A Special Meeting of the Albemarle County School Board was held on October 6, 2010 at 4:00 p.m., Room 241, Albemarle County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

SCHOOL BOARD MEMBERS PRESENT: Mr. Stephen Koleszar, Ms. Pamela Moynihan, Mr. Ronnie Price, Sr., Mr. Harley Miles, and Mr. Eric Strucko.

SCHOOL BOARD MEMBER ABSENT: Mrs. Diantha McKeel and Mrs. Barbara Massie Mouly.

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

BOARD OF SUPERVISORS PRESENT: Mr. Ken C. Boyd, Mr. Lindsay G. Dorrier, Jr., Ms. Ann Mallek, Mr. Dennis S. Rooker, Mr. Duane Snow and Mr. Rodney Thomas.

BOARD OF SUPERVISORS ABSENT: None.

OFFICERS PRESENT: County Executive, Robert W. Tucker, Jr., Mr. Tom Foley, Assistant County Executive, Mr. Bryan Elliott, Assistant County Executive, County Attorney, Larry W. Davis, Senior Deputy Clerk, Meagan Hoy.

Agenda Item No. 1.1. Call to Order.

At 4:10 p.m., Ms. Mallek called the meeting of the Board of Supervisors to order. Mr. Price called the meeting of the School Board to order.

Agenda Item No. 2.1. Total Compensation Report.

Ms. Lorna Gerome, Acting Director of Human Resources, reviewed the staff report on total compensation which included information on compensation strategies, benefits strategies and wellness updates. In addition, the following recommendations were presented to the Board for consideration: 1) establish a budget target for providing a 2.3% salary increase for classified employees and a 1.95% increase for teachers based on WorldatWork data, 2) Increase the classified salary scale by 1%, 3) use a portion of the Health Care Reserve Fund to offset any increase in employee and employer premium costs for the coming year, 4) plan for a 7% increase in dental plan costs, 5) fund a one-time $350 lump sum bonus out of cost of savings resulting from using reserves to fund the medical premium increase in FY10-11, and 6) pick-up the 5% member contribution to VRS for VRS Plan 2 employees effective July 1, 2011.

Mr. Snow asked if everyone remained at a status quo with no raises across the board. Ms. Gerome confirmed this to be the case. She also said that WorldatWork is projecting a 1.95% increase for the eastern region, which would mean a 2.3% increase for classified employees in order to meet the benchmark. Ms. Gerome stated that a 1% scale adjustment is recommended based on the set strategy – but this only impacts new hires and current employees who are below the minimum. She added that the teacher's scale is in line with the market, so the recommendation there is for a 1.95% increase, which would include step, based on the Boards adopted methodology.

Mr. Boyd asked if median or average is used for classified employees. Ms. Gerome said that they use median when dealing with classified employees, based on the original strategy recommended by the task force in 2000.

Ms. Mallek noted that the change in hospitalization would go from a flat fee to a 5% which is a monstrous change for an employee, and nobody was notified about that. Ms. Gerome responded that Albemarle's policy was far out of line with that of its market competitors. Ms. Mallek asked if employees were notified of that change.

Ms. Gerome responded that Human Resources did try to emphasize that changes were coming during the open enrollment period. She is aware that a lot of employees do not read the information because they are not changing anything in particular with their enrollment. Ms. Mallek said that is exactly what she thought when she got the little yellow post card. Ms. Gerome said Human Resources did send out a communication last week to all employees emphasizing these changes.

Mr. Rooker asked if the high plan was profitable or unprofitable when looking at the whole plan. Ms. Gerome replied that employees on the middle and low plan have been kind of subsidizing the care for the high plan, so they would find that it is not profitable. Mr. Rooker said that this seems to indicate that more should be charged for the high plan, and noted that the two ways to approach this would be reducing benefits or charging more. Mr. Price commented that they should be paying more if they have a higher plan. Ms. Gerome commented that the differential between plan costs is still fairly substantial. She emphasized that the individual benefit costs (medical and dental) for Albemarle look high when compared to other localities, but when family benefit costs are considered Albemarle is on the low side. Based on market data, this needs to be looked at over the next couple of months.

Mr. Boyd stated that for years he has said the County should be considering the total cost of its benefits, not deductible costs, etc.

Ms. Mallek noted that the data presented indicates that the monthly costs to the County are the same – about $600 per month.

