mr. White said this doesn't include finance staff or inspectors, just housing specialists that work directly with clients. He stated that non-discretionary costs are based on contracts and formulas, and develop other costs based on projected needs, looking at the history of expenditures and projections for the coming year. Mr. White said, in working on his FY15 budget, he made some adjustments for costs such as advertising, which includes publishing legal ads when the waiting list is opened up, however, that list hasn't be opened up for three years.

Mr. White reported that Housing's mission is to provide "safe, decent, sanitary affordable housing" with an emphasis on those citizens who are least able to obtain it. He stated that their goals include maintaining a high performance rating for the voucher program, which is based on an annual self-assessment along with HUD's overlaying of monthly information provided by the office. Mr. White said his office is in the 95-99% performance range every year, and they also access and manage grants and other funding to support housing and neighborhood improvement.

Mr. White stated that, when tying mission and goals to budget, the biggest factor is values, and he chose three major values which tie everything together in his office. Mr. White said one of them is efficiencies, and they have consolidated programs within the Housing Choice Voucher program – with the four contracts underway when he arrived in 2000 now consolidated into two contracts. He said efficiencies also include improvements in software, staffing, and partnerships with other agencies. Mr. White stated that his six-person staff has over 100 years combined experience in the Housing Choice Voucher program. He said their ability to partner also yields some efficiencies, adding that Albemarle Housing Improvement Program (AHIP) allows his office to seek grants without hiring County staff to administer them. Mr. White said they wouldn't have the ability to access certain foundation grants or use volunteers to the level that AHIP uses them, and would spend the same amount of time to internally run those programs – but would have more complexities.

Mr. White stated that their major funder is the federal government, and the Housing Choice Voucher program is the largest single federal revenue the County receives in any department, including Social Services. He said his office is serious about managing those funds to get the maximum use out of them and protecting against fraud and abuse, and there are areas within the regulations for which they have choices – such as interim re-certifications. He explained that they must recertify tenants annually, and have a choice as to whether they do interim re-certifications but opt to do them because circumstances may change with a recipient. Mr. White said staff does not hesitate to take action against participants who violate program rules, and consider the seriousness of the violation, the frequency, and any mitigating circumstances. He stated that they always provide anyone who they're taking action against an opportunity for an informal hearing.

Mr. White said his office is known as the office that provides housing to people and, while that is their mission, their job is to efficiently manage the resources made available to them. He reported that the County's financial support of $250,000 is a small part of the overall program, and fees earned for the administration help offset administrative costs, and the larger amounts leveraged include federal funding for vouchers and money obtained through CDBG. Mr. White said their partner agencies such as AHIP also use volunteers and have access to other resources. He stated that two primary special revenue funds under his office's management include the Housing Choice Voucher program, estimated at about $2.8 million a year in rental assistance funds, and $225,000 in administrative fees. Mr. White said, when he sets up their operating budget, those fees are viewed as general fund expenditures and, as part of that budget, they put in revenue from the federal side – with quarterly transfers to the General Fund to offset costs. He stated that this is the biggest amount of money received other than County money for operating costs, and the $2.8 million is really a pass-through which comes into the County and is paid out to landlords, and it doesn't include the $225,000.

Mr. White reported that the other source of funding they use when it's available is Community Development Block Grant funds, which is competitive funding at the state level but comes through HUD. He said the County and AHIP are just beginning to administer a $700,000 grant for housing rehabilitation in Orchard Acres and, because CDBG is highly competitive and over-subscribed ever year, they take a strategic approach at applying for the money. Mr. White said some recent projects include the Oak Hill sewer system, which spanned over 10 years before coming to fruition. He said he worked with Albemarle County Service Authority (ACSA) staff for about three years on that project, doing surveys and holding community meetings to get it ready to go, and before an application to CDBG was even submitted. Mr. White stated that they don't just throw projects into the mix with the hope of getting funding and then decide how to do them, as they want to ensure the projects are ready to go. He said, with Orchard Acres housing rehab project, they got a planning grant to study the greater Crozet community and do some assessments and, from that planning grant, they've been able to narrow it down to a more specific project in Orchard Acres which was eventually funded. Mr. White stated that last year they had a scattered site demonstration grant of $185,000 from CDBG for two replacement homes and, because AHIP leveraged other resources and volunteers at an estimated $50,000 they were able to complete the homes as well as two additional rehabs including new septic systems. He said two of the homes had no indoor plumbing and one of them was missing its back wall.

Mr. White reported that, with the Housing Choice Voucher program, their budget authority has decreased slightly for calendar year 2013 – which is how HUD funds the program. He said rental costs have gone up, which has resulted in a decrease in the number of families they are able to assist. He said the maximum budget for this program is a fixed amount in any calendar year, calculated on the average usage from the previous year plus a 3% cost of living increase, then prorated based on the amount of money needed nationwide. Mr. White stated that, in past years, they got reimbursed for actual costs providing they didn't exceed the number of vouchers authorized. He noted that there are 350 under lease, with 429 authorized, so there are 79 not being served because of the lack of budget authority. Mr. White said they now no longer get those reimbursed costs, they have to work within that budget and, each quarter, those disbursements change because HUD reevaluates how much will be allocated based on usage from two quarters ago. He stated that the system may help the federal government manage their money a little better, but it doesn't bode well for getting additional money locally.

Mr. White stated that sequestration has had some impact and has reduced authorized funding for vouchers to about 94% of what they should be getting and, on the administrative side, they are only getting about 68.5% of what they would normally earn – which has impacted the amount of money they have to offset expenses. He stated that, three years ago, they had about $300,000 in federal fees coming in to offset the cost of the office, but that has steadily dropped over the last several years and is currently at $225,000.

Mr. Boyd asked how they have compensated for that. Mr. White said the office has not issued a new voucher since March 2012 and, if they spend a dollar more, it would have to come out of County money as HUD would not reimburse it. He stated that, since the County's budget is on a fiscal year and HUD's budget is on a calendar year, there's a time lag to adjust the budget in the second half of the year. He noted that the funding from HUD comes in at the end of the month prior, or the first of the month of the vouchers, and they make payments directly to the landlords by check.

