A Joint Meeting of the Albemarle County Board of Supervisors and School Board was held October 7, 2009 at 4:00 p.m. in Room 241, County Office Building, 401 McIntire Road, Charlottesville, VA 22902

School Board Members Present: Mr. Brian Wheeler; Mr. Jon Stokes; Mrs. Barbara Massie Mouly; Mr. Steve Koleszar; Mrs. Pamela Moynihan, and Mr. Ronnie Price, Sr.

School Board Members Absent: Mrs. Diantha McKeel.

Board of Supervisor Members Present: Mr. Dennis Rooker; Mr. Lindsay Dorrier; Ms. Ann Mallek; Mr. Ken Boyd; Mr. David Slutzky; Ms. Sally Thomas

Board of Supervisor Members Absent: None

Staff Present: Dr. Pamela Moran, Superintendent; Dr. Bruce Benson, Assistant Superintendent for Planning and Operations; Mr. Jackson Zimmermann, Executive Director of Fiscal Services; Mr. Robert Tucker, County Executive; Mr. Tom Foley, Assistant County Executive; Mr. Larry Davis, County Attorney; Mr. Tom Foley, Assistant County Executive; Mr. Richard Wiggans, Director of Finance; Ms. Kimberly Suyes, Director of Human Resources; Ms. Lorna Gerome, Assistant Director of Human Resources; Mrs. Ella Jordan, Clerk of the Board of Supervisors; and Mrs. Jennifer Johnston, Clerk of the School Board.

Call to Order

At 4:17 p.m., Mr. Slutzky, Chairman of the Board of Supervisors, called the Board of Supervisors back to order. Mr. Wheeler called the School Board to order.

Mr. Slutzky said he had an announcement to read. The County's Human Resources Department was awarded the Senate Productivity and Quality Award in May – a certificate for commitment to performance excellence – which is awarded to organizations that "have demonstrated through their commitment and implementation of effective management principles notable for progress in building sound processes." He said the award goes onto state that these organizations "have documented a solid approach and are implementing plans and procedures." The SPQA performance criteria and core values are adopted from the Malcolm Baldridge National Quality Award and are used by many top public and private institutions as a proven business model. This award is the result of a rigorous department self-assessment undertaken by Human Resources to gather information, review strategic goals, and assess progress, identify strengths and discuss opportunities for improvement that culminated in a 53-page application for the SPQA award.

Mr. Koleszar noted that last year there were some very heated discussions with Human Resources staff about what they expected the market to do. He will have to confess that he was wrong and with their expertise, they were totally right. He thinks it is right that a year later he admit that he was wrong.

Overview of the FY 2011 Projected Revenues

Mr. Wiggans provided a PowerPoint presentation about the FY 2010 budget shortfall and to provide a brief overview of FY 2011 revenue projections. He stated that currently staff is estimating a revenue shortfall of approximately $4.74 million for FY 2010. Based on the current policy for revenue distribution, this will result in a reduction for Schools of approximately $2.67 million and for Local Government a reduction of $1.77 million as well as $300,000 for Capital and Debt Service funds.

Mr. Rooker asked what percentage of that shortfall is for cars. Mr. Wiggins said he does not have an exact figure, but it is a significant part.

Mr. Rooker asked if both the school division and Local Government are considered in State revenues. Mr. Wiggins said it is only Local Government.

Mr. Rooker said the County is getting some stimulus money for the school division. He asked how that is factored in. Mr. Wiggins responded that it doesn't factor in. Mr. Wheeler said the Governor has said that the second year of those stimulus funds may be in jeopardy. Mr. Rooker asked for an explanation. Mr. Tucker said the State is considering maintaining those funds for themselves. It is probably funds that are considered to be discretionary funds. Mr. Rooker said he doesn't see how that would qualify under the Federal guidelines. Mr. Boyd said he thought about $3 million of those funds had already been allocated. He asked if that was the first year of the funds, and not the second year. Dr. Moran said she was not sure. Mr. Rooker said that amount was for two years.

Mr. Slutzky said for the benefit of the School Board members he will mention an example of how it is worse than this. This morning the Board heard a plea from the Commonwealth's Attorney pointing out that the State had "gutted" her budget mid-year by another $32,000 and unless the Board "backfills" that, she will have to scale back her operations which will have the impact of either reducing or eliminating the prosecution of misdemeanors. She is required by law constitutionally to prosecute felonies, so not prosecuting misdemeanors is her only option if there is any reduction in staff. In addition to the cuts just outlined by Mr. Wiggins, the Board will have other people facing the same thing come before it in the course of this year.