Mr. Snow asked what the total amount is to provide a one-time lump sum bonus of $350. Ms. Gerome responded that it totals $1.2 million. Mr. Rooker commented that, as a policy matter, he does not think it is a wise approach to take reserves out of the medical plan and distribute it out in bonuses. Ms. Gerome said that last spring HR recognized that it had enough money to fund the healthcare increase out of reserves, so basically they are using the cost savings of $1.2 million that wasn't used or needed. Mr. Price clarified that the increase in healthcare expected didn't occur – even though it was budgeted – so instead of those dollars going back to reserve, it is recommended that they go back to staff. Mr. Foley pointed out that reserves in the medical insurance line item were strong enough not to transfer over to the health program. The funds could be left in the operating budget and be reallocated for the bonuses.

Mr. Rooker commented that the County also has no money going into the Capital Improvements Plan. He is in favor of meeting compensation goals and he wants to retain as many employees as possible – but even in bad times, salary targets seem to be met. He stated that localities are having difficulty making ends meet, and it does not seem like a wise time to be paying out a surplus. Mr. Price commented that this gesture goes a long way in intrinsic and monetary value toward County employees. He emphasized that the money was earmarked for increases in healthcare, and it would be "worth its weight in gold" to give employees the $350 each that wasn't spent. Mr. Price noted that the 3% bonus being given by UVA is going a long way toward morale and retention of loyal employees. Mr. Koleszar mentioned that there are peer groups doing one-time bonuses, and perhaps this is a way to keep up with them. Mr. Snow said he is concerned because the Boards are just three months away from setting a new budget, and it seems unwise to enter a budget cycle like last year when there were shortfalls. He thinks it would be better if the Boards wait until after the budget process to see if the money is still available. Mr. Dorrier commented that it is also uncertain what the state allocations will be. Mr. Price mentioned that the Board is already sitting on $5.4 million in their reserves and this is an additional $1.2 million in healthcare that was to go toward employees. He thinks that it is prudent to be fiscally conservative, but the people side needs to be put in here, or the best ones will move over to UVA, State Farm, or some other place. An organization's human resources are the biggest asset in the community. He added that others might find it silly that the Board is quibbling over $350. There are individual employees who are hurt. Ms. Mallek said that she would like to think about it because there are too many gaps of information that needs to be filled in. Mr. Boyd emphasized that it is not really $350 to be considered, it is $1.2 million, and it needs to be decided whether that money is better spent now in a bonus – or helping the County to meet the 2.3% salary increase discussed.

Mr. Rooker stated that none of these recommendations have been quantified, and he would like to see those specifics in the context of total dollars in the overall budget.

Mr. Price said that given revenue dollars, it is unlikely that the 1.9% or the 2.3% increases will be met. Mr. Rooker said that is why he would like to see the total dollar amounts. He repeated that none of the recommendations were quantified in terms of dollar impact. In fact if they were quantified, it would probably be more than the $5.4 million in carryover reserve.

Mr. Boyd said that a lot of the $5.4 million going into the CIP would be allocated to school projects as well. Ms. Mallek added that it also goes to employment all around to keep everybody building. Mr. Price stated that there were dollars taken out of the CIP that came back to the local government side also.

Mr. Foley confirmed that the math is complex, but that is essentially what happened. He also said that the recommendation before the Board is not slated for implementation until January, so staff will have this completely cost out for them in about another month.

Mr. Boyd asked if the localities paid it for schools but not for local government. Ms. Gerome responded that they did, because many of them do not have commonality. Mr. Koleszar noted that last time this was discussed, there wasn't sufficient information about the tax consequences – and now it is known that the tax consequences clearly make it disadvantageous to both the County and employees to pay it as additional salary, rather than to pay it into the retirement fund. Mr. Boyd said that if the County is going to pay it, it should be done that way for tax reasons. Mr. Rooker asked if there is a cost estimate for making that move. Ms. Gerome replied that staff will bring that back to the Board, adding that there has not been a lot of hiring except for teachers – many of whom were already in the VRS system. She said that she does not think the costs would be very significant because the County has not done a whole lot of hiring. Mr. Boyd emphasized that it is important to establish that number because it may influence whether to implement it based on its total cost. Mr. Tucker pointed out that it wouldn't take effect until July 1, 2011. The decision for 2010 has already been made. Mr. Rooker asked how much this entered into the employment discussion with employees. Ms. Gerome responded that it is having an impact. She added that the County does orientation alongside the Regional Jail – and they have decided to fund it. Mr. Tucker noted that the City is in a different system, but City schools did decide to fund it. Mr. Rooker said that it seems to be wise for the County to pick up the cost. He stated that the competitive market direction is to go to contributory plans, and at some point the state will force that – but they have not yet.

