

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on February 22, 2023 at 12:00 p.m. in Room 241 on the Second Floor of the Albemarle County Office Building, 401 McIntire Road, Charlottesville, VA 22902.

BOARD MEMBERS PRESENT: Mr. Jim Andrews, Mr. Ned Gallaway, Ms. Beatrice (Bea) J.S. LaPisto-Kirtley, Ms. Ann H. Mallek, Ms. Diantha H. McKeel, and Ms. Donna P. Price.

ABSENT: Mr. Gallaway.

OFFICERS PRESENT: County Executive, Jeffrey B. Richardson; County Attorney, Steve Rosenberg; Clerk, Claudette Borgersen; and Deputy Clerk, Travis Morris.

Agenda Item No. 1. Call to Order. The meeting was called to order at 12:07 p.m. by the Chair, Ms. Donna Price.

Agenda Item No. 2. Presentation: County Executive's FY 2023-2024 Recommended Budget.

Mr. Jeff Richardson, County Executive, asked Ms. Birch to introduce the team who worked on the budget to the Supervisors.

Ms. Nelsie Birch, Chief Financial Officer, stated that Mr. Andy Bowman led the Office of Finance and Budget, and the team who worked through all of the data and numbers presented included Ryan Davidson, Deputy Chief of Office of Management and Budget, Laura Vinzant, Senior Budget Analyst, Thea Mitchell, Senior Budget Analyst, and Kim Gardner, head of the Grants Unit.

Mr. Andy Bowman, Chief of Budget, mentioned that remotely participating in the meeting were Thomas Unsworth, a Budget and Management Analyst; Vicki Malamphy, the Grants Accountant, who works very closely with the Grants Unit, and Robert Wilson, a Revenue Analyst in the County Revenue Administration Division. He said that present in the room were Rosalyn Schmidt, Chief Operating Officer for Schools; Maya Kumazawa, School Budget and Planning Director; and Kristy Shifflett, Director of Strategic Planning for Albemarle County.

Mr. Richardson said that he would first present the FY2024-2028 Strategic Plan, followed by the FY24 drivers which included revenues, expenditures, and trends. He said that he would then discuss the content of the FY24 recommended budget, then finally, the next steps. He said he would hand it over to Mr. Bowman to walk them through what would happen after that day.

Mr. Richardson said that the development of the FY24-28 Strategic Plan began last summer, in August 2022, when the Board held their first strategic planning session since before the pandemic. He said that the broad topics of focus for the strategic plan were first discussed at this session, and they knew that they were shifting from lockdown to looking toward the community's future with a stabilizing financial environment and community needs that had shifted from disruption to forward-facing with an eye on the future.

Mr. Richardson said that the Board developed the FY24-28 Strategic Plan, which focused on six key areas rooted in the County vision. He said that in August 2022, they reviewed the County vision, which was of an indeterminate age, and mentioned abundant natural, rural, historic, and scenic resources, healthy ecosystems, active and vibrant development areas, a physical environment that supports healthy lifestyles, a thriving economy, and exceptional educational opportunities.

Mr. Richardson said that the Board affirmed that the vision still worked for them, and they then began to build the six strategic areas around that vision. He said that the alignment of resources and capacities to the strategic goals was the work of their team that had led them to today.

Mr. Richardson said that the six strategic plan goals for FY24-28 were safety and wellbeing, a resilient, equitable, and engaged community, infrastructure and placemaking, quality of life, education and learning, and workforce and customer service. He said that the Board had stated that if something must be emphasized to drive the strategic plan, it was the sixth goal, which was workforce and customer service, so that they could recruit, retain, and stabilize in their workforce, because it was known that that stable workforce was essential for moving the community forward.

Mr. Richardson said that in addition to the strategic plan, the Board and County staff considered the 5-year Financial Plan, the economic outlook presentation received from Dr. Bailey of Virginia Tech, the revenue report received from Mr. Lynch, the 5-year CIP (Capital Improvement Plan), ACPS's needs, and financial policies. He said that all of these considerations informed the budget process for FY24. He said that not every strategic plan goal would move forward at the same pace and with the same amount of resources. He said that the FY24 budget was the first of the five years of the FY24-28 Strategic Plan, so the greatest needs must be defined and prioritized in terms of yearly funding to most effectively work toward the strategic goals.

