An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on December 12, 2013, at 3:00 p.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from November 7, 2012.

PRESENT: Mr. Kenneth C. Boyd, Ms. Jane D. Dittmar, 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 Davis, Clerk, Ella W. Jordan, and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. The meeting was called to order at 3:03 p.m., by the Chair, Ms. Mallek, and the Chair of the School Board, Mr. Koleszar.

Agenda Item No. 2. **Joint Meeting with School Board**

SCHOOL BOARD MEMBERS PRESENT: Mr. Jason Buyaki, Mr. Ned Galloway, Mr. Stephen Koleszar, Ms. Diantha McKeel and Ms. Barbara Massie Mouly (arrived at 4:03 p.m.).

SCHOOL BOARD MEMBERS ABSENT: Ms. Pam Moynihan and Mr. Eric Strucko.

STAFF PRESENT: Dr. Pam Moran, Superintendent, Dr. Matt Haas, Assistant Superintendent for Organizational and Human Resources Leadership, Dr. Billy Haun, Assistant Superintendent for Student Learning; Mr. Dean Tistadt, Chief Operating Officer; Mr. Jackson Zimmermann, Executive Director of Fiscal Services; Mr. Vince Scheivert, Chief Information Officer; Mr. John Blair, Senior Assistant County Attorney; and Ms. Jennifer Johnston, School Board Clerk

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Item No. 2a. Yancey Elementary Work Group Final Report.

Ms. Frances Feggans, speaking on behalf of the Yancey Work Group, addressed the Boards, and stated that Yancey Elementary School was situated on seven acres in rural southern Albemarle County and serves a diverse population of students in grades K-5. Ms. Feggans said the first iteration of Yancey School was a log structure situated on a one acre wooded lot to serve the community's African-American population and, as the school has changed physically, it has also figuratively represented greater social and cultural changes. Ms. Feggans stated that the school currently represents cooperation and unity as it has grown in its ability to provide learning opportunities to the local population. She stated that looking at the history of Yancey reflects the cultural change and, as a fifth generation of Esmont, "our roots are deep and love is strong." Ms. Feggans introduced members of the work group: Charlotte Brody, Bob Crickenberger, Craig Dommer, Lewis Jackson, Renee Lundgren, Patricia McMullen, Dawn Osterholt, Edward Strickler, and Gordon Walker.

Ms. Charlotte Brody thanked the Boards for coming up with the idea of a workgroup, stating that they've learned a lot from each other and from the research they've reviewed. Ms. Brody presented a PowerPoint on their work, noting the objectives given to the group by the Boards and the plan of action which was developed to include looking at the history of Yancey, reviewing the existing needs survey of southern Albemarle done a few years earlier, having conversations with individuals and agencies, creating and disseminating a survey to the community in an effort to solicit input on the desired future for the school. She stated that, once the results of that survey came in, the work group held a town hall meeting to discuss the survey and the community's impressions and talked about best practices from other rural communities with shrinking school populations, as well as had discussions with County staff to develop recommendations.

Ms. Brody said the first survey mentioned was a 2008 feasibility survey done by Virginia Tech, which had come up with the idea of a combined childcare and senior center as a way of moving forward; and the second survey included a list of possible needs drawn from the feasibility survey, conversations with the community, and examples from other similar rural communities. She stated that the survey was not a scientific sampling, but included people who came to Brown's Store, the Scottsville Farmer's Market, parents of Yancey school children, and others who live in the community. Ms. Brody said the results showed what people thought was most needed were workforce skills, after-school care, health and parenting resources, and programs for the elderly. She said they also talked to as many agencies as possible about their interest in being a part of the school, and she presented a list of agencies that have shown potential interest.

Mr. Craig Dommer addressed the Board, stating that he is the principal of Yancey Elementary School and indicated that they primarily researched other rural schools across the country that have had different models in trying to revitalize the school and the community – and came up with two primary models which have had some success: the community schools model, and place-based learning. Mr. Dommer said the two models differ only slightly in that the community schools model is a bit more focused on the school as a resource for the community, and the place-based learning model focuses more on the community being the resource for the school. He stated that, in the community schools model, you set up the school building to be able to house certain services that citizens from the community at large can access both during the school day and after hours; and in a place-based learning model, you take the kids out of the school building and into the community in order to set up different learning opportunities. He said the feedback from the town hall meeting was they didn't want to choose between the two and felt a hybrid model would work best, and that was the feeling of the workgroup as well.

Mr. Gordon Walker addressed the Board, stating that the concept and practice of schools as community learning centers has a growing and sustainable appeal to a variety of revenue sources, and this attraction exists because such designated centers transform a singular focus public asset – such as a school – into one that creatively benefits persons of all walks of life and from across all age groups. Mr. Walker said initiatives that bring people together, efficiently use economic and human capital, and respond positively to future societal trends are catching the attention and imagination of generous individuals, corporations, foundations, and enlightened government decision-makers. He stated that national foundations such as Atlantic Philanthropies, The Kellogg Foundation, Annie Casey and J.P. Morgan have recently allocated grants to advance the fruition of community learning centers within communities across the United States. Mr. Walker said several local organizations have also been identified in the committee's report as prime targets for generating funds which can help move the committee's recommendations forward and, once the County has defined its financial and essential commitment for elevating Yancey School as a community-wide resource, there is every reason to believe that a public/private capital campaign will succeed. He stated that the obligation of County funds can trigger and leverage funds from other resources, thus multiplying significantly the value of a prudent County investment. Mr. Walker said the outcome will be a service and learning hub of activity which unites generations and neighborhoods across southern Albemarle County by using the best of the past to create a better tomorrow.

Mr. Dommer said, in coming up with the recommendations, the workgroup tried to focus on what the needs survey said as well as to look at the existing capital improvement plan. He stated that their first recommendation was that the septic and land purchases be completed, keeping in mind an upgrade to accommodate greater use by the community. Mr. Dommer said his understanding is the County is in final negotiations on the land purchase, and had met with Building Services the previous week on a preliminary plan for septic.

