

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on February 19, 2016, at 12:00 noon, Lane Auditorium, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from February 10, 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 12:00 Noon by the Chair, Ms. Palmer.

Agenda Item No. 2. Presentation on County Executive's FY 2016-2017 Recommended Budget.

Mr. Foley stated that the County is looking to enhance communication with the public this year by holding the budget presentation in Lane Auditorium so it can be available to view on-line at any time. Mr. Foley stated that he is glad to be before the Supervisors today. He noted the presence of Police and Budget staff sitting in the audience. He thanked the Office of Management and Budget (OMB) and expressed appreciation to the Board in recognizing the lengthy process that staff goes through during the year to get to the point of presenting the budget. He added his thanks to each department for everyone's hard work in putting in their budget requests, doing the analysis that is necessary to submit those requests.

Mr. Foley also thanked Ms. Lori Allshouse, Director of the Office of Management and Budget, for her leadership of the OMB office and leading the staff that does such a great job.

Ms. Mallek asked Mr. Foley to introduce the budget staff. Ms. Allshouse introduced the following staff present: Andy Bowman, Senior Budget Analyst; Kristy Shifflett, Grants and Special Budget Analyst; Lindsay Harris, Senior Budget Analyst; and Tia Mitchell, Office Associate. She added that Laura Vinzant, Senior Budget Analyst, was not present today.

Mr. Foley recognized the entire County Executive staff. He stated it is an "all hands on deck" process to get them to this point, including the communication work that is done under Lee Catlin's leadership. Mr. Foley recognized Doug Walker, Deputy County Executive; Bill Letteri, Deputy County Executive; Lee Catlin, Assistant County Executive; and all the staff in the County Executive office for their hard work. All of their work has all brought them to this point today.

Mr. Foley stated that as the Board begins to think about the budget, it has been a particularly difficult year, in fact, it has been a number of difficult years since the recession hit. He stated there is something a little different about it this year though, and that is what they will talk about. As they begin to take a moment to look at the budget, he stated that four Board members may recall having the Police Chief, the Fire Chief, the Social Service Director, and one of the School principals speak with the Board about the challenges the County has been facing, and the difficult capacity issues the County is dealing with as a community as it tries to keep up with maintaining the services at a level the community expects and desires.

Mr. Foley then read comments he made to the Board last year in referencing those folks and the challenges that the County faced. Last year he stated that "the overriding conclusions of all of this and the way that we started this budget book was we have got to do something different. We cannot continue with the status quo and make any progress. We have some challenging choices. These challenging times require that we think differently about the future and that we reconsider both the existing assumptions, the current practices, and also the engagement with the public because of the challenges that we have ahead of us." He stated that was the message last year, and it is really where we start again this year. As the County looks to the next year, and more importantly the next two fiscal years, it is with a different approach. Our challenge has grown and overcoming this challenge will, indeed, take leadership to redefine our community's future. The reality is that we are faced with an environment with very slow revenue growth. Just meeting increased mandates, commitments, obligations, and minimizing the impact on existing levels of services has left the County with a \$3 million budget gap as we begin the process this year.

Mr. Foley stated that as they look beyond FY17 to FY18, the gap continues even with some of the measures that are included in this budget to close the FY17 gap. This gap exists while proposing no new positions for local government, no expansions of existing services to keep up with growth, and no proposed new services over the two year period. The gap is not something brand new to staff, we anticipated it and discussed it over the past two fiscal years, in particular, through the five year financial planning process. The County recognizes the gap and has been struggling to put some measures in place to address it. A Citizens Resource Advisory Committee was established last year, and local government and schools worked together on improving some efficiencies. He said beyond that over the past four years since the recession, a number of things have been done to try to get the expenditures and revenues more in line with each other. However, in addition to the gap that you see before you, due to slower than expected growth in the real estate values, which is 60% of the local revenue that is generated every year, the gap is even larger than was projected, even as recent as this past fall in the five year financial planning process.

Mr. Foley stated that this year's budget presents a significant challenge. He said that while the recession was difficult, this represents a more significant long term imbalance and challenges the staff in a more significant way. This budget in the next two years will, indeed, require bold political leadership and strong teamwork between the Board and staff, and a strong partnership with the community to redefine the future. He said that Albemarle is a resilient community and has shown that during the recession, including a number of changes that were made during that period of time. He said the County had responded to the evolving pressures mentioned above by taking steps to transform into a leaner, more nimble organization that is tested and positioned to respond to the challenges and opportunities of the future. He noted that the County had made strategic choices in building back the staffing following significant reductions made during the recession. He stated the staffing shifted from a number of places in the organization to the core needs in the Police Department and Social Services. The County demonstrated significant innovation, reinvention, and partnership. Mr. Foley said the County has diversified its revenue streams through various revenue recovery measures and have focused on investments that will bring future returns, such as the establishment of an economic development office. He said the 2015 report also talks about the most recent things that have been done to try and deal with the challenges and move this organization forward through innovation, reinvention, and partnership. He also noted the County has been through three rounds of using the Innovation Fund resulting in 25 projects to reduce cost and improve service. He stated the County has achieved awards for the Northside Library, the gold National Good Green Government Challenge for the eighth year in a row, and named in the top ten nationwide for delivering digital government services to our citizens. He emphasized the County has reinvented itself by forming an Economic Development office and hiring the first Director, restructured County departments to streamline operations and create more focus on environmental services, and hired a transportation engineer and natural resources manager in response to pressing needs and Board priorities.