Mr. White said his office performs management functions also, such as oversight of specific earmarked funding to agencies like AHIP and the Piedmont Housing Alliance (PHA). He said his office also works with developers and County staff on affordable housing proffer management adding that his staff also serves on several councils and commissions – the most important to funding being the Housing Directors Council through the Thomas Jefferson Planning District Commission. Mr. White said the Council oversees the Thomas Jefferson Home Consortium, and they have home funds coming into the City and the five counties in the Planning District for housing initiatives. He stated that, this year, each locality will receive about $80,000, and his office has always designated AHIP as the recipient of those funds, which they use in their housing rehab programs. Mr. White said there's a large chunk which rotates through the jurisdictions each year and, this year was Albemarle's but there were no projects identified, so Greene County would use it unless Albemarle could come up with one. He explained that it must be a Community Housing Development Organization (CHODO) project – and AHIP and PHA are the only two CHODOs that work in Albemarle, so they either have to own, develop or sponsor the project. Mr. White said the last project Albemarle used HOME money for was Treesdale, and that project qualified for AHIP as a sponsor because they acquired the land and went through with the original rezoning, then sold it to a private developer. He stated that there must be a nonprofit connection for it to be eligible for HOME funds, and it must be for a complete project – not just putting in a few affordable units.

Mr. White stated that he has been assigned to represent the County on the newly re-created Thomas Jefferson Homeless Advisory Council, and the reorganization of that board is still occurring. He said the Council is in direct response to some of the things that came out of IMPACT last spring, and some of the things IMPACT wants them to report on going forward. Mr. White stated that the idea behind this is to develop a centralized process and referral system for homeless people to access, as well as to have a coalition working cooperatively to allow a draw-down of state and federal funds which are available to the community. He noted that, for the last few years, the homeless coalition has not been able to draw down funds because there wasn't collaboration in place between service providers, with the common intake form being one piece of that uniformity.

Mr. Boyd asked why that wasn't being done by the nonprofit sector. Mr. White confirmed that the group was a nonprofit, and the County's Housing Office was simply providing someone to serve on its board. He said the Haven would be part of that coalition, and there would be one staff person – who would be housed in the City for the immediate future. Mr. White said the County set aside $15,000 in the budget for a homeless coalition and worked with the City to put out an RFP for that, and there was one applicant for the money. He stated that the City put in $25,000 through the ABRT process along with some additional funding, and the County contributed $15,000.

Mr. Foley said the County was doing everything it could to avoid becoming a major funder, by supporting the organizations in the community to get the money. He said the $15,000 was to help get the effort up and running so the community could oversee rather than it becoming a County obligation.

Mr. Rooker noted that the board has a number of other agencies represented on it besides the City and the County.

Mr. Foley said there are far more of them than local government representatives.

Mr. White stated that he serves on the VHDA and local government multi-family advisory committee, which focuses primarily on the low-income housing tax credit program and changes that VHDA would be making. He said he works with managing the grants process for non-housing functions, and is in his third year on the Agency Budget Review Team (ABRT).

Mr. White stated that there are some opportunities which have arisen over the last few months, including the potential transfer of 75 vouchers from the Piedmont Housing Alliance – which will be a revenue enhancement – and they're trying to determine if they can do this without additional staff. He said the administrative fee for those 75 vouchers this year would be about $60,000, which would be a significant enhancement and also, from an efficiency standpoint, they are looking into an upgrade for their software, which they hope will reduce paperwork and eventually lead to a paperless system. Mr. White stated that the process improvements will streamline much of what they do and will give them the potential to do mobile inspections at a later date. He said he will be working with the Office of Management and Budget and the Information Technology Department to look at the software upgrade and how that could possibly be implemented this year. He said a commitment is needed by December 31 in order to get a discounted rate – with the system to be installed sometime next spring.

Mr. White concluded by stating that their mission is oriented with their goals and values, and helps support the development of the department's budget and the way they provide stewardship over funds. He stated that their primary function is federally funded housing programs, with the largest being the Housing Choice Voucher program. Mr. White said their budgeting incorporates elements of zero-based budgeting, and looking at staffing annually to determine needs with contract costs and formula costs considered along with projections of what might happen in the coming year. He stated that about $250,000 of local funds supports the administration of over $3 million in federal funds and the investment in their housing partners, and they continue to pursue opportunities for revenue enhancement and increased efficiencies.

Ms. Mallek said the transfer of PHA vouchers would increase the workload of his staff by approximately 35 cases per person, and that is of concern to her.

Mr. White said they are investigating the impact, but have an office associate who may be able to pick up some of that work. He stated that the vouchers are regionally assigned, but over 30 are living in the City, over 20 in the County, a few in Louisa and elsewhere. Mr. White said this is a mainstream voucher program restricted to those who are disabled, and there is a pool which covers the jurisdiction.

Mr. Foley said staff could bring back details on the allotments.

Mr. Boyd asked if he could see a line item type of budget for the Housing Office. Mr. White said what he had provided was pretty much the entire budget. Mr. Foley stated that their basic general fund budget would only include 5-10 other line items, and the rest runs through federal accounting.

Mr. Boyd said he would like to see that detail if possible. He stated that he believes the way to solve the poverty problem in the community is to deal with jobs for these people, and asked if there was a way through the Housing Office to address that particular aspect.

Mr. White said the Piedmont Housing Alliance has offered to meet with clients about home ownership and other matters, so one of the things he may be considering is going into their client list and determining those who are paying the majority of their rent who may be potential homebuyers, to get them into the counseling piece. He stated that the majority of the voucher recipients are employed, but most of them are very low income – with an average of $600 per month being paid toward rent.

Mr. Boyd said he'd like to build some information on how they ended up where they are – whether it's job skills, education, or lifestyle choice.

Ms. Mallek said the workforce center has that capability, and making that connection is an important thing they're probably not fully utilizing.

Mr. Foley stated that there's an entire network of resources out there to provide job training, and the question is whether that connection is getting back to housing clients.

Mr. White said the client list is confidential, but they could let people know what might be available to them, such as workforce center services.

Mr. Rooker said people on the voucher waiting list could move on if they get better employment situations.

Mr. Snow asked Mr. White if he had information on how many people had come into the program as a result of the recession. Mr. White said they have not accepted new applications for five years, so there isn't any history related to the recession.

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Item No. 2b. Fire and Rescue.

Chief Dan Eggleston addressed the Board, stating that ACFR uses a modified zero-based budgeting approach to build their budget and also review it on a consistent basis. He said ACFR is a service-oriented business, emphasizing high quality in their work to protect lives, property and the environment through the prudent use of taxpayer funds.

