

COUNTY OF HENRICO, VIRGINIA
BOARD OF SUPERVISORS
SPECIAL MEETING
May 22, 2012

The Henrico County Board of Supervisors convened a special meeting on Tuesday, May 22, 2012, at 4:30 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:

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

Other Officials Present:

Virgil R. Hazelett, P.E., County Manager
Joseph P. Rapisarda, Jr., County Attorney
J. Thomas Tokarz, Deputy 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
Timothy A. Foster, 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. Glover called the meeting to order at 4:34 p.m.

Mr. Hazelett referred to the three items on the agenda for this meeting and noted that the third item would be held in closed session.

Line of Duty Act Fund

Mr. Hazelett briefly explained the Line of Duty Act. He advised the Board that staff was not proposing a change in benefits received under the Act just a change in the way the Act is funded. Mr. Hazelett recognized Gene Walter, Director of Finance, who narrated a slide presentation titled *Line of Duty Act Funding*. Mr. Walter began his presentation by noting that the Act provides death and disability benefits for state and local eligible individuals and/or their beneficiaries due to death or disability resulting from the performance of their duties. He further noted that local individuals eligible to receive benefits include law-enforcement officers, members

of fire companies or departments, the Sheriff or deputy sheriffs, volunteers of rescue squads recognized by an ordinance, police chaplains, and employees of any locality performing official emergency management or emergency services duties in cooperation with the Department of Emergency Management. Mr. Walter then reviewed slides outlining the numbers of employees in the County that are covered under the Act, the applicable death and health care benefits that apply to persons who die or become disabled in the performance of their duties, and historical changes to the Line of Duty Act. In response to a question from Mr. Kaechele, Mr. Hazelett provided an example of a presumptive health condition under the Act and elaborated on the Act's presumptive clause.

Mr. Walter continued his slide presentation by discussing the Act's claims investigation procedures; the administration and funding of benefits; changes made to funding of the Act during the 2010, 2011, and 2012 sessions of the Virginia General Assembly; local funding options; and fiscal year 2011 statewide costs pursuant to the Act. Mr. Hazelett reiterated how language included in the State budget has trumped provisions that are in the State code. In addressing the County's plan for moving forward, Mr. Walter noted that staff was recommending that the Board adopt a resolution at its June 12 meeting to opt out of the Virginia Line of Duty Act Fund and to self-fund the benefit payments. He concluded his presentation by citing the reasons for opting out and by outlining the County's anticipated management of the Act. Mr. Hazelett reiterated that opting out is the more reasonable approach because it will enable the County to invest and control funds. He pointed out that a number of other local jurisdictions have already opted out of the State fund. Mr. Hazelett and Mr. Walter responded to questions from Mrs. O'Bannon regarding how the State fund may be impacted by localities opting out of it.

In response to questions from Mr. Glover, Mr. Walter and Mr. Hazelett elaborated on the logistics of locally funding the Act and the County's financial obligations under the Act as well as the benefits to the County of opting out of the State fund. Mr. Walter agreed to provide Mr. Glover and the Board with costs incurred by the County in FY 2011 for benefits paid pursuant to the Act. Mr. Hazelett also responded to further questions from Mr. Kaechele pertaining to health care claims and costs relating to the Act.

Virginia Retirement System (VRS) Five and Five Contribution Mandate

Mr. Hazelett recognized Paula Reid, Director of Human Resources, who narrated a slide presentation titled *Actions of Other Localities in the Commonwealth of Virginia: How Other Localities are Funding the Impact of Senate Bill 497*. Mrs. Reid noted that this legislation disallows localities and school divisions from picking up the five percent "employee contribution" and requires a five percent pay increase to "offset" the impact to employees. As a result of the necessary tax and benefit requirements on the salary increases, SB 497 has created significant cost increases to all localities in the Commonwealth. Further, a five percent salary increase does not fully fund the mandated five percent employee contribution to VRS when tax and benefit requirements are included and yields a net take-home pay reduction for all employees. During her presentation, Mrs. Reid provided examples of how other localities are dealing with this mandate and what Henrico has accomplished in the same period. At the conclusion of her presentation, Mrs. Reid informed the Board that the Department of Human Resources will be putting together a communications plan for alerting County employees about the impact of SB

497. Mr. Hazelett advised the Board that funds can be found in the budget to provide a five percent salary increase to offset the five percent employee contribution but that there are not sufficient funds to offset the additional taxes employees will incur. In response to a question from Mr. Thornton, Mr. Hazelett advised that one cent on the County's real estate tax rate equates to \$3 million in revenue.

Mrs. Reid recognized Mr. Walter, who narrated a slide presentation titled *Changes to VRS as Approved by the General Assembly: Impact of Senate Bill 497 and Item 468(H) in the Budget Bill*. Mr. Walter identified and explained the first problem concerning SB 497, i.e., a five percent pay increase, coupled with a five percent required contribution to VRS, yields a net pay reduction to all employees. Mr. Hazelett responded to several questions from Mr. Kaechele and Mr. Nelson regarding the tax implications of this pay increase and its impact on employees. Mr. Walter then identified and explained the second problem with SB 497, i.e., the five percent pay increase has a significant cost to the County (\$4.4 million, including increases in VRS, Federal Insurance Contributions Act (FICA), and VRS life insurance costs). He and Mr. Hazelett responded to a question from Mrs. O'Bannon pertaining to the timing of the County's request for a private letter opinion from the Internal Revenue Service (IRS) clarifying whether the five percent salary increase will be on a "salary reduction basis." Mrs. Reid and Mr. Hazelett responded to questions from Mr. Nelson concerning the timeframe for notifying employees of the pay reduction and the challenge of funding this mandate and other costs within the County's existing tax rate.