Mr. Foley emphasized that in terms of partnerships, this past year the County has worked with the citizens through the Water Resources Committee, the Solid Waste Committee, and the Citizens Resource Advisory Committee. He said the County has held numerous neighborhood summits and added to improving the connection with the public through video streaming and some other things. He stated that while that strategic and innovative work must and will continue, these measures are not adequate to address the on-going structural imbalance caused by the cumulative impacts of expectations and service needs that outpace the County's available resources. He said the County is a great community facing a great challenge, but despite the examples of meaningful progress, the challenges identified over the past two years have increased, and signs going forward are not encouraging. He then asked the question as to why the County is still here. Mr. Foley asked what are some of the primary reasons, and in particular, what is the County experiencing at the local level and expecting to see at the state and federal level as the County goes forward, and how is that reflected in this budget. He said that understanding the ongoing realities, what the Board sees before them are the major challenges that are driving the budget proposal. He stated that slow growth is the County's largest revenue source, projected slowdown in the economy overall over the next two to three years, and significant increases in obligations, mandates and commitments. He said the challenge that is faced is both short and long term, it is even impacting the County in the current fiscal year. He said this is all going to result in a significant challenge, and does in this budget, for the County to maintain existing levels of service as the population grows. He stated at just keeping up is challenging and means it is very difficult for staff to be able to move forward on Board and community aspirations in this environment.

Mr. Foley stated the slow growth is in the largest revenue source, the real estate tax base. He noted that as presented in the pie chart, real estate taxes make up 60% of the total local revenues, the things the County controls that are not going to mandated services. He said the period from 2008 out to the projected budget year and beyond reflects the recession and the drop in values that had been experienced in those early years, and how that began to climb and the values started to grow again in 2014. He said that also in the last calendar year, 2015, that started to climb again. He said that as the projections were put together for the current budget year, staff was conservative and did not expect that line to continue to grow, so staff projected a 2.25% increase in the County values. Mr. Foley said that unfortunately even that conservative estimate was off, the values came in at 1.84%, which has had an impact on the County's picture going forward, and affecting the County in the current fiscal year.

Mr. Foley stated that as the Board looks at the years going out into the assumptions, it has been assumed that decline will not be dramatically different, but will pretty much hold at that level. He said that staff has projected 1.4% increase in values in those next fiscal years, and that's included in the County budget. He noted there have been some positive signs though. Mr. Foley said the Board will hear in the news about sales tax and some of the other things that are being driven by the broader economy. He said those are recognized in the FY17 budget through some increases that the Board will see, but in the chart presented, the top line is the real estate and the amount that it makes up of the total base. He said the Board can see the significant separation between that and these other sources of revenue that the Board is hearing good news about. He stated that staff has not, in this budget, projected a doomsday scenario in FY17. He stated that in fact, the Board will see some very healthy numbers in sales tax and meals tax, and so forth. He said the numbers are just not large enough to offset the significant change that is being seen in terms of what was expected in growth in the real estate values. He stated that again, our major source is impacted even as some of the County's other sources look positive on a much smaller base.

Mr. Foley said that as the County looks out a little bit further at the state scene, the General Assembly is in session right now, and they are starting to scale back or rethink the revenue projections that came from the budget the Governor put together. He said there is still a lot of talk going on, but just

as recent as the previous week these are some of the comments that came to staff from the General Assembly through David Blount, the County's legislative liaison. He emphasized the revised forecast for the state has been scaled back from the 3.2% only seeing it grow by 2.4%. He said sales tax at the state level, which impacts the County's sources, are behind estimates right now for the fiscal year in the state's budget calculations. He said that is the picture from the state overall. He emphasized that even though the County is seeing some positive signs locally, the General Assembly is saying it is going to have to take a much more cautious approach over FY 17 and 18. Again, that budget is in the works now, things are changing constantly, but that more cautious outlook from the state is also impacting how the County looks at FY18 and beyond. Mr. Foley said that at the national level what is being seen is the duration of U.S. post WWII expansions. He stated the County came out of the great recession and it has now been 79 months that the County has been in recovery from that recession. He noted that as you look two years out, FY17 and 18, that green box and that arrow shows the Board where the County will be during this period that is projected over the next couple of years. He said there has only been one expansion or recovery that has lasted beyond where the County would be at that point in time. So the County is anticipating, and Mr. Foley thinks everyone is seeing some signs, the global environment and so forth, and many economists are predicting that there will be a slowdown and that we are actually overdue for it. He said that FY17 does not reflect any dramatic change, but it slows as the County looks forward. He noted that beyond the picture of the revenue situation at the local state and federal level, this budget reflects some pretty dramatic increases in the County's obligations and mandates. He said the obligations, mandates, and commitments in this budget total \$7.6 million, and the things that are in this budget to minimize impacts to existing levels of service so the County will not have to cut back are requiring \$2.1 million. He stated that in total, just for those two items, this budget shows an increase of \$9.7 million. He said the total revenues are just under \$9 million, and the challenges, both short and long term, in the current fiscal year have a revenue shortfall that decisions will have to be made on. He stated the County has strong fund balances, and even set a revenue contingency aside in case there is any kind of a shortfall. He said the schools would typically share in a downturn in the revenues, or always have in the past, so the County is not ready to make any big decisions today. It is something that will have to be dealt with in the short term.

