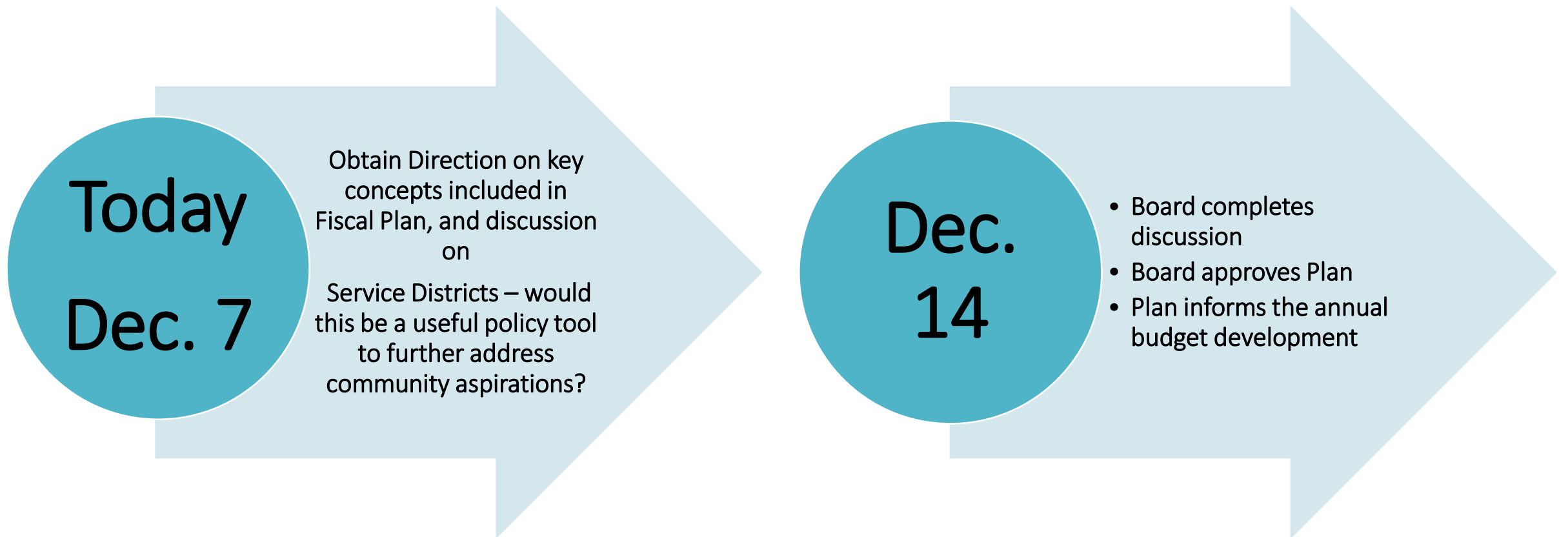


Strategic Investment and Transformation That Reshape our Future

Balanced Two Year Fiscal Plan
Work Session #3
December 7, 2016

The Two Year Fiscal Plan

Board Work Sessions – Desired Outcomes



Today's agenda

- ❑ *Nov 17, 2016 Work Session follow up items*
- ❑ *Board discussion – seeking approval of key concepts included in the Plan –*
 - Strategic Plan*
 - Transformation*
 - Quality Organization*
- ❑ *Check in - Are there any other areas that should be addressed before Plan is finalized?*
- ❑ *Service District Examples – Should staff move forward towards piloting the use of this funding mechanism?*
- ❑ *Public Comment – at the end of this work session and later during the Board meeting*

How well does the key concepts included in the Fiscal Plan implement the Board's direction?