Ms. Mallek asked Ms. Gerome if she had seen a change in the ratio of applications to hires. The County should want to protect its attractiveness when it needs to hire somebody and it wants to be able to get somebody who is highly qualified. Ms. Gerome responded that the County had already hired most of its teachers by the time this decision was made.

Mr. Boyd asked when HR comes out with its retention and recruitment report. Ms. Gerome replied that it comes out the first of the year.

Mr. Boyd noted that he heard there were more teacher applications last year than could possibly be hired. Dr. Moran commented that if the County does not position itself for a future upturn, it will find itself back in the situation it was in a few years ago when it was not able to compete for some talented employees. Mr. Koleszar noted that those situations often come up by surprise, and perception changes. Mr. Boyd said that over the last two years that hasn't really been the case. Mr. Strucko stated that school systems tend to keep their best employees, so if there have been layoffs or downsizing those seeking jobs may not be the best. Mr. Rooker commented that he does not see bad economic times playing into that. Organizations always want to keep their best employees. Mr. Strucko said if there is a forced downsize because of economic reasons and some other things, the decisions that you make in terms of your human resources are to keep the most productive, best employees and the downsizing will be those employees who have not been performing well. He believes the applicant pool may have a disproportionate number of those kinds of applications. Mr. Rooker noted that in the private sector that is not true at all, as there are many qualified applicants in the market who were laid off due to downsizing.

Mr. Dorrier asked if school system transferred some teachers from one classroom to another classroom. Mr. Price said that some teachers were placed in other classrooms where they could be useful. Mr. Strucko stated that some of them were hired on a part-time basis. Dr. Moran indicated that if they were not certified to teach in an area that was vacant, they ended up with no job.

Mr. Boyd mentioned that he had a client with one opening in his business and ended up with 80 applicants for that job, most of which were overqualified. Mr. Thomas said that the technology market in his businesses is also very flooded right now, and he has ended up with some good employees.

Mr. Koleszar noted that this issue will impact future employees, not current ones as much.

Ms. Mallek suggested that one option would be to establish a budget for this and put it in a reserve fund for possible future use. If the County had the money set aside in a bank account and if things start to shift, it would have that opportunity without throwing the rest of the budget into confusion.

Mr. Rooker pointed out that the County will lose about $2.8 million from the state this year. The goal here should be to stay on target with compensation and benefits – with the 5% really just being part of the total benefits package. As Mr. Boyd said, he thinks they need to look at that in the overall, not just by medical plan. Overall, are they providing a package of benefits that is better than average throughout the County's competitive markets. Based upon doing that, he thinks it is probably a wise idea to go ahead and make the decision to pick up the 5%, but the Boards have to recognize there is a cost to doing that, and that is factored into overall what the County provides in benefits.

Mr. Price commented that there is a uniqueness to teachers – with certifications and endorsements – and not every applicant in a pool is going to have that. They want to try to stay ahead of it and not be reacting to it, because by the time they react to it they will fall behind, particularly with compensation strategies. He added that Albemarle's peer group is high quality and very competitive.

Mr. Rooker said that he doesn't understand that position, as every year the Board makes decisions on compensation, tax rates, etc., to try to keep the County in the top quartile for teachers – which, in the past, both Boards supported. The County is not below. Mr. Price stated that the County missed the mark on VRS for the competitive market. Mr. Snow said that decision has not been made yet. Mr. Rooker responded that that decision cannot be made until July – and there were not very many people hired last year anyway. Mr. Price noted that it is part of a total compensation package. Dr. Moran said that it is helpful to have that information to help build the budget. Mr. Rooker stated that it is something he sees as necessary in order to remain competitive in the market, especially on the school side. Mr. Boyd commented that the County is in a lot better position in offering it back to employees, rather than taking it away. Ms. Gerome pointed out that out that statewide, of the 131 school divisions, only seven are asking their employees to contribute. Mr. Koleszar said that about 10 years ago, both he and Mr. Boyd served on the committee to develop retention strategies – and those have been very effective in making the County competitive. He stated that the overall concept seems to work much better now than before that strategy was in place.

Dr. Benson suggested that it would be helpful for the schools to have this information in order to make budget projections, adding that they are not intending to move forward with the lump-sum bonus at this time. Ms. Mallek and Mr. Boyd commented that this meeting was only intended to be informational.