Mr. Foley stated that the reality of FY17 is that the budget requires a 2.5 cent tax increase to keep up with these requirements, and the budget includes no new positions, no expansion of current services, and no new programs or services. He said that 2.5 cents is needed while the County holds the line on its expenditures. He said this budget also proposes a maintenance CIP. He stated there is a one cent tax increase in the budget to keep up with debt service payments the County has an obligation to pay. These payments are included in the \$7.6 million that is presented. He stated that beyond all of that, to balance this budget required the County to include some expenditure reductions in a number of areas. He said in FY18, as the County looks out just one fiscal year, a deficit of \$3 million is projected. He said the result of all of this, of course, are two major things: the County is significantly challenged to maintain existing levels of service even as population grows, and has an inability to address the Board and community's aspirations in this current environment.

Mr. Foley stated that future tax increases or dramatic expenditure reductions are needed into the future just to keep up with existing levels of service. He said strategic plan and community initiatives are unfunded throughout the three years with a few minor exceptions on some investments. He said the CIP is funded at a maintenance level with only essential projects funded into the future. He stated even that requires a three cent tax increase over the next five years, one cent of which is in the proposed budget in FY17, two cents which is called for in FY19 in the CIP that has been reviewed and approved by the oversight committee that was submitted as a part of this budget process.

Mr. Foley explained that as the budget was developed, staff looked beyond FY17, and as the County faces this challenge and looks to overcome it, obviously there are various options that can be pursued. He said first, the tax rate could be adjusted, but he does not think there is any question the County can do that. Due to the challenging environment the County has faced since the recession, in particular with the property values that have changed dramatically over that period, the tax rate has increased 7.7 cents over the past four years to support essential services. He said that when the recession hit in 2007, there was a dramatic decline in property values, and some recovery, which have been reviewed in the projections going out to FY19. He stated that there is an obvious correlation between the drop in values and the increase in the tax rate to keep up with essential services, which is reflected in the 7.7 cents. He explained that through most of those years the County had done nothing more than get back to the 2009 tax rate, in spite of the drop in values. He said that has required some tax increases to keep the essential services.

Mr. Foley emphasized this proposed budget includes a 2.5 cent increase to meet current commitments and obligations and current services. He stated that FY18 will require as much as an additional 4.5 cent tax increase to close an approximate \$3 million deficit that is being projected. That again does not include any new services or positions. It does assume that 60% of that 4.5 cents will go to the school system, as it always does. He said the school system will have their own budget gap to deal with as was discussed during the five year financial planning process. Mr. Foley explained the 4.5 cents is in addition to the 2.5 cents. He stated that if this is the strategy going forward, in FY19 the CIP currently calls for a 2 cent tax increase just to keep up with the maintenance level and a couple of essential projects, including the court expansion. That will move the tax rate up into those assumed years to 91 cents from its current level at 81.9 cents. He said what is important about that is any desired expansions of existing services or new services beyond what is proposed in FY17 will only increase the approximate \$3 million budget gap in FY18 and beyond. Making progress on the strategic plan and other Board and community aspirations through additional tax rate increases will have to come on top of the increases needed to maintain existing levels of services and meet obligations.

Mr. Foley stated that achieving aspirational goals is not realistic in this environment without a change in current policies, practices and programs, something that was discussed last year. He said that staff believes any dramatic change in the tax rate will require significant Board and community direction and support, and be done through an extensive evaluation and engagement process. This is only one option. He said another option would be to look at how to reduce expenditures. He explained that Albemarle's per capita expenditure comparisons are average with benchmark localities. The County's expenditures would be below the average line if not for a very robust land use program, a revenue sharing payment to the City that averages around \$16 million a year, and very high levels of human service expenditures to support programs like Bright Stars, which this community highly values. He stated that the point here is that all of the other general government areas of expenditure are below the per capita levels because these areas add to it and bring the County up to the average of the other localities.

Mr. Foley stated that what the County has been addressing for the last number of years is the fact that the County's number of police officers are in the bottom 5-10% in the State in terms of per capita police officer staffing. He said the County has also been addressing the amount of caseloads in Social Services. If the County's strategy is to cut expenditures, there will be some very tough choices to be made, and in comparison, there is not a lot of fat in the budgets. He said the per capita staffing over the last ten years is actually below the level it was in the previous ten years because of some of the reductions that have been made.

Mr. Foley stated that during the recession, 75 positions were eliminated and have only been returned to the critical areas. He said the County has made significant use of volunteers and some services have been privatized. The County has gotten more efficient in how it purchases materials by implementing the use of purchasing cards, and is now beginning to see the rebates that are coming from those savings. He said the County has also been recognized across the state for energy savings, which has also reduced the budget and allowed reallocation to critical areas. He said the school system has done a fantastic job in evaluating their transportation system and has reduced their fuel costs and reduced dead time miles. He stated the County has also become more aggressive in pursuing grant funding. He stated that given the gap, efficiencies alone will not free up adequate resources to address growing needs. He explained that significant program and service elimination will have to be considered if cuts are the strategy to address this gap, and those are tough choices. He said the proposed budget calls for further reductions and efficiencies, and staff believes any dramatic change in current expenditures will require significant Board and community direction and support. He stated that the final option, and the most appropriate one, is the proposed budget.

Mr. Foley explained the budget recognizes that finding a balance between a realistic level of revenues going forward into the future, and expenditures, which can be supported by that revenue, is a large and challenging task that must be accomplished through Board and community dialogue and choices. He said the budget supports existing services as much as possible in FY17, while putting building blocks in place to plan for a sustainable future that provides that realistic balance. He stated that by not adding any local government staff or supporting new programs, this budget does not create additional future obligations that will make it even more difficult to achieve a balance in the coming fiscal year, FY18. He explained that it holds the line to the greatest extent possible while the Board of Supervisors, the community, and staff work together in the coming year to create a sustainable future. He stated that this budget call for concrete steps toward transformational action; investments that catalyze change; the establishment of a process to establish clear Board and community priorities that drive future decisions; and ultimately aligning our tax structure and our service levels with our desires and needs. He said it is critically important that the County engage the public throughout this process.