Mr. John Blair, Assistant County Attorney, clarified that there are ongoing negotiations for the purchase of the properties with one purchase near completion and the other one being delayed while having the owners are being identified.

Mr. Davis said there are some title issues with that one which need to be sorted through.

Mr. Dommer said the workgroup recommends they continue the pursuit of an intergenerational center to be housed at Yancey Elementary School for the good of the greater community, and sees this happening in three phases: phase one would be for the rest of this school year with a focus on streamlining community partnerships currently in place at the school; phase two would be from the beginning of next year until any building addition were to take place, with more of a systematic effort in contacting outside agencies and establishing long-standing and ongoing relationships, and making the Club Yancey Director position a salaried one; phase three would consider a redesign and/or expansion of the school addition in order to accommodate community resources and bring community members in during the school day.

Mr. Dommer stated that the workgroup feels a committee should be formed to pursue a capital campaign of private donations, the long-range planning committee that has come up with the building plans for the addition should meet with the leadership team of the workgroup to focus on a redesign to accommodate broader community uses, the two Boards commit to funding an amount consistent with the purposes identified by the Yancey workgroup and consistent with the amount currently in the capital improvement plan, and that future programming be designed to honor the history of the school, enrich the lives of the residents of southern Albemarle and further the educational experience of the students at Yancey. Mr. Dommer thanked the Boards for forming the workgroup, as it has been a great way to bring the community together and has enriched his understanding of the school.

Ms. Mallek asked if the Board had any questions for the workgroup participants.

Mr. Boyd asked if this was intended to be a self-sustaining operation, because there's nothing in the CIP or five-year plan allocated for any of this.

Ms. Brody said they understand that, and it's why they wrote in the recommendations that it needs to be a partnership. She stated that they are looking for a collaborative approach with a commitment from the Board of Supervisors and the School Board toward the vision, but also a dynamic fundraising committee to look for other sources of funds.

Mr. Rooker said several funds have been set up which have identified grant opportunities for projects of this kind, and the merits of the program will ultimately determine how it gets ranked in the CIP. He stated that any project which brings money with it will be looked at more seriously.

Mr. Snow stated that this has been the intent from the beginning.

Mr. Boyd stated that the County is already challenged with its CIP and asked what would be given up in the CIP in order to fund this project.

Mr. Snow said, as they partner with different groups, the idea is for them to bring money with them.

Mr. Rooker stated that it's probably not practical for the program to be self-sustaining and, at this point, no one has committed any money to it – so they would first have to establish whether this is compelling enough to move forward, and then find a way to do it.

Mr. Snow said they're only committing right now to expand the septic field and renovate that, and the other things that need to be done.

Mr. Boyd said he thought that was already done.

Mr. Snow clarified that it is funded, but they are just now in the process of doing that.

Ms. McKeel said this is a process which has to be taken one step at a time, adding that it is going to be a partnership and this is really just the first step.

Mr. Boyd said it's likely the County will spend sizable amounts of money on this, and he appreciates the effort of the workgroup and doesn't have a problem taking it to the next step – but he's just coming back to the reality that they are strapped for cash in the County.

Mr. Rooker commented that the Board gave up $600,000 in proffers the previous night which might have helped.

Mr. Boyd disagreed.

Mr. Koleszar said the workgroup has done a very good job, adding that the work group is not waiting to design a perfect project, they're moving ahead with some things they can do now and making the existing space used more as well as creating greater interaction between the community and the school, which are all positive things which they can build on. He stated that they are trying to do minor things now prior to moving forward with the big ticket items which might require CIP funding, and he commended the group for keeping it practical.

Ms. McKeel applauded the committee for their work, and said the report was excellent.

Mr. Rooker said he didn't see much in the report that would require an ongoing operating expense for the County other than one staff position for Club Yancey, and much of what takes place there would be through other agencies and volunteer work – which is how the County could leverage with these groups to minimize public expense.

Ms. McKeel said, as they put community programs in that facility, that will help the County government budget because they're looking at facilities which currently don't exist in the feeder pattern.

Mr. Rooker said the report is excellent and has some great suggestions for going forward, adding that this is an area of the County which needs some additional services.

Mr. Snow stated that they've laid out an important plan for moving forward with the funding, and he thinks it's a great report.

Ms. Mallek said County staff would provide feedback on this item in February to help explore possible next steps.

Ms. McKeel said she hopes the southern feeder pattern continues to be looked at because, although the school is in Esmont, it covers a much larger area.

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(Note: The Boards recessed at 3:27 p.m., and reconvened at 3:31 p.m.)

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Item No. 2b. Implementing Mandatory Disability Coverage for VRS Hybrid Members and Compensation Consideration.

The following executive summary was forwarded to Board members:

1) 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 are not eligible to participate in the hybrid plan). This hybrid plan will consist of both a defined benefit component (like that which VRS Plan 1 and Plan 2 members currently participate in) and a defined contribution component. Unlike the current VRS Plan 1 and Plan 2, the hybrid plan will not offer a disability retirement benefit. Localities were given the opportunity this Fall to join the state's Virginia Local Disability Plan (VLDP), which is a combination of short and long term disability programs along with a long-term care component, or they were required to offer equivalent coverage. Localities opting out of VLDP are 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 benefit.

Staff shared information on these options at the October 10, 2013 joint meeting of the Board of Supervisors and the School Board, including the following: 1) the State has mandated that this decision is irrevocable; 2) a substantial number of localities have opted out of VLDP, which may result in unpredictably higher program rates once the current rates expire in June 2014; and 3) VLDP's rates were higher than the rates in the top two bids received by the County for the provision of an alternative short and long term disability plan. Based on this information, the Boards adopted a Resolution to opt out of the VLDP and directed staff to bring back a disability carrier recommendation.

