An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on April 5, 2016, at 3:00 p.m., Lane Auditorium, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from March 31, 2016.

PRESENT: Mr. Norman G. Dill, Ms. Ann Mallek, Ms. Diantha H. McKeel, Ms. Liz A. Palmer, Mr. Rick Randolph, and Mr. Brad L. Sheffield.

ABSENT: None.

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

Agenda Item No. 1. The meeting was called to order at 3:03 p.m., by the Chair, Ms. Palmer.

Ms. Palmer also introduced staff present and the presiding security officer, Officer Rader.

Agenda Item No. 2. **Work Session:** FY 2016-2017 Operating and Capital Budgets.

Item 2a. Request from Commonwealth's Attorney, Robert Tracci.

Item No. 2b. Continue discussion from previous work sessions.

Ms. Palmer stated that at this meeting, the Board will be discussing the budget and asking final questions with a review of final details.

Mr. Foley said that staff is planning to start with a discussion of the Commonwealth's Attorney's office request and stated the Board also set aside April 7 if they need it, with the final budget hearing on the tax rate scheduled for April 12 and adoption of the budget on April 13. He stated that Ms. Allshouse will take the discussion from this point.

Ms. Lori Allshouse, Director of the Office of Management and Budget, addressed the Board and stated the desired outcome of this meeting is for them to continue their discussion in preparation of the April 13 budget adoption. She stated that staff has identified some items for a suggested agenda and she is hoping they will have a very interactive work session, with staff available to answer questions and provide information. Ms. Allshouse reported that discussion items as identified include: the Commonwealth's Attorney's office request, a healthcare fund update, regional jail and CAT budget savings, items stemming from the community engagement activities and public hearings, non-departmental items, investments and solutions for the future, including the priority-based budget process as planned going forward, a meeting summary and next steps.

Ms. Palmer stated that she and Ms. McKeel had talked with Mr. Foley about the possibility of holding a short discussion about the referendum. Mr. Foley responded the way the slides lay out, that would be possible.

Ms. Allshouse stated the Board will have another public hearing on their tax rate on April 12, and on April 13 staff will ask the Board to set the tax rate and adopt the FY17 capital and operating budgets, but they can do that on April 12 if they choose. She said they will also have a work session on the bond referendum, and on May 4 staff is proposing for the Board to approve the budget appropriations, which designate funds into budget line items so that money can be spent in July. Ms. Allshouse noted the reason this is slated for approval in May is because the school system has summer projects they would like to start on as early as possible. She stated that in June, based on the bond referendum, the Board can amend the CIP if they want to add additional items for the bond referendum, and they will be talking about it a lot between now and then.

Ms. Allshouse presented a slide showing the County's total budget, including operations for schools, local government and capital, and stated the budget totals $376 million. She stated the proposed budget includes a 2.5-cent real estate tax increase, with 1 cent or $1.6 million dedicated to the CIP, 1.1 going to general government operations, and 0.4 cents going to the school division. Ms. Allshouse said the tax rate is proposed to go from 81.9 cents to 84.4. She stated in their proposed FY17 budget, the Board also has an increase in vehicle license taxes, which are estimated to generate an additional $250,000 to be sent to the CIP for transportation revenue-sharing projects. Ms. Allshouse said that in thinking about FY17, they are also thinking about FY18 and FY19, and the five-year plan projects a widening gap going forward, so they want to be thoughtful of anything done in FY17 in terms of future impact.

Ms. Allshouse presented a slide showing projections for FY18 based on current assumptions and the best knowledge available to date, including the original figures along with some revisions based on information that staff will present today. She noted there is a projection for FY18 for a $4.2-million increase in revenues, and with projected expenditure adjustments as included in assumptions there is a shortfall of $2.9 million, which is the $3 million future gap in FY18 staff has mentioned in many presentations. Ms. Allshouse said that staff has also said they will try to save money on the local government side of up to $400,000 over two years, and with that factored in the gap is $2.5 million. She stated that to solve this gap with a tax increase, factoring in the 60/40 split with schools, a tax increase to

88.8 cents will be required. Ms. Allshouse said that with healthcare benefits, the increase in healthcare costs is expected to decrease, which will help both FY17 and FY18. Ms. Allshouse said with the plan savings, the gap for FY17 will drop down to about $2 million, so the projected real estate tax required to balance the budget will be 87.7 cents.

Mr. Foley noted the line for “local government positions to address population growth” shows there is nothing proposed for a second year in terms of new positions, so the assumptions here does not paint a picture of what might be considered realistic as population grows.

Ms. Mallek asked if staff will be elaborating on the healthcare savings. Ms. Allshouse responded that they would be, and staff wants to show the impact on FY17 as well as the following year.

Ms. Mallek asked if the fire rescue services fund is extra local government money that should go into the fund, and noted the $500,000 shown. Ms. Allshouse explained the fire rescue services fund is the cost increase associated with fire rescue, and staff is projecting an increase of $500,000 to take care of multiple things that have been identified in that fund.

Ms. Mallek asked if that is over and above what was already put in the separate fund.

Ms. Allshouse confirmed that it is, and said that over the year there will be some increases in all of the areas just based on growth in some of fire rescue expenditures.

Mr. Foley pointed out that the amount is reflective of the projected 2% salary increases, healthcare benefit changes, and a few things related to capital.

Ms. Allshouse presented a slide showing changes for the revised estimates for FY18 and said that it reflects a new element related to a projected referendum for capital items. She referenced information on the potential future real estate tax implications for both operating and capital, and said that for local government and school operations, FY17 includes a 1.5-cent increase, a 1-cent increase for the CIP, and a tax rate of 84.4 cents. Ms. Allshouse noted if the Board does a referendum, there will be no tax impact on FY17. She presented information on FY18 and said the tax increase needed has been revised to reflect a 3.3-cent increase, with no additional CIP funding beyond the referendum. Ms. Allshouse said the impact of a 2016 referendum would be a potential 1.3-cent tax rate increase that would occur in FY18, for a revised tax rate of 89 cents based on all assumptions moving forward. She stated that in FY19, there would be a 2.1-cent increase as reflected in the balanced CIP, and the resulting tax rate would be 91.1 cents.

Ms. Palmer asked what the assumed increase in assessments would be. Mr. Foley responded that it is 1.4% on property values as well as projections on other taxes, and this entire gap can be eliminated if values go up by 5% to 6%. He pointed out that the FY19 numbers assume for a third year no additional positions, so they do not reflect what is the likely reality for adding another police officer or social services worker, and schools also have a gap that they will bring forward.

Ms. Mallek commented that this makes the operational changes being deliberated so much more important. Mr. Foley agreed, stating that even if they need to go up to a higher tax rate, it does not address the extra positions needed, so the Board’s priority-setting becomes so critical to where existing dollars need to be reallocated.

Ms. Allshouse noted the schools are also projecting some widening gaps moving forward, and are also looking long-range at their operations, and she said that staff encourages the Board to consider a longer range look when looking towards the future.

Ms. Allshouse reviewed FY17 discussion items, stating the Commonwealth’s Attorney has requested some additional funding; Mr. Letteri will review some of the healthcare fund information in more detail; the CAT and jail funding changes will be discussed; there will be an open period of time for reflection and discussion; and they will discuss long-term solution items that are in the budget.

Mr. Bill Letteri, Deputy County Executive, stated that Robert Tracci from the Commonwealth’s Attorney’s office had contacted him the previous day and plans to show up at this meeting. Mr. Letteri said that soon after taking office in January, Mr. Tracci had written to the Board with a formal request for additional positions, and like many other budget requests submitted to the County Executive’s office, staff was not able to recommend it even though they feel it is justified. He stated that part of that proposal was for one of Mr. Tracci’s part-time attorneys to be converted to a full-time position, and if the Board were to approve that request it would require an additional $10,700 for FY16 and an additional $42,900 for FY17.

Mr. Randolph asked if there is a projected cost for FY18 as well. Ms. Allshouse said that Ms. Laura Vinzant will provide that figure momentarily.

Ms. Palmer noted that Mr. Tracci has indicated that the cost of the position will have an offset in terms of fines and costs collected by his office and remitted to Albemarle County.

Mr. Robert Tracci addressed the Board and thanked them for their support of the Commonwealth’s Attorney’s office, stating they all serve the same citizens. Mr. Tracci stated his position is elected but it cannot be political, and he will never condition the prosecution of criminal cases on an increase of funds from the Board. He said his office has been asked to do more with less over the last several years, with an increase in population and an increase in crime and complexity of that threat, with a 10% increase in validated gang members in the community over the last three years, as well as an increase in heroin use. Mr. Tracci stated that he is trying to ensure there are the resources necessary to address elder abuse and exploitation and child protection, adopting some of Louisa County's practices to ensure swift accountability for those who prey on children. He said his office has been working to implement a new sexual assault resource and response team, along with UVA and local law enforcement agencies, to ensure that criminal violations are taken seriously at UVA, and they have made great progress to that end. Mr. Tracci noted that his office is also interested in more proactive outreach to address the gang initiative, which Police Chief Steve Sellers has also been a part of.