Mr. Rooker said the Sheriff's Department has a similar situation.

Mr. Boyd said he wanted to mention something that came up during the morning Board of Supervisors meeting that has to do with the Revenue Shortfall Contingency Fund of $540,000. He said that is 40 percent of what was set aside. There was an assumption in the past that 60 percent of that would have gone to the school division, however, the Supervisors know the school division has a reserve fund of its own and Local Government wants to hold onto that $800,000 - the Supervisors think there are things that have not shown up yet, and it has no more reserves to use. He asked how the School Board felt about that suggestion. Mr. Wheeler commented that it's a problem for both bodies. Mr. Boyd said he did not know if the School Board had enough in their Fund Balance from last year to cover whatever shortfalls may occur. Mr. Wheeler said he could not give an answer to that question today. Mr. Rooker said the Schools had a reserve of about $6.0 million. Mr. Wheeler said the Fund Balance has an unaudited number. He asked if there is any final number. Dr. Moran said that it could shift after audited. Mr. Koleszar said a lot of that money has already been committed so part of it is already in the budget for this year. Even though it is in the Fund Balance, it is already encumbered because it is a cumulative fund balance total.

Mr. Boyd said the Supervisors have not voted on allocating those funds to the school division at this time.

Mr. Wheeler said School staff talked with County staff last year about that split. If the Supervisors want to discuss fund balances, it should happen in an atmosphere fully understanding the Supervisors side of the fund balance situation. Mr. Boyd suggested the School Board do a similar report for the Supervisors as to where it is.

Mr. Wheeler said this School Board has not been presented that fund balance number yet.

Mr. Boyd asked if the Schools are doing the same kind of projections for its budget. Mr. Wheeler said he thinks staff is doing that. The School Board has not seen the end-of-the-year projections.

Mr. Rooker said what was presented is what the Supervisors see as its shortfall and how they intend to approach it. He asked if the Schools have recomputed their budget based on the amount spent year-to-date and how they will go forward based on potential reduced revenues. Dr. Moran said School staff has been looking at it because they anticipate that by the time the State makes its cuts there could be another significant reduction on top of the $2.7 million. Also, some of that fund balance is committed for one-time purchases in this year's budget. She emphasized that they have frozen positions and have a 10 percent holdback in place. Normally that would be 7.5 percent. They are looking at further departmental reductions. The reality is that 82+ percent of the Schools budget is tied up in personnel where there is not much flexibility to address.

Mr. Koleszar mentioned that they also budgeted for 200 more students.

Mr. Rooker said excluding this analysis which deals with Local Revenues, as far as State and Federal revenues, where do the Schools stand on the revenue side. Dr. Moran said there will be little additional revenue received for those 200 students based on the composite index. They have heard that the Governor may take back funds in terms of reduced State revenues but some stimulus money allocated to the Schools could be taken back out of this year's budget, and not just next year's budget. Mr. Slutzky asked if Dr. Moran was saying that if the Supervisors try to reach into the Schools pocket, there may not be a pocket. Dr. Moran said they do not know what flexibility they may have. She did not anticipate this as part of the discussion today or would have been prepared to discuss it. Mr. Slutzky said in terms of timing, when might it be realistic for the Supervisors to get an updated status on what has just been talked through? Dr. Moran said she will have to talk to her staff about the breakout on State funding. It is difficult to ascertain what the Governor is doing particularly in the area of the stimulus money.

Mr. Slutzky said it would be helpful to know how much of the Schools Fund Balance is committed. Ms. Thomas said the Supervisors did not get this information until mid-morning, and they immediately suggested that the School Board be alerted that this would be discussed.

Discussion: Review of VERIP Program.

Ms. Suyes said the department was asked by both boards to look at total compensation for Local Government and School classified employees and for teachers. It is Human Resource's job to give a projection for next year based on available information. She will also discuss the VERIP program which has two parts, the medical benefit and the stipend.