Additionally, given this mandated change in benefits to new employees and the inconsistencies and administrative burdens that managing yet another State-imposed benefit change creates, the Boards directed staff to explore options for potential revisions to the County's current benefits for all employees. This report provides information on the initial stages of that review.

2) Compensation Strategies

In 2000, the Board of Supervisors and the School Board jointly approved a Total Compensation Strategy to target employee salaries at the median of an adopted market and to provide employee benefits slightly above adopted market levels. 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. Staff's findings and recommendations based on its annual compensation analysis were included in the Total Compensation Report presented to the Boards on October 10, 2013. For budget planning, the Boards approved a 2.0% salary increase for classified staff and a 2.0% increase to fund teacher salary increases to maintain the top quartile position, based on the availability of adequate funding.

In accordance with the Boards' direction, the five year budget plans for both Local Government and the School Division include a 2% market salary adjustment. Given the challenging economic times and the County's inability to provide merit increases during much of the recession, staff is becoming concerned regarding the issue of compression. Staff will be studying this issue of compensation generally over the next year with particular focus on compression to determine what action may be taken in the future to address this concern.

1) Virginia Retirement System

Staff worked with the County's benefit consultant, KSPH, to solicit proposals for the purchase of equivalent short and long term disability (STD/LTD) coverage and received five bids. Staff evaluated those bids based on: functional requirements, implementation and services/project management, experience and qualifications, and selected two finalists: Lincoln and Standard. A cross- departmental team met with both companies and unanimously chose Standard.

As staff proceeds to implement the changes mandated by VRS, staff believes there are a number of important considerations that need to be further explored. The mandated benefits that will apply to new hires must be in place effective January 1, 2014; however, there is a one-year waiting period for coverage (except for on-the-job incidents). Due to VRS's mandates regarding the VLDP/equivalent coverage, the County is faced with the possibility of having two or more leave policies/procedures for different groups of employees (e.g., Plan 1/Plan 2, hybrid members, and non-VRS). The mandated STD coverage also duplicates and erodes the County's current Sick Leave Bank program. The County's current voluntary LTD program will lose participants as employees retire and no new employees are added, which may eventually result in a rate increase or termination of that plan. Staff is concerned about the feasibility of maintaining multiple plans simultaneously given current staffing and tracking/technological constraints. As a result, staff is studying how best to manage leave policies that would be uniform for all employees regardless of VRS status.

Staff will continue to evaluate these implications and will conduct a review with the following objectives:

- To provide leave for employees for their illness, family members' illness and vacation time (if applicable)
- To administer one leave program that is simple to communicate and administer
- To provide integrated leave that is seamless, predictable and clearly understood by both employees and department managers and school principals
- To be consistent with the Joint Board adopted Total Compensation Strategy
- To be cost neutral with regard to current benefit structure

Staff will bring its findings back to the Boards for review in the spring.

In addition, staff will continue with the following efforts:

- Communicate to all employees with updates regarding VLDP;
- Work with KSPH Consultants to determine best practices, the advantages and disadvantages of different leave programs, and the estimated costs and cost savings based on employees' leave usage;
- Evaluate the County's current leave systems and practices;
- Obtain feedback through meetings with key managers and multiple advisory groups.

Given the administrative issues associated with the County's current leave policies, particularly in regard to the unlimited accrual of sick leave, staff is evaluating the advantages of creating a new set of leave policies/procedures applicable to all benefits-eligible employees, in conjunction with providing the STD/LTD coverage for employees. This may include modifying the County's Sick Leave Bank program, potentially capping sick leave accruals, and coordinating benefits with a new employer-paid STD/LTD plan, VRS disability (where applicable), and Social Security

Disability. Such changes would create a true “safety net” for all benefits-eligible employees, regardless of the duration of their employment with the County. Over the next several months, staff will be evaluating modifications and obtaining employee feedback on potential changes. Employees will be provided opportunities, not only to learn about all of the considerations involved in changing the policy, but also to discuss the issues with their colleagues, ask questions, clarify misconceptions, and express their opinions or concerns. Additional information will be presented to the Boards for consideration after this thorough review.

VLDP for the remainder of FY13/14 (January 1, 2014 – June 30, 2014) based on an estimated number of new hires and estimated average salaries are estimated to be $3000.

Staff recommends that the Board of Supervisors and the School Board authorize the County and the School Division, respectively, to purchase short term disability and long term disability coverage from Standard Insurance, effective January 1, 2014 for hybrid plan members.

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Ms. Lorna Gerome, Director of Human Resources, stated that the focus in Human Resources is always on employees, with the work environment they create, the salaries, the benefits, the training and development which are all critical in attracting, keeping and inspiring employees. Ms. Gerome said the employees are the ones who will unleash each student’s potential and provide that excellent responsive service to citizens. She stated that, in the executive summary, she had included information about compensation, and staff has identified that salary compression was becoming an issue they would need to study further in the future.

Ms. Gerome reported that big changes were coming to VRS in January 2014, and presented a slide on benefits reflecting a movement toward long-term solvency of the plan, being more in line with the workforce of today with more portable benefits and incentives for saving, as well as encouraging individual responsibility. She stated that there are two parts to the VRS changes – one related to the retirement benefit and the second pertaining to the disability benefit. Ms. Gerome said the disability retirement benefits are eliminated under the new system, and instead, employers must provide employer-paid short-term and long-term disability. She stated that, with regard to the retirement, the County has no choice and will be administering and communicating four different retirement plans for employees. Ms. Gerome explained that the County currently has two defined-benefit plans based on a formula, including a 5% mandatory employee contribution and an employer contribution which is actuarially determined. She said employees cannot contribute any more to VRS, and benefit structures and eligibility standards are different with plans one and two, as well as with the hazardous duty retirement plan.