Mr. Tracci stated that he made a request to the Board in February to support two additional Assistant Commonwealth's Attorneys, which he feels is a reasonable request, but given the challenge posed by budget priorities and the fiscal climate he has modified the request to just change a part-time attorney position to full time. He said he feels it is important for the Board to consider how his office has been managing its caseload in comparison to other jurisdictions, stating that there are 5.5 Assistant Commonwealth's Attorneys for Albemarle County, with a population of 105,000, compared to Stafford County, which has 12 Assistant Commonwealth Attorneys for the same size population, so his office is being asked to do more with less. Mr. Tracci said his understanding is that a lot of the part-time position salaries are covered with the fines and costs collected, and noted that Mr. Letteri had distributed a summary on how much had been remitted to the County. He emphasized that given the staff in his office will be collecting fines from the community, this is intended to be a revenue-neutral position.

Ms. Palmer stated the Board will hear from Mr. Letteri on how revenue-neutral it is, but to her it sounds really reasonable and she is appreciative that Mr. Tracci has scaled back his original request. She noted there has been a lot of discussion recently about increased gang activity.

Mr. Foley said that staff has more analysis to do on the revenue-neutral proposal, and he and Mr. Tracci had discussed in a separate meeting, the way the caseload is counted in terms of what the County gets back from the state, so there may be some real opportunity here and staff will provide a full analysis of revenue projections but does not have that yet.

Mr. Letteri stated that staff is not prepared to talk about that at this meeting.

Ms. Mallek said she was surprised that there are dollars collected from fines that are not remitted to the Commonwealth's Attorney's office, because she thought the Board had put in additional revenue to make that happen, so she will await an answer on that also.

Mr. Foley stated that Mr. Tracci's office has been looking at that since he took over to see about maximizing that revenue, both the caseload amounts and the fines.

Mr. Tracci said he has made that a priority from day one, and stated the work of his office is somewhat of an unfunded mandate because they are requesting more from the Board as well as doing due diligence with the State Compensation Board.

Ms. Mallek asked if he is waiting to hear back from the Comp Board on funding for his positions. Mr. Tracci responded that his office was not approved for funding but this did not surprise him, and he noted that around the Commonwealth there is significant variation in the number of ACA positions per county.

Ms. Mallek commented that it helps to have the majority leader come from your locality.

Mr. Foley stated that before the Board adopts the budget, staff will be able to do that analysis to see if there are revenue adjustments based on the latest information.

Ms. McKeel asked Mr. Tracci if he has been able to fill all of his office's existing positions. Mr. Tracci responded they have a full-time Assistant Commonwealth's Attorney position they are in the process of filling, and have identified a candidate who will fill the part-time position if it is made full-time as well. He stated his priority has been to hire the very best given the needs of the community and the enormous caseload put on each Assistant Commonwealth's Attorney.

Mr. Dill stated that he and Mr. Randolph had toured the court complex with Mr. Letteri, and he appreciates the economical remodeling that has been done. Mr. Dill said it seems more appropriate to him to use more than population as a measure when comparing Albemarle to other counties, as the reason the Commonwealth's Attorney's office as well as the Police Department have fewer staff may be because of the lower crime rate because it would affect caseload.

Mr. Tracci responded that population is one important proxy but is not the only one to measure, as there are complex multi-jurisdictional threats in the local area, in addition to an expanding gang presence and heroin problem. He stated that he believes in being proactive in ensuring that these threats do not take root in the community, and that is what these additional positions would help with.

Mr. Letteri said that in building Mr. Tracci's budget for FY17, there was an addition to operational expenditures in anticipation of the Jesse Matthews trial, which could be re-appropriated to assist with this position and would lower the $42,000 down to $32,000.

Ms. McKeel commented that it is just one-time money.

Ms. Allshouse explained this particular amount is recurring, and there was $50,000 in non-departmental for a number of different departments that might need support for a large high-profile trial, and money had also been included in the Commonwealth's Attorney's office for things like witness travel and other specific items requested.

Ms. Palmer stated they will probably want to keep some of that on hand in case other things came up.

Ms. Mallek commented it would be up to the Commonwealth's Attorney's office to manage.

Ms. McKeel said that as a member of the anti-gang task force, she would like to bring something up later regarding prevention efforts for children to keep them from joining gangs in the first place.

Ms. Allshouse said that regarding Mr. Randolph's earlier question about the cost of the position in FY18, Ms. Vinzant's calculations show the cost of the position would increase by about $5,000 based on increased costs, and confirmed that it would take it up to about $47,900.

Mr. Foley noted this would reflect the typical salary and benefit changes associated with any position and said that staff should be able to provide more information about this position at their meetings the following week.

Mr. Letteri stated they have had much discussion of the healthcare program and said that it has been a very challenging environment for them to project costs, and in the early spring when staff began working on budget numbers for FY17 and in analyzing the various trends in claim activity, they projected a 14.5% increase. He said this was staff's best estimate at the time, but they know there have been a good bit of volatility with the prescription drug market, and in continued monitoring of claims and five or six months of data, staff can feel comfortable projecting that increase as 9%. Mr. Letteri stated there is still great volatility in the market and more work to do, with the County conducting an independent audit and a new health savings account (HSA) plan launching in October. He said the County is taking the right kinds of steps necessary to keep a stable program going forward, and it is very important in this environment to build the fund balance back up. Mr. Letteri noted the overall savings realized in going from a 14.5% increase down to 9% amounts to about $1.1 million in FY17, with a large share of that going to school operations and $270,000 going to partners such as the jail, ECC and the detention center. He stated the County has set aside about $2 million for possible infusion into the fund balance with a recommendation for a $1.2-million infusion in June, which would enable them to bring the fund balance up to 18%, which is still shy of 25% but does make progress. Mr. Letteri noted that local government and schools have agreed to infuse the amount necessary to get to 18%.

Ms. Mallek asked if they will do the additional 7% in FY18. Mr. Letteri responded they do not know, and staff would recommend the difference between the $1.2 million infused and what will be set aside will still remain to be set aside in the event it is needed in the next year.

Ms. McKeel asked if they are looking at paying it back over two years. Mr. Letteri explained that when they looked at establishing goals for this, staff wanted to do this as quickly as possible without overburdening the system, and if the increase was 14.5% it would require them to do it over three years rather than two.

Mr. Foley reiterated the goal is to get it there as quickly as possible because it is essential.

Mr. Dill asked what part of the 9% is going to increase the reserve. Mr. Letteri responded the 8-9% levels of increase match up with staff's projections for claim activities, so that 9% is not expected to fund the fund balance and is just expected to pay the increase in claims, so there is an increment that is expected to feed additional money into the fund balance so at the end of FY17 they should be at 25%.

Mr. Foley added this will be on top of the 9% to be infused into the fund to immediately get it up, and staff has set that aside as part of the proposed budgets.

Ms. McKeel commented the 9% gets them back to where they have typically been historically.

Mr. Letteri said there is some benefit expected for employees as well, and HR is working on a structure for rates for each of the plan options.

Mr. Letteri reported there is $1.1 million projected in savings from the healthcare account and he will present several options for its use for the Board to consider. He stated the first option is to apply the savings to operational budgets as a combination of the 0.4 cents dedicated to schools and the savings realized would all but eliminate their gap for FY17, but it is important to recognize that this will not mitigate the problems they will face in FY18. Mr. Letteri stated they can utilize these savings to address unmet local government needs or make some of the investments necessary for restructuring, such as efficiencies or studies that can help restore a structural balance. He said the second option would be to not utilize any of the savings in FY17, but set them aside so there are no expenditures created that would obligate them in FY18, and staff's recommendation would be to use the savings for a one-time capital infusion for pay-as-you-go type projects. Mr. Letteri said that a third option to consider would be to reduce the tax rate proposed by the amount of the savings, which with $1.1 million would be about 0.7 cents on the tax rate.

Ms. Mallek said they are trying to infuse the health savings fund balance by $2 million, which is somewhere else in the budget as an expense, so if they do not freeze this money, they, at the very least, could put the whole amount into that infusion.

Ms. Allshouse stated that in the non-departmental part of the budget, staff has the County's share of the $2 million infusion held in one-time money, but the schools also held money along with the jail and others. She said this $2 million will only appear in the local government budget, but everyone else is holding it in their budgets in the current fund balance, and other entities are being asked to hold their portions and not spend them in case the fund has to be infused again. Ms. Allshouse noted this is ongoing money.