Ms. Suyes said she will now discuss the medical benefits piece of total compensation. She said the medical benefit product is a great benefit to employees. Last year the contribution of the boards increased by six percent. The County has been fortunate over the past few years to have consistently low increases; many organizations have experienced high increases in medical costs. The County's Wellness Program has been a good initiative. This year, HR believes the increase will look be from eight to ten-percent. Later, she will be requesting authorization from the two boards to use the Medical Reserve. Because there have been some good years, it is felt that some of that reserve can be used to offset some of the expense that will be incurred for medical benefits. Last year at this time, the consultant's estimated an increase of 12 percent. There was only two months of claims data on which to base that estimate, and it ended up being six percent. At this time, HR believes some of the increase can be offset with the balance in the Medical Reserve, and there are also adjustments to the plan design that will keep the increase at eight to 10 percent.

Mr. Boyd asked how many dollars are involved in the recommendation to use the medical reserve. Ms. Suyes said she did not have an answer to that question at this time.

Mr. Rooker said it would be helpful to have the total dollar impact of the recommendation. To him, this is just an example of what is being seen in the medical area. Last year, the CPI declined over 12 months by over a percent. But medical is going up by six or more percent. He thinks that eventually employers will stop providing medical insurance just as they stopped providing pensions.

Mr. Slutzky said along those lines, nobody knows what Congress will or will not do, but there are some bills pending. He asked if HR staff has looked at the impact on the County's benefits formula based on those major bills that seem to be "percolating through." Ms. Suyes said what she has read seems to indicate that the products they are discussing are pretty much voluntary. She doesn't see Albemarle employees making a switch

Mr. Boyd said he has not seen any projections having to do with self-insured plans like the County's plans. Mr. Suyes said HR is keeping up with those bills. She said over the seven years that she has worked for Albemarle the increases in medical benefits have consistently been on the lower end of most organizations. An exceptional job has been done keeping claims down. The County does have control over employee wellness, and that is being impacted. She said projections are higher than the eight to ten percent she mentioned, but she thinks it can be offset by plan design changes and by using some of the Medical Reserve and still maintain a 20 percent balance.

Ms. Thomas said plan design changes are easy words to say, but they can have a terrible impact on employees. Ms. Suyes replied that the department does design change every year. Usually, the changes are minimal. There is a considerable cost savings, but the impact to employees is minimal. Plan changes have to be made every year in order to stay competitive. HR looks at what the market is doing, what other organizations are doing and then try to make changes that do not impact the employees.

Mr. Rooker asked what the County pays the insurance company per year as a percentage of the total premium to handle the administrative funds. Ms. Suyes said she would have to get that information; she does not have an answer today.

Mr. Boyd said it would be interesting to know the cost to administer the program and for the cost of reinsurance because the rest of it is all paid out of reserve funds.

Ms. Thomas said the work force is aging, so that does tend to impact costs. Ms. Suyes said the employees taking early retirement stay on the medical plan, so that does not necessarily make for a savings. When the annual report is presented in January you will see a bubble (large number) that keeps moving out. She said the economy is driving people to keep working.

Ms. Gerome provided information on VERIP (Voluntary Early Retirement Incentive Program) Program.

Mr. Rooker said he is concerned that there is an underfunded State pension plan that at some point will create significant increased costs for local governments.

Mr. Koleszar said he was at a VSBA conference last Friday and a VRS representative spoke who does not think the locality's will see anything in the next few years. There is a long-term shortfall, but in the short-term there is not. The reason is that the market went down and a lot of their funds are in fixed investments that yield a certain percentage. The cash comes in from those investments even thought the market value is temporarily down.

Mr. Rooker said VRS is underfunded according to their own actuarial numbers, as are all states. Mr. Koleszar said the VRS representative said Virginia is not in as bad a shape as a lot of other states. The other thing he said is that at the state level they are considering in the future having the employees pick up their share of VRS as a way to reduce the cost and ensure the soundness of the plan. Mr. Tucker said that in the next General Assembly there will probably be some bills related to that change.

Mr. Boyd said the Board made a decision long ago to pay the employee part. He asked if that is a reversible decision. Mr. Tucker said the bill would allow employers not to pay the total contribution.

Mr. Stokes asked if the change in the VERIP program would encourage people to retire quicker, and how would that affect the budget. Ms. Suyes said it is hard to project who may retire. She can say that the people being attracted to County employment are coming with between three and ten years experience. More experienced teachers are applying; the majority of new hires are teachers. She said some of this is guessing because in this current environment people are not interested in leaving. She said people hold tightly to the VERIP product and if they see it going away there will be people interested in leaving.