Chief Eggleston said ACFR is an "all-hazard department," providing fire suppression services, advanced life support, EMS transport, hazardous materials response, rescue, and personnel education and training volunteer and career staff. He stated that part of their mitigation strategy includes investigations in their prevention division for things such as explosives, bombs, bomb threats, etc. Chief Eggleston said they are also involved with inspections programs to mitigate issues related to code compliance in the fire prevention code, Community Development and other agencies around the County to inspect plans, and many public initiatives focusing on traffic safety, fire prevention and lost control, etc.

Chief Eggleston explained that they are a combination system, meaning they have both career and volunteer personnel, with 105 career staff and 750 volunteers total in the system as both operational and administrative personnel. He said nine of the positions are currently grant-funded. Chief Eggleston stated that there are 14 stations, many of which are owned by volunteers or the County, or are leased space, and there are 60 large apparatus pieces in the system – some of which are solely owned by volunteers, some are co-titled, and some owned solely by the County. Chief Eggleston said the ACFR budget includes $11.7 million in expenses, or approximately 33% of the public safety budget. He stated that, in terms of revenue, there is $1.89 million or about 30% of the revenue for public safety, and most of this is associated with the EMS cost recovery program. Chief Eggleston said that there is also some revenue associated with permits and aid to localities, programs, and the Office of Emergency Medical Services (EMS).

Chief Eggleston explained what has led up to investment in fire and rescue over the last 10 years, stating that they had inadequate training opportunities for volunteers, unsafe and inoperable apparatus, inadequate funding for the volunteer system, an obsolete radio system, inadequate infrastructure for the paging system, and services that were not in line with the Comp Plan – with huge gaps in coverage in the urban areas while population growth was creating significant demands on service, and contract services not really meeting needs.

Chief Eggleston said year 2000 was a very pivotal point in their development and, over the last 10 years, they've increased fire and EMS training opportunities significantly, with a very successful "blended learning" training program recently instituted for volunteers. He stated that they have increased their operational funding for volunteer stations and have based funding on an operational formula approved by the Board, have invested almost $20 million to enhance apparatus and improve the fleet, have invested significantly in an improved radio system, and have invested in basic turnout gear and breathing apparatus. Chief Eggleston said, most recently, they've extended line of duty benefits for both volunteer and career staff, while instituting a physical wellness check for all volunteers entering the system.

Chief Eggleston stated that fire and rescue had huge gaps in service in the development areas, with the first area of concern being the area south of the City, so they added the Monticello Fire & Rescue Station in 2002; soon after that, they opened the Hollymead Station to help close a gap in the northern Route 29 area. Chief Eggleston said, most recently, they added daytime ambulance service on Pantops to provide a much needed EMS service during the daytime to a highly populated area; in July, they added additional daytime ambulances to Route 29 at Berkmar and at Earlysville, and opened the Ivy Station with 24-hour volunteer and career staff, including an engine and daytime ambulance.

Mr. Boyd asked what the call volume is now at the Pantops Station.

Chief Eggleston said that it's the second-busiest ambulance in the system, with a lot of calls and positive response from people about the service. He stated that, at the request of Scottsville Rescue and East Rivanna, they've provided supplemental daytime career staff for both of those stations.

Chief Eggleston reported that average overall response time for the development areas has come down and is now 6.29 minutes, which remains over their goal of 5 minutes due primarily to several "hot spots" – primarily Pantops during nights and weekends. He stated that they are well within their goal of 13 minutes in the rural area. Chief Eggleston said, over a three-year period, they are averaging about 1.5 civilian deaths per year – with the goal being zero. He emphasized that it wouldn't take more personnel and equipment to drive that number down, it would be through prevention efforts. Chief Eggleston said they currently have a property loss average of about $3.3 million per year, with the national average being $3.8 million.

Chief Eggleston stated that they are working diligently to establish key performance indicators (KPIs) for EMS service, which comprises about 70% of their work, and are collaborating with UVA and Martha Jefferson on trauma metrics and cardiac metrics. He said they are encountering issues with privacy to be able to record all that data, but are working hard to establish some measurements.

Chief Eggleston said there have been lots of investments made in the system but, in comparison to peer localities, Albemarle has the lowest cost per capita for fire and rescue – 15% lower than those peers, which are all also combination systems. He stated that he attributes this to smart investment, with enhancements made strategically to foster a highly efficient system.

Mr. Boyd asked if they had also done loss total comparisons with peer localities, or just with national averages. Chief Eggleston said they haven't done that type of comparison yet, but have looked at other metrics.

Mr. Boyd commented that it might be helpful to have that information, as there may be reasons to spend more on fire rescue.

Chief Eggleston reported that the largest part of the budget is assigned to operations, with 90 full-time equivalents in the operations budget, totaling $7.7 million – with approximately $1.4 million in EMS cost recovery. He said $115,000 of this is associated with Scottsville Rescue, which helps with coverage during nights and weekends.

Mr. Rooker asked what the projection is for the recovery in the upcoming year. Chief Eggleston said it was about the same, with an additional $150,000 if they are successful with Western Albemarle.

Chief Eggleston reported that they staff 10 stations with career staff, with four of the stations staffed 24 hours per day and six of them staffed just in the daytime. He said he gets a lot of questions from the Board regarding how many people it takes to staff a station, and establishing staffing levels is a process involving three different variables – a staffing formula used to provide a number to start with, the overtime and flexible hiring schedule, and use of volunteers. Chief Eggleston stated that they use a minimum staffing requirement of three staff on a fire engine and two on an ambulance, which is a basic national standard. He said some urban areas will go higher than this, but this is a benchmark that ACFR feels is reasonable for this area.

Chief Eggleston stated that staffing for daytime coverage – considering the schedule, turnover, vacation, and other variables – they would need five in order to get three, and three full-time in order to get two. He clarified that this would be five days per week, during the daytime and, with 24 hour coverage, it's slightly higher because there's more to cover – so it's 12 to get three and eight to get two, per apparatus, which provides three for every fire shift and two for ambulance. He said that's the basic formula and where they start first and, according to the formula, they would need 89 FTEs to ensure minimum staffing in the field every day, which they've been able to reduce to 86 given flexible hiring and the use of volunteers.

Chief Eggleston said, once they have those numbers, they use cost per firefighter and multiply it out to get their budget for operations and personnel costs, and their strategy has been to hire those with some level of experience. He stated that this equates to salary and benefits of $72,000, with approximately $50,000 going to salary and the remainder going to benefits.