Mr. Walter continued his presentation by explaining why staff was not recommending that the employee contribution be phased in over five years and by identifying and explaining the following three problems that would result from the County choosing a lower VRS rate option for FY 2012-13: 1) a reduction in VRS retirement contributions and the investment earnings that these contributions would generate; 2) a lower funded ratio when the next actuarial valuation is performed and a higher VRS Board-certified rate at that time; and 3) inclusion of a Net Pension Obligation in the County's Comprehensive Annual Financial Report (CAFR) under a Governmental Accounting Standards Board (GASB) standard. He summarized staff's recommendations as follows: pass the full five percent member contribution to employees effective the beginning of the first pay period of the new fiscal year, provide the required five percent increase to employees effective the beginning of the first pay period of the new fiscal year, and use the FY 2012-13 VRS Board-certified rate of 14.98 percent. Mr. Walter concluded his presentation by reviewing the proposed calendar for considering and acting on staff's recommendations, which will culminate with the Board's June 12 regular meeting, at which time the Board will be asked to vote on all required VRS resolutions and a five percent salary increase and to approve the School Board's adopted VRS rate for a small group of its employees, including school cafeteria employees. He and Mr. Hazelett responded to a question from Mr. Kaechele relating to the respective contribution rates for school teachers and general government employees and to a question from Mrs. O'Bannon regarding future federal mandates.

Mr. Thornton commented on the need for local governments to protect themselves from actions by the General Assembly. Mr. Hazelett agreed that localities are not being heard by the General Assembly and advised the Board that staff will be recommending a change in the way the County approaches the General Assembly with legislative positions. In response to questions from Mr.

Nelson, Mr. Hazelett elaborated on the County's legislative advocacy process and staffing. There was discussion between Mr. Kaechele and Mr. Hazelett pertaining to the General Assembly's current funding of VRS Board-certified rates. Mrs. O'Bannon expressed concern over the obligations being passed down by the federal and state levels of government that must be funded by local real estate taxes.

The Board recessed for dinner at 5:42 p.m. and reconvened at 5:54 p.m.

On motion by Mr. Thornton, seconded by Mrs. O'Bannon, the Board approved going into a Closed Meeting at 5:54 p.m. for the following purpose:

Consultation with the County Attorney Regarding Specific Legal Matters Requiring the Provision of Legal Advice Pertaining to the Appeal of the Plan of Development Approval for the Islamic Center of Richmond Property on Hungary Road in the Brookland District, Pursuant to Section 2.2-3711(A)(7) of the Code of the Virginia, 1950, as Amended.

The vote of the Board was as follows:

<u>Aye</u>	<u>Nay</u>
Richard W. Glover	
David A. Kaechele	
Tyrone E. Nelson	
Patricia S. O'Bannon	
Frank J. Thornton	

On motion of Mrs. O'Bannon, seconded by Mr. Kaechele, the Board approved going out of the Closed Meeting at 6:31 p.m.

The vote of the Board was as follows:

<u>Aye</u>	<u>Nay</u>
Richard W. Glover	
David A. Kaechele	
Tyrone E. Nelson	
Patricia S. O'Bannon	
Frank J. Thornton	

On motion of Mrs. O'Bannon, seconded Mr. Kaechele, the Board approved the attached Certificate of Closed Meeting.

The vote of the Board was as follows:


<u>Aye</u>	<u>Nay</u>
Richard W. Glover	
David A. Kaechele	

Tyrone E. Nelson
Patricia S. O'Bannon
Frank J. Thornton

Mr. Hazelett reviewed the agenda for the 7:00 p.m. meeting. There was discussion by Mrs. O'Bannon, Mr. Hazelett, and Mr. Kaechele regarding the challenges posed by replacing the County's radio communications system. He responded to questions from Mr. Thornton and Mrs. O'Bannon relating to the status of the master plan for the former Best Products property on Parham Road that was recently purchased by the County and to questions from the Board regarding the likelihood of a future real estate tax increase. Mr. Hazelett commented on local economic and real estate trends and discussed school population trends with Mrs. O'Bannon.

Mr. Hazelett updated the Board on police investigations of three recent incidents occurring within the County. These included a shooting at Three Chopt Apartments, a noose that was placed on the grounds of Varina High School, and a body that was found in a vehicle off of Lauderdale Avenue. He advised that Fire Chief Ed Smith would not be at the 7:00 p.m. meeting because his father-in-law passed away in Charleston, South Carolina, on May 18. Mr. Hazelett reported that Mrs. O'Bannon accepted the Richmond Metropolitan Convention and Visitors Bureau Chairman's Award at a breakfast event on May 17. She also attended the 5th Annual Afternoon Tea in Ashland presented by the Ladies of Ashland at the Hanover Arts & Activities Center on May 20, which raised funds for the County's Hilliard House.

There being no further business, the meeting was adjourned at 6:50 p.m.


Chairman, Board of Supervisors
Henrico County, Virginia