Mr. Richardson said that the budget was balanced on the same tax rates as the current year, which were displayed on the slide. He said that because this budget was grounded in the revenues that were available, he would summarize the financial drivers of FY24. He said that when Dr. Sheryl Bailey presented her economic outlook report to the County, she stated that Albemarle County's economy generally followed the state and national trends, and it was prudent for the County to anticipate economic

cooling in the year or two-year period ahead. He said that her guidance was taken into consideration, and Dr. Bailey had continued to work with Ms. Birch and the Office of Finance and Budget because things can change, and the County wanted to be ready as they stepped forward with the first year of their budgeting with the new Strategic Plan.

Mr. Richardson said that some of the key economic indicators for revenue sources included vehicle values, which had decreased by 16.2% in the past year because the County reduced personal property by 86 cents and would leave it at that rate, residential dwelling unit Certificates of Occupancy at a decrease of 18.9%, and recorded deeds decreased by 12%. He said that real property assessment values increased by about 13.5%, consumer-driven revenues increased by 16%, and business-driven revenues increased by 11.6%.

Mr. Richardson said that additional economic indicators were population growth, which was modest and consistent in the County at about 1%, 6.5% inflation, which was an issue for the County, its partner agencies, and the private sector, 6.8% increase of social services benefits to residents, which indicates there was more need in the community, and a flat 2.3% unemployment rate. He said that the low unemployment may be explained by people who did not return to the workforce after the pandemic.

Mr. Richardson displayed a slide and stated that the left side of the page showed construction commodity price inflation for March 2020 through March 2022, which was noticeably significant. He said that the right side of the page showed interest rates, which had fluctuated greatly in recent years. He said that projects in their CIP from FY24 to FY27 in their five-year CIP, due to construction and commodity increases, as well as increased borrowing rates, it was estimated that the project costs would have increases of \$38 million compared to one year ago. He said that the percentage increase in costs outpaced revenues, so this budget recommended an increase in the transfer to the capital program by \$16.7 million as one-time funding so that projects would not be slowed and progress toward the strategic goals could continue as planned.

Mr. Richardson displayed a slide and said that it represented some of the County's key partner agency increases; Rivanna Solid Waste Authority (RSWA), Transit, ECC (Emergency Communications Center), James-Madison Regional Library (JMRL), and the Charlottesville-Albemarle Convention & Visitors Bureau (CACVB). He said that all of these cost increases going into next year's budget totaled approximately \$3 million, or just over one cent on the tax rate. He said that some of these are by agreement and some are by formula, and some have service increases. He said that these increases affect local government because these agencies do core services for the County.

Mr. Richardson said that the economic outlook report stated that Albemarle County's history of prudent financial management and its overall sound economic base provided a foundation and community capacity for strategic initiatives. He said that while the County may have received some mixed date on the economy, the County would be able to move forward with purpose and with significance. He said that the federal funding from the pandemic had been used, so funding levels were returning to what they were in 2020, but the cost of doing business continued to increase due to inflation, supply chain issues, labor shortages, and their regional partners faced those same issues. He said that their community continued to modestly grow, and the needs grew with that.

Mr. Richardson said that Albemarle County's credit worthiness was measured at a Triple Triple A (AAA/AAA/Aaa) bond rating, which allowed them to get the most competitive rates when issuing debt for large capital expenditures. He said that the combined estimated savings that were appreciated due to the Triple Triple A rating in 2022 was about \$5.1 million, which gave them better access to the market. He said that the Board allowed the budget stabilization reserve to increase by 1% to 2% to give flexibility in the event of experiencing financial disruption, and 1% of that equated to \$4 million.

Mr. Richardson said that the FY24 recommended budget was meant to align some of the big expenditure recommendations for next year to the strategic plan, and the theme for this year was activating the strategic plan to strengthen the organization's and the community's foundation. He said that budgetary decisions that were made one year informed the expenses in the following years, so when connecting the one-year budgets to the five-year Strategic Plan, they had to look back at the decisions they made to see how those affected their current position, in addition to anticipating expenses in future years. He said that five-year financial planning was the responsible way to budget.