Chief Eggleston reported that other operational costs include facilities expenses, with Ivy being a leased station and Berkmar and Martha Jefferson having leased spaces within buildings, and all three totaling $39,000 per year. He said the County owns and maintains three engines, two aerials, five ambulances and two tankers, with apparatus expenses totaling about $50,000 per year – including fuel, maintenance, equipment and supplies. Chief Eggleston said ambulances cost a little bit less but are busier in terms of miles run, averaging about $43,000 per year. He stated that this is in line with industry averages in terms of percentage of cost for vehicles and the older they get the more expensive they are to maintain.

Chief Eggleston reported that the training division currently has four FTEs, one being grant funded to allow for the blended-learning curriculum, and there are contract instructors – many of whom are volunteer officers that come back to help with training. He said this division costs about $450,000, or 3.8% of the overall budget, and there is a small amount of revenue collected through books and tuition during regional schools. Chief Eggleston stated that there are two FTEs and a division head to address volunteer academies, which is the major portion of training, and they provide three 240-hour academies every year plus course development for them. He said the new blended-learning approach includes a combination of classroom, self-paced, and online training geared to younger students who are accustomed to that type of training. In addition to that, Chief Eggleston said they hold a driver/operator class, an EMOP class, an extrication class, and other offerings almost every weekend. He noted that this division also oversees the contractor for EMT classes for rescue squads and firefighters, and also maintains the regional training center in conjunction with the City. Chief Eggleston added that there is one person in this division who is responsible for continuing education for career staff for EMS, and there are over 100 staff members which require annual EMS training in order to maintain certification.

Chief Eggleston reported that the prevention division leads the effort to bring losses down to zero, and efforts are put toward three main efforts: engineering/plans review, enforcement, and education.

Ms. Mallek asked if the fire marshal was included in this category. Chief Eggleston responded that he was, with that division comprising about 4% of the overall budget and some revenue gleaned from permits. He said the fire marshal spends about 60% of their time in enforcement – investigating fires, bomb threats, buildings, etc. along with regulating hazmat storage, explosives, and blasting –the remaining time is spent in engineering, reviewing new plans, and making suggestions and changes. Chief Eggleston stated that this leaves very little time for education, communicating with the public on how to reduce their risks, and said that they focus some resources in the Southwood area.

Ms. Mallek said, in the rural areas, volunteers devote their efforts to that kind of education, so it would be helpful to have more of them in the urban ring.

Chief Eggleston reported that fire rescue administration includes seven full-time employees, a combination of chief officers and office associates, and this is where they manage the EMS cost recovery program and provide oversight for the system. He said there are three office associates who provide technical administrative oversight, including payroll, bill paying, etc., and a Management/Budget Analyst - Wendy Roberman - manages the cost recovery program, provides administrative support to the FEMS Board, and oversees the budget. Chief Eggleston said there is a deputy chief, a new division chief of volunteer services, and himself to provide leadership, oversight and emergency response as needed – as well as the emergency management portion of the department when it comes to man-made and natural disasters.

Chief Eggleston said there is a cost center within the department for EMS cost recovery, which primarily captures expenses associated with paying the fee to the revenue recovery contractor and funds any advertising needed for things such as training and educating the public on what they're doing and training the volunteers on the process of collecting funds. Chief Eggleston stated that they have seven volunteer fire departments, three volunteer rescue squads, 750 volunteers total, and the expenses in this budget are just over $2 million or 17% of the total budget. He said this is the area which pays for basic operating expenses for the volunteer department, bundling other benefits such as insurance and accident incentives, physicals, and tax credits for volunteers. Chief Eggleston said their support services division covers support for things like the Thomas Jefferson EMS Council, the fire contract, and expenses associated with the Department of Forestry. He stated that this cost center captures revenue from the Office of EMS and Department of Fire Programs.

Chief Eggleston stated that ACFR is very experienced with the zero-based budgeting concept and has used it most recently with expansion of EMS services and opening the Ivy Station. He said the County has done a really good job in assigning resources to the right place at the right time, and has reduced risk out in the community while building organizational capacity. Chief Eggleston stated that they are a much stronger system today than they ever have been due to a lot of hard work from a lot of people.

Mr. Thomas commented that the year 2000 seemed to be a real turning point, with both Chief Eggleston and Mr. Foley joining the County at that point.

Mr. Foley said he came in 1999, and Chief Eggleston came in 2000.

Chief Eggleston agreed that it was a big year, as they were renegotiating the contract with the City and realized they didn't have a lot of resources in place.

Mr. Rooker asked how the number of volunteers has progressed over time. Chief Eggleston said the last time they checked, it had increased 2% but it had been a while since that kind of spike has occurred but the number fluctuates greatly with people moving in and out of the system.

Mr. Thomas asked if they were all active members. Chief Eggleston said there are a lot of people who show up to help out with fundraisers and some who show up at the stations every day.

Mr. Craddock asked if each volunteer was really saving the County about $70,000, because they don't have to pay salary and benefits. Chief Eggleston said it was definitely a cost avoidance, and that's why they went with the model of having career staff at stations during the daytime, when volunteers are normally at work.

Mr. Craddock commented that it's a major savings for the County.

Mr. Boyd asked if they had any staffed ambulances at East Rivanna. Chief Eggleston responded that they didn't, adding that Pantops would be the closest during the day, with CARS or Monticello covering at night.

Ms. Mallek said, in a few more weeks, Station 4 would be running at night. She said they've had the ambulance there since spring, adding that, 20 years ago, they were the first firemen to get trained for EMS first response.

Chief Eggleston said that was a very good example of success in the system, because the career staff that used to be out there during the day for just the fire engine ran very few calls – about one every other day – but since the ambulance is out there, they are much more engaged.

Board members thanked him for his presentation.

Ms. Mallek commented that every time he presents, she realizes how much other programming fire rescue is responsible for.

Mr. Rooker asked how many of the 740 volunteers are active as fire or EMS-trained personnel versus administrative. Chief Eggleston said Kathyrne Presson of the fire corps was working on confirming that data currently for state grant purposes, but it ranges from 250-300.

Mr. Foley stated that these presentations were the kick-off to the budget process, and they would be holding budget work sessions beginning in November, with multiple work sessions after that leading to the annual budget.

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At 4:00 p.m., the Board recessed and reconvened at 4:07 p.m.