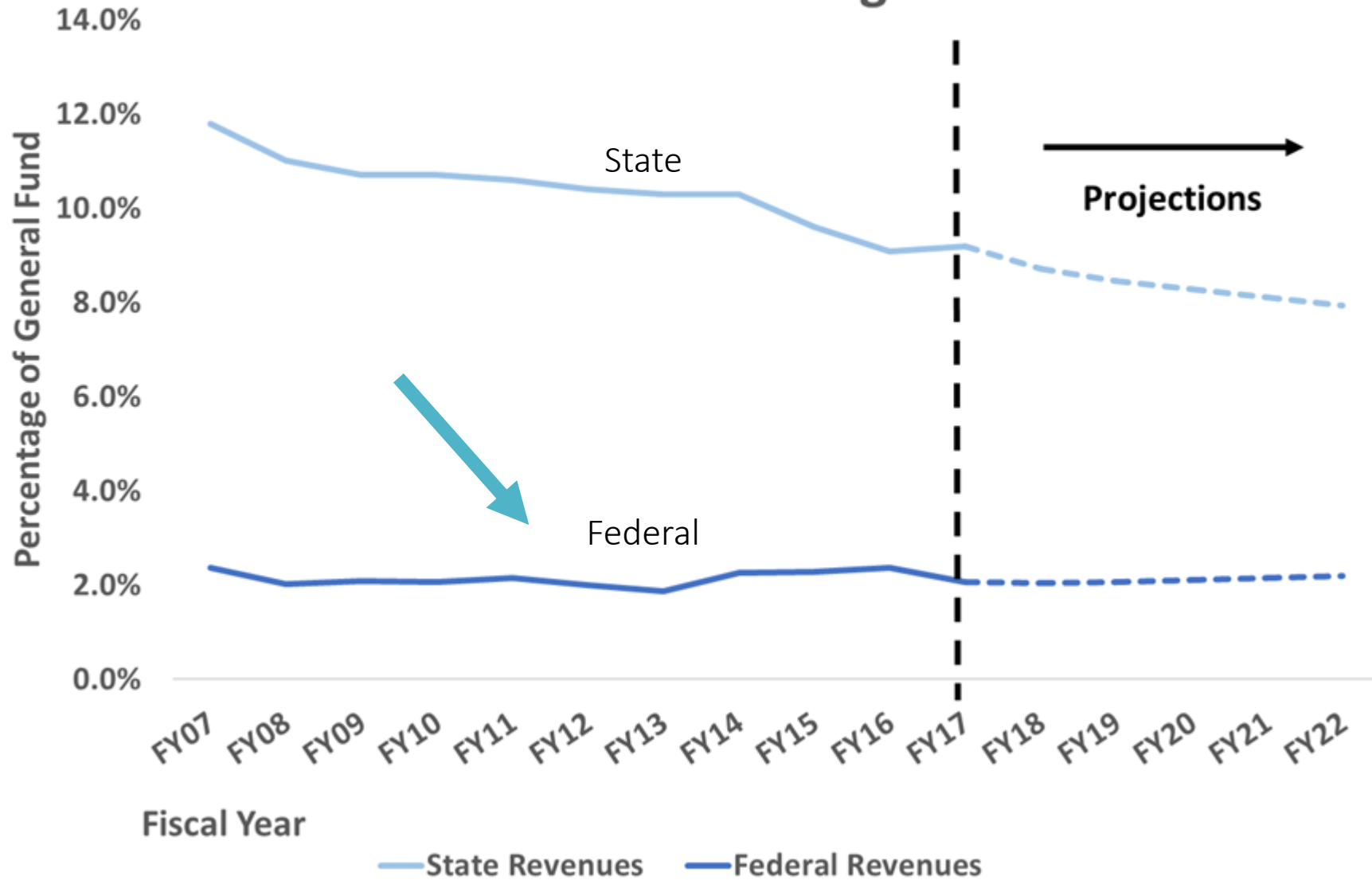
- Building blocks established by long range planning and FY 17 budget
- Utilizes funding formulas for Schools and CIP
- Shaped by strategic plan and priority driven budgeting
- Opportunities provided by stronger than previously projected revenues and one-time year end funds
- Strategic use of new revenue and one-time money
- No tax rate increases for operating costs and CIP tax rate increase delayed
- Incorporates transformation concepts that reduce costs and improve productivity
- Enhances use of dedicated revenue for specific services
- Continue to face unmet needs
- Plan provides general guidance for development of FY 18 Budget

Plan Highlights

Follow up items identified during the November 17th Work Session



State and Federal Revenues as Percent of General Fund Budget



School Division support included in Central Services Cost Allocation Plan

General Government provides ~\$2M annually in support to the School Division

Follow up!