Ms. Gerome said the hybrid plan has two parts – the defined-benefit or formula-drive part, and the defined-contribution part. She explained that, of the employee’s 5% contribution, 4% of will go to the defined benefit or formula portion, 1% will go to a defined-contribution plan, and the employee will be expected to invest that money among several different options through ICMA. Ms. Gerome stated that this is a huge change for the County, and staff will have to communicate the options, information about asset allocation, risk management for employees, having a balanced portfolio – because all hybrid employees will have to invest the 1%. She said employees will also be able to make a voluntary contribution of up to 4% additional and receive an employer match up to 3.5%. She presented a slide showing the different accounts and pots for the different types of money, and said it was used to help employees understand the contribution structure and investment accounts.

Ms. Gerome stated that current employees have the opportunity to opt in to the hybrid plan, and the period of their benefits election is from January through April, with a July 1, 2014 effective date – so staff would be quite busy over the next several months communicating with employees by attending staff meetings, distributing written materials, and modeling with VRS tools that will be available as of January 1.

Ms. McKeel asked if this would be a one-time decision made by employees. Ms. Gerome said the decision to go into a hybrid plan is a one-time decision made by employees and they can’t reverse it, much like other VRS changes, but an employee will be able to change the amount of contribution each year – even quarterly.

Ms. Gerome reported that, as was mentioned in the Board’s October meeting, the County had to make a decision on whether to join the state disability plan through VRS or opt out. She said, at that time, the County had issued an RFP, with vendors who responded offering lower rates and submitted resolutions to VRS indicating the County would proceed with those finalists. Ms. Gerome said the short-term disability benefit the County must provide is self-insured, with the mandate being to replace 60% of an income when an employee goes out up to 125 days. She mentioned that there is a one-year waiting period for non-work related injuries, so employees hired in January would essentially have a year’s wait for the coverage to kick in. Ms. Gerome said all new hybrid members would become eligible, with a one-year waiting period for the effective date of the benefits. Ms. Gerome stated that long-term disability insurance would provide between 60-80% of income replacement, and it’s a managed long-term disability plan.

Ms. Gerome reported that the County selected Standard Insurance to be its disability benefit carrier, and a cross-departmental team reviewed the two finalists and interviewed them, as well as conducted reference checks with Loudoun County, the City of Norfolk, and the District of Columbia, which all use Standard Insurance. Ms. Gerome said the program they offered met or exceeded the code at every element; they were the low bidder as well as offering a three-year rate guarantee. She stated that the company offers several return-to-work incentives and some very positive rehabilitative programs to try to get employees that are disabled back into the workforce or retrained.

Ms. Gerome said this leads to a set of challenges for HR regarding whether to administer two sets of leave – the leave they currently have in place for employees, with the existing disability income replacement programs not integrating with the new system. She stated that they have a sick leave bank and, without new employees enrolling in that plan, it would eventually erode. She said they also have a voluntary long-term disability plan which employees can pay into, and new employees will have the opportunity to have an employer-paid plan. Ms. Gerome said they are concerned about some of the structures in the current leave programs, with some large sick leave balances, inconsistency with the way leave is administered among departments and no seamlessly integrated safety net for all employees. She said staff has been working over the past five or six months to look at these issues in light of these objectives and to try to provide leave which allows work/life balance for employees. Ms. Gerome stated that their objective is to have one leave program, as it's simpler to administer and communicate, and the integrated leave is a true safety net for employees. She said they want a program which is consistent with their total compensation strategy, and are striving to have a cost-neutral program relative to current benefit structures.

Ms. Gerome said the team will continue their work and are soliciting input from employees and managers, as this is a difficult and complicated issue, and they are also working with KSPH Benefits Consultants to gather best practices – adding that other employers are faced with this same situation. She stated that James City County is moving to a paid time off system for local government new hires, which would replace sick leave as a "one bucket" leave system along with the mandated long and short-term disability. Ms. Gerome said they are starting to see some changes in the market because other localities are faced with these issues, and the Board will hear more about this in the future. She explained that current employees' income replacement is a use of their accrued sick leave and the voluntary sick leave bank, if they've enrolled in that. She stated that currently employees incur one day of sick leave per month with no maximum or cutoff, and no payout or credit for service upon an employee's departure. She said the sick leave bank is voluntary and allows for income replacement after a 20-day waiting period up to 45 days.

Ms. Gerome said staff would be coming back to the Board with more information in the future but, at this meeting, staff is seeking approval to select Standard Insurance as the County's vendor to provide short and long-term disability coverage for new hires effective January 1, 2014.

Mr. Rooker asked for confirmation that Standard administered plans as well or better than other companies, had good plan designs, and was the low bidder. Ms. Gerome confirmed that was the case.

Mr. Rooker said that is a pretty good combination.

Motion was then offered by Ms. Mallek to affirm staff's recommendation to purchase short term disability and long term disability coverage from Standard Insurance, effective January 1, 2014 for hybrid plan members. Mr. Rooker **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

Ms. McKeel then **moved, seconded** by Mr. Buyaki, to authorize the School Division, respectively, to purchase short term disability and long term disability coverage from Standard Insurance, effective January 1, 2014 for hybrid plan members. On a voice call vote, all voted aye, with Mr. Strucko, Ms. Mouly and Ms. Moynihan absent

Ms. Gerome clarified that the opt-in period would be January through April with the hybrid retirement piece effective July 1, 2014, and the disability portion effective a year from that date.

Ms. Mallek asked what would happen to someone who became disabled during the waiting period. Ms. Gerome said a current employee would be covered by sick leave and the sick leave bank and, if they became disabled, that would continue even if they opted into the new plan. She added that, even if they purchased the voluntary long-term disability, it would also remain in effect.

Mr. Davis stated that if they opt into the hybrid plan, that VRS Disability Retirement is no longer available to them.

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Item No. 2c. FY 2014/15 Capital Improvements Program.