Mr. Foley said that six goals were established as staff worked towards a budget proposal. He stated the first three are really about the things that need to be done now: meet current commitments and obligations, minimize impacts on current levels of service, and hold the line on existing expenditures. He said the last three are about the future and what needs to be done differently to move into a more sustainable future. Invest in meaningful solutions, determine Board and citizen priorities, and create a realistic two year fiscal plan so the County does not stumble into tax increases year to year. He stated the five year plan process has become something that is difficult to get your arms around because you are looking out far and you think things are going to change. A two year look is a very realistic look, and it is one that staff has spent a lot of time on as the budget was put together.

Mr. Foley said this is a \$375.2 million budget proposal, with property taxes making up 45%, and other local taxes making up just under 20%. He stated the rest is state revenue, federal revenues, and borrowing proceeds for our CIP. He explained there is a small use of fund balance as a part of the revenues to balance this budget for one-time items. He also noted that on the expenditure side, 58% of the expenditures are school related, and 38% are general government related. The other 4% goes to the City of Charlottesville through the revenue sharing payment. He said the total combined budget is \$375.2 million, and this is actually only an increase of 1/10 of a percent of that total budget, or \$479,000. He stated that is primarily because our capital program happens to be smaller this year because of some projects that are going on, so there is a 27.7% decrease in the one year planned expenditures for capital. He said that is not so much a cut back as it is reflecting just what happens to be in next year's fiscal plan and the CIP. In terms of our operating expenditures, which is a better barometer of the change, you can see that expenditures are up 4.5%. He explained that on the revenue side there is some modest revenue growth overall. The general fund revenue is up 3.6%, but it does reflect a significant challenge with the real estate property values which are growing at a slower pace than had been anticipated. It proposes an 84.4 cent tax rate, with a 2.5 cent tax increase. He said one cent is dedicated for capital, which is

consistent with the CIP that has been adopted, and 1.5 cents for operations. He said to clarify that, 1.1 cent of that is going to local government operations and 4/10 of a penny is going to the school system to help them with their current gap. He stated that state revenues are increasing by 4.6% primarily for the school division, some good news they had from the State this year. He said federal revenues are up about 10%, but again primarily for some more mandated types of services and social services in the school division.

Mr. Foley stated this gives the Board a quick summary, and what he really wants to point out is that local revenues are up 3.9%. He said with the changes going on with state, federal and other revenues at 1.9% that gets the County to the 3.6%. He stated that looking at the expenditure side, it is a little bit more insightful in terms of breaking down that 4.5% that was talked about in operations. He explained that general government operations are up about 2%, and school division operations are up about 3.5%. He said there are some dramatic increases in debt service, particularly on the general government side, and the operations total at 4.5% overall. Mr. Foley noted that capital projects are down and the revenue sharing payment is actually down almost \$300,000. Unfortunately, it goes up \$300,000 in FY18, which is about a \$600,000 swing that is going to impact the County going forward. He said there is 1/10% change in the total expenditures at the bottom right hand side.

Mr. Foley stated that he would like for the Board to take a look at the tax bill. He said the Board was shown the tax rate change and the reassessment change over time, and the tax rate has gone up in correlation to the real estate values going down. If it is looked at it in terms of the citizens and their tax bill, it shows that back in 2009 the average value of a home at \$275,000, and the tax bill was \$2041. He stated that during that period with the 7.7 cent tax increases, the County has not exceeded that level, it has been below. These are calendar years rather than fiscal years because the reassessment is actually a calendar year reassessment that affects two fiscal years. He said 2015 represents the reassessment that was done last year, it was at 2.6% increase in values on average. That drove the tax bill, along with any tax rate changes that were made, so during this entire period the tax bill on the average homeowner has changed very little. In this year, given all that has been talked about, that tax bill is increasing almost for the first time, it was slightly higher last year.

Mr. Foley stated that meeting the current obligations, mandates, commitments, and support for the school system, the \$3.3 million reflects 60% of the revenues generated on the existing tax base at the existing tax rate. Some money has been received at the 60%, beyond that the 4/10 that was mentioned of the 2.5 cent tax increase added to that 60% totals a \$3.3 million increase to the school system. He said the debt service obligations alone total \$2.9 million and this is debt service not on a bunch of dramatic projects. He explained that the County has unfunded projects in the CIP that has been talked about for years. These are the things that have been funded to keep up with school maintenance and repair of 27 campuses, the fire/rescue system with replacement of engines and so forth. He stated there will be some small impact over time for the two libraries, and it reflects some very basic public safety, school, and maintenance kinds of needs, but is a dramatic increase in this budget. He noted that the Children's Services Act, formally known as the Comprehensive Services Act (CSA), is a dramatic increase between schools and local government, this reflects the local government side. It is equivalent to a penny on the tax rate. He said that also added are some social service workers to invest in ways to keep these costs down, and he wants to commend staff for some really good work to try to figure out how to reduce the treatment costs for these children, and give them services that will cost less. He explained it actually exceeds a penny on the tax rate with everything that is in the budget this year between schools and local government, but in this single area is a \$7.6 million increase.