Mr. Rooker asked per individual, what is the average amount paid to the employee under VERIP. Ms. Gerome responded that the program pays on an average about $4,000 per year.

Mr. Boyd asked if staff was making any recommendation for the medical part of VERIP. Ms. Gerome said that part would remain the same. In the Board report, staff is asking that the boards look at the eligibility required to remain on the County's medical and dental (this has nothing to do with VERIP). At this time an employee must have four years of service to remain on the County's plan with the employee paying the full premium. HR would like to change that policy to reflect eligibility for VRS (which would add another year). It would also be more consistent with other language in the policies.

Mr. Slutzky said a member of the press told him the executive summary said the Schools were asking for a 2.5 percent increase, and he asked Ms. Suyes to clarify the difference between WorldatWork projections and where the County is in its own budget process. Ms. Suyes said the total compensation strategy is to stay at market. HR looks at what the market has done and where the County is, and then decides if the County is at-market, if it is leading market, or lagging market. Then they project forward a year to consider what will happen so a decision can be made about the next year so the

County does not fall behind market. The County uses WorldatWork which came up with the 2.25 percent figure – they were consistent until last year. That data is used to help staff make a projection. Other things that may impact that number have to also be taken into consideration. Last year WorldatWork said 3.3 percent but the market did zero. This year WorldatWork is saying 2.25 percent. If that 2.25 percent figure were used that would have to be looked at going forward based on the County's consistent methodology for teachers. For classified they would take the 2.25 percent, add the .35 percent the County is below the market and come up with the 2.60 percent. That projection is based on what has happened in the past, but the market is not what it has been in the past so they have to make some guesses about what they think will happen, and lastly they have to know what funds are available.

Mr. Slutzky said at this time HR is not projecting any specific outcome. This is just information for the boards and the media about some of the data elements that will be informing the decision later.

Mr. Rooker said there is a recommendation for a one-percent increase for the classified scale, a 2.6 percent merit increase for classified staff, and teacher increases of 2.25 percent. Ms. Suyes said both boards wanted a recommendation based on their adopted methodology. Personally, she does believe the market is going to move at 2.25 percent. Mr. Tucker said HR is putting this forward for consideration by the two boards based on the percentages Ms. Suyes just mentioned.

Mr. Rooker said he would also like for HR to do what it did last year - inquire in the market. He said Loudoun County is running a $100.0 million deficit, and in order to recover that deficit, they are going to have to raise taxes by possibly 15 cents. Fairfax County is running a $700.0 million deficit, etc. He said the Albemarle Supervisors are looking at a revenue budget that shows virtually no increase in revenues next year. The unemployment rate in this area is about the lowest in the state - half of the national average. Sales tax receipts here are not down nearly as much as they are in a lot of places. He said the CPI actually declined last year. Ms. Suyes said last year she did not think anybody was going to move based on what was happening in the market. This year she is not that certain. She was surprised to see the 2.25 percent given the unemployment rate across the southeast which is the County's market.

Mr. Boyd asked if staff wants the boards to give information today on which to build budgets. Is this just an informational meeting? Mr. Tucker said getting directions from the boards is the reason for this meeting every year.

Mr. Wheeler said there are a couple of other meetings coming up. First the Supervisors have a retreat and the School Board has a meeting on the budget in mid-November. At that time the School Board will give more specific directions to the Superintendent.

Mr. Slutzky said that last year at this time staff cautioned the boards that there would "a hole" in the budget. By the end of November that hole had nearly doubled in size. This year there is a big gap in the budget, and the boards have talked about how that might be filled. When this is discussed again in November, it is possible that despite efforts to make estimates, there may be further erosion; there is evidence of that around. In terms of giving directions, is staff asking for a "thumbs up" on the one percent increase as a working exercise?

Mr. Rooker said he thinks these things need to be quantified in terms of total dollars. If there were a one-percent increase in the classified scale, what would that mean? What is a 2.6 percent merit in terms of total dollars? There is a limited amount of money coming in, and if the Supervisors did a tax equalization rate that would increase revenues by about $3.0 million, so if a plan were adopted, would that cover it? Mr. Tucker asked Ms. Gerome what a one-percent increase in salaries for Local

Government would be; she replied that it would be $380,000. Mr. Tucker said he does not know what it would mean for the Schools.