Mr. Bill Letteri, Assistant County Executive, said he would present the update from the CIP Oversight Committee along with staff recommendations for the capital improvement program. He said the purpose of this meeting is to review the details of the work which has been done by both the Technical Review Team (TRT) and the Oversight Committee. Mr. Letteri stated that this is one step in the process, which is carefully laid out beginning with the TRT and goes through to final recommendations in the spring. He said it's important to recognize that this is a work in progress, and they will continue to evaluate the programs being recommended – particularly looking at how cash and debt service are applied, and its effect on fund balance. Mr. Letteri stated that no formal decisions are required at this meeting as it is a review process by which staff seeks input from the Boards on the different projects presented.

Mr. Letteri said this year's CIP recommendations coming out of the Oversight Committee are unique and significant, as both scenarios require a tax rate increase dedicated to the capital fund. He stated that scenario one requires a tax rate increase in year two and also in year four, largely driven by the Emergency Communications Center (ECC) project and court renovations; and scenario two would add a third penny in year one, largely to fund revenue-sharing, transportation, and the Acquisition of Conservation Easements (ACE) Program. Mr. Letteri said the CIP would also include a Henley Middle School gym project, which is considered very important by the School Division. He stated that, while it's entirely possible to do that scenario, it will require additional investments in the maintenance accounts in the fifth year of the plan for it to work.

Mr. Boyd asked if the tax increase related to the CIP was over and above what was discussed in the five-year plan. Mr. Letteri said the first scenario is consistent with the five-year plan, but the second scenario adds a third penny to that scenario in year one. He stated that the decision of the committee was that the third penny would be 2/3s dedicated to transportation and 1/3 dedicated to the ACE Program.

Ms. Lori Allshouse, Director of the Office of Management and Budget, said her office works closely with the County Executive's Office and with Mr. Trevor Henry of the Office of Facilities Development (OFD) on the CIP. She thanked Ms. Holly Biddle for serving as budget analyst for the CIP while one of her employees was on leave.

Ms. Allshouse presented a slide on the process undertaken for the CIP, noting the levels of review and stating that the Office of Facilities Development is the first group to look at the projects and actually delves into the details. She said it then goes through a Technical Review Committee (TRC) with staff members that look primarily at project details and begin ranking projects based on specific criteria; and a new Financial Review Committee brings in the Finance Department which begins looking at the debt and cash implications of a project. Ms. Allshouse said all those groups touch base with the County Executive's Office throughout the model, and the Oversight Committee starts out with the scenarios presented. She stated that the Oversight Committee's work ended in November, the project then goes back to the Financial Review Committee for more work on the debt service and cash components, and then they touch base again with the County Executive's Office so as to ensure they're keeping within policies. Ms. Allshouse said it's an iterative process with changes made along the way, going through School Board and Planning Commission reviews, then back to the County Executive's Office and then to the Board of Supervisors for final approval. Going forward, Ms. Allshouse said there would be a Planning Commission presentation for comment in January, and then it moves into the budget process – with the recommended budget and CIP document before the Board on February 21.

Ms. Allshouse reported that she would review the County's financial policies, which were just updated in March. She said the first policy is that the County believes in funding a significant portion of capital improvements on a cash basis and, in the past, they've done a lot of "pay as you go" projects. Ms. Allshouse stated that they have a specific goal that the budgeted net transfer to capital after debt service will be 3% of general fund revenues, so all the money that transfers into the CIP won't simply go to pay debt service. She said another policy is that the County will set target debt ratios which will be calculated annually and included in their annual review of fiscal trends so, in their adopted budget document, they will be able to see how their model compares to their set goals and those of other AAA jurisdictions. Ms. Allshouse said the first policy is that debt as a percentage of market value of taxable property should not exceed 2% and, in the current adopted budget, they are below 1%. She stated that the second policy is that the ratio of debt service expenditures to the general fund and school fund revenues not exceed 10%.

Ms. Allshouse said, in addition to policies, they have practices, and there's a practice that the CIP five-year program model will include a remainder of $2 million in the fund balance at the end of the five-year period. She presented a model of the adopted budget, with the five years of the CIP across the top and a general fund allocation to debt and capital. Ms. Allshouse said they have a formula by which they move funding over to the CIP, and that formula puts the top line in – so it runs from about $19 million to $21.8 million in the out years. She emphasized that the first thing they do is pay the debt, and the balance in cash goes into the CIP. Ms. Allshouse said, following the model, you take the $2.6 million for the transfer and pick up some other revenues – such as revenues for ECC from other sources like the City and UVA, and loan proceeds – for a total of $16 million in the first year.

Ms. Dittmar asked where grants would come in. Ms. Allshouse said grants would come in under other revenues.

Ms. Allshouse said, in addition to the $16 million, there is a fund balance, making the total available $35.8 million in the CIP's first year. Following the model again, she said they fund projects (expenditures) at $20.9 million, with a fund balance remaining and moving forward. She stated that the model builds on itself throughout the plan, with the remainder left at $2 million. Ms. Allshouse said the two different scenarios for the new CIP will be modeled in this way.

Ms. Allshouse stated that, along the way, the Board approves a budget and can make adjustments and changes through the year just as it can with the operating budget. She stated that they've updated the model based on revenue assumptions which are also included in the five-year plan, with a general fund transfer of at least $2 million based on those revenue assumptions. Ms. Allshouse said, based on some updated information about the Schools' fund balance, they took the $2.4 million assumption out of the model which was built in last year. She stated that use of proffers for maintenance projects was adjusted, as a recent law stipulates that proffer funding must go toward new projects. Ms. Allshouse said they also updated loan proceeds, and debt service payments were based on an actual rate of 3.47%, which is a change in the debt service. She stated that the loan for the Northside Library had originally been planned for FY16, but they moved it up to FY14 in order to borrow the money sooner. Ms. Allshouse said there was also an upgrade to the tax revenue system and a loan for the Lewis & Clark Exploratory Center, removal of proffers for maintenance projects, and a building acquisition from

Charlottesville/Albemarle Rescue Squad (CARS). She emphasized that it is not unusual to have changes throughout the year after a budget is adopted and, when they go back to the model and make those changes, the end remainder drops below $2 million.