Department	Function	Basis	Amt.
Finance Department	Accounting/ # of transactions	Indirect -41%	\$1.2M
Finance Department	Payroll/# of employees	Indirect - 72%	\$257K
Finance Department	Purchasing/# of purchase orders	Indirect - 45%	\$144K
County Attorney's Office	Legal Services	Direct	\$120K
IT	IT Systems/# service calls	Indirect - 2.6%	\$82K
General Services	General Services/# sq. ft.	Indirect - 3%	\$106K

Function	Basis	Amt.
Property Insurance	Property Value	\$2K
Building Depreciation	Direct	\$64K
Independent Audit	Indirect Based on # of Accounting Transactions	\$45K

Source: April 2016 Central Services Cost Allocation Plan
 Prepared by Robinson, Farmer, Cox Associates
 Richmond, VA





Board Direction on November 17: Direct additional resources to implement priority projects that will be (or already have been) identified in small, small area plans

Staff will ensure additional one-time resources are directed to this item as part of budgeting process:

Options could include:

- Utilization of funding currently reserved in current (FY 17) budget for support small scale community improvements/economic development initiatives
- Redirect a portion of transportation revenue sharing funding included in the 2 Year Fiscal Plan for CIP in FY 19
- Other

- ▲ Advancing strategic priorities
- ▲ Maximizing transformation
- ▲ Sustaining a quality organization

Check in on
Plan's Focus
Areas

School Division
CIP/Debt
Fire Rescue
Water Resources (transitioning to Stormwater Fees in FY 19)

First, does the Board concur that we continue to utilize standard formula/funding guidelines as starting point in budgeting process?

Advancing strategic priorities

- Target use of one-time monies to support Pantops Master Plan/Rivanna River Corridor and to implement improvements identified in neighborhood level planning efforts
- Provide transportation revenue sharing (CIP) to support neighborhood revitalization
- Include targeted staffing resources to advance strategic plan
- Establish an Economic Development Fund
 1. *Match specific state grant opportunities*
 2. *Encourage economic investment in development areas to support neighborhood revitalization*
 3. *Implement Priority Economic Development Initiatives*

Focus Area 1

▲ Advancing strategic priorities

- Fully implement Salary Compression Remedy with the Police Department being the highest priority
- Replace dedicated tax rate funding in FY 19 for water resources support with Stormwater fees
- Strategically use one-time monies to support:
 - Educational opportunities for at-risk four year olds
 - *Pantops Master Plan/Rivanna River Corridor*

Focus Area 1

Maximizing Transformation

- *Implement OA pool*
- *Transform Office of Housing*
- *Develop Centralized approach to fleet management*
- *Transition Copy Center to Imaging Center*
- *Advance records management effort*
- *Expand funding for the County's Innovation Fund*

Focus Area 2

Sustain Quality Organization

- 2% Market adjustment for employee compensation, per HR recommendation
- Classification reviews for Public Safety departments

Focus Area 3

-Includes additional one-time funds and delays capital tax rate increase to second year of the plan

-Moves out timing of Courts based on current timing and studies underway

-Includes an additional \$2M for Transportation revenue sharing to address strategic priorities

Capital Plan

What the Two Year Fiscal Plan does not address/Continued Challenges

- Constrained CIP
- Staff capacity challenges
- Continued threat of uncertain economy
- School Division's needs-based forecast
- Aspirations not fully met

Service Districts

Doug Walker,
Deputy County Administrator

▲ Desired Outcome

The Board's approved Strategic Priorities calls for the adoption of a 2-Year Fiscal Plan that includes the use of alternative funding strategies

Today staff is asking the Board of Supervisors to:

Determine whether the Board believes service districts is an appropriate alternative funding strategy and should be one of the tools in our County's funding mechanism tool box

If so, then:

Staff will develop a more specific business case for consideration as a **pilot** and will return with a recommendation/choice of 2 possible applications

Service
Districts

- Services districts are a tool that have been authorized for decades
- The general purpose of a service district is to provide **additional, more complete** or **more timely** services of government than are desired for the locality or localities as a whole
- Service districts are **geographic areas** composed of less than all of the County's territory, and whose boundaries are established by the Board of Supervisors
- The Board may levy and collect an annual **tax on real property** within the service district to pay for the facilities authorized to be provided in the district
- The tax is an **ad valorem tax**