Mr. Rooker asked about the 2.6 percent figure. Ms. Suyes said for scale it would not be the $380,000; for scale it would be very minimal. She said Mr. Rooker is talking about a salary increase. Mr. Tucker said Mr. Wiggins had handed him information that he prepared for FY 2011 – for one percent for Local Government it would be $380,000, and that has nothing to do with scale – that is basically a merit increase. He said that one percent of the 2.6 would be $380,000. It would be $1.0 million for the 2.6. He does not know what it is for the Schools. Ms. Suyes said as a layman, she doesn't see how the boards can move forward with this at this point with no money. She, personally, doesn't see the market moving much.

Mr. Wheeler said that at this meeting last year it was recommended that for the classified, merit and salary scale, there not be an increase. Then, for teacher salaries, it was said the School Board would look into those separately. He will suggest that the same thing be done this year.

Mr. Boyd said with the information before the boards now, and with the forecast, there is no choice other than to do that.

Mr. Rooker said he would like to know what the 8 to 10 percent increase in medical benefits means in total dollars to the County. Also, what the percent of increase for teachers would costs the County? He thinks the boards want to meet the targets and pay employees in the category that has been adopted as policy. They also have to be sensitive to the fact that the revenue picture is bleak. He said these things need to be looked at. What total dollars would have to be allocated to compensation increases, how would they get those dollars, and how would the goals be met?

Mr. Dorrier said the Supervisors will be looking at the Strategic Plan next Friday, and he does not think they should say anything until that Plan is updated. Mr. Tom Foley said that is what makes this conversation difficult. Staff just showed revenue projections, but it was not able to talk about the whole picture. He said the Supervisors will have to make significant decisions on reductions without considering raises. According to the strategy which is to keep up with market, Ms. Suyes has said she does not think the market is going to move. What the Supervisors will hear next Friday is that this issue will seem very distant compared to the other decisions it will have to make not just on one-time reductions, but how over the five years (for example) the ACE Program can be continued. As to the question Mr. Rooker asked about health care costs, staff thinks the Medical Reserve is strong enough that the eight to 10 percent can be covered without it impacting the operating budget because the money is in a separate, self-care insurance fund.

Mr. Rooker said he does not think that is right. He said Ms. Suyes had said it can be kept at eight to ten percent if that Medical Reserve can be invaded for anything over that amount. He understands Ms. Suyes was talking about an increase in premiums of eight to ten percent to cover claims this coming year. Ms. Suyes said every year the projection is high because there is only one month's worth of data to use; currently, the insurer is actually projecting 14 percent. She knows that will not happen, but has to look at that recommendation. She believes that some amount can be offset out of the Medical Reserve and with some plan design changes that would leave eight to 10 percent for budgeting. She thinks it will actually be only four percent. Mr. Tucker said eight to 10 percent would be from $350,000 to $400,000 on the Local Government side.

Ms. Thomas said 8 to 10 percent might be $1.4 million for both Schools and Local Government. The Supervisors need to know that.

Mr. Foley said the main purpose for the discussion today was to give the two boards the revenue picture, Ms. Suyes' thoughts on the market moving, and the WorldatWork data. Also for consideration is whether the two boards should plan for a pay increase for classified staff which is the commonality issue. The teacher decision is one the School Board usually makes. The revenue picture and other things the Supervisors are not aware of will be talked about in a couple of weeks. He will say that it is going to be nearly impossible to increase salaries without doing other significant things.

Mr. Boyd said the boards "can beat this horse" all day long, but he thinks they should move forward with what they know at this time which is to plan for no increases in compensation for classified employees.

Mr. Koleszar said he would like some clarification on the WorldatWork data. Last year their prediction was off because they made their predications before the crash and they did not revise them after the crash. He would like to ask if the WorldatWork data is for public employees, or all employees. Ms. Gerome said the two sectors HR uses are education and local government.

Mr. Koleszar said that last year Ms. Suyes predicted the market would not move, and it did not move. Now, she is saying she does not know what it is going to do. Given that, if the market doesn't move the County is still three-tenths of a percent below market. He does not see how there can be any adherence to the strategy and not at least do that. If Ms. Suyes and the boards both say the market will stay flat, the County is still below market and should make an adjustment for the .3 percent.