Mr. Foley said, since there was so much discussion about proffers at the Board's meeting the previous evening, he wanted to clarify that the line of "other revenues" is the place where proffers are accounted for.

Mr. Trevor Henry, Director of the Office of Facilities Development said, in addition to capital project execution and management, he works closely with Ms. Allshouse on CIP planning. Mr. Henry said the CIP is basically a five-year balance plan which is tied closely to five-year planning, revenue projections, and forecasting from individual departments – with the ultimate goal of adopting a budget by the Board in year one of the plan which then gives the County spending authority. He stated that there is also a capital needs assessment for years six through ten to provide some idea of the projects that will be coming in the future.

Mr. Henry said, in the first of his four years working on the CIP, they were really seeing the effects of the economic downturn and went from a plan with a lot of projects in the out years to ensuring that the County met its obligations and mandates and maintenance/replacement requirements. He stated that, from what he understands from Bill Letteri and Betty Burrell in their work to get further AAA bond ratings, their ability to manage the CIP is reflected in those ratings.

Mr. Henry stated that he would present two scenarios, with both scenarios absorbing significant obligations and mandates, additional maintenance/replacement requests, and a few new projects. He presented a slide showing a total of 112 requests that were received, with 9 of them classified as mandates and obligations, 30 as maintenance/replacement, and 63 being project enhancement requests – totaling $301 million over the five-year period. He said, in the second five years of the capital needs assessment, there's another group of requests totaling almost $230 million, for a total of over $1/2 billion. Mr. Henry emphasized that this is just a summary of needs based on what's been submitted by various departments throughout the County.

Mr. Henry said he would review the functional areas and briefly highlight specific projects within each area, along with how those are classified, the year in which they appear, and the request or funding amount. He explained that those projects marked with an asterisk on the list indicate this year's projects in this year's request, the green shading indicates projects in scenario A which are being recommended to the Board and the blue shading indicates those projects in scenario B.

Mr. Boyd asked how the amount went from $107 million up to $300 million. Mr. Henry explained that those are requests – not what the recommended plan is.

Mr. Henry said everything in white on the chart is not in the recommended plan and, out of the 112 requests received, what ultimately comes to the Board will not reflect all of those projects. He said, under scenario A, they are recommending about $160 million of project requests, out of $300 million total requests, which will require an additional two pennies on the tax rate in years two and four.

Mr. Henry noted that, under Administration, there are only maintenance/replacement projects, with a voting machine coming in from the previous year and a time and attendance system included in year two. He said the Courts and Judicial category has been a maintenance-only request for many years, but is one of the big drivers in this year's CIP budget – with the primary driver being facilities addition and renovation, in response to the courts study that has been done over the past several years – with acquisition and construction of the Levy Building for General District Court, and renovation of the current historic courthouse for Circuit Court. Mr. Henry confirmed that the cost difference between the "stay downtown" option versus relocation was very close - $44 million versus $42 million – and, because of that and other factors, they are focusing on downtown. He said the program is reflected in the CIP, and the first five years would cover about $30 million of that with another $14 million in the out years.

Mr. Rooker said every user that came in to speak on the courts project opposed the split courts situation, and the Board voted unanimously for the downtown option despite the slight cost difference. He noted that the other bigger challenge with the downtown option is parking.

Mr. Henry reported that the category of Public Safety is also a pretty big piece of the equation, and the two big projects driving the cost are the integrated public safety/technology project – formerly called the CAD project – which will replace all the hardware, server, laptop and desktop systems that will allow ECC to communicate both internally and externally. He said the total cost is $6.2 million, but there is revenue sharing so the County's portion will be about 50% of that once offsetting revenues are factored in. Mr. Henry said the County is the fiscal agent for the ECC, so it's in there for the full amount, and the City and UVA both have it programmed into their budgets for FY15. He stated that the second project in the adopted plan is the ECC 800 MHz system, which is the backbone of the system. He explained that they had to move that particular project up a few years because of its "end of life" status – with the cost increasing by about $1.5 million because the original request didn't have an additional microwave tower. He said it was originally a $16 million project in FY18, but it's now about $17.5 million in FY16.

Ms. McKeel said the Oversight Committee had requested staff show more clearly when there is offsetting revenue coming in, for clarity purposes.

Ms. Dittmar asked what the policy is for moving things up on the list. Mr. Henry explained that, each year, they receive requests from departments, such as Agnor-Hurt being originally approved with one entrance but, after further review during the design phase, was changed to have two entrances in order to accommodate two entrances for cars and buses. He said the policy is to review those changes and, if it's in year one of the program, it constitutes an emergency request – and the Agnor-Hurt project would need construction to begin in the summer of 2014 in order to be completed by fall for the start of the school year.

Mr. Rooker said projects coming in as mandates might rise to the top and displace something that was expected to move ahead the following year, or maintenance items might crop up which would require immediate attention.

Ms. McKeel said this is a very fluid document because things do change from year to year.

Mr. Thomas asked if there was a site already identified and approved for the new microwave tower, because it was quite an ordeal the last time.

Mr. Tom Hansen, Executive Director of the ECC, addressed the Boards and stated that they have not yet located a site, and they are not sure yet that they will need it – but it's in the plan in order to address the coverage issues in the southern part of the County.

Mr. Boyd asked what the ECC's total budget was. Mr. Hansen said the operations budget was about $5 million.

Mr. Snow asked if this equipment would replace just the old equipment or if it would enhance the capability. Mr. Hansen said it's an upgrade to what they currently have and, if they add the additional tower site, it will cover some of those spots – but they will never have a system that will cover every square inch of the County because of the mountainous terrain, so there will always be dead spots.