Ms. Mallek emphasized this is not necessarily ongoing money because next year they may not have the savings and this could disappear in a heartbeat, which would put them right back in the same position.

Mr. Foley pointed out the $1.15 million is not needed to infuse the healthcare fund because they have already set the money aside to infuse the fund.

Ms. Mallek responded that they have raised the tax rate to do that.

Mr. Foley explained that one-time money to infuse has already been set aside to handle the problem, and the $1.15 million is above and beyond what is needed to get the healthcare fund up to 18% in the next year. He stated the $1.15 million is ongoing money that could be used to address the gap or provide other services, and there is actually a little bit more than what is necessary that they will continue to hold in case claims are higher than anticipated.

Mr. Sheffield commented that the question from Ms. Mallek and Mr. Randolph is what will happen if the contributions need to go up in future years, because calculations can go back up to 14.5% and require more money.

Mr. Foley responded they could certainly be extra cautious, but staff feels that with extra money to infuse the fund, if needed, plus the 9% projected they are covered.

Ms. Palmer asked about the statistical analysis done to establish the rate of infusion to bring it back up to where they need to have it. Mr. Letteri responded that staff has worked with an in-house analysis, school staff and the healthcare consultant, who looks more regionally in the Virginia market, and in no instance have they seen claim increases of more than 8-9%. He stated the work done more recently was to take a look at the five months of real data and decide its accuracy as a predictor of how the rest of the year will unfold, and in working with Mr. Tistadt they had looked back at the last eight or nine years with an assessment that the predictors have been fairly good. Mr. Letteri added that the consultants have indicated this was not generally a methodology used to analyze claims experience, but concedes that a combination of that analysis and market observation shows 8-9% to be a pretty good indicator. He emphasized it is not an exact science and is a very difficult thing to project.

Ms. Palmer commented there are good reasons staff brought these projections forward.

Mr. Foley stated they have done an extensive analysis, and said if they want to get the fund balance way up they could add the $1.15 million for one year to ensure they could buffer claims of more than 8-9%.

Ms. Mallek said she remembers when they had a whole lot of money in the fund balance and wanted to avoid having big premium increases on the staff, so they took a lot of money out to hedge those, which made her extremely nervous. She stated she is trying to avoid that predicament again and asked that they not spend it on anything else and just set it aside. Mr. Foley responded they are holding some of that infusion aside and can get the healthcare fund balance up closer to 25% even without the $1.15 million.

Mr. Randolph stated that the question before the Board is how fungible they want the fund to be, noting that in her report, Lorna Gerome had indicated that the healthcare reserve as of September 2015 was at $2.6 million, but was forecasted to be at $600,000 by September 2016 if no further action is taken. He said her report also states that staff recommends that $2 million be set aside from all employer participants for the current fiscal year, in addition to offering plan design changes and rate increases for 2016-17. Mr. Randolph emphasized if the healthcare savings is used for other purposes, they could miss an opportunity to build the fund balance up closer to $5-6 million and could put the Board in peril in the future if they see a year where costs go up and the outlay exceeds receipts. He stated if they would have a wellness program and would achieve efficiencies, but they do not control healthcare costs or prescription costs so the more they can support the program and ensure its long-term solvency, the better off they will be.

Ms. Palmer noted that Ms. Gerome had written her report before the newer statistical analysis was performed.

Mr. Foley clarified that the $2 million referenced was set aside in the proposed budget, and they are only using $1.2 million in what staff has proposed. He stated if the Board's goal is to get to that 25% as part of this budget, they can infuse the other $800,000 that is set aside and can add some of the $1.15

million, and they would still have a decision to make about the remainder, which he projects to be about $1 million.

Ms. Mallek asked for confirmation that this is ongoing money. Mr. Foley confirmed that it is.

Ms. Palmer asked if the schools would still be able to have their almost $900,000 to close their gap if they choose. Mr. Foley responded that it would be up to the Board, and staff would need to do an exact calculation to get to 25%, but feels they will get pretty close even just using what is set aside now.

Ms. Palmer stated that taking the first few months of this year and the previous years' data is a reliable source in her mind, and said she would like to hear from the schools as to the utilization of their savings.

Ms. Mallek said if this is used in operations, this puts them in a situation of broadening the base next year, so it would not be even-steven to disperse the money, and her recommendation would be to put this money aside.

Ms. McKeel stated she would like to have more discussion about using the healthcare savings to address the long-term financial structural imbalance.

Mr. Letteri explained that one example would be investing money in a kiosk so that citizens can come in and pay their taxes rather than going to a person at a window to reduce through attrition the number of employees working the windows.

Ms. McKeel commented that it sounds like modernization efforts. Mr. Letteri agreed, adding that it can also include investments in things like software to enable more efficiencies.

Mr. Foley stated the County is probably going to have to do that anyway from the existing resources already appropriated, and if there are five tellers they might have some attrition and could put in a kiosk in the future, so these efficiencies would be implemented going forward even with just what is currently set aside. He stated the other approach would be to not spend the freed-up healthcare savings in FY17 and hold it to offset the $2-3 million problem now, so they will have already dealt with the structural imbalance that exists for FY18. Mr. Foley said the question remains as to whether to hold it in reserve for the schools' portion as well as local government's portion to address healthcare increases in the future, and the references to $2-3 million have only been the local government side, not the schools. He stated the $1.15 million available every year based on the reduced healthcare costs could also be moved as a one-time amount to infuse the capital fund if it is not needed in FY17, then they could reserve the rest of it going forward to address the gap.

Mr. Randolph stated they are making the assumptions that all other things are going to be equal going forward, and if there is one area for which they need to be prudent it is healthcare, and to assume in any way that healthcare costs will remain constant going forward is flawed thinking. He said the more they can put that savings into reserve for FY17 and experience 8% in FY18, they will already have set aside sufficient reserves to have a bit more flexibility to do some of the budgetary things they want to with schools and local government. Mr. Randolph emphasized they would be forfeiting a golden opportunity now to put that into a reserve that is only used for healthcare, and FY18 and FY19 would be increasingly challenging so the more they can chip away and have things managed now, the better off they are.

Ms. Palmer stated it may be helpful to have Mr. Dean Tistadt from County schools address the Board and provide the schools' perspective.

Mr. Dean Tistadt, Chief Operating Officer, said the School Board's requested budget has a funding gap of about $1.7 million, and if the Board of Supervisors approves the tax rate increase and dedicates 0.4 cents to the schools, the gap is reduced to about $1.1 million. He stated if the Board dictates that the schools cannot take the healthcare savings and apply them to closing the gap, the schools will have to find funding cuts for new initiatives such as professional development or elsewhere. Mr. Tistadt stated the discussion seems to indicate they may overfund the healthcare program beyond what needs to be done, and even the recommendation to reduce it to 9% would allow enough money to cover any contingency that might occur. He emphasized that while things might change, he would hate to see them overreact to this part of the budget and infuse so much into this fund that they have to cut things in other parts of the budget. Mr. Tistadt stated that his personal belief is that 9% is still very conservative and would still add to the fund balance.

Mr. Tistadt stated he would like clarification as to whether the current revenues will exceed claims expenses and further feed the fund balance, so instead of drawing down the $2.6 million they would be adding to it, which means the 9% on top of the 8% expected would further add to the fund balance. He emphasized he is not empowered to speak for the School Board, but he does not personally see the need to put the $2 million reserve fund as an infusion or add the $1.1 million to that account, as it will have too much money in the healthcare fund at the expense of other requirements.

Ms. Palmer asked if it is based on the first five months of the year. Mr. Tistadt responded that it was also based on the patterns of the previous 10 years, and there have always been some fluctuations. He stated there were some very hard and deliberate decisions that were made that have influenced the decrease in claims, such as increasing employee deductibles and requiring spouses with other insurance to move off of the plan, and there are further strategies going forward such as the independent audit and inclusion of a high-deductible plan that would help further mitigate healthcare costs. Mr. Tistadt said those things should not be ignored as they deliberate the contributions of employer and employee.

Mr. Dill stated that his understanding was that the savings would go to schools and local government respectively, and he is comfortable with the schools having their portion and local government using theirs for healthcare or any emergency. He said that once they took the school part out there was really not that much left, so he does not want to spend too much time deliberating about it.

Ms. Mallek commented that it would be $1 million in five years, and that could be used for revenue-sharing and end up doubling, so there is no such thing as small dollars here.

Mr. Dill stated that just because it is identified in the budget as healthcare money does not mean it has to stay there, and there are a lot of things in their budget that do not exactly match up, such as using the car decal money for roads.

Ms. Mallek responded that perhaps the better discussion is whether they should spend it or save it, and she suggested they keep it somewhere safe for FY18 so they do not spend it now.

Mr. Dill said he can see embracing a general principle of not spending one-time money on ongoing expenses such as hiring staff, and instead save it for contingencies.