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Agenda Item No. 3. **Joint Meeting with School Board**

SCHOOL BOARD MEMBERS PRESENT: Mr. Jason Buyaki, Mr. Ned Galloway, Mr. Stephen Koleszar, Ms. Diantha McKeel, Ms. Barbara Massie Mouly and Mr. Eric Strucko (arrived at 4:47 p.m.).

SCHOOL BOARD MEMBERS ABSENT: Ms. Pam Moynihan.

STAFF PRESENT: Dr. Pam Moran, Superintendent, Mr. Dean Tistadt, Chief Operating Officer, Mr. Jackson Zimmerman, and Ms. Jennifer Johnston, School Board Clerk.

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At 4:08 p.m., the meeting was called back to order by Ms. Mallek, and the Chairman of the School Board, Mr. Koleszar.

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Item No. 2a. Total Compensation Report.

The executive summary forwarded to the Boards state that in 2000, the School Board and Board of Supervisors jointly approved a Total Compensation Strategy to target employee salaries at the median of an adopted market and employee benefits slightly above adopted market levels. This adopted market is identified in Attachment 1. Since that time, both Boards have continued to recognize the importance of providing competitive salaries and benefits to attract and retain a high performing workforce. To that end, the County's total compensation and rewards program has continually adapted to meet these objectives in an ever-changing labor market.

The Total Compensation Report outlines our findings and recommendations based upon our annual compensation analysis. These recommendations are provided to achieve our adopted Total Compensation Strategy, as well as for the Boards to consider as they guide the County Executive and

Superintendent during the upcoming budget process for FY2014-15. It is noted that all final funding for the recommendations is subject to, and based upon, available revenues and Board direction.

1) Compensation Strategies

The adopted Total Compensation Strategy is detailed in Attachment 2. Last year, projections based on the Joint Board adopted process presented in October were to fund an average overall pay increase of 2.55%. A 2.0% base increase was adopted, however, the merit pay for performance differentials were reinstituted for classified staff, and an average increase of 2% was applied to the teacher scale. The attached information on the compensation strategy is provided to both Boards to consider regarding development of the FY2014-15 budget.

As detailed in Attachment 2, for FY 2013-14, our salary increase basis was 2% and we started the year statistically at market, although very slightly below by -0.05%. As the adopted market median increase was 2%, our classified salaries are now generally at market and we are meeting the Total Compensation Strategy. Additionally, our teacher scale steps are within the top quartile of adopted market teacher scales, so that target has also been met.

2) Benefits Strategies

The Joint Board's benefits strategy is to maintain a benefit program that is slightly above adopted market levels. Medical insurance and the VRS benefit are the largest components of the employee benefit package.

Medical and Dental

The Health Care Executive Committee (HCEC) is comprised of representative staff from several departments in the School Division and Local Government, as well as members from other affiliated organizations who participate in our health and dental plans. The HCEC develops recommendations for our medical and dental plans to present to the Boards. Over the next several months, the HCEC will continue to gather employee feedback, evaluate claims usage and market plan design information, as well as the impacts of the Affordable Care Act on our plan. Staff will also carefully evaluate our Health Care Fund in the context of actual claims experience and required adjustments in premiums to maintain a 25% reserve balance target. A comprehensive report on this information and recommendations on plan design and premium rate adjustments will be presented to the Boards in the spring. Preliminary budget premium increase amounts for FY 14/15 are provided as recommendations below.

Virginia Retirement System

Effective January 1, 2014, VRS will implement a mandated "hybrid plan" for all full-time new hires without active prior VRS service (note: hazardous duty new hires may not be in the hybrid plan). This hybrid plan will be a combination of a defined benefit plan (which VRS Plan 1 and Plan 2 members currently participate in) and a defined contribution plan. Also unlike the current VRS Plan 1 and Plan 2, the hybrid plan will not offer a disability retirement benefit. The County may choose to join the Virginia Local Disability Plan (VLDP), which is a combination of short and long term disability programs, along with a long-term care component. Opting in or out of the State VLDP is an irrevocable election and localities cannot elect at a later date to opt out or to join the VLDP. If the County does not pass a Resolution to opt out of the VLDP we will be automatically enrolled in it. Employer resolutions in this regard are due by November 1, 2013.

Localities opting out of VLDP will be required to offer employer-paid short and long term disability benefits to their hybrid VRS members and those benefits must be at least equivalent to the benefits under the VLDP, but there is no requirement to provide a long term care program.

Staff recommends that the Board adopt the attached Resolution (Attachment 4) to opt out of the VLDP prior to November 1, 2013 and that the County purchase equivalent coverage based on the following:

- The State has mandated that this decision is irrevocable. If the County does not opt out by November 1, 2013, the County will not be able to leave the State VLDP in the future.
- A substantial number of localities have opted out and it is anticipated that the larger employers in the state will not join the VLDP, potentially resulting in unpredictably high program rates once the current rates expire in June 2014.
- Staff worked with our benefit consultant, KSPH, to solicit proposals for the purchase of equivalent coverage and received five bids. We evaluated these proposals and selected two finalists. Both vendors offer rates lower than the VLDP rates. In December, staff will present our analysis and recommended vendor for short and long term disability coverage. Given this mandated change in benefits to new employees and the inconsistencies and administrative burdens managing yet another State imposed change to our benefits creates, staff will also explore options for potential changes to our current benefits for all employees for consideration in December.

This information is presented to the Boards for consideration in providing direction for the FY 14-15 budget preparation. It is noted that all final funding is subject to, and based upon, available revenues and Board direction.

Staff recommends approval of the following:

1. Establish a budget target for providing a 2.90 % salary increase for classified staff, to include pay for performance increases and a 2.85 % increase to fund teacher salary increases to maintain the top quartile position. Final recommendations by the County Executive and Superintendent will be based on the availability of adequate funding.
2. Adopt the attached Resolution (Attachment 4) to "opt out" of the State VLDP.

3. Plan for an 8% increase in medical insurance premium costs.
4. Plan for a 5% decrease in dental costs.

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Ms. Lorna Gerome, Director of Human Resources, addressed the Board, stating that she would share the results of their summer market study and compensation recommendations based on the board-adopted methodology, as well as some benefits information. Ms. Gerome reported that benefits have been consuming an increasing amount of staff time lately with changing mandates due to the Affordable Care Act and recent Virginia Retirement System (VRS) changes. She introduced the County's Benefits Administrator – Claudine Cloutier – explaining that she has spent a great deal of time obtaining a thorough knowledge of the changes around VRS and educating various employee advisory groups. Ms. Gerome said Tom McKay, a benefits consultant with KSPH, was also present at the meeting, and stated that he would be available to answer questions.