Mr. Snow asked if they could possibly partner with cellular service providers to increase coverage but keep costs down. Mr. Hansen said it's very possible, and what you would reduce would be the cost of the tower. He stated that the life expectancy of a system is 13-15 years, and the end of life for the current system is 2018.

Ms. McKeel asked if there had been any talk of using satellites to cover the dead zones. Mr. Hansen said there has been a lot of talk about it, but it's very expensive – far more expensive than what they're doing now.

Mr. Henry reported that the category of Public Works contains mostly maintenance-only requests with a new mandate for the convenience centers, $1 million for the design and construction of two of the three trash and recycling locations.

Mr. Henry reported that there were several project requests for Community and Neighborhood Development, and the only thing for funding is revenue sharing – with the full request of $31 million over a five-year period, to include projects such as Berkmar Drive Extended, Route 29 North pedestrian crossings, Eastern Avenue Crozet connection, and other sidewalk improvements.

Mr. Henry said Health and Welfare has only health department maintenance requests, with offsetting revenue to help fund at least what's in the request. He said there are also some projects in their request which were not recommended for funding. Mr. Henry stated that Parks & Recreation did a great job of coming in with projects beyond maintenance, which is what they've been requesting for the past several years. He stated that staff asked them in the capital needs assessment process to find what could be funded, and they came back with a fairly significant list of requests – but what's funded are just the maintenance/replacement items and no new projects. Mr. Henry said there has been quite a bit of work on libraries over the past few years, and what's in this recommended CIP is mostly maintenance.

Mr. Koleszar asked where the Northside Library is in this request. Mr. Henry said the Northside Library was approved in FY13, and these are new requests.

Mr. Henry reported that, regarding Technology requests on the local government side, this is just a maintenance/replacement program with no new requested projects making it into funding recommendations. Mr. Henry said ACE requests consider a matching grant of $178,000, and the requests are about $1 million a year – with scenario B funding those with about 1/3 of a penny added to the tax rate. He stated that stormwater requests are mandated projects which have come in, with TMDL requirements now moving from the watch list to reality and a big number attached even for the lower end of the options. He said the Hollymead Dam spillway improvement is also a mandated project which will help repair some deficiencies identified there.

Mr. Rooker said, when that dam was taken over by the County, the estimate to replace it was $400,000-$500,000, and now the repairs will cost five times that amount.

Mr. Henry stated that there is also an offsetting revenue source which is yet to be determined so, in a sense, it is neutral to the CIP.

Mr. Henry said the last submitting department is the School Division, with the CIP reflecting inclusion of all of its maintenance and replacement requests, the contemporary learning spaces, the Agnor-Hurt addition/renovation project, and school security improvements. He said scenario B also includes a modified submission for the Henley Middle School gym.

Mr. Boyd asked what "contemporary learning spaces" were. Dr. Pam Moran explained that it is a modernization which needs to be done, as there have been decades where they have not upgraded areas in schools such as science labs, furniture, etc.

Mr. Galloway said another example is taking bookcases and making them mobile so the space can become fluid.

Mr. Henry said the neat thing about the request is that it covers multiple locations and campuses, and the contemporary learning spaces and school security improvements were two of the highest priorities coming from schools this year. He said school safety initiatives were not in the request from last year, but it has risen to the top.

Dr. Moran said a state task force came back with recommendations, and the police department helped to implement a walking survey of the schools to determine where there were safety issues.

Ms. Mallek said parents had been eager to do fundraising for some of the school security initiatives, and asked if that had come to fruition yet.

Dr. Moran said there has been no fundraising for that specifically yet.

Mr. Henry stated that this request allows for improvements across multiple school campuses.

Mr. Henry said he also mentioned the Pantops Fire Station in the Public Safety category, which is being driven by the County's current agreement with Martha Jefferson Hospital and, when that expires, the project will provide for design and construction of a station to allow location of a rescue squad there.

Ms. Mallek said the lease with Martha Jefferson Hospital expires in FY15.

Mr. Henry said that project is scheduled to be completed in FY19.

Mr. Davis said the earliest the lease would expire would be in January of 2016.

Mr. Henry said they are counting on some extensions, and have pushed the request out a year in anticipation of getting those extensions.

Mr. Henry summarized the plan, noting that it reflects the adopted plan with a one-penny tax increase in FY16 and an additional penny in FY18 to accommodate these requests, with the two biggest drivers being the courts project and ECC project. Mr. Henry said the Financial Review Committee has gone into the details of the plan, and stated that they graded the recommendation as "yellow" because they are under the goal of having a $2 million reserve at the end of five years. He stated that the net general fund transfer, after taking out debt service, is pretty close to "red" or cautionary in year three and year five, so staff is going back to do further analysis.

Mr. Rooker said having the Financial Review Committee involved was very helpful, as the Oversight Committee was able to get quick and accurate looks at how certain projects would affect the financial plan going forward – with realistic adjustments as to what could and couldn't be financed.

Mr. Henry said the Oversight Committee came out with a recommendation of the scenario A components, but adding an additional penny starting in year one to be dedicated to ACE and revenue-sharing, with a 2/3 to 1/3 penny split. He stated that, to bring the Henley gym addition into the equation, they are still struggling with covering the debt service in year five and having the right balance at the end of year five.

Mr. Rooker said it looks like the Henley project could be done without the extra penny, but there would be nothing for transportation revenue-sharing. He said it might be helpful to have a good description of the Henley project.

Dr. Moran stated that the Henley population has increased to over 800 students, and they are taking their physical education classes in a three-quarter gym, so they need more space for safety reasons as it is over capacity.

Mr. Rooker said he heard that kids had to rotate out of gym to give other kids a turn, because there wasn't enough space for them to be in the gym at one time, and that's why the committee elevated its status.

Mr. Koleszar stated that there's a certain process flaw in the way they're approaching this, because this is the only meeting the School Board has to review this beyond what they submitted as projects in August.