Mr. Slutzky said it would have to be considered against other real competing entities.

Mr. Koleszar said it is one thing to say the County does not have the money so will not meet its strategy, but don't "fudge" the number of the strategy to meet revenue. "Be honest and say we just don't have the revenue to meet our strategy."

Mr. Slutzky said that in talking with people, the estimate is that it will not increase, but is anybody talking about cutting pay across-the-board as an alternative to furloughs. Ms. Suyes pointed out that HR did significant research on furloughs because a lot of people were talking about them. They actually create a low savings. Albemarle's local government side has taken some significant steps to cut which is seen in the freezing of 55 positions, and cutting even more – that is a huge chunk of the workforce. There is a lot of talk, but surveys show that not many people are actually cutting pay. Most are just looking at cuts in general, not furloughs.

Mr. Slutzky asked if any localities are talking about reducing salaries across-the-board. Ms. Suyes said HR looked at layoffs, and 50 percent had implemented layoffs in local government and schools, but none were doing pay cuts.

Mr. Koleszar said the written report states that eight percent of schools and no percent of local governments are doing pay cuts. Ms. Suyes said HR heard a lot about furloughs, so it decided to research that because it was being heard constantly in the media. She said they did not find many people doing it, and those that were did not realize significant savings. The recommendation from HR to Mr. Tucker and Mr. Foley is that it not a good move for many reasons.

Mr. Slutzky said he understands the surveys, but wanted to know that HR was actually talking to people and they were not recommending pay cuts. He said zero is probably a good bet. Ms. Suyes said nobody is cutting pay.

Mr. Rooker said there are service industries where they have gone to four-day workweeks, rotating employee schedules and having employees take different days off. Ms. Thomas asked if that is the meaning of "service reductions?" Ms. Suyes said "yes." Mr. Rooker said in certain businesses it works very well. Ms. Suyes agreed but said that in talking about fire, rescue and police, it does not work well. The County is a service industry and those services have to be provided; "we're not producing a product."

Mr. Wheeler asked if there are funds available to support the model. He noted that the projections for FY 2011 show only $160,000 in new funds coming to the County and only $240,000 coming to the Schools. The answer then is that there are not the funds needed to fund the Compensation Model.

Mr. Rooker said that was based on the current tax rate, and there was a projection for a 3.5 percent reduction in real property tax values, so if an equalization rate were used it would provide about $4.0 million of additional revenue.

Mr. Koleszar said it's a strategic decision to make whether it is that there is not the revenue needed to provide increases or not. He is just saying that the boards need to be honest and say they strategically decided they could not afford the tax rate, could not afford raises, and not manipulate the numbers and the projections to meet the revenue.

Mr. Slutzky said a lot of people are talking about zero-based budgets. He thinks Mr. Koleszar is suggesting that if the commitment is to maintain a certain quartile, that informs a zero-based budget and it would require that the real estate rate be increased to cover the difference in that category.

Mr. Koleszar said he thinks the County has a really good compensation strategy and it has served this county well. He wants to infirm the integrity of that process. Mr. Rooker said he agrees.

Mr. Koleszar said to keep the integrity of that process say that "we should do this, but we can only afford that." He said there should always be that gap. If the gap grows because you say zero and the market goes up one percent, the County is 1.3 percent behind and will start having trouble hiring. Mrs. Moynihan agreed. She said promises were made over the years and the School Board has tried hard to keep them. She said they were making headway, and when we are just about there, we have to be transparent with our staff and let them know we are trying to get there. At this time, we are in a quandary. She also agrees that if we continue along this path, we are going to start dropping behind, and then we will have that same problem again that we had five or six years ago. Ms. Suyes agreed. She said the strategy is good, the pay-for-performance model, particularly for classified employees, is good, and if increases are not being given, both of those are in jeopardy. That must be recognized. It is not something the County will be able to continue. She can't imagine recommending it past this year. She pulled some numbers from teachers because a number of them were just hired for the new school year. She said that when she began work with the County eight years ago, HR got about 200 applications for 150 positions. This year, 1,000 applications were received for 100 positions. She said the County does not want to lose ground, but she recognizes the difficulty now. Thought must be put into how this will be managed long-term. The County will not be able to recoup if it does not stay on top of this. Being down .35 percent is not really being down, it is pretty much at market, but market competitiveness must be maintained. She is guessing that the market will not move.