Background

Examples of how other counties use service districts

- Branding and marketing, physical enhancements, and services in Ballston area ([Arlington](#))
- Marketing, visitor information, and landscaping in Crystal City area ([Arlington](#))
- Landscaping for Midlothian Turnpike ([Chesterfield](#))
- Plan and construct infrastructure and transit routes and operate transit system for Tysons Corner area ([Fairfax](#))
- Stormwater management facilities ([Fairfax](#))
- Street lights, sidewalks, stormwater management facilities, trees ([Fauquier](#))
- Purchase development rights (open space easements) ([Fauquier](#))
- Public water and sewer infrastructure for industry in Dulles area ([Loudoun](#))

Summary of High Level Pros and Cons

Pros

- Provides specific facilities and/or services in a **targeted** manner
- Provides facilities and services more **quickly** than might otherwise
- Provides facilities and services that might not otherwise be provided at all, or at the levels desired
- New/additional tool being used successfully in other VA localities
- May foster greater community involvement in support of enhanced services and facilities
- Reflects a rational nexus between who pays and who benefits

Cons

- Higher tax for those within the district may be perceived by some as unfair – Does benefit justify the additional cost?
- May affect ability to increase overall tax rates to support county-wide needs
- Brand new (non-traditional) approach to funding projects and/services - will take some time to work through details and will require significant public education
- Could have some affect on bond ratings and interest rates on debt

SPECIFIC PROJECT ILLUSTRATION

Eastern Ave - Phase 1 - Rt. 250 to Westhall,
including Lickinghole Creek Bridge (Crozet)

This is a *conceptual* illustration of a specific
project in Master Plan/CNA

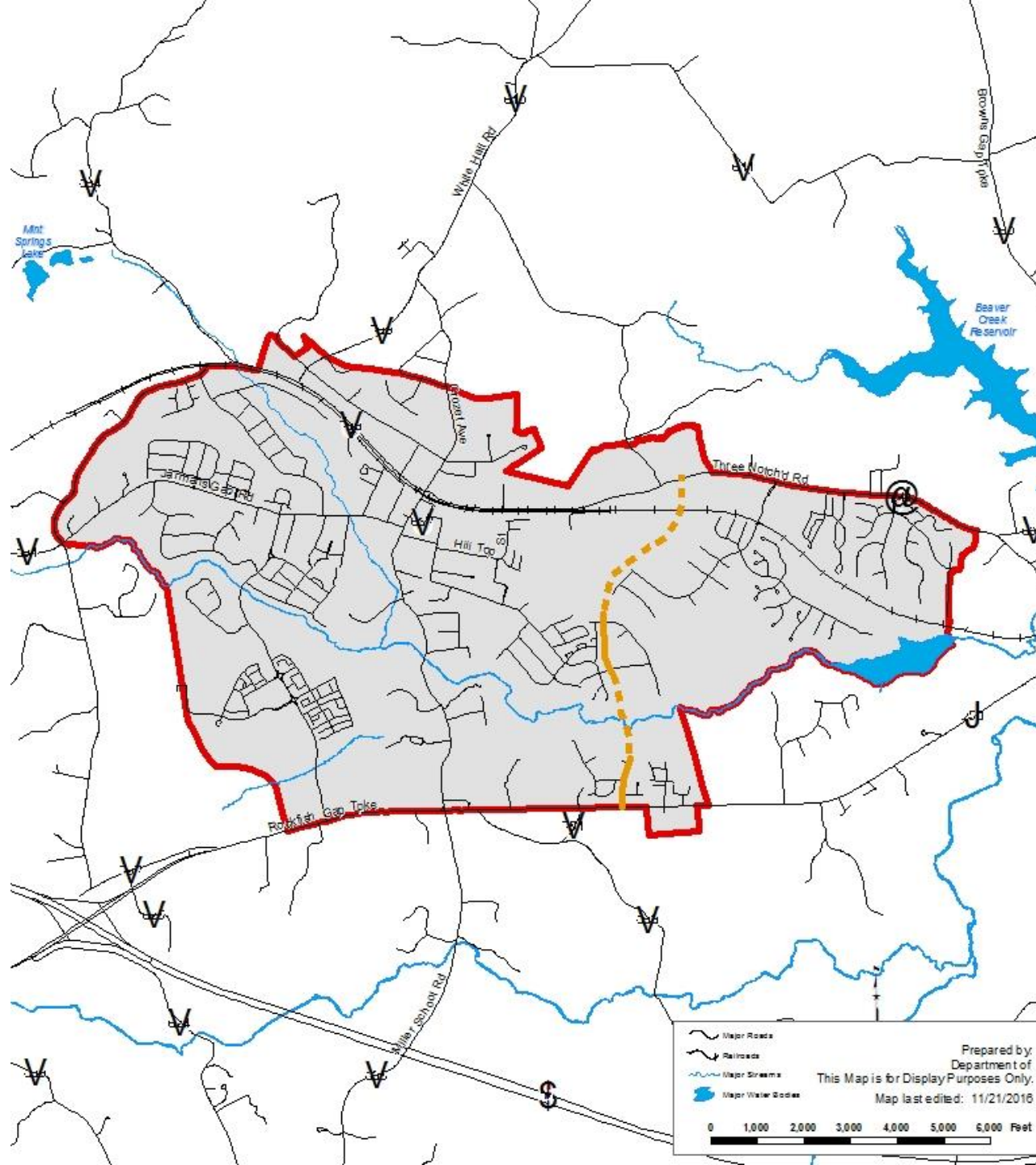
Assumptions:

*Project cost, \$10.5 M (2022 \$s for assumed year of construction – ends in
20 years)*

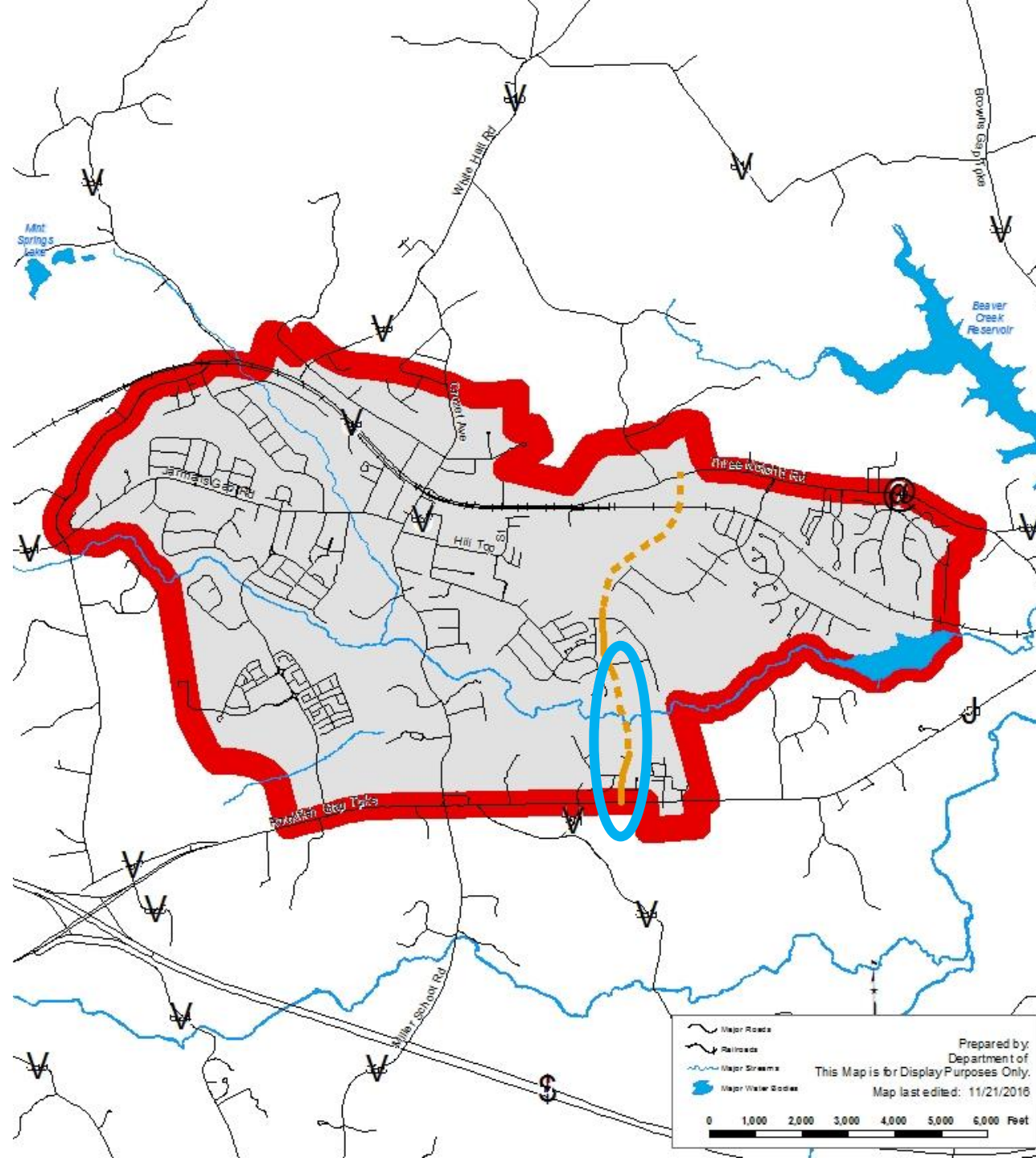
*Service District boundary = Crozet Development Area boundary
project funded with 60% state funds, 40% service district
generated funding*