Mr. Foley stated the second goal is to minimize impacts on current services, and there is a \$2.06 million increase. He said about a million dollar increase is to support key regional services through agency support. He noted that the regional jail's expenditures are up because of more inmates that have to be taken care of, the regional library is a commitment that was made to implement a salary increase, which is in its final year, as well as some increases for basic level service. He said that JAUNT, as an example, is projecting the loss of state revenues, and the alternative to the money that was put in this budget is that routes would be cut, so that has been funded to keep it level. He stated the Emergency Communication Service (ECC) expenses related to the normal day to day business totals about \$1 million. He said the County's health care costs are up about \$621,000, that is a 14.5% cost increase to maintain the self-insurance pool and pay for the increases in health care costs, which are being experienced all over the country. He explained that this budget does include a 2% market increase for general government employees, which matches what is included in the school budget. The thought here is that with the population growing and not adding staff, the County has got to take care of the folks that are providing the services now under some difficult circumstances. So there is a total of about \$2 million. Again, that is the amount that actually exceeds the revenue growth. He stated that goal 3 is to hold the line on existing expenditures. Across all of the departments, in spite of some increases in maintenance costs, maintenance agreements, expenditures have been reduced by \$17,000. He noted that it does require an additional \$400,000 in reductions in the operating costs across the County government over the next two years to help balance this budget in spite of a 2.5 cent increase. He said that staff also looked closely at one time expenditures in the departmental budgets and have scaled those back and saved \$512,000. He noted that this budget does reflect the reduction in the revenue sharing payment. Mr. Foley stated that if you have \$9 million in new revenue and \$9.7 million in increased expenditures at a minimum, you have to save money somewhere to balance that budget and that is reflected here.

Mr. Foley stated that what needs to be done is invest in meaningful solutions. This budget, as proposed, includes an efficiency study which could be done in concert with the City of Charlottesville. He stated that the City is doing an efficiency study, and he has talked with the City Manager about both local governments coordinating the consultant work to identify areas that perhaps the City and County can

work together on to save money. He said it includes some technology investments to streamline services, as well as looking more closely at consolidation of some services, perhaps between the schools and local government, an effort that started this past year. He stated that it does include an urbanization economic development initiatives fund focused on growing the non-residential tax base. He explained that although there are no new expenditures, this budget also supports the Economic Development Office in the completion of its work, again focused on growing the tax base. He emphasized that this needs to be done in the development areas and done according to some targeted strategies which will be decided on during the course of this calendar year. He said the County has implemented a number of the Citizen Resource Advisory Committee recommendations in this budget and will continue to look at that, as well as the local government and school efficiency study that was done this past year. He stated that because of the circumstances the County faces right now due to revenue downturn, all vacancies are frozen so a full evaluation can be done to determine if there are more important places where those vacancies might need to go to support priorities. That is a process that was done extensively during the recession, and staff will start to organize around doing that again. He said that any position saved in this fiscal year will save money in FY17 and will go toward that deficit in FY18. He stated that finally, the health care program needs a full review and evaluation. He said it needs to be determined if a self-insurance pool is still the way the County should provide health insurance to its employees, and whether there are other ways to do this or other changes that need to be made to the program. He noted that an extensive review is already underway. He said the Children's Services Act expenditures have skyrocketed, which means the County needs to look at some different and creative ways to get those costs under control. He stated there are several other major cost centers that need to have a full evaluation, and a structural imbalance that does not end this year, it goes on and some of these measures are going to be really important.

Mr. Foley said the fifth goal that is being proposed to the Board is to someone in to help with what is called "priority based budgeting". It is a process that engages the community, fully pulls apart the expenditures to determine if they have been done efficiently, looks at the things that are valued in the community and then comes up with a way to allocate future resources to meet priorities in a difficult environment. He said this is a heavy process with engaging the public, and goes beyond what has done up to this point.

Mr. Foley said that goal number six recommends that going forward the County does a realistic two year plan with clear priorities to move towards a more sustainable future. He stated that staff suggests the two year plan start in FY18 so there would not be an annual plan, but a two year fiscal plan. He explained only the first year would be appropriated, which means that every year the County would be looking at a two year period to prevent a situation in the second year that it did not know about in the first year. He explained that in order to move it forward, it would involve the tough choices that, hopefully, will be discussed with the public and move the County towards its aspirations.

Mr. Foley said the conclusions are that action needs to be taken now to address this three year budget imbalance. He stated that the County has to evaluate and make necessary changes to some services based on priorities, that a priority setting process with the community is critical and staff is proposing a way to get to that. Ultimately that needs to align the tax structure and service levels to the desires, values and priorities. He said the County needs to strengthen the focus and continue to focus on growing the non-residential tax base, and to engage the public in tough choices to determine its future. He explained that these are the conclusions and recommendations that are put before the Board today. He said it is going to take teamwork between the Board and staff, and a partnership with the community. He emphasized that both the tax increase and holding the line and reducing expenditures is the only way to balance this budget. It does not mean the Board will not make changes that are necessary and appropriate, but this is not a one year thing the County can deal with and unless a multi-year approach is taken, overcoming this challenge will be significantly more difficult.

Mr. Foley stated that he again wants to thank staff, obviously with the solemn message that is being sent this was a difficult year for all of us in working through this. He said that he will now turn it over to Ms. Allshouse to go over the process ahead for the public.