Mr. Richardson said that general fund was a focus during the budget season because it was where tax revenues were received, was the primary source of funding for schools and capital debt, and was where the Board had the maximum amount of policy discretion. He said that the general fund revenues were in total \$408.1 million, which had gone up by about 10%. He noted that the federal revenue was \$8.8 million, or approximately 9% of the budget. He said that the general fund expenditures were balanced at \$408.1 million.

Mr. Richardson stated that the total budget for FY24 was \$551.5 million, which was a decrease from FY23 by \$34.8 million. He said that one reasons for the decrease were annual fluctuations in the capital program that were based on the timing of capital outlays and debt issuances. He said that sometimes it went up, and sometimes it went down, and that this happened continuously. He said that the other reason for the decrease was that there were special revenues and other funds that decreased this year, mostly due to the end of the federal pandemic relief funding.

Mr. Richardson said that 57% of the County's money went to ACPS for school operations, school

capital, and school debt. He said that Dr. Haas had presented a draft funding request last week, which related to the fifth strategic goal, education and learning, where they committed to supporting exceptional educational opportunities. The recommended budget fully funded the Superintendent's funding request and added \$14.6 million of new revenue to the ACPS' operating budget by the formula.

Mr. Richardson said that the CIP for schools in FY24-28 contained a total of \$194.5 million in projects, including \$14.3 million over five years for systemwide renovations, and funding for three new schools: two elementary schools and a high school center, in addition to the expansion at Mountain View Elementary.

Mr. Richardson said that in regard to strategic goal one, safety and wellbeing, the recommended budget funded the public safety operations center at the renovated JC Penney site, ACPD (Albemarle County Police Department) staffing, the SAFER (Staffing for Adequate Firefighters and Emergency Response) grant request, and emergency management operations and training.

Mr. Richardson said that the budget also funded the broadening of the Department of Social Services (DSS) through the full-year implementation of mid-year staffing in benefits and foster care, broadening social services to include more human services to focus on community wellbeing, supported by two FTEs (full-time equivalents), designating \$260 thousand in local funding for emergency assistance, and \$4.3 million to sustain human services health and welfare agencies.

Mr. Richardson said that finally in the area of safety and wellbeing, additional funding was recommended for 2.25 FTEs in the Commonwealth Attorney's Office due to workload, salary increases in the Public Defender's Office and filling full-year debt costs of the courts construction.

Mr. Richardson said that in regard to the second strategic goal, resilient, equitable, and engaged community, the budget included funding for equity and inclusion trainings, arts and culture through community programs and events, biannual community resident satisfaction survey, and climate action through the climate plan goals.

Mr. Richardson said that in regard to the third strategic goal, infrastructure and placemaking, there was funding recommended for transit, including the micro transit pilot. transportation needs with an eye on multimodal safety improvements, solid waste and recycling infrastructure through a new baling facility at RSWA and the new southern convenience center, and the continued move toward the creation of a public works division that would include service delivery within the urban ring.

Mr. Richardson said that in regard to the fourth strategic goal, quality of life, the budget funded the opening of Biscuit Run, the opening of Rivanna Village Parks, internal planning for an urban pocket park, Phase 2 of AC44, which is the Comprehensive Plan work, \$3.9 million for the housing fund, and strategic funding for opportunities aligned to Project ENABLE in economic development.

Mr. Richardson said that Project ENABLE was the economic strategic plan, and it was important to note that commercial activity could reduce the reliance on the real property tax, which affected their tax base. He said that these investments brought economic vibrancy to the area, which helped to balance and diversify their local economy. He said that this recommended budget supported \$12.4 million of planned investment by County government over the next five years.