Ms. Palmer stated they also have a rainy day fund.

Mr. Dill said this would make sense for that fund, which could ultimately be used for healthcare.

Mr. Foley explained that staff's recommendation on the healthcare is what Mr. Letteri proposed, and after the first year there would be 18% in the fund as well as $800,000 set aside to infuse it even more, if needed, or to get them closer to 25%, a higher goal than what they have had in the past. He stated that schools and local government are comfortable with this proposal, and staff will be monitoring this on a monthly basis with an opportunity to react as needed. Mr. Foley stated the Board will have the opportunity to weigh in as to whether they think this is a good proposal, with the savings generated from the rate change to determine how they will act on that. He added that although some Supervisors had suggested a different approach, this is what staff has agreed on collectively and still feels it is a conservative position. Mr. Foley clarified that staff's recommendation is to infuse the healthcare fund up to 18% after the first year and hold in reserve another $800,000 to infuse it further to get them to 25% or something else if the claims go down. He stated the rate change generates more money, but that is a separate issue.

Ms. McKeel stated that she feels comfortable with the first recommendation as presented by staff.

Ms. McKeel **moved** to approve staff's recommendation for the health care fund to include cash infusion into the fund from all entities in the Plan in the current fiscal year. Ms. Mallek **seconded** the motion.

Mr. Randolph stated that he likes the fact they are talking about real money set aside, not something based on projections, and this is the kind of reality he wants them to move towards with healthcare.

Roll was then called and the **motion carried** by the following recorded vote:

AYES: Ms. Palmer, Mr. Randolph, Mr. Sheffield, Mr. Dill, Ms. Mallek and Ms. McKeel.
NAYS: None.

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Mr. Foley stated the second part of this is the generation of $1.157 million on an ongoing basis that can be allocated wherever the Board wants, and it can be used as $887,000 for the schools and $270,000 for local government. He emphasized that staff's opinion is the savings realized from healthcare should be set aside to address the FY18 gap and should not be spent on new positions, and they will need many of the strategies to solve that gap. Mr. Foley noted that in FY17 the $270,000 will not be needed, and staff would recommend that it be shifted to capital.

Ms. Palmer asked Mr. Tistadt if he wants to provide additional comment, but he declined.

Ms. McKeel said she feels very comfortable with what Mr. Foley recommended.

Ms. McKeel asked if the 0.4 cents will still go to schools because this $887,000 would now be going to schools. Mr. Foley responded the school issue will need to be discussed separately in terms of whether the Board wants to help fill their gap or set aside this money in reserves as recommended for local government.

Ms. McKeel stated this helps to address the schools' gap.

Ms. Palmer said the schools have a different funding situation than local government.

Mr. Dill pointed out that local government's budget is balanced and the schools are not.

Ms. McKeel noted the abilities to deal with their gaps are also different, as the schools have more programs that put them at risk.

Mr. Foley stated these are important points because the local government and school budget proposals are very different by design by the state of Virginia. He stated that on the school side they are filling a gap in a request, whereas local government has no new positions or programs. Mr. Foley said these budgets must be approached in different ways, and this is why it is an important decision for the Board.

Ms. Mallek commented that local government has avoided doing a lot of things on their wish list because they cannot afford to do them, and the only reason they have been able to balance their budget is because of a fairly significant tax increase.

Mr. Foley said that local government can also say it has a gap in the budget if they had included a number of things in their budget, but they have held the line to figure out what the priorities are, and that is the difference with local government versus schools.

Ms. McKeel stated the school division has also reduced and eliminated things in their budget for many years that they have felt were critical. She said she feels comfortable taking the $1.157 million and having schools take the $887,000 to address their gap, with local government saving their $270,000 for future use.

Mr. Dill asked staff why they recommended putting that towards the budget gap but also into capital. Mr. Foley explained that the $270,000 is recurring every year from this year forward, but if nothing is added to the FY17 budget the amount will not be needed in the first year and could be put into capital, and as they get to FY18 and beyond this amount allows them to address budget gaps going forward.

Ms. McKeel commented this is a great strategy and asked if she can put it into the form of a motion.

Ms. Mallek asked if they are going to talk about the raise first because that affects the gap on both sides, or vote on this now with the possibility of coming back and changing it later.

Mr. Foley stated these are available resources that the Board has to make a decision on, and there are many other things they have not yet talked about.

Ms. Palmer said they should hold off.

Mr. Sheffield said he would like to have a more comprehensive discussion.

Ms. Palmer said they will have to come back to the healthcare before they vote.

Ms. Allshouse stated that on April 4, OMB was informed by the jail that due to additional funding from the state, the County can expect to decrease its contribution to the jail by $40,000 out of its $3 million share. She said the Charlottesville Area Transit (CAT) will reduce the amount requested from the County by $7,180. Ms. Allshouse noted that both amounts can be put in the Board's reserve for contingencies, but she wanted to share this information with the Board.

Mr. Sheffield asked why CAT reduced their request by $7,180. Ms. Allshouse responded that it was a very brief email and she does not know if Andy Bowman knows more about it.

Mr. Foley asked if there is a route that ended up being less expensive. Ms. Allshouse said that staff had received just a one-line email. Mr. Sheffield expressed surprise that no one in the room knows why CAT reduced this amount by $7,000. Someone in this room should know why a decision was made by CAT to reduce the County's amount. Ms. Allshouse responded that it happened very quickly.

Mr. Sheffield commented to staff this should not be the process.

Ms. Mallek stated this will be put in reserves, but if the jail needs to expand their staffing they may have to get it back.

Mr. Foley said the Board could use the money however they want.

Ms. Allshouse stated that throughout the year there are a lot of little changes that staff likes to share with the Board before they finalize their budget. She said that staff has scheduled this work session, in part, because the Board has had a lot of community meetings and public hearings that they may not have had a chance to talk about. She said the only other items to finish this process are to share information on priority-based budgeting and some of the other strategic investments in their budget.

Ms. McKeel said she would like to go back to the healthcare item and clear that off the table.

Ms. Mallek asked if anyone else might be interested in a 1% raise, because that would provide $1.6 million between the two branches of government while helping to address the funding gap.

Mr. Randolph stated that he has spoken in favor of no pay increase for the first half of FY17 and a 1% raise the second half of FY17, and said the conditions with the budget justify them being very careful with pay increases. He noted he is well aware of the impact that will have on school employees and retention of police officers and teachers in the County, but he does not see that they have any other choice but to look at that. Mr. Randolph said this is why, under the healthcare options, he would be inclined for the money to be utilized towards reducing the tax increase but wants to look at the salary increases. He stated that anything they can do to address the funding gap in FY18 is going to be important, and reducing the tax rate in the short term would likely mean a bigger tax rate jump for FY19, and he is in favor of addressing the tax rate increase through limiting the salary increase.

Ms. Mallek suggested providing raises for those making below $60,000, especially part-time employees like bus drivers, as the increased health care premiums have been especially painful for them. She stated the feedback from their citizen meetings was clear that no one, regardless of demographic, has received raises, despite what the national statistics from World at Work state, as they are always higher than what has happened locally. Ms. Mallek said the Board talked about this in the fall because they could not get support for a 1% raise, but she would like to bring it up again.

Mr. Foley stated the World at Work projection was 2.9%, and staff had just proposed 2%.

Ms. Mallek stated the County has done 1% in the past and three years with nothing, but people on the outside are not seeing an increase at all.

Mr. Sheffield asked what the dollar value of 1% would be. Ms. Allshouse responded that 2% for local government and schools would equate to $3.4 million.

Mr. Foley stated it would be about $450,000 for local government and about $1.1 million for schools.

Mr. Dill asked what the raises have been in the last three or four years.

Mr. Sheffield stated there is no way he will support spending millions on sidewalks and fire stations and not offer employees a raise.

Ms. McKeel agreed, stating that she has lived through years when they did not keep up with market, and that is not a good place to be. She said they know they are already losing people to other areas because some of the director and administrative positions are below market. Ms. McKeel said that she is very concerned about where they are and where they will be positioning the organization as well as their employees.

Ms. Palmer commented that the compression issue is also huge.

Ms. McKeel agreed, adding that she would like to figure out a way in this budget to address it.

Ms. Palmer said if they give raises to some employees and not others it could compound the compression issue.

Ms. McKeel agreed that it will make it much worse.

Mr. Randolph stated that there are a lot of people who have not seen a salary increase this year, Social Security was 0%, and anticipated inflation this year would probably be below 1%. He said the salary increases have been: 2005-9%; 2006-3.65%; 2007-3.65%; 2008-4%; 2009-0%; 2010-0%; 2011-1.95%; 2012-1%; 2013-2%; 2014-1%; 2015-2%. Mr. Randolph emphasized the bulk of their revenue is real estate assessment-driven, and when it does not grow as anticipated, everyone must take a hit on that. He said he is the last person who wants to have County employees affected by no salary increase in the first half and 1% in the second half, but the reality is that from 2001 to 2015, real wages for County employees have gone up 2.35%. Mr. Randolph said you are not getting wealthy working for the County versus the private sector or even nonprofits, but the County is in a situation where he does not see any other alternative than to look at wages.