Ms. Lori Allshouse, Director of Management and Budget, began by recognizing Laura Vinzant, who is on their team but is not here today, but she is a very strong player in the budget office, she just does not happen to be sitting in the audience today, and wants to recognize her. Ms. Allshouse also said she would like to give a shout out to the Finance Department who plays a very strong role in the revenue side of the budget. The budget has two sides, so she does not want to not recognize the strong work from the Finance Department. Ms. Allshouse moved to the calendar that is coming up, Ms. Palmer had referenced this earlier in the presentation, and the next activity will be a public hearing on February 23rd. She said the first work session will be on February 25th and staff will be going over the general broad revenues and expenditures again with a little more detail and then will go into the categories of the general government. After that meeting, February 29th will be the school division bringing their budget proposal to the Board, and also will focus more on health care because staff thinks that is such an important topic to continue to talk about. As we move into March, March 3rd will be the third Board worksession, and this will be a focus on the Capital Improvement Plan (CIP). Also, if there are other areas that have not been completely covered or anything on general government or other areas the Board would like more discussion on, that can be covered at that time. She stated that then on the 8th of March is when the Board will finalize the tax rate for advertisement and will approve the proposed budget. She said the second public hearing on the Board's proposed budget will be on the 30th of March. Then moving into April, the 12th is the public hearing on the calendar year FY16 tax rate. That is also the time where the Board can approve the budget and the tax rate. She said that she believes the April 13th date

is an option, the following day, if the Board would desire to confirm their tax rate in the budget on that date. Ms. Allshouse said that is what is ahead of everyone, and she appreciates the Board's attention.

Ms. Mallek stated that she has a hard time making sure she is reading the right chapters before the right worksession, so she just wants to clarify, when Ms. Allshouse talked about on the 25th, so general government is basically all the chapters except CIP. Are we going in order as we discuss it, so we do not have to worry about jumping to the seventh one for the first day.

Ms. Allshouse stated they are going to basically cover the order of the budget book. They will go over the revenues and expenditures. Ms. Allshouse stated she will talk about some things that just cross all departments so there will be some things that will be true for all the departments and they will follow through the organization of the book ending with what is called non-departmental.

Ms. Palmer asked if, at that point, they will go over the debt service increase and things like that. Ms. Allshouse stated that capital and debt would be done together on that third worksession.

Ms. Palmer asked if there are any other questions for Ms. Allshouse at this time about the scheduling. She also asked if there are any clarifying questions for Mr. Foley.

Ms. McKeel and Ms. Palmer stated they have to take this in, this is a jaw dropper and they will be working on this over the weekend.

Mr. Randolph asked if he could make a comment. He feels it is important in what Mr. Foley has presented that the Board sees this as the Board's budget this year that they move out of a difference between the County Executive and the Board budget. There is going to be an opportunity for the Board to provide some input, there may be some adjustments on the expenditure side, but he feels it is very important that the budget be one that the Board collectively owns together as they go forth this year. He stated that he feels it is going to be very important because of the nature of what the County is facing over the next three years. He also complimented Mr. Foley and staff on presenting a proactive approach with sound budgetary concepts based on the Board, the staff, and the community establishing priorities for services and for revenue together. He said this is where the Board needs to go instead of this being something that is proposed by the Board of Supervisors, and then we go out to sell it to the community. He stated that he thinks this is one where as they face a very stark, potentially fiscal environment over the next three years that they all have to be in this together and work together through the challenge they are facing. He thanked Mr. Foley and staff for doing that, he thinks it is a very realistic document that was presented today.

Mr. Foley stated they want to get some input at the right time on how the Board would like to proceed with that and certainly there have been town hall meetings in the past, and there has been thought about maybe making them regional meetings so the public can be engaged in different ways at the high schools. He said that Lee Catlin is anxious to figure out what the Board thinks is the most appropriate way to work together in partnership out to the community, because the issue is the challenge that the County is faced with overall.

Mr. Sheffield stated if they are ready to talk about that kind of stuff, he has some thoughts that he wants to share with the rest of the Board. He had suggested to Mr. Foley that maybe a new approach this year is the county leadership going out and doing a road show kind of approach to where they are presenting this information, unfortunately dozens of times, and he says unfortunately for the time consuming efforts they will have to put into this, but the result is, like Mr. Randolph was saying, instead of individualized supervisor budget presentations and discussions, it is the Board and the County staff engaging the public throughout the community. That does not mean the Board cannot still have their own little meetings before or after, it just means that we are getting everybody in the room that can help with the discussion so the public has multiple opportunities to listen to what is going on. He stated the benefit is that it is the same information, so if they cannot make it at CATEC they can go out to Crozet a week later or a few days later and see the same presentation. He stated that what he would hope, and this might be a public meeting nightmare for Larry Davis, is that more than three of the Supervisors would actually show up at these meetings and be there to listen to everybody's feedback instead of just the constituents in their districts. He said it would be an interesting approach, and he does not think it has ever been done before. The workload that might be on staff may be a little daunting, but the outcome would be a more robust discussion. If the public knows that one or two of the Supervisors is going to be at a meeting the public will probably show up to make sure we all hear their thoughts. He said he had sent a link to the other Supervisors that someone had referenced to me, it's an excellent link, smartcville.com or cvillesmart.com. It is a very good tool to simplify the big book of information. It really makes it not just information that the public looks at, but it is an interface that allows them to drill down at different department levels to understand that when the County is funding the Police Department, where that money actually goes, that it is not going to frivolous expenses, mainly it is to staff and what those staff are for. It is a really interesting tool and he would encourage the Supervisors to think about finding a way to input that data, and his understanding that it is not difficult to get the data put into their system.

Ms. Palmer stated she did take a look at that.

Mr. Dill asked if that is the local Charlottesville person that did that, that ran for office recently.

Mr. Sheffield stated it is very engaging.