Mr. Strucko asked what percentage of the average compensation $350 represents, adding that this bonus may be negligible when compared to what the State and University have done. Ms. Gerome commented that the bonus would apply to all benefit eligible employees, which would apply to part-time employees, teachers, bus drivers, police officers, etc. Mr. Boyd responded that if you compared over the past seven years what the County has done for its employees versus what the State has done, Albemarle would be way ahead. It has been more than two years that State employees have not received an increase. Mr. Strucko said he understands that, but the County is proposing a bonus that is less than 1%. Mr. Rooker said that he isn't really comfortable with immediately deciding to spend the $1.2 million without seeing what lies ahead with the upcoming budget. He does not want to give away $1.2 million now and then have to lay employees off halfway through the year. Mr. Foley commented that the $350 is budgeted in the current fiscal year, and is a decision the Board can make when staff comes back with the Five-Year Plan. It would be helpful to know if they could use the $350 as a planning target. He said that the market data says that the 2.3% and 1.95% would be necessary to bring the County's pay level up to par, and the VRS model is something that would pertain primarily to new employees. Those are budget-planning tools that come out of this meeting that help staff as they prepare over the next month. The $350 is kind of a set-aside issue; these other items are more about budget planning. Mr. Snow stated that he would rather have it added in later than taken out of numbers already built in. He would prefer to prepare a lean budget. Mr. Foley said that he understands and staff could use a different target. Mr. Boyd said that it is not necessary to have a different target, because when staff comes back for budget planning purposes, they usually indicate that based on projected revenues, the County can afford "x amount" of salary increases – and base tax rates accordingly. He would suggest that staff plan what the County can afford to do, and then tell the Board what it needs in terms of either a tax increase or savings other places. Mr. Foley stated that it is a decision for the Board to make regarding where the priorities are going into the budget process.

Mr. Rooker commented that WorldatWork was wrong the last two years, and he thinks they are wrong again. He said that NaCo and VaCo news report layoffs of teachers and public employees, and the unemployment rate is even higher today than it was last year at this time. He wants the County to remain competitive and to meet its goals, but he finds it hard to believe that there are going to be any significant raises out there by these competitive markets or elsewhere. Generally speaking, the state of municipal finances is terrible right now. Mr. Rooker added that there are a number of localities even considering defaulting on their debt because they cannot meet their bond obligations. He is committed to meeting the County's targets but he does not believe there will be raises given around the country or even in this market. The question is what is the best starting point for compensation in the competitive market?

Mr. Tucker said that staff will be able to find some revenue projections soon with the Five Year plan, which would provide a better picture.

Mr. Rooker stated that he is more committed to meeting targets, but he does not believe the targets. Mr. Foley noted that this year the County is on target with projected revenues, which is a better situation than last year.

Mr. Boyd commented that the $5.4 million surplus doesn't mean that revenue went up – it means that revenues went down, but expenses went down even further. He does not want to set some target amount at this time until he sees what the rest of the picture looks like.

Mr. Koleszar said that the minimum the Board will want to do is the .35% increase to meet the target. Mr. Rooker responded that he is always committed to meeting compensation goals and the County should try to make up that .35% differential. Mr. Thomas said that he agrees with the comments made by Mr. Rooker, Mr. Snow, and Mr. Boyd – and more will be known with the Five-Year Plan figures. Mr. Foley stated that there will need to be some assumptions made in order to craft the Five-Year Plan – and the .35% would certainly be a part of that.

Mr. Thomas commented that there isn't anyone here who would not like to give teachers – and all employees – a raise.

Dr. Moran pointed out that the issue of teacher pay is one for the School Board, and this pertains to school classified staff.

Mr. Price said the School Division and Board of Supervisors may not have commonality on this issue.

Mr. Rooker said that he assumes the schools will try to meet the goals that are established, and if they go out in front of those goals, they should drop back. He would support building in a 1% increase for the purpose of looking at the Five-Year Plan, and suggested asking other localities what their plan is for giving raises. Generally speaking, they have made decisions where they are better off keeping people and dividing up labor rather than giving somebody raises over here and laying off two more people over here.

Ms. Mallek noted that two years ago, she got that message from teachers that they would rather have teachers working than to get a raise. She thinks that the County is understaffed on both sides of the division for many of the current County functions.