Ms. Gerome expressed her appreciation to both boards for its recognition of how important County employees are, and the value of having a high-performing workforce. She stated that compensation targets for classified staff are to be at the median of the market, and for teachers at the bottom of the top quartile of the Board's adopted market based on 27 localities and 26 school divisions, as well as one joint locality like Albemarle, and several local private employers. Ms. Gerome said the process includes a survey of the market every summer, whereby HR staff go out and obtain data on the number of positions, teacher scales, increases if any were given – and then analyze the data to compare what was done locally. She stated that, because it's early in the year, they aren't able to get statistically significant projections from the adopted market, so they use World at Work projections and build those into the model, and then present recommendations to the Board to project salary increase.

Ms. Gerome recognized some of her staff for their hard work on the report – Alicia Roberts and Brooke Conover. She stated that there has been discussion as to whether World at Work is a reliable indicator or not and, prior to 2009, it was very close – but since then, it has been less predictable. Ms. Gerome said this might be leveling out, with 2013-14 at 2.55% and the adopted market at 2%, and the year before was a bit of an aberration with the adopted market because that was the year VRS went to the 5% contribution for employees.

Ms. Gerome reported that they started slightly below market – .05 – and the adopted market median increase this year was 2%, with World at Work projecting 2.85%. She said, based on all of those factors, staff arrived at 2.9%. Ms. Gerome said this is the first year since 2008 they've been able to reinstitute classified pay for performance, which allows for some differentiation based on eight core competencies for employees, with four additional ones for supervisors. She referenced a "merit matrix" they created, stating that they try to move employees to the midpoint, which is a common compensation practice. Ms. Gerome stated that they build in whatever the market increase is so if an employee started out below midpoint and successfully met their competencies, they would get the market 2% plus 1%, or 3% total.

Mr. Boyd asked if there were cumulative statistics available for the percentages that have gone into each category. Ms. Gerome responded that they do have that information and would be happy to provide it to Board members.

Mr. Rooker asked if a 2% increase was budgeted, meaning that's what is put in the budget for increases across the board, with the expectation that the average increase is going to be 2% when applying this scale. Ms. Gerome said the budget office looks at historical trend data and adds a percentage amount based on the previous years, which was .7% last year, to support the pay for performance.

Mr. Rooker asked if that would be 2% plus .7% for the budget. Ms. Gerome confirmed that it would.

Ms. Gerome said the teacher scale is a step scale and they move up to the next step and, for the past two years, they have met the target at every benchmark measured. She stated that there is a great deal of variance in the top quartile and, at the minimum, there is a cluster with everyone around $40,000 - $46,000, however, when you reach 25% there's a much wider range – but they are still meeting the target at each benchmark.

Regarding benefits, Ms. Gerome reported that the Board-adopted strategy is to target benefits slightly above market, with the cornerstone being health insurance, and they use a scorecard to quantify where they are relative to their market – considering plan design elements such as co-pays, premiums, etc. She stated that they just started the new plan 10 days ago and the Healthcare Executive Committee would be meeting over the next several months, with the objectives again of meeting the Board-adopted target, ensure that the plans are meeting both individual and family needs, maintain reserves at the target set, and focus on compliance. Ms. Gerome noted that, with the Affordable Care Act implementation, they would have to look closely at tracking data such as employees' hours, ensuring that rates aren't above targets, etc.

Mr. McKay said the employer mandate has been delayed for one year, so there's no risk of penalties for the next year, however, in 2015, the risk of penalties for employers will begin. He stated that the biggest unknown for 2014 is the individual mandate and how many people will come onto employers' plans, but Albemarle is a well-designed plan so there won't likely be significant changes with coverage for dependents. Mr. McKay said, by being self-insured, the County avoids half the taxes associated with healthcare reform, but about half will need to be paid beginning in 2014.

Mr. Rooker asked if employees would have an option to go to an exchange, with a self-funded plan. Mr. McKay responded that employees would always have the option to go to an exchange whether or not a plan is self-insured but, because the County's plan will meet all the compliance aspects of the law, the individual would not be able to get a subsidy from the exchange – nor would the County incur a penalty. He noted that the exchange plans would be quite different than what most employers offer, including things like tiered networks where certain hospitals will be covered at a lower co-insurance, a reduced list of prescription drugs that are covered, etc.

Mr. Koleszar asked if dependents could get the subsidies. Mr. McKay said if they're eligible for the County's plan and they meet the requirements, they're still not eligible for subsidies – even if there isn't a dependent subsidy, because it's all based on the employee.

Mr. Rooker asked what the income break is on subsidies. Mr. McKay said it's based on income, and 400% of the federal poverty level is the maximum – and it's based on dependents, so a family of four can be earning up to $90,000 and still qualify for a subsidy.

Ms. Gerome stated that the Healthcare Executive Committee would be looking at this over the next several months and bringing back more detailed information to the Board in the spring.

Ms. Gerome also reported on the County's wellness programs, with the "Be Well, Live Well, Serve Well" program being very effective, along with onsite flu vaccinations, onsite mobile mammography, walks in partnership with Parks & Recreation, and the successful "Lose Well" medically supervised weight loss program. Ms. Gerome said the most recent group that went through the program had an average weight loss of 21 pounds, with six of the 21 total participants able to come off of medications they had been taking. She stated that staff would be bringing back some additional wellness initiatives in the spring, such as health risk assessments, biometric screenings, and smoking cessation programs. Ms. Gerome said UVA is offering an incentive for its biometric screenings, but the County would look at introducing it voluntarily the first year with incentives in the following years – to be funded out of the health reserves.

Ms. Gerome reported on the Virginia Retirement System, stating that a new plan is coming in January which will reflect changes being sought with pension plans in order to retain solvency and improve portability while encouraging individual responsibility.

Mr. Koleszar said this is being driven by the state's desire to spend less money on retirement.

Mr. Boyd said that's where the rest of the world went years ago, because it's not sustainable if you don't.

Mr. Rooker said it will be interesting to see what people do in retirement 20 years out, because pensions have essentially disappeared, very few people have saved what they need to live comfortably in retirement, and social security will not take care of most people or keep them above the poverty level. He said, while there will be some who save money, there will also be a society where a lot of older people are unable to manage.