Ms. Mallek stated that she believes high school presentations are a great idea and even if people have come to a neighborhood meeting this will be another way for them to take what they begin to learn at some smaller group and take it to a bigger meeting or have multiple chances. Whichever comes first, the big or the small attendance, it will still be better, because there is so much to take in and there are so many different things to discuss, there is no way to do it all in 2-3 hours, so having multiple ideas is a great suggestion.

Mr. Sheffield stated it will mean more meetings for the Board if they all commit to trying to show up, but if staff gets working now it could mean getting them on their calendar sooner than later.

Mr. Foley stated two years ago when the new Board took over, it was very important to engage the public and he believes there were 18 town hall meetings back then, and staff was doing more of those types of meetings than they were town hall meetings. He stated if the Board still wants to do the town hall meetings, and they can get organized around these, it will make it more manageable for staff, particularly if staff is not going to the initial town hall meetings. A standard set of information, the same message to everybody, is the best way.

Ms. McKeel stated she would like to see reaching out to other stakeholder groups. She said that she thinks the idea of staff, administration and the Board working together is wonderful, but there are also stakeholder groups, the Chamber, some of the rotary clubs, she would like to see them presenting this information to groups like that. She said that she does not know how they may want to consider doing that, but she believes it could be very beneficial as well.

Mr. Foley mentioned that is a normal part of the process to bring stakeholders together. He hears them saying also going out to their meetings.

Ms. McKeel stated she wants to make sure they reach those groups somehow or another. There may be different ways to reach different groups involving different folks, but she thinks it is really important that the leaders in the community, whether they are leaders in the churches or leaders in the Chamber, understand the situation the County is in and get the same information.

Mr. Foley stated again he thinks that is good. On Monday they have a stakeholders meeting with those groups, but they will think about reaching out further.

Ms. Palmer asked for any further comments or questions.

Ms. Palmer thanked Mr. Foley and staff for the presentation and the work.

Mr. Foley stated they had done a briefing for the press the day before which they had to hold until Friday, and one of the questions was "is there any good news". He stated the fund balances were not mentioned, and the fund balances have been shored up, but they will talk in more detail about all those things as they go forward.

Ms. Palmer thanked Mr. Foley again for all the work, stating that she knows it has been a great deal of work. Mr. Dill also thanked staff.

Agenda Item No. 3. **Discussion:** Agenda for Joint City Council/Board of Supervisors Meeting.

Ms. Palmer said they have one more thing before they adjourn. She wants to take a few minutes at the end of this meeting to give the Board an opportunity to weigh in on the City/County joint meeting that is to be held on March 1, 2016. This is going to be a 2 hour lunch meeting, they are planning to stay at the 30,000 foot level, and they hope to leave that joint meeting with some general agreements on where they can work together best, and broadly how that should be accomplished. The topics that are being looked at are transportation, education, confined to CATEC and Pre-K, the environment and redevelopment, and affordable housing. Although the City and the County work well together in most areas, there is some room for improvement, and they are thinking about using transportation as an example where communication can be improved. They will probably spend a bit more time on transportation, and a very important aspect of the discussion with the City will be an agreement that each jurisdiction's staff will evaluate how decisions made by that jurisdiction affect the other jurisdiction. She believes that will be very important. She stated that Mr. Sheffield and Ms. McKeel have been working with Chip Boyles from the TJPDC and counselors in how to set up and present the transportation aspect of this, and if anybody has any comments, some basic questions or concerns at this point, they would like to hear them and take them into consideration and any planning going forward.

Ms. Mallek stated the small introduction to the transit is a great way to start and then from there. Hopefully, there will be a targeted next step, which the larger groups can spend a lot more time on to solve a particular issue if one comes up and is identified.

Mr. Sheffield stated an issue for him is dealing with or getting in front of this aging dynamic, they are still wrestling with what really to term that, because they are not talking about health issues anymore as much as people like Mr. Randolph, who are very active 60+ year olds, who are going to demand quite a bit from our community, we want them to live here, of course, and what that really means for Charlottesville and Albemarle. It is a regional issue, he believes it is on the very beginning edge of a discussion. Clearly they will not have time to discuss it on March 1st, but he believes at some point they really need to figure out how to get it on the City and County discussion. His fear is the City and the

County are going to start to make decisions on these topics or topic in isolation of each other and then five years from now they will find themselves where they have conflicting decisions or decisions that do not quite line up, and are now trying to figure out how to line them up. So get together before we are starting to make critical decisions and then 10 years from now maybe some people will praise us for actually getting ahead of some issues.

Ms. Palmer stated they are hoping this is going to be the first of several and, of course, aging can work its way into an awful lot of different subjects.

Ms. McKeel said that aging really touches on a lot of what they are talking about as well, and they want to make sure it is at the forefront or at least a part of the discussion.

Mr. Sheffield stated he thinks it is a lot like economic development, they should not see it as a silo as much as it does have its vertical, but it has its horizontal impacts as well. Someday maybe they will start to see these things as a matrix. You have them on the "Y" and the "X" axis and how they intersect with each other is more important than how they exist in their own little silos.

Ms. Mallek asked if there is time on the agenda for an update from the staff level of the kinds of things that have been in process over the last year, and if they have been resolved. The Woolen Mills is an example, but she would like to know from the City staff what they have done to help resolve that issue. If they have an advance warning that is a question that is coming, then it is either "yes we have fixed it or "no we have not". There have been things which have started already that she would hate to get pushed away another year when projects and people are waiting for the answer.

