

COUNTY OF HENRICO, VIRGINIA
BOARD OF SUPERVISORS
SPECIAL MEETING
January 10, 2012

The Henrico County Board of Supervisors convened a special meeting on Tuesday, January 10, 2012 at 5:00 p.m. in the County Manager's Conference Room, Administration Building, Henrico County Government Center, Parham and Hungary Spring Roads, Henrico, Virginia.

Members of the Board Present:

Frank J. Thornton, Chairman, Fairfield District
Richard W. Glover, Vice Chairman, Brookland District
David A. Kaechele, Three Chopt District
Tyrone E. Nelson, Varina District
Patricia S. O'Bannon, Tuckahoe District

Other Officials Present:

Virgil R. Hazelett, P.E., County Manager
Joseph P. Rapisarda, Jr., County Attorney
Barry R. Lawrence, CMC, Assistant to the County Manager/Clerk to the Board
Tanya B. Harding, Deputy Clerk to the Board/Administrative Assistant
George T. Drumwright Jr., Deputy County Manager for Community Services
Angela N. Harper, FAICP, Deputy County Manager for Special Services
Robert K. Pinkerton, P.E., Deputy County Manager for Community Operations
Randall R. Silber, Deputy County Manager for Community Development
John A. Vithoulkas, Deputy County Manager for Administration
C. Michael Schnurman, Jr., Legislative Liaison
Tamra R. McKinney, Director of Public Relations & Media Services

Mr. Thornton called the meeting to order at 5:10 p.m.

Mr. Hazelett briefly referred to the one item listed on the special meeting agenda. He reminded the Board that a briefing on this item was originally scheduled for the Board's December 13, 2011 special meeting but had been postponed due to time constraints.

Analysis of Virginia State Budget

Mr. Hazelett introduced Neal Menkes, Director of Fiscal Policy for the Virginia Municipal League (VML), who narrated a slide presentation titled *Understanding the State Budget* and responded to questions from the Board and Mr. Hazelett. Mr. Menkes began his presentation by comparing the Commonwealth of Virginia and its \$40 billion a year budget to a "Fortune 500" enterprise. He explained where money from the \$32 billion FY 2010-12 state general fund operating budget is going and how \$15.7 billion in biennial aid to aid localities is being

distributed. Medicaid and kindergarten through 12th grade (K-12) educational support comprise over half of the Commonwealth's general fund spending. Mr. Menkes pointed out that a modest economic upturn cannot balance the state budget for FY 2012-14. He reviewed how mandatory and high priority spending exceeds estimated revenues in 2012-14, state budget needs are not the same as local priorities, and tax policies reduce general fund revenue collections. Mr. Menkes noted that about half of the actions to balance the budget gap for FY 2008-10 were one-time in nature and closing the budget gap in FY 2010-12 still required one-time actions. The Governor has proposed \$882 million in spending cuts for FY 2012-14, with \$364 million of this amount coming from direct aid to public education.

At this point in his presentation, Mr. Menkes focused on the Virginia Retirement System (VRS), noting that VRS structural problems could be a wildcard and that the Governor's proposed FY 2012-14 budget returns to pre-2010 funding practices for VRS. There was considerable discussion by the Board, Mr. Hazelett, and Mr. Menkes of the VRS funding shortfall that has resulted from the General Assembly's failure to pay the certified rates that are required of localities and how the shortfall should be addressed by the Commonwealth. Of special concern is the funded status of the teachers' retirement pool.

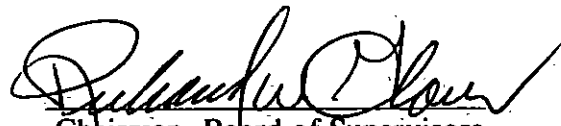
Mr. Menkes continued his presentation by examining state tax gimmicks that provide instant relief and also examining what happened to last year's state budget surplus. He pointed out that if the past is a guide, local aid is in trouble, and demonstrated how state funding to localities has fallen over the past decade. He further noted that Henrico County's HB 599 allocation in FY 2012 is almost the same level as it was in FY 2005. Mr. Pinkerton elaborated on Mr. Menkes' slide highlighting how the transportation revenue crunch affects localities. Mr. Menkes then reviewed a series of slides addressing slipping state aid to K-12, recent actions taken to reduce state general fund support for K-12, proposed K-12 changes that will cut \$364 million in FY 2012-14, Henrico's K-12 experience that shows a decline in state support, and options that may surface again to reduce K-12 general fund spending if the General Assembly needs money. He offered reasons why cuts to local programs will not be restored and cited a graph depicting that K-12 state funding goes down when state health care funding goes up.

Mr. Menkes concluded his presentation by providing three points to consider in understanding the legislative state budget process, explaining that fewer than 20 legislators determine the fate of budget amendments, and offering a few simple rules that the Board should follow in communicating budget concerns to the General Assembly. In response to questions by Mr. Glover and Mr. Kaechele, Mr. Menkes returned to the second slide of his presentation and elaborated on the distribution of revenues contained in the state's general fund operating budget. Mrs. O'Bannon noted that the Virginia Association of Counties (VACo) has approached state budget concerns by asking the General Assembly to lessen or eliminate mandates on local governments. Mr. Thornton thanked Mr. Menkes for providing such thorough background information on the state budget. He remarked that this information will give the Board a good perspective of what to expect in the coming months.

The Board recessed for dinner at 6:14 p.m. and reconvened at 6:22 p.m.

At Mr. Hazelett's request, Building Official Greg Revels briefed the Board on his investigation of Virginia Air Mechanical, a company owned by Virginia Air Ducts LLC that has applied to the County since August 2011 for 33 trade permits at 19 properties. The company surrendered its state contractor's license in mid-December 2011 and transferred all of its outstanding building permits to a new company, Superior Mechanical Services LLC. Chesterfield County filed a request for an injunction to prevent Superior Mechanical Services from installing propane, whole-house generators until the County's building inspectors have examined units installed by Virginia Air Mechanical for which permits were not properly obtained and which may present a substantial risk of property damage or personal injury to the homeowners. Although most of the company's work appears to have been done in Chesterfield, Mr. Revels is working with Mr. Rapisarda and his staff to ensure that Henrico citizens are protected. Mr. Revels' department has mailed several violation notices to Superior Mechanical Services and is performing additional inspections as Henrico citizens request them. In response to questions from Mr. Hazelett, Mr. Revels noted that his priority concerns are ensuring Superior Mechanical Services has a valid license to perform work in Henrico County and is addressing the violations identified by his staff. Mr. Revels responded to questions from the Board regarding generator technology, how the County was alerted to problems with Virginia Air Mechanical/Superior Mechanical Services, and whether the company is cooperating with the County. Mr. Thornton cited this situation as an example of the need for County agencies to be vigilant. Mr. Hazelett assured the Board that staff will continue to wade through the issues and hold the company accountable.

There being no further business, the meeting was adjourned at 6:45 p.m.


Chairman, Board of Supervisors
Henrico County, Virginia