Mr. Richardson said that the vacancy rate in the County organization's workforce had varied between 2% and 3% or 4% between in 2013 and 2019, with a major spike in 2022 at 11%. He said that at the lowest there were 30-35 vacancies, and at maximum there were 108 vacancies in the County organization. He said that last year, a total of 10% in pay increases were implemented, and the vacancies were now approximately 8%. He said that these vacancies affected the organization's workforce, and its ability to deliver the County's core services and to move the strategic plan forward. He said there is more work to do to stabilize at a 2% to 4% vacancy rate.

Mr. Richardson said that 500 County employees were surveyed in 2022, and the most requested options for the near term were availability of more flexible leave for work-life balance and professional growth and development. He noted that these items were addressed in the FY24 budget. He said that longer-term options that employees requested were hybrid work, a condensed work week such as a 4-day work week, and replacement of outdated systems with modern technology, which would also improve customer service.

Mr. Richardson said that a budget work session would be held in late March and would be devoted to workforce and customer service. He stated that the current work was alignment of the next year's budget with the five-year facility renovation including modernization and centralization of core systems, and focused enhancement of the learning and development program. He said that compensation was also being worked on, with a 4% salary increase for all County staff, an additional 2% step increase to the public safety pay scale, employer health insurance increase, and the compensation and classification implementation, which he would discuss more at the late March work session.

Mr. Richardson stated that the recommended budget presented that day made meaningful investments in the fiscal year that many expected would bring challenges as the economy slowed, but they worked to accomplish Strategic Plan goals to meet the community's needs and desires.

Mr. Richardson clarified that the new operating revenues were \$14.6 million for ACPS operations, \$12.5 million invested in workforce stabilization, \$8.1 million to maintain the CIP for schools and local

government, and \$3.5 million to meet the rising costs of services from partner agencies. He said that the CIP for schools included three new school construction projects in the next five years, as well as maintenance and renovations that totaled \$194.5 million, and the projects for local government totaled \$122.1 million.

Mr. Richardson said that not everything in the strategic plan required new money or new people to move the strategic plan forward, so they looked for opportunities to reposition members of the organization to different departments when necessary, connecting work plans across departments, collaborative execution among staff, and centralization of core systems and processes. He said that all of this was meant to increase the performance in every department across the County government.

Mr. Richardson said that staff worked to identify grant opportunities to leverage state and federal monies to bring to their local economy and leverage local money. He said that the grants allowed tax dollars to go further than they normally would.

Mr. Richardson stated that the strategic plan was the most interlocked with the budget than it ever had been, and he believed it was a strong sign of an organization that was aligned to optimize performance. He said that they would now be identifying through their upcoming work sessions if the resources and capacity were where the Board believed they could most meaningfully support the community.

Mr. Bowman said that the upcoming work sessions were March 1, followed by a public hearing on the County Executive's recommended budget, then there will be a series of work sessions with the Board beginning on March 8. He said that the Board would take action on the proposed budget and tax rate on March 15, after which the budget could change upon further work sessions. He said that work sessions on transit and workforce stabilization were to be held on March 22 and 29, and the process would conclude on May 3.

Mr. Bowman said that he would send the full schedule by chapter to the Board this week, as well as before each work session so that Supervisors could review the relevant materials prior to the work sessions. He asked if any questions about the budget could be directed to him. He said that all questions and answers received and communicated by email were published on the County website, and the budget document was also online for the public to view.

Mr. Richardson said that he would hand the matter over to the Board for questions and discussion.

Ms. Mallek said that she would share some topics that she would like to receive further information on via email. She said that she had received comments in the past month about the great desire to set Sunday afternoon hours at the public libraries, specifically at the Crozet and Northside, but there may be others that she did not know of yet.

Ms. Mallek said additionally, the JMRL (Jefferson-Madison Regional Library) Board stated that they completed their budget application in the fall. She said that she would like to learn what that venture would amount to in terms of operational costs. She asked if it was correct that the CACVB would be offset by incoming increases in the transient occupancy tax (TOT), and if it were an increase in their budget that outside funds that came in took care of that.

Mr. Bowman said yes. He said that as TOT had grown, the increase of TOT had been greater than that of the CACVB.