Mr. Rooker said the School Board has the same process as the Board of Supervisors has, with a School Board member serving on the Oversight Committee.

Mr. Koleszar said the School Board needs to have another opportunity to generate input, and they need to look at how they review the projects.

Mr. Rooker said the School Board has the ability to rank projects also.

Mr. Koleszar stated that he wanted to see the "high school of the future" project given more attention, and the joint meeting doesn't give the School Board enough time to do an in-depth discussion at this stage.

Ms. Mallek asked if the list the School Board submits in August has a ranking order of projects.

Mr. Koleszar said that it does.

Ms. Mallek said the committees had that information from that beginning.

Mr. Henry said the departments' ranking of projects does bear on the Technical Review Team's consideration of projects, and the "high school of the future" was one of the lower ranked requests which came from the schools.

Ms. McKeel confirmed that to be correct.

Mr. Foley said they try to get every department and the School Board to come into a joint decision-making process which includes community members and Planning Commission as well as School Board and Supervisors members, so if things come out after that group reviews it, they won't have the benefit of the full review. He stated that Mr. Koleszar's issue is legitimate, but that's an important part of what was established as a community CIP with that participation.

Mr. Henry suggested they could perhaps report out in a different way which gives everyone the information they need.

Ms. McKeel said, as they have new Board of Supervisors members and at least one change in the School Board, she would like both Boards to consider having a retreat next summer to talk about CIP and capital needs for the County.

Mr. Koleszar stated that the percentage of funding for school CIP has gone way down, and they need to have a bigger discussion about County needs.

Mr. Rooker said those percentages can change completely if you take two projects out.

Mr. Koleszar said the CIP has three pennies more, but less or the same money for schools, but he did acknowledge the importance of the projects being funded.

Ms. McKeel reiterated that a retreat for the two Boards in light of increasing urbanization would be very helpful.

Ms. Mallek said, in the past, they've had to scramble around for revenue-sharing money because they didn't plan ahead for it, and that match is nowhere in scenario A.

Mr. Henry said scenario B is still a work in progress, but does reflect the penny beginning in year one for revenue sharing and ACE.

Mr. Henry presented a slide showing the general fund transfer, noting the debt service impact and stating that about 75% of the debt services funds are for school projects.

Mr. Koleszar said that's because schools have been able to borrow at a better rate than general government.

Mr. Letteri emphasized the importance of maintaining a strong equity contribution, and said the planned revenue is not sufficient to keep that healthy contribution up for the long term.

Mr. Henry said, in scenario A, they have a program which funds about $160 million in projects, and he referenced the handouts distributed for recommended requests, and other unfunded requests totaling $141 million which make up the balance.

Mr. Rooker asked what was classified as "community and neighborhood development" at $43 million. Mr. Henry said revenue sharing is driving that, and it is not funded as part of scenario A.

Mr. Rooker said there is nothing in there for master plan realization capital projects, except for some sidewalks which might come out of revenue sharing – and when they started the master planning process, the idea was to make those areas attractive places to live in the urban areas so people would choose those over the rural areas.

Ms. Mallek said there's more proposed for neighborhoods which isn't even included here as unfunded.

Mr. Henry reviewed the timeframe for further reviews, stating that staff would provide budget books to the Board in February with the details of each project, and would be looking for some direction before that time as to whether scenario A or scenario B comes forward to the Board.

Mr. Rooker said, for inclusion in the five-year plan, it's helpful to have that scenario to work with.

Mr. Foley said the Oversight Committee is recommending scenario B, but the Board has a five-year plan which has scenario A in it – so the Board could consider that recommendation when it adopts the five-year plan.

Mr. Rooker said it was pretty much unanimous at the Oversight Committee level to support scenario B, and no one advocated for A over B.

Ms. Mallek said she would support scenario B, because otherwise they will be trying at the last minute to achieve those elements of B without a firm plan – and that will also help with citizen engagement through the winter.

Ms. McKeel stated that this is a fluid process and, while they might be supporting this now, that may change in the coming year.

Mr. Rooker said the difference between scenario A and B is whether to include money for revenue sharing and ACE, and said he started that conversation at the Oversight Committee because it's not realistic to think the Board can plan a five-year plan with a zero in that category.

Ms. Mallek said the County will also leave $5.5 million in Richmond which should come here.

Mr. Rooker said the County could get up to $10 million a year in revenue sharing, so $1 million isn't a lot.

Ms. Mouly said she served on the Oversight Committee and would also advocate for scenario B, having heard a great deal about the Henley needs. She commented that, in scenario A, there is concern about the net general fund transfer to the CIP in years three and five, and it doesn't seem to be as serious in scenario B.

Mr. Henry said it's because they've added the extra penny, so there's more to transfer, and they're cash funding the contribution to revenue sharing and ACE so it's not raising the debt service.

(Note: The School Board recessed its meeting at 5:14 p.m., until 6:30 p.m.)

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Agenda Item No. 3. Matters Not Listed on Agenda.

Mr. Foley said what's before the Board is whether it supports any pennies for capital, two pennies, or three for capital.

Mr. Snow said, for planning purposes, he would support scenario B, but he hoped the Board would be able to find some additional funds in the budget so as not to raise taxes when it comes to that point.

Mr. Rooker agreed.

Mr. Boyd said he did not support it, because they've been able to do this without raising taxes over the last few years.

Ms. Mallek said they've been able to do it without doing any capital projects, stating that the County has not been able to do what is needed over the last few years.

Mr. Rooker said there's a good likelihood that the Board will find, in the out years, the additional penny will not be necessary.

Mr. Thomas said he does not agree with Scenario B either.

Ms. Mallek then **moved** to adopt the five-year financial plan using Scenario B as the base. Mr. Rooker **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

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Agenda Item No. 4. Adjourn.

At this 5:18 p.m., with no further business to come before the Board, the meeting was adjourned.

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Chairman

Approved by Board
Date: 08/06/2014
Initials: EWJ