Mr. Sheffield asked if he would not agree to cutting sidewalks and other items out of the capital budget. Mr. Randolph responded that he would not if they are critical to the growth of the community and provide a benefit. He stated they have not had a discussion of special districts whereby people would pay a higher tax for the benefit of those amenities, then he would absolutely support those items coming out of the CIP.

Mr. Dill asked if there is any precedent for providing salary increases only to lower income employees, noting that with 2% a person making $150,000 would get a $3,000 raise and a person making $50,000 would only get a $1,000 raise, so that is a 3:1 difference. He stated that he understands the issues of equality and compression, but people on the even lower end are paying a disproportionate amount of other taxes such as sales tax and other regressive taxes. Mr. Dill stated the first question is whether it would even be feasible to do it.

Mr. Foley suggested that Ms. Lorna Gerome respond to the question.

Ms. Lorna Gerome, Director of Human Resources, addressed the Board and stated that this question has come up periodically over the years, and staff has analyzed where they would draw the line in terms of giving a raise to one group of employees but not others. She stated the difficulty with this approach is that it is not consistent with the County's strategy to be at market, so in comparing to the adopted market, they look at different positions and the salaries there as well as the overall increases. Ms. Gerome emphasized the other challenge is where to draw the line, as it could lead to a situation where supervisors are making more than the people they supervise, and some technical non-exempt positions that are hard to fill could be problematic. She added this type of strategy would also send a message to employees, compounded by these challenging times in which there is an increasing number of retirements. Ms. Gerome stated this would just continue at all levels of the organization, not just entry-level positions, and there really is not a way to draw a neat line and have this work nicely.

Mr. Davis stated this issue has come up for a number of years and staff has followed it closely in its review of salaries, and he is not aware of any precedent in this type of strategy being implemented in any budget in Virginia.

Mr. Foley pointed out that there is a joint-adopted strategy to try to keep employees at market, and that is a different thing than what the County can afford and how different people have money to pay for things, which are important considerations. He stated if the Board is going to get at this in a different way and one of those angles is to make a distinction between employees, they are probably not going to get the kinds of dollars they are looking for anyway. Mr. Foley stated there are 168 employees who make more than $100,000, and if they change the raise between 1% and 2%, they are really not generating a dramatic amount of money although he understands the principle of the suggested approach. He said if they are really trying to get at this in a way that makes a difference, it would be more consistent with the system to focus on whether the increase should be 1% or 2% rather than whether it is higher paid or lower paid positions. Mr. Foley stated that Ms. Mallek's approach is a better way within the system that exists, and he is not suggesting that employees do not need a 2% raise to keep up with market, and he feels this was a better approach than distinguishing between employees.

Ms. McKeel asked if they want to go ahead and decide on the salaries now. Mr. Foley responded that salaries are such a big part of the budget that it is a good decision to make now, similar to what they did with healthcare earlier in the meeting, and from there they can work on the rest of it.

Mr. Dill stated that he would go along with a 2% increase for employees, and there are other discussions that can be done about how this is done in business and specific employees versus entire organizations, but that can be part of the Board's strategic planning, along with privatization and the use of volunteer organizations. He said there are other discussions also related to better use of employees and implementation of things like kiosks, but they are not going to change these things now in this budget cycle.

Ms. Mallek noted there have been incredible changes in County operations in recent years, to Mr. Foley's credit, as their budget has been reduced tremendously.

Mr. Dill agreed and said he is amazed at how efficient, energetic and talented the County staff is, so it is not a matter of cutting waste, it is a matter of doing bold new approaches and rethinking things from the ground up. He added that the article staff sent about Fairfax County was another reminder that they need to rethink things and not argue about 1% or 2%.

Ms. McKeel commented that it was a very interesting article.

Mr. Foley said that Albemarle is not alone in its situation.

Ms. Mallek stated that it does in a way give credence to the fact that everybody is facing shrinking economies, even in Northern Virginia, and the raises given are also shrinking, although the County will not find out about it until next year.

Mr. Foley pointed out that by the County's strategy, if they miss the mark and everyone else in the comparable market gets just 1% but Albemarle gives 2%, they will adjust back in the following year if they overshot it.

Ms. McKeel stated the World at Work data is lagging from the year before, so the County is always using the data from the year before.

Mr. Dill said the World at Work data is not necessarily representative of the special local market in Albemarle where factors like quality of life is important, and he never liked the idea of counties comparing to one another in an effort to be above average.

Mr. Foley stated they could even go to the next level on that with another layer of review, because the County has the highest housing costs in the state next to Northern Virginia. He said that so much of the budget cost is with personnel, and given the structural imbalance they cannot avoid looking at it to make sure they have a good system in place.

Ms. McKeel said that Virginia is in the southern region with World at Work, and it would be interesting to move Virginia out of that region into one that the County more closely identifies with given housing costs and other factors. Ms. Gerome responded that all of Virginia is included in the eastern region, and the World at Work measure is a broad sweep of the market that includes state and local governments among other sectors in education and public administration. She noted it is not a perfect measure, and the Board has acknowledged that.

Ms. Mallek stated that longtime workers here and in other places have indicated that the salaries in local government have been lower, but the benefits have been much better. She said in the private sector there has been a race to the bottom, especially with benefits, and her town hall attendees have indicated this is a very important element, with their decision to come here based on the attractiveness of those benefits.

Ms. McKeel **moved** to approve the two percent salary recommendation of the County Executive Superintendent. Mr. Dill **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

AYES: Ms. Palmer, Mr. Sheffield, Mr. Dill and Ms. McKeel.
NAYS: Ms. Mallek and Mr. Randolph.

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Ms. McKeel stated that she will be willing to look at Mr. Foley's recommendation that the School Division utilize their $887,000 towards their FY17 gap.

Mr. Foley clarified he had remained neutral on that point and this was not his recommendation, as he only commented on local government.

Ms. McKeel **moved** that the School Division can utilize its share of the $887,000 in health care savings towards its FY17 gap and local government utilize its $270,000 in savings as one-time CIP pay-as-you go projects in FY17, and then apply savings towards solving anticipated operations funding gap in FY18.

Mr. Sheffield asked for clarification if this would be one-time money for FY17.

Ms. McKeel responded that it would be recurring, and local government would get it back in FY18.

Mr. Sheffield noted there is no defined expectation for FY18 and beyond.

Ms. Palmer said it will be going to the budget deficit.

Mr. Davis pointed out that it will not be one-time money for schools under that proposal.

Ms. Mallek said it will become ongoing money.

Ms. McKeel stated that she is only talking about the local government piece, not the schools.

Mr. Sheffield said the healthcare costs in the coming years are unknown, and he does not want to be in a situation of having spent this portion of the money and then having to figure out that problem should it come up.

Ms. McKeel asked if he wants to make sure the $270,000 is just held aside. Mr. Sheffield responded that he would like it to be treated both as one-time money and to have no expectations for FY18 or future years other than how to treat any surplus to offset future obligations.

Ms. Mallek asked what he means by "both." Mr. Sheffield explained that the school division and local government will treat the $1.157 million as one-time money in FY17, but no strings or expectations for FY18 and beyond.

Ms. Mallek asked if his intent is to not have it become part of the baseline budget. Mr. Sheffield confirmed that he does not want it to become part of the base and said that staff would have to decide based on assessments and everything else how the healthcare amount factors into that. He stated if healthcare costs remain low then Mr. Foley can factor that into his FY18 and FY19 budget at his discretion. He stated they are putting a dollar amount into an expectation for FY18, but he feels this is a bit of a mistake as they should assume the worst and wait to see how it pans out.

Ms. Palmer noted that the other money was set aside for healthcare.

Mr. Foley clarified that it is one-time money set aside by their previous actions, but it is separate from the ongoing savings and potential uses for it that they are talking about now.

Mr. Sheffield emphasized this still does not negate the ability for staff to make that assessment in FY18 as to how to use the funding revenues at their disposal, schools and general government, but he does not want to tie staff's hands if something were to change again with healthcare costs.

Ms. Mallek stated they cannot double healthcare deductibles on staff again, as that was so punishing previously.

Ms. Palmer expressed concern that the schools are using that money for operating and not one-time money. Ms. Mallek responded they could just figure out how to use it as one-time money.

Mr. Foley stated the Board should just decide on the school division's use of the $887,000 as a separate matter, because the appropriation to the schools is the largest they make. He said he feels he is hearing something different from Mr. Sheffield and Ms. McKeel.