Illustration 1.
Potential
Service
District –
Crozet Project

Eastern Avenue Example



Eastern Avenue – Phase 1



Scenario 1

**Crozet
“Service District”
provides 100% of
Local Contribution**

**Annual cost
equivalent to an
increase of 2.8 cents
on tax rate,
beginning in 2022**

Scenario 2

**County
contributes \$2M
Crozet “Service
District” provides
remainder of
Local Contribution**

**Annual cost
equivalent to an
increase of 1.6 cents
on tax rate,
beginning in 2022**

Illustration: For a house assessed at \$350,000, an increase of 2.8 cents on the tax rate would equate to an annual increase of \$98.00; a 1.6 cent increase on the tax rate would equate to an annual increase of \$56.00.

Illustration

**Eastern Avenue: Phase 1 Rte250
to Westhall, includes Lickinghole
Creek Crossing**

**Estimated total project cost:
\$10.5M**

**Value of a Penny on the Tax Rate
for Crozet Development Area
estimated at \$122K per year in
FY 22**

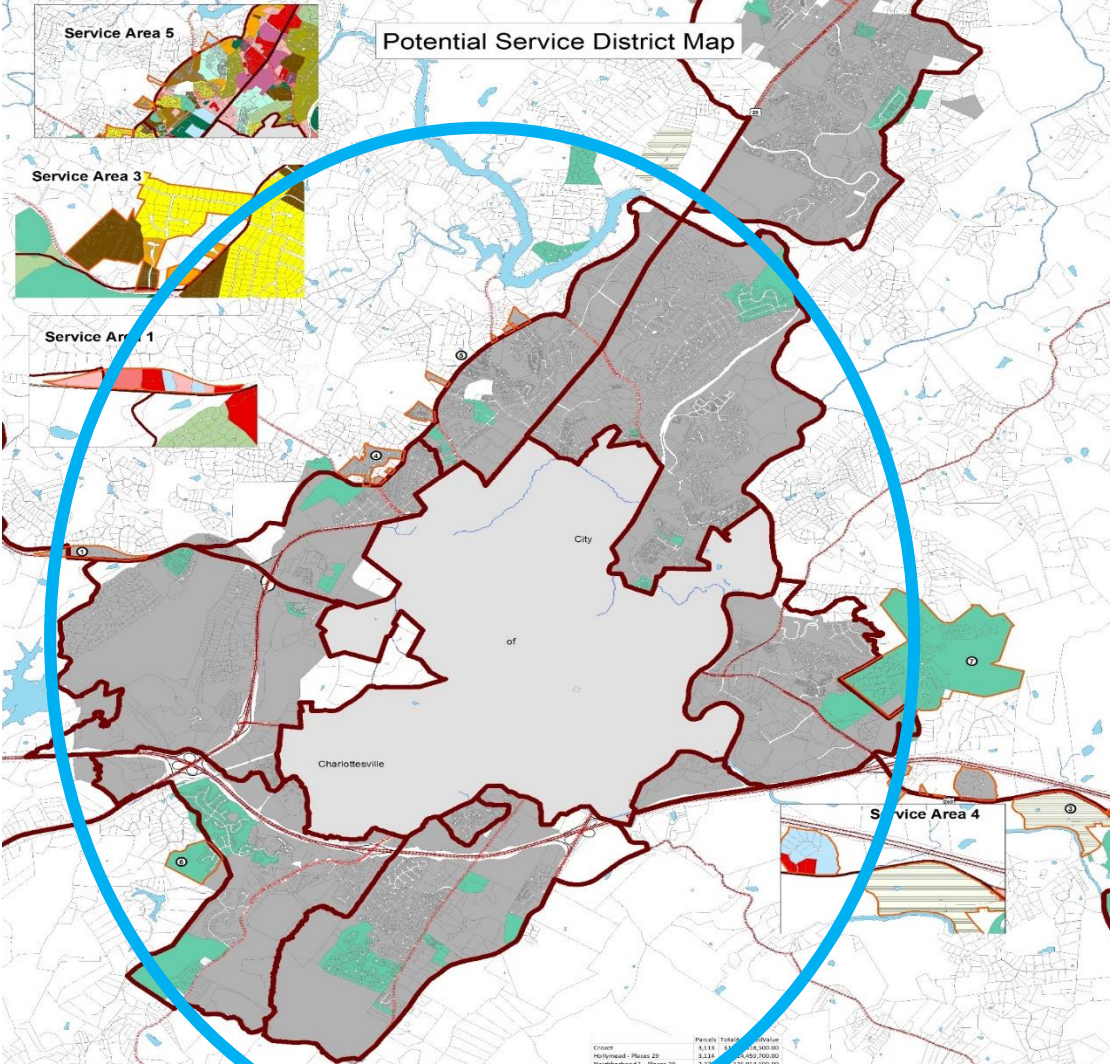
State provides 60%

GENERAL PROJECT ILLUSTRATION

- Service District includes all of Urban Area and adjacent areas with urban zoning
- Costs of per mile of sidewalk construction can vary from \$400k to up to \$4M for sidewalk retrofits
- Illustration assumes that each mile of sidewalk construction = \$1M
- Over 12 miles of sidewalk/walkway improvements identified for the Urban Area in CIP/CNA construction project list

Illustration 2. Urban Ring Service District – For Sidewalk Construction

Urban Ring Area Sidewalk Illustration



In this illustration, Urban Ring “Service District” would provide for 50% of project costs, and State Transportation Revenue Sharing provides the other 50%