Mr. Boyd said that is called "self-reliance."

Ms. Gerome stated that some highlights of the hybrid plan include the defined benefit which is formula-driven, and a defined contribution, and there will no longer be disability retirement benefits – as the state is offering the "Virginia Local Disability Plan," which is an employer-provided short term and long term disability plan. She said the County's current VRS employees can opt into this hybrid during a special enrollment period.

Regarding the retirement piece with VRS, Ms. Gerome explained that employers don't have a choice and must enroll all new VRS members into the hybrid plan beginning in January, and will have four different retirement plans to administer and manage. She said there are two components to the hybrid – the defined benefit piece and the defined contribution piece. Ms. Gerome said that currently employees must contribute 5% into the defined benefit but, with the hybrid plan, 4% will go into defined benefit with 1% going into defined contribution, so the employee will direct where that money should be invested. She stated that they may voluntarily contribute an additional tax deferred 4% to the defined contribution piece, and the employer contribution will be actuarially determined on an annual basis. Ms. Gerome noted that there is a matching provision which stipulates if employees contribute more, then employers must match up to 3.5% for the defined contribution component.

Ms. Gerome stated that what this means to employees is that everyone has a choice, and current VRS members will have an opportunity to opt into the VRS plan – with the hybrid, the defined benefit, the defined contribution, and the no disability – from January through April. She said her staff has already started a communications campaign, disseminating information to employees, attending advisory meetings, etc. and there would be a YouTube video link put on Division Compass and Inside Albemarle the following week. Ms. Gerome emphasized that VRS was working to develop calculators and tools because it is going to be an individual decision for an employee to sit down and run the numbers and decide, and that will need to be communicated to employees.

Ms. Gerome said the second change with the hybrid plan is the disability portion, the leave portion and, with this benefit, there is a choice of joining the VLDP (opt in) or provide equivalent coverage to new employees hired after January or all employees who opt in the plan. She stated that if they provide the equivalent coverage it must match what the state plan is offering, which is the employer paying the income if an employee can't work, and a mandatory waiting period of seven days for the short-term disability with pay for six months, and the long term paying for two years. Ms. Gerome said there's a graduated scale based on years of service, but the disability is 60% of salary.

Mr. Rooker said employees can use sick leave and leave days before going into short-term disability.

Ms. Gerome agreed, but said those things drive them to reconsider the current benefits structure so that it makes sense with the new mandated model – and even though it's only for new employees, staff is looking at what will be best for everyone in the organization. She said some of the current leave programs won't integrate well with this, such as the sick leave bank, and there is an HR team researching this extensively and evaluating data in addition to getting employee feedback. Ms. Gerome noted that they would be bringing back some recommendations to the Board in early December.

Mr. Rooker said, in the long term, it doesn't make sense to provide four or five different approaches for the same coverage. Ms. Gerome agreed.

Mr. Thomas commended that HR staff is being very observant by looking at all of the benefits being received and paying for the disability.

Ms. Gerome thanked him, and confirmed that the short-term component is mandated as well as the long-term component.

Ms. Gerome said the decision the Board needs to make today, because of the timeframe involved, is whether to opt in or opt out of the VLDP by November 1. She stated that staff feels strongly that they should opt out for several reasons, including the fact that two vendors have responded to an RFP which offers lower rates than the state currently offers. Ms. Gerome said if the County opts in with the state, they don't have the flexibility to ever get out or negotiate a different rate.

Mr. Boyd stated that they have options with multiple companies if the County opts out.

Mr. Craddock asked if the vendors have any guarantees. Ms. Gerome responded that one has a two-year rate guarantee and one offers a three-year rate guarantee, but the County would have the option to renegotiate with them – unlike VRS.

Mr. Koleszar asked if it was possible to self-insure. Ms. Gerome said it would be possible with the short-term disability, but it might not make much sense for the long-term disability.

Mr. McKay said the state's mandate is to self-insure for the short term, and have an administrator help manage it. He said the reason most organizations don't self-insure for long-term disability is because there is a low incidence of claims but if someone is disabled at age 25 they would have to be carried for 40 years.

Ms. Gerome stated that this is being required for new employees starting in January, but the structure of the state mandate is very different than what the County currently offers. She said they're hoping to offer a similar plan for all employees, so there would be some consistency for the long term, and that's what they will bring back to the Board in December. Ms. Gerome stated that people who aren't in the hybrid plan aren't eligible for it, unless they were to change the entire structure, so they would have to maintain plans for some period of time. She said, for today, they are hoping just to focus on the opt-out resolution.

Mr. Buyaki noted that, if the County opts out, they still have the option to hire their own administrator for the position, which might be cheaper than a vendor.

Ms. Gerome clarified that opting out offers the County options; opting in does not.

Mr. Boyd said it seems like a no-brainer, and asked if she needed a motion.

Mr. Davis said a resolution has been prepared.

Mr. Koleszar said he's willing to take the recommendations of the experts, but it's not a no-brainer to him, and theoretically the larger the plan the less administrative overhead there is – so the state's plan could ultimately be better than a private plan, but they don't have the data to know that nor the time to analyze it.

Mr. Buyaki said he is wary of it, because every year there is a VRS change, with massive changes in the last four or five years, and they have no control over that.

Mr. Boyd stated that they had this discussion at the Regional Jail Authority, and the Nelson County Sheriff said that Nelson had decided to stay with the state system – but only because they couldn't find any other options, adding that the issuance of an RFP didn't generate any respondents.

Ms. Mallek and Mr. Rooker said that the locality's size would affect the possibility of getting bidders.

Mr. Boyd **moved** to adopt the following resolution to opt out of the Virginia Local Disability Plan (VLDP). Mr. Snow **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

RESOLUTION

Irrevocable Election Not to Participate in Virginia Local Disability Program

WHEREAS, by enacting Chapter 11.1 of Title 51.1 of the *Code of Virginia*, the Virginia General Assembly has established the Virginia Local Disability Program ("VLDP") for the payment of short-term and long-term disability benefits for certain participants in the hybrid retirement program described in Virginia Code § 51.1-169; and

WHEREAS, for purposes of VLDP administration, an employer with VLDP-eligible employees may make an irrevocable election on or before November 1, 2013, requesting that its eligible employees not participate in VLDP as of the VLDP effective date of January 1, 2014, because it has or will establish, and continue to maintain, comparable employer-paid disability coverage for such employees that meets or exceeds the coverage set out in Chapter 11.1 of Title 51.1 of the *Code of Virginia*, with the exception of long term care coverage, by January 1, 2014; and

WHEREAS, it is the intent of Albemarle County, 55101, to make this irrevocable election to request that its eligible employees not participate in VLDP;

NOW, THEREFORE, IT IS HEREBY RESOLVED that Albemarle County irrevocably elects not to participate in VLDP because it has or will establish, and continue to maintain, comparable employer-paid disability coverage for such employees; and it is further

RESOLVED that, as an integral part of making this irrevocable election, Albemarle County certifies that it has or will establish, and continue to maintain, comparable employer-paid disability coverage for such employees.