Mr. Dill said what he heard Mr. Sheffield say was that the assessments may go up or down, and he does not want to target the healthcare savings because it could also fluctuate up or down.

Mr. Sheffield agreed and said if the healthcare costs come in higher, he does not want to be in a situation of having to find another $1.1 million. He stated in his organization's budget he had to estimate fuel costs, and it made him nervous to have to forecast a year ahead, and healthcare cost projections are very similar.

Ms. McKeel expressed confusion about Mr. Sheffield's suggested use of the $270,000 going forward and if they are putting the schools in a minimal position.

Mr. Foley clarified that Mr. Sheffield is suggesting that both the local government and school funds will be set aside in reserves.

Mr. Sheffield stated that he would like for local government and schools to find a way to repurpose the $1.157 million in FY17, but he has a problem with committing that every year going forward. He said if the County spends $270,000 on three new police officers in FY17, then they will have to commit that amount in FY18 and beyond, but if healthcare costs go up again to where staff thought they were going to go, then they would be faced with an even bigger gap. Mr. Sheffield stated if the healthcare costs are lower in FY18, then he has no problem looking at how to allocate it going forward, but to have such a dramatic shift with half the costs dropping off the radar makes him very nervous to think it will not jump back up.

Ms. McKeel asked if setting that aside in reserves and not spending it would address that. Mr. Randolph said this is what Mr. Sheffield is saying, and he would second that motion.

Mr. Foley suggested holding the local government portion of $270,000 in reserves for healthcare or other uses depending on how healthcare costs change, but said this does not include schools and that will need to be decided.

Mr. Sheffield stated that in the theory there will be continuous savings, that savings is shared by schools and local government due to the sheer nature of the split. He said that local government will need to think hard about how the $270,000 will be used for because if it is a perpetual expense, they could be causing themselves more of a headache.

Mr. Foley said he would recommend that they not spend the $270,000 in FY17 for an ongoing expense.

Ms. Palmer and Ms. McKeel noted the Board had already agreed to that.

Mr. Sheffield emphasized he did not want to set the expectations for schools that they would have the $887,000 in FY18, FY19 and beyond, because if healthcare costs change they will need that money. He stated the schools would have to think like local government in that their use of the amount available to them in FY17 will not be the same going forward, in an effort to hedge potential increased healthcare costs, because if that goes up, then the schools come back and ask for the $887,000 to address the increase.

Ms. Mallek stated that classifying this as one-time money for both schools and local government would be the way to resolve that.

Mr. Sheffield said he just does not want to be in a situation of arguing over how this year's money was spent in terms of how it affects future years.

Ms. Mallek stated that otherwise, they would be dedicating more than a penny for the future.

Ms. Palmer commented that Mr. Tistadt had stated the schools would use this to close their gap, which is not one-time money, and asked for his opinion on this. Mr. Tistadt responded that he cannot speak for the School Board, but if the Board dictates that the schools cannot use this for recurring expenses because of concerns about the FY18 budget and it would be set aside and out of the control of the School Board, they will have to make some other decisions about how they will balance their budget.

Mr. Sheffield stated he is not intending to dictate that it be one-time money to the schools, and his message is that local government is looking at it as one-time money. He said if schools commit it to a perpetual use and have to come back to the Board asking for money to cover healthcare costs, it is going to be a very tough conversation. Mr. Sheffield stated that he does not want to have the conversation on the local government or school side that they guessed wrong about healthcare costs and it will require a chunk to make up, because it equals almost a penny of a tax increase.

Mr. Foley pointed out the only choice the Board has is whether or not to appropriate the $887,000 to the schools, and they decide how to use it. He said Mr. Sheffield is setting another measure here, but this puts them in a position between the two boards of either appropriating it to the schools for them to spend as they see fit, or not appropriating it in an effort to protect the reserve. Mr. Foley stated it is clear the schools want to use it for ongoing expenses they have identified as important needs, and it does not mean the School Board cannot change that.

Mr. Tistadt stated the School Board has not had a specific discussion on the budget in the context of knowing about this funding, and their first opportunity to do that will be at their April 14 meeting.

Mr. Foley pointed out that filling the gap will obligate it as an ongoing expense.

Mr. Tistadt responded there are aspects of the school budget that can be looked at that will not commit them to future years that will equal this amount of money, such as outfitting the modular unit at Albemarle High School and professional development. He stated the School Board will be prudent to think about the implications of FY18 as they make their FY17 budget, and there is volatility in areas of the budget such as fuel, utilities and healthcare to be considered.

Mr. Sheffield stated that hopefully the School Board will be prudent in not gambling that next year will be just as good as this year, and if things turn out well they can both look at how those funds can be used to close gaps that already exist.

Mr. Tistadt said that as staff is preparing for the School Board meeting on April 14, they are going to start updating the current year and the FY18 projections as setting the stage as they deliberate on the FY17 budget. He stated they agree with local government staff that there is a looming gap for FY18, as well as troubling information regarding substantive VRS rate increases.

Mr. Sheffield asked if this clarifies where he stands. Ms. Palmer said that she thinks so, but asked him to restate it.

Mr. Sheffield commented this is a legacy decision.

Mr. Foley clarified that Mr. Sheffield is supporting the motion, but wants to be clear that it is important to be prudent with how the money is used so if healthcare costs go up next year, that money can be allocated to address that challenge rather than spending it and coming back and asking for another $887,000. He emphasized this still means the Board is going to appropriate this amount to the schools with that message attached, but they are not going to reduce it by $887,000, which is the only way they could absolutely say they are going to put it in reserve, and he does not hear Mr. Sheffield say he wants to go that far.

Mr. Sheffield said that is the case, and there are one-time costs on both sides that can help them limp along another year to see if staff is on target and that there is perpetual money available.

Mr. Foley noted that staff's recommendation is to put the $270,000 for local government into the CIP, which actually benefits the schools and local government.

Ms. McKeel said the schools will receive their share, which is $887,000, and local government would take its share of $270,000 and put it in the CIP.

Mr. Foley confirmed that it would go in the CIP for FY17.

Mr. Sheffield said that it leaves FY18 without any expectations established, and as long as they feel comfortable that Mr. Tistadt will communicate to the School Board that there is uncertainty about FY18 healthcare costs and the Board does not want them to compound the gap that exists.

Mr. Foley stated that he does not know if Mr. Sheffield wants to include that in the motion.

Mr. Sheffield responded that he does not, but he feels it would be appropriate for the Board chair to include it in a letter to the School Board that this decision is being made with extreme caution into FY18 and beyond. He said this will document in the record what went into the thought process, and the problem would be discussed before the budget even comes to the Board.

Ms. Mallek stated that the expectation is the money will be available next year, if needed, for the healthcare fund.

Ms. McKeel asked if it will go into the letter. Mr. Sheffield agreed that it will.

Ms. Mallek said if it can go into the motion, she will vote for it.

Mr. Randolph asked if Mr. Sheffield is tying the $887,000 so that it will be held in reserve, to be reflected in the letter to the School Board.

Ms. McKeel noted the Board cannot do that.

Mr. Randolph said they cannot do that legally, but said that Mr. Sheffield's motion is for the School Board to exercise discretion with the $887,000 so that it is non-recurring funding and will not fund things like staffing that can be perpetuated.

Ms. McKeel responded that the Board cannot do that and get into that level of detail.

Mr. Sheffield clarified that the first part of Mr. Randolph's statement about exercising caution about how the funds are designated so as not to compound the possible problem with healthcare costs.

Mr. Foley said the intent is for those funds to be available should those costs go up.

Ms. McKeel stated this can be in the letter to the School Board, and the schools have a gap as local government does next year.

Mr. Sheffield said the beauty of this is that if staff is correct, it helps close the gaps, and that is the gamble that schools or local government will take.

Mr. Sheffield **moved** to appropriate the $1.157 million as one-time money for schools and local government, asking Chair Palmer to write a letter to the School Board expressing caution about how the funds are used given the uncertainly of healthcare costs in FY18 and beyond.

Mr. Randolph noted the local government portion goes to the CIP in FY17, with the savings applied to solving the anticipated operations funding gap in FY18.

Mr. Sheffield agreed and said the schools will take the same prudent approach.

Mr. Randolph **seconded** the motion.

Mr. Foley said that staff can clarify the information and get a letter back to the Board the following week.

Roll was then called and the **motion carried** by the following recorded vote:

AYES: Ms. Palmer, Mr. Randolph, Mr. Sheffield, Mr. Dill, Ms. Mallek and Ms. McKeel.
NAYS: None.

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Recess. At 5:13 p.m., the Board took a recess, and resumed their meeting at 5:28 p.m.

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Bond Referendum Discussion

Ms. Allshouse stated we are talking about any other outstanding issues you want to discuss before we move on. The last section is on some strategic initiatives that are included in your budget that she wants to review with the Board. If the Board has any other outstanding items they would like staff to discuss.