**Each additional penny on the tax rate in the Urban Ring would generate an additional ~\$585K (current year estimate)
\$585k could support up to \$7M in borrowed proceeds**

This could provide for \$14M in sidewalk construction, or all of the priority sidewalk projects currently identified in the urban ring

Illustration #2 Urban Ring Sidewalks

Other Examples

Illustration 1: Phase 1 -Eastern Ave/Bridge – Crozet – *single specific “thing”*

Illustration 2: Urban areas around Charlottesville – adding needed sidewalks in development area - *single ongoing “thing”*

Urban areas around Charlottesville – in support of strategic plan objectives using service districts to enable more place-making at nodes/centers – *multiple “things”*

Transit – service district around transit use/access – *service rather than a “thing”*

Hydraulic/Rt 29 – City/County cooperative venture using Service District construct – *supporting “things” with multiple beneficiaries and jurisdictions*

Service Districts - Next Steps

Question for the Board today:

Are service districts an appropriate alternative funding strategy that should be one of the tools in our County's funding mechanism tool box?

If yes , then:

Staff recommends that it develop a more specific business case for consideration as a **pilot** and return within 90 to 120 days with a recommendation that will include 2 possible service district applications for implementation

Next Steps

Wednesday, December 14 – 3:00pm-5:00pm - BOS Work Session –
Approve Balanced Two Year Fiscal Plan/Guidance for Annual Budget