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Mr. Rooker asked how this matches up with the compensation expenses they have included in the County's five-year business plan.

Mr. Foley said the changes in the VRS plan have required that they use an assumption to build into the model, and staff would bring that to the Board in the next few weeks with some new assumptions based on what's changing. He stated that staff is looking for some direction today on a target while they are finalizing revenue estimates and looking at assessment data.

Mr. Buyaki then **moved** to adopt the resolution. Ms. McKeel **seconded** the motion. On a voice call vote, all voted aye.

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Mr. Foley said, each year based on the Board's strategy, staff comes up with a number through a clear methodology they have designed – and that has resulted in the recommended 2.9% as presented. He emphasized that there is a bullet point whereby it will be brought forward based on available revenues, and he will be working closely with the Superintendent's office to jointly establish something more definitive. Mr. Foley said they're in the same place they are every year, with no data from what localities are planning to do and nothing reliable that can be gleaned in the next month.

Dr. Pam Moran stated that, because they have to start their process prior to the Board getting their request from Mr. Foley, it helps the schools to know what the target is so that the Board can balance that against other kinds of initiatives.

Mr. Rooker asked what the total compensation number is for the County, out of their $300 million budget, because 1% would be a certain amount and they could establish how much that would cost them. Mr. Foley said his recollection is that the school number is just over $1 million, with local government at about $400,000.

Mr. Rooker said 1% of salary compensation is comparable to about one penny on the tax rate.

Mr. Boyd asked Eric Strucko if he had a feel for what the University is doing for compensation.

Mr. Strucko said the health system generally plans on 2.5-3% for performance-based merit increases for budget and planning purposes, and the insurance premium number looks reasonable at 8%, with growth expected at a decreasing rate instead of the double-digit increases they've experienced in the past.

Mr. Boyd said the reason he asked that question is because the World at Work projections and adopted market have been "way over" for the past six years.

Ms. Mallek asked if the University healthcare's salary and merit combined was 2.5%. Mr. Strucko said they viewed it as a merit increase, if performance meets expectations.

Ms. Gerome confirmed that the County had a 2% increase last year for market, with merit ranges going from 2-4%.

Mr. Boyd said he's more inclined to include a 2% increase for budget purposes, which puts them at 2.7% when considering the baseline.

Mr. Rooker said they can slice it any way they want in terms of rewarding employees or not, but if the number is 2.7%, then it should be stated as 2.7%.

Mr. Foley stated that's the cost to administer it as well as the raise itself.

Mr. Koleszar said he wanted to know if it was 2% or 2.7% when you take the total aggregate number and divide it by the number of employees.

Mr. Davis said, with a 2% raise, the average employee who's at midpoint and successfully meets expectations will get 2%. He said 2.7% is what it takes to fund the people who are below midpoint who meet expectations, or people who are above midpoint and are exceptional employees – as that pays for their merit raise.

Mr. Rooker said, for budget purposes, they would need $102.7 million in total compensation to be able to divide up among employees across the spectrum.

Mr. Davis stated that, for budget purposes, it takes an extra .7%, but for actual employee earnings in additional pay it's an average of 2%.

Mr. Boyd asked how much of a raise he would get if he was below midpoint. Ms. Gerome said that if he was below midpoint and had successfully met expectations, he would get market at 2.9% plus 1%, so 3.9% total.

Dr. Moran said it's important to know how much money is going into these categories, but when they mix the categories, the boards have had a long-standing focus on salary as what is done to keep up with market and merit to reinforce and reward employees. She said she wants to ensure that they keep those two pots separate.

Mr. Strucko said that's similar to what they do in the UVA healthcare system.

Mr. Foley said the most important thing for the Boards to decide right now is whether 2.9% is acceptable, or whether the World at Work data is questionable and they should shoot for something different.

Mr. Boyd said he would like to start at 2% and then adjust it as more data and information becomes available.

Ms. Mallek agreed that 2% was a good place to start.

Mr. Rooker said the danger of giving a high raise one year is that, when adjusting downward in future years, it makes employees feel disappointed.

Mr. Koleszar said he didn't recall a year where they were actually above market and had that problem.

Mr. Boyd said they did in 2006-07.

Mr. Foley said the Boards have done something less than World at Work the last few years and have been right on, and they have stayed just .05% below market.

Mr. Gallaway said he could support a 2% raise, but they've been so good at hitting this number in the past by taking staff's recommendation, and this time they are not taking staff's recommendation.

Ms. Mallek said they don't usually just take the recommendation as presented.

Mr. Rooker said staff usually brings in the World at Work number, and it's not necessarily a recommendation.

Ms. Gerome said they bring this information in based on the Board-adopted methodology, and it's difficult to get an accurate number at this time of year – but she felt it was more damaging to go out with a higher number and then having to back off for employees than starting a little bit lower and then increasing it.

Dr. Moran said, given economic uncertainties, she was comfortable with the recommendation of 2% as a starting point. She said building a number in allows them to look at initiatives in a variety of areas – in maintenance items and new initiatives – and be able to figure out if they can fund those things.

Mr. Foley stated that 2% is really the minimum for them to administer a merit, because of the fluctuation done with performance rewards.

CONSENSUS to support the following recommendations for budget planning purposes:

- 2.0% pay for performance for classified employees (subject to available revenue)
- build teacher scale to reflect market moving 2.0%

- plan for 8% increase in medical insurance premiums plan for 5% decrease in dental premiums

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

There were none.

Agenda Item No. 5. Adjourn.

At 5:07 p.m., with no further business to come before the Board, the Board of Supervisors adjourned its meeting.

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Chairman

Approved by Board
Date: 06/04/2014 Initials: EWJ