Ms. Palmer said they have some Board members that would like a very quick discussion of the bond referendum just so they get an idea or preview of what they will be hearing on the 13th before they decide to set the tax rate. It will not necessarily change what they do, but it is good to have a little bit of information about it before they go forward.

Mr. Foley suggested going back to the tax rate implication slide which is the one that shows what has been identified so far that drives the bond referendum. Mr. Foley asked Ms. Allshouse to discuss that the reason the 1.3 cents was put in the referendum is because the projects that are on the table from the schools. Mr. Foley asked Ms. Allshouse to walk the Board through that to see what kind of questions the Board may have.

Ms. Palmer stated one of the questions she had when talking with Mr. Foley the previous day was there was mention about some of the CIP projects, the school security project and that possibly some of them in the CIP for this year may be going into the bond referendum, so she would like to get that clarified.

Mr. Foley stated that Ms. Allshouse could cover that to tell the Board what the 1.3 cents represents to get that clear.

Ms. Allshouse confirmed that does cover the security improvements for the schools being in the bond referendum. They are not double counting them, so that 1.3 cents does include the assumption that they will be in the bond referendum.

Ms. Palmer asked if those were the ones that were already in there like Greer.

Ms. Allshouse confirmed they were. She stated they would not double count them and because of the timing of when they are done and when they go out for borrowing for them and when they pay for it, this model actually would be 1.3 cents or an equivalent tax rate increase, so there is no additional savings on that, it has been incorporated in.

Ms. Allshouse stated again that they are not double counting the school security.

Ms. Palmer asked if the school security items that were in the CIP for FY 17 column had three security school projects, Ms. Mallek asked if they had come out of the standard CIP listing and were moved over to the bond referendum side.

Mr. Foley stated that was correct, and the number they see at 1.3 cent is the net total of all of the adjustments, that is the real impact. Mr. Foley said they are doing them in a referendum, and they were moved out of the originally proposed CIP and netted them all out so the 1.3 cent is the full impact. There is no savings left in the CIP, it is all netted out.

Mr. Foley stated the schools felt that security was a good item to put out to referendum, and the Board will ultimately decide that as they go to the work session.

Ms. Palmer said it is just the two years at a 1.3-cent increase.

Ms. Allshouse clarified it is a 1.3-cent increase in FY18 that will stay at that amount.

Ms. McKeel said it not an additional 1.3-cent increase.

Ms. Mallek said it is.

Mr. Dill stated that it will not be an increase year after year.

Mr. Sheffield said they are basing the 1.3 cents on having to pay the debt service for the referendum, and asked if there is an expectation that it will fall off at some point.

Ms. Allshouse explained that staff looked at paying the debt service, part of it being pay-as-you-go, and there are also some operating impacts to consider, and staff looked at all of those three things when considering the assumptions leading to the 1.3 cents. She said that things like teachers to occupy the additional space are not operating items added on here.

Mr. Sheffield asked if the County has to identify to constituents that they are no longer paying off that debt service as reflected in the tax rate or if it just gets folded into everything else.

Mr. Davis said in the bond referendum process, they are not voting on a tax rate, they are just voting on the issuance of a certain amount of bonds, so there is no legal obligation or authorization from a bond referendum regarding the tax rate.

Mr. Sheffield asked if the Board could put a sunset clause when adopting the tax rate. Mr. Davis responded they vote on the tax rate annually, so effectively there is always a sunset on it.

Mr. Foley said the reality is that in 20 years that money is freed up.

Mr. Sheffield stated he just wants to be able to communicate it to constituents and noted that a future Board will have to make the decision as to how the funds are used.

Mr. Foley stated the schools have proposed a set of projects totaling about $35 million, with the Board needing to review them at their meeting next week. He said he has heard different comments as to whether modernization versus bricks and mortar should be in this and whether planning money should go out to the voters or just be assumed, so the $35 million may change, but those are the school projects that have come forward that will be before the Board next week. He noted that staff will provide a deeper analysis on the local government side, but at this point is not recommending some projects to go into the referendum and still feels that FY18 is the better time. Mr. Foley stated the number is based solely on the school projects, and that generates 1.3 cents on the tax rate.

Ms. McKeel asked if there will be someone present at their meeting to answer questions about the referendum projects. Mr. Foley responded there will be.

Ms. Mallek said it will be valuable to have that ahead of time.

Mr. Foley stated that some of the information will be provided ahead of time.

Mr. Sheffield asked if they are going to go over this next week. Mr. Foley responded this is scheduled as a bond referendum work session for the afternoon of April 13.

Mr. Sheffield said he was under the impression they did not have to decide yet what would go into the referendum. Mr. Foley responded they do not, but this is the first of several meetings.

Mr. Sheffield asked if there is a reason why they are doing this before the adoption of the budget and the tax rate. Mr. Foley responded they are actually going to do it afterward, although there had been a question about whether they should switch the order, but the plan is to adopt the budget and then move onto this discussion.

Ms. Palmer stated there were some questions and people wanted to know a bit more about it before adopting the tax rate, not that it would necessarily change what the Board did. She said it was interesting that some of the security projects were put into the request as it was good information, and asked why the addition to the tax rate is only 1.3 cents. Mr. Foley responded that it is driven mostly by debt service.

Ms. Mallek commented they will need to pay $3.5 million in cash to pay the mortgage on $35 million and that cannot come from just one penny, and that is the 10% they are supposed to budget.

Mr. Foley stated that staff will provide a breakdown at their meeting the following week and while they always put a little bit of cash into projects, the vast majority of the 1.3 cents needed is for debt service.

Ms. Palmer said they will also need more information on the bricks and mortar items beyond what they had received in their email, with details on exactly what the modernization will be. Mr. Letteri responded that someone from the schools will be present to speak to it.

Mr. Dill said that someone had asked him how this will work with the Woodbrook renovations, since that was part of the budget before. Mr. Foley stated the most important things for staff to know at this point are whether there are other adjustments to the budget the Board wants to discuss, as they have already talked about the salary question, the healthcare savings appropriation, the healthcare fund and suring up the fund balance. He said those are significant decisions that drive the majority of the budget, and there are also some adjustments to their original budget, including the money for legal aid, $1 million for the design of Woodbrook, and the CAT route for 5th Street. Mr. Foley noted these are the decisions the Board has made, and the question is whether there are other items that need to be adjusted, as staff will need time to prepare that information.

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Mr. Sheffield asked if the $1.7 million in transportation revenue-sharing money is just earmarked to be matched from the state but does not yet have a designated purpose. Mr. Trevor Henry, Director of Facilities and Environmental Services, responded this is the case, and that is just the County's share of matching money for the to be designated projects that will be in the applications this fall.

Ms. McKeel stated that in thinking about community safety concerns, the Board has supported geo-policing and the police department, although there is nothing in this year's budget for more positions. She said she is trying to weigh the 12% increase in gang activity and what is happening with gangs, and noted the time for gang recruitment is middle school-aged children. Ms. McKeel stated there is a position for a policy analyst in the County Executive's office that is currently open, and she would like to find out whether it is still open, and if it is she would prefer the money be used for a middle school resource officer to help address the gang issue.

Mr. Foley responded they have not permanently filled that position, and if the majority of the Board wants to consider the issue, then the Board can direct staff to bring back information and talk about reallocating it. He stated the policy analyst position was driven in part by Board desires to do some research, but if they want to reallocate it staff can bring back information on why it is needed so the Board can balance it against other things.

Ms. McKeel stated that she did not know if it would even work, but she is struggling with how to address crime and some of the issues she is seeing, and while this would not be a position supporting geo-policing, it is a position that could have an impact on gang activity in the schools. Mr. Foley responded the real issue in principle is that need over other needs and their desire to hold the line until they get into their strategic sessions, but the Board can certainly make adjustments now as well.

Ms. McKeel said that maybe just more information at this point would be helpful.

Ms. Mallek stated that she hopes they will not make a rash decision on this right now, and if the position is frozen the Board needs to be very deliberative about where this will go. She asked if the school resource officer positions are shared half and half with the schools. Ms. McKeel responded that they are.

Ms. Mallek asked if the school division has identified money for this.

Ms. McKeel stated she is just asking for information at this point, and that may be information needed from the schools.

Ms. Palmer said she thought the position had been filled at least part-time.

Ms. Mallek said that Mr. Foley will bring that information back.

Mr. Foley asked if there is a desire from the Board to provide information on the SRO specifically, as staff will need to do a little bit of research about the cost split and so forth.

Mr. Letteri stated the cost is split 50/50 with the schools, although local government assumes the startup costs.

Ms. McKeel said she would simply like more information in an effort to address safety and gangs and the possible use of the SRO in the schools.