Ms. Palmer stated that is extremely important and they need to get an answer. She does not know that this will be the venue to get that, but she thinks they should try to do that as soon as possible, like today or tomorrow or next week. What they are trying to do is really keep this on the 30,000 foot level and not go into a lot of detail on this first meeting.

Ms. Mallek suggested having their answer before the meeting.

Mr. Foley said he would follow up and get the latest on that.

Ms. Mallek stated it was supposed to be fixed last November, nothing has happened and she is now out of patience.

Mr. Foley stated there have been issues with the process of the approving agency, but he will get a full update.

Ms. Mallek said the official update is that the approving agency has said the City and County have to work it out, they are the ones who started it, and so they can finish it.

Mr. Randolph said he wants to comment on Mr. Sheffield's point which he thinks is a good one, working towards a goal of policy alignment. That kind of policy alignment will also factor into the kind of efficiencies you are looking for. We are looking at the costs for government, but we should also be looking at ways the policy alignment can create efficiencies for citizens utilizing governmental services. Look at that and look at discrepancies in fee structure between the two and try to reach greater compatibility. Mr. Randolph said he does think if they can get buy in on these four topics they can then start moving from 30,000 feet down gradually coming in at maybe 10,000 to have discussion about what kind of group should be put together by the City and the County to start to looking for ways to achieve greater policy alignment between the two, and then making recommendations based on the legal implications to codes in the City and the County which are not in sync. Some of those discrepancies may be relatively easy to fix, others much more challenging. We need to remind ourselves that we do have a lot of policy alignment in the Police Department, in Fire/Rescue, in Social Services, but not all areas. There is a lot of handoff between the City and the County on Social Services and clients they are working with, so we are doing some of this already, and we need to build on that spirit.

Ms. Palmer stated they do plan to point some of those things out because there are a lot of areas where the City and County already work together well.

Mr. Foley stated they did put a good document together a couple of years ago, so they will bring that forward again.

Ms. Mallek asked if that could be circulated beforehand to both Councilors and to the Board members. Do we have any progress on finding and circulating the reports from joint committees, because a lot of those ideas keep coming back around and we need everybody, beforehand, to know what those legal barriers were so we do not have to go through all that again.

Mr. Foley asked for some direction from the Board because he knows the agenda has moved around a good bit.

Ms. Mallek stated she is not talking about discussing it, she had asked a month or so ago if those could be circulated to everybody so they could have it as part of their knowledge base.

Mr. Foley clarified that it was not for this meeting necessarily.

Ms. McKeel stated it is for background. She said she thinks anything they can give ahead of time to both groups for them to look at, which is what she thinks Ms. Mallek is talking about, would be helpful. She said they had talked about this previously and one of those documents is about where they stand on Pre-K. They received a report and someone asked if Charlottesville had seen the report.

Ms. Mallek said the Social Services and housing are the ones the jurisdictions are in different entitlement categories, federally, and so combining those efforts would not be beneficial. Certainly add parks and recreation to that Police/Fire/Social Services element list that they made of things they are doing very well.

Mr. Foley asked if she is referring to the whole process where they had three or four different groups.

Ms. Mallek stated that she is. There was education, Fire and Rescue and Social Services was the third one, and each one has a report that is very easy to read and would bring everybody up to date, including her, on what happened then.

Ms. McKeel stated she thinks getting all of that to both groups would be helpful, not that it would be topics for the discussions.

Mr. Foley asked if any other staff support is needed on this.

Ms. Palmer stated there will be, and what she would like to do is meet with Mr. Foley later to discuss some of the agenda items and how staff can help set that up, if possible. They are trying to limit the time consumption in this, but they do have some suggestions. The big thing is to get that information out to them.

Mr. Foley asked if they are talking about 15 minutes on housing, the question is whether they are looking for staff support.

Ms. Palmer answered no, it is a general conversation and the staff support will be confined to the transportation thing with the TJPDC.

Ms. McKeel stated this is an opportunity for the two Boards to talk together and to have a chance to share information.

Ms. Palmer stated to build relationships.

Mr. Dill stated another 30,000 foot altitude look at things along with economic development and the aging, and the underlying theme is a quality of life, for lack of a better cliché. It seems like with the City, the article that Ms. McKeel referred to about the 11 things that indicate a city is a wonderful place to be, one of them is having a downtown area that is a central point, and clearly Charlottesville is our downtown area. Especially during budget season they can get bogged down and everything is about numbers and dollars. Really all of us want to live here, it is not because this is where we get paid the most or houses are expensive or cheap, it is mainly about what is so special about living here, and all of those environmental, educational, transportation, housing issues are the core more than whether we are going to save 2 cents on our tax bill.

Ms. McKeel stated she thinks that would be an interesting article to send to the City.

Mr. Dill stated one of things is having a downtown and the other thing is having rural areas close by which they do not have, so together they have almost everything on that checklist of a wonderful place to be.

Ms. Mallek stated they are the silent partner in all of the awards they get.

Agenda Item No. 4. From the Board: Matters Not Listed on the Agenda.

There were none.

Agenda Item No. 5. From the County Executive: Report on Matters Not Listed on the Agenda.

There were none.

Agenda Item. No. 6. Adjourn to February 23, 2016, 5:00 p.m., Lane Auditorium.

At 1:19 p.m., Mr. Dill **moved** to adjourn the meeting to February 23, 2016, 5:00 p.m. in the Lane Auditorium. Ms. McKeel **seconded** the motion.

Roll was called, and the motion passed by the following recorded vote:

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

Chairman

Approved by Board
Date: 05/04/2016
Initials: EWJ