Mr. Koleszar said at this meeting last year the boards gave Ms. Suyes direction to resurvey the data. The boards were not sure it was zero until December when the boards had a second meeting. He said the market picture will become clearer in the next couple of months.

Mr. Wheeler suggested the School Board members look at the staff report where it says staff recommends approval of the following:

1) That a portion of the excess Health Care Reserve fund be applied to offset some of the increase in medical plan costs. The projected increase in medical is eight to 10 percent.
2) That the service requirement for retirees to be eligible to remain on group medical and dental coverage be revised to require that employees must be 55 with a minimum of five years of service to be eligible, consistent with VRS benefits.
3) That the workgroup previously established to review the VERIP stipend benefit develop recommendations regarding the VERIP health contribution benefit.

Mr. Wheeler asked if somebody wanted to add a fourth bullet reflecting a compensation assumption for now, the School Board could move forward with that understanding.

Mr. Rooker asked if Mr. Wheeler is suggesting the 2.6 percent increase for now.

Mr. Koleszar offered a **motion** to approve the recommendation for the three bullets set out above. Mrs. Moynihan **seconded** the motion. **The motion passed with Mr. Price abstaining and Mrs. McKeel absent.**

Ms. Thomas then offered a **motion** to approve the recommendation for the three bullets set out above. Mr. Slutzky **seconded** the motion. **Roll was called, and the motion passed by the following recorded vote**:

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

Mr. Koleszar said he feels the Supervisors need to hold the Strategic Planning meeting before going to another step. He does not feel comfortable making a recommendation at this meeting because it is about revenue as much as it is about strategy.

Mr. Wheeler asked if the School Board members agree that compensation is on hold for now.

Ms. Thomas asked if staff is "being left hanging" if the boards do not give them any directions on compensation. Mr. Tucker said that even for next week, it is helpful for staff to know the direction the boards are contemplating. Staff will be making projections based on whatever compensation the boards may suggest be it zero, or half a percent, or whatever. Staff can make better projections if it gets that number, but if there is no guidance, staff will probably not put anything in.

Mr. Rooker said in light of the additional sobering information brought to the table by Mr. Foley, he would like to have the strategic plan conversation before the Supervisors weigh in specifically on the other components of this recommendation.

Mr. Koleszar said when the numbers are run, he would suggest that they be run both ways, one with the strategy and one with something else to see the difference.

Mr. Boyd asked when the two boards will meet again to discuss the commonality issue. Mr. Tucker said the next joint meeting is December 2. He said the last item concerns the phase-out of the VERIP stipend. He asked if the boards wanted to react to that today.

Ms. Thomas said she thought the consensus was to stick with the strategy, except that "we can't this year." Mr. Slutzky said that is an important distinction. Ms. Thomas said it is. It probably does not make much difference to an employee who is getting no raise to have the boards say "we appreciate what you are doing and would give money if we could" but she thinks the strategy has proven to be very successful over the years. Because no compensation increase can be offered this year is not meant to be a rejection of that strategy. Mr. Slutzky said the County is .35 percent below the top quartile. Mr. Koleszar said the teachers are at the top quartile; classified staff is at the median.

Mr. Price said he thinks the boards should have the dollar figure on the health care reserve, and how it would be impacted. What he is seeing in the field is that employers are really starting to pass some of those costs to employees. The County can't keep "a finger in the dyke" and hope the dam does not break. The dam on health care has already broken, and there are either increases in co-pays or premiums. He does not know the criteria for using that reserve, or whether this recommendation fits the criteria.

Mr. Wheeler said on the VERIP phase-out, he did not hear any School Board member say it should not be done. He expects there to be a specific proposal and then public comment can be taken. Mr. Tucker said there would need to be an amendment to the Personnel Policies if the proposal is adopted. If this is a direction, staff will bring back a specific proposal.

Mr. Wheeler said that item should be put on the School Board's agenda so public comment can be accepted. Ms. Suyes said it's important that there be a wealth of communication to the employees. She said HR was directed by the boards to take on the VERIP piece, but they have not had a chance to communicate anything to the employees. It affects them so that needs to happen so they know what's going on and what might lie ahead.

Other Matters Not Listed on the Agenda. None.

Adjournment.

At 5:40 p.m., Mr. Wheeler adjourned the meeting of the Albemarle County School Board.

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Chairman

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Clerk