Ms. Mallek stated she would also like to know how this falls in the Police Chief's priorities and whether it is higher than the problem-oriented policing (POP) person.

Ms. McKeel noted the SRO is in the budget for next year.

Mr. Foley said this is the kind of question staff wants to know so they will have a chance to talk to the Police Chief and get the data together on it.

Ms. Palmer said she would support it.

Mr. Foley stated that staff will bring back what the current position is doing, and said if the SRO position is of interest to the Board, there is the $40,000 freed up from jails and $7,000 from CAT, and if that is a 50/50 position then local government can fund the other half of it.

Ms. Mallek said that Colonel Sellers' priority is very important to her.

Ms. McKeel agreed.

Mr. Dill stated he would like to separate the two issues to some extent, hearing from Colonel Sellers about other ways to possibly address the issues, and as they are going into strategic planning time, cutting a researcher/planner position who can help with those efforts out may be short-sighted.

Ms. McKeel noted there is not a person in that position now.

Mr. Dill said at some point the Board viewed this as an important position, so even though it is empty now does not mean that it is worthless.

Mr. Foley mentioned that staff will show the Board the things that lay ahead with the transformational efficiency study and priority-based budgeting, which that position was intended to help do.

Ms. McKeel commented that one middle school has an SRO, and four do not.

Mr. Dill said there may be another approach to get at the gang issue.

Mr. Foley stated this is the type of thing that will rise above others in their strategic planning sessions, but staff will bring that back for them in the context of this budget.

Ms. Palmer asked why there is $50,000 budgeted for priority-based budgeting. Ms. Allshouse responded that it will be for the consultant, but also other support to make sure the process is successful.

Mr. Dill said the Board had received emails about OAR, and the issue of whether they should get money is one issue, but the precedent set here is also an issue. He asked if any group funded through ABRT falls below the approval line because of some issue if that means they are permanently barred from getting money. Ms. Mallek responded that OAR is on the list for funding, and the transitional program is the one that was cut.

Mr. Dill said he thought they were cut out completely. Ms. Allshouse said it was for the restorative justice position funded in FY15, and based on ABRT's recommendation the position was not funded by the County in FY16. She said that OAR is requesting for that funding back in FY17 to support that position, with a total cost of about $6,500. She emphasized that OAR is not permanently out of the process, but much like County departments they are holding the line on new expenses. The ABRT did suggest that the County restore that funding as well as funding many other programs that the City is funding but the County is not, as well as some new programs.

Mr. Foley said at one point Ms. Mallek had mentioned a list, but staff does not have a list at this point.

Ms. Mallek suggested that they start one with the OAR item.

Mr. Foley said at this point the list would include the OAR item, the SRO position, and the Commonwealth's Attorney's office request after staff does the revenue analysis.

Mr. Dill stated that John Halladay of the Jefferson-Madison Regional Library system had talked with him about putting an electric car charger at the Northside Library, and this would likely be paid for in other ways but if not, at the most it would cost about $10,000.

Mr. Foley said that staff can bring back information on it.

Ms. Mallek stated there is a group in town that is funding those.

Mr. Dill stated this is a way to introduce people to carbon-free driving and as an environmental program, and even people who do not use it will be educated by having a description of how it works and the positives of it, and it fits right into the schools' solar program and other ways to help the environment.

Ms. Palmer asked if they really want to have that be part of the budget discussion or try to decide what the best place is for those conversations.

Mr. Dill stated this is something that needs more work, and they will need to find out the other people they need to talk to.

Ms. McKeel said Charlottesville can help them.

Mr. Dill stated that Charlottesville supports them and has already put in several, and they are very easy to do.

Mr. Foley said it is a one-time expense to get it set up and does not necessarily have to be a part of the budget, and it is even possible that there will be some savings in general services that might help to fund it if the Board supports it. He added that staff can bring it back on an agenda for discussion, and the number is not so big that it is necessarily important for them to get it in this budget.

Ms. Palmer said it will also be important to decide the best placements for them.

Mr. Randolph stated he would like them to look at private partnerships for this, as it provides a great opportunity.

Mr. Dill said there is support for it and some of the car companies are funding the chargers.

Mr. Randolph stated that stores like Whole Foods and Integral Yoga might host them.

Ms. Palmer said that Whole Foods Markets in other states have them.

Mr. Dill said that several hotels also have them, but they are just for their guests.

Mr. Foley stated that staff will bring this back as a separate agenda item in May.

Ms. Mallek said the ACE program is not above the line right now, and the reason that Albemarle is getting $459,000 from the state this year is because the County has that much money in its fund to be able to match it. She stated when the Board draws near the end of the budgeting process, she will see if there is something they can do a better job for next year, because otherwise they will be like the many other communities that have a great program but never get any money from the state because they have not anted up any money of their own.

Mr. Randolph noted that for four years, the Planning Commission has been supportive of having ACE funding.

Ms. Mallek said it has benefits in stormwater and other things and suggested that perhaps they can find it out of water resources.

Mr. Foley stated the Board has set aside the $270,000 to go to the capital program, and if they want to say it should go to ACE as a priority they can certainly do that, but that is one-time money for one year. He asked Ms. Mallek if she wants ACE to be put on the list for more discussion. Ms. Mallek responded that she does.

Mr. Foley asked Ms. Palmer if she feels there is enough time to resolve these things next week. Ms. Palmer responded that she feels they can resolve them, and asked how much time they have set aside for the referendum.

Mr. Foley stated the meeting time is reserved 3:00-6:00 p.m.

Ms. Palmer asked how much of that is set aside for the referendum. Mr. Foley responded that they can split it up as half and it will depend on how much time they need for the referendum, but they certainly have an hour or an hour and a half for the budget.

Ms. Palmer said this seems reasonable to her, as they have already taken the tougher votes and are just left with the smaller things.

Mr. Foley suggested that staff provide a preliminary list after the tax rate hearing, so the Board can at least take a look at that and have a quick conversation.

Ms. Palmer said they can have budget discussions after the hearing, although she does not think the Board usually does that. Ms. Mallek responded the reason is because the public hearings usually last for four hours, but this year no one has really come.

Mr. Foley stated it is reasonable to do that afterwards, and the Board’s action will not be until the next day.

Mr. Randolph said he would urge them not to make a decision about another meeting until after their meeting tomorrow.

Ms. Palmer stated they will not want to spill something from their regular meeting over to Thursday.

Mr. Randolph said he understands that, but they may want to talk about the referendum.

Ms. Palmer said they will be talking about that on Wednesday, and she thought that staff needed to have a decision on whether to have that meeting.

Mr. Foley asked if the reason for delaying the decision would be for some thinking to go on between this meeting and their meeting on April 6, as he would like to do whatever staff needs to do to help the Board be ready for it.

Mr. Sheffield asked Mr. Randolph if he is talking about this Thursday.

Mr. Randolph said this Thursday they have three hours scheduled.

Ms. Palmer asked Mr. Randolph what specific items he wants to discuss.

Mr. Randolph responded that he does not have anything else, and asked if Thursday gives staff enough time to be prepared to have a discussion about the budget items.

Mr. Foley stated that with the revenue analysis needed for the Commonwealth's Attorney's office, it will probably take them more than the time in between now and this Thursday.

Ms. Palmer suggested they take it off and do a little bit on Tuesday, then finish it up in the three hours they have on Wednesday.

Mr. Foley said that will be the plan.

Agenda Item No. 3. From the Board: Matters Not Listed on the Agenda.

There were none.

Agenda Item No. 4. From the County Executive: Report on Matters Not Listed on the Agenda.
There were none.

Agenda Item No. 5. Closed Meeting.

At 6:00 p.m., Mr. Dill **moved** that the Board go into Closed Meeting pursuant to Section 2.2-3711(A) of the Code of Virginia under Subsection (1) to interview, discuss, and consider prospective candidates for the County Attorney position. Ms. McKeel **seconded** the motion.

Roll was called and the motion carried by the following recorded vote:

AYES: Ms. Palmer, Mr. Randolph, Mr. Sheffield, Mr. Dill, Ms. Mallek and Ms. McKeel.
NAYS: None.

Agenda Item No. 6. Certify Closed Meeting.

At 6:47 p.m., Mr. Dill **moved** that the Board certify by a recorded vote that to the best of each Board member's knowledge, only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act and identified in the motion authorizing the closed meeting were heard, discussed, or considered in the closed meeting. Ms. Mallek **seconded** the motion.

Roll was called and the motion carried by the following recorded vote:

AYES: Ms. Palmer, Mr. Randolph, Mr. Sheffield, Mr. Dill, Ms. Mallek and Ms. McKeel.
NAYS: None.

Agenda Item No. 6. Adjourn.

With no further business to come before the Board, the meeting was adjourned at 6:47 p.m.

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Chairman

Approved by Board
Date: 06/01/2016 Initials: TOM