Mr. Foley said that the statement under recommendations says that "final recommendations by the County Executive and Superintendent will be based on additional market data and the availability of adequate funding." He stated that checking the market would be part of the recommendation and there would be more information available by then. He reiterated that the Board is comfortable with a 1% placeholder for budget planning purposes. Mr. Rooker, Ms. Mallek and Mr. Boyd said 1%. Mr. Koleszar commented that because of the change and makeup of teaching staff, the average teacher pay this year is 1.16% lower than it was last year – primarily because teachers leaving were on the higher end of the scale and those hired were at the lower end of the scale. Mr. Boyd said that that is expected to happen over the next few years anyway because of the baby boomers, etc. Mr. Price agreed.

Dr. Benson said that the School staff also needs some planning direction for teaching staff. Mr. Koleszar said that he would like to start with the recommendation. Mr. Price agreed. Ms. Moynihan stated that she would be okay with starting there for planning to see how it goes, but it is way too early to tell whether a bonus should be given and she thinks they have to expect further cuts. She added that this should not be taken by the press or media as any kind of gospel. Dr. Benson clarified that those final recommendations by the Superintendent will be based upon additional market data and availability of adequate funding. Ms. Moynihan said that is the most important thing to let people know and that no promises can be made at the current time. In terms of the $350, she thinks they should look at bonuses and reward best performers as opposed to everyone. Mr. Dorrier said isn't that called merit pay. Ms. Moynihan said it is, but this is some extra money, and it might be a good way to reward some of the County's excellent performers. Mr. Strucko said that the State mandated a 3% bonus for everybody, regardless of performance – which has frustrated the University – so the UVA Health Systems making adjustments to base it on performance with an average of 3%. He agrees that if they are going to do bonuses, it should be performance-based. He added that he would support a 1.95% teacher step in scale, as they have asked their teachers to do a lot more this year than they have done in past years with schedule changes and class size increases. He does not like comparing us to other jurisdictions because Albemarle has its own circumstances in terms of what teachers are experiencing in the classroom. They have a lot more headaches for the same pay that they received last year.

Mr. Thomas said he has heard several times that County teachers should be compared to what other teachers in the market are making. Mr. Strucko said a benchmark can be used, but teachers are going to look at the working conditions as well as the pay. They have to look at working arrangements in addition to compensation. Mr. Rooker stated that if pay is based on other factors, then there should be some other points of comparison – such as class sizes in other localities. He thinks it is disingenuous to bring in to the compensation discussion subjective statements that go outside of the agreed upon compensation approach without objective analysis. Mr. Strucko said that he doesn't know what class sizes are in other localities, but he does know that they are bigger in Albemarle than they were last year.

Mr. Dorrier asked if it had been determined how many teachers were lost this year because of compensation. Mr. Price responded that they had not done that type of analysis.

Mr. Strucko said he thinks that there should be comparisons and factors with other benchmarks should be looked at because it is becoming part of an employment decision. He reiterated that he does not know what other jurisdictions are doing, but he does know about the changes in Albemarle. The County teachers are and feel like they are doing more.

Mr. Snow emphasized that it could be said that people in every type of office have been asked to do more than they have in previous years.

Mr. Price expressed concern about not using WorldatWork data since the County is paying for it. He asked why pay for the data if it is not being used. Ms. Gerome explained that the County pays for the association and participates in the surveys, not specifically to acquire this data. She said that while they have been wrong the last two years, they have been on the mark in the past.

Mr. Rooker noted that their projections have been pretty well aligned with inflation projections being made by economists, but prices right now are relatively flat.

Mr. Price said the County's compensation strategy may now need to look at a new normal.

Ms. Moynihan said that the Boards need to approach this with objectivity, even though both would like to give employees raises. She does not think the Supervisors are any different than School Board members. She said that they should want to start the process this year with a show of unity if they can, and work on this together. She suggests moving forward with what they have and if they have to modify it in unity.

Mr. Strucko commented that he is prepared to support a 1.95% increase for teachers and is willing to make a budget adjustment someplace else to achieve that.

Agenda Item No. 3.1. Other Matters Not Listed on the Agenda. None.

Agenda Item No. 4.1. Adjournment.

At 5:32 p.m., Mr. Koleszar offered a **motion** to adjourn the meeting of the Albemarle County School Board. Ms. Moynihan **seconded** the motion, **and the motion passed.**

Mr. Rooker offered a **motion** to adjourn the Board of Supervisors until October 12, 2010 at 9:00 a.m. in Room 241. Mr. Boyd **seconded** the motion. **Roll was called, and the motion passed by the following recorded vote:**

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

Motion carried by a 6:0 vote.

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Chairman

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Clerk