Ms. Mallek said that there had been discussion about the increases in assessments, and even with the same tax rate, the subsequent increases that many people would be facing, as well as if the Board had yet considered increasing the caps on net worth for the market tax waiver program. She said that she would provide information that she had recently received about other communities in Virginia that had substantially different net worth adjustments since the increases in value that had happened.

Ms. McKeel said that she would spend more time reviewing the materials in order to best formulate her questions and would email them to Mr. Bowman.

Ms. LaPisto-Kirtley said that she was glad to see the increase for ACPS. She said that she would like to see pre-kindergarten offered at all schools, but she understood that it was a capacity issue.

Dr. Haas, ACPS Superintendent, said that he did not have an answer to that.

Ms. LaPisto-Kirtley said that it had been an issue in the past, but building new schools may allow for increased pre-kindergarten offerings.

Mr. Andrews noted that while the tax rates for real property and other revenues were mentioned, there was a decrease in the budget from last year, which to him showed that federal revenues particularly could not be expected as they had been in the past, but the needs did not disappear, and it was important to recognize that.

Ms. Price said that this was the first year that they would have a regular budget process in the past three years after the COVID-19 pandemic and the subsequent federal funds. She said that the work of staff was what maintained the County's financial stability throughout this time. She said that she

appreciated that the proposed budget was maintaining the same property tax rate as the last year, which was a substantial reduction for what had been the rate for years. She said that not everyone owned property or a home, but almost everyone in their County had to own a vehicle, and with raised vehicle assessment values, this tax rate gave savings to almost everyone in the County.

Ms. Price said that on slide 13, the economic indicator said there was a 6.8% increase in the value of social services benefits to residents, and she did not understand what was meant by the term "value." She asked if this indicated a 6.8% increase in the benefits provided to citizens, or if this cost 6.8% more to the County to provide those services. She said that the \$38 million increase to maintain the CIP was important, because having to pause CIP projects resulted only in a delay of necessary work. She said that a balanced budget had been proposed despite the changes in federal funding.

Ms. Price said that it was mentioned that the impact of losing the Triple Triple A credit rating of the County would be about \$5.1 million per year in savings, and it was significant to be able to maintain that. She said that the 2% budget stabilization fund was not a surplus, but a protection of the finances of the County. She said that the capacity to fully fund the CIP with all school projects was significant. She said that the SAFER grants were significant, and the stabilization the County was able to give to first responders was important as well.

Ms. Price commented that equity and inclusion training was an important way to imbue courtesy, respect, equality, and dignity, and it was a message that Albemarle County needed to get out. She said as to the economic development plan, they could not afford to do it all themselves. She said that she was pleased to see the feedback from the employee survey. She noted that the 10% salary increase appeared to have an effect on the 108 vacant positions in 2022, and asked Mr. Richardson if he knew the current number of vacancies in the County.

Mr. Richardson said that when he most recently checked a few weeks ago, there were 78 vacancies out of approximately 900, or a 6.8% vacancy rate, down from the 11% rate from 2022.

Ms. Price said that the actions being taken toward workforce stabilization by Mr. Richardson and his staff were working if there had been such a drastic decrease in the vacancy rate. She said that in order to keep a prime workforce, they had to keep a competitive wage to pay people with.

Ms. McKeel asked if the presentation could be made available electronically.

Mr. Richardson said absolutely. He said that all questions submitted by Board members would be answered and sent back to all Board members. He said that Mr. Bowman would also put that information on the website so that the public could see those questions and answers as well.

Ms. LaPisto-Kirtley asked for clarification that the \$8 million in the budget was not a surplus, it was a rainy-day fund.

Mr. Birch said that the fund balance was generated because at some point in time there was a surplus, but once it was spent, it was gone, so they had a rainy-day fund, and they had policies to maintain 10% and 2% in savings funds in case they needed it for unexpected reasons, and it was never intended to be spent. She said that the 2% increase was due to the economic and legislative uncertainty and the potential of being unable to plan effectively for a future event.

Ms. Birch said that unlike a surplus, this was a protected reserve to allow programming and other budget items to continue. She said that she sent a very detailed email last week regarding surpluses, and in FY22, there was no surplus, and the fund balance was drawn down by more than \$7 million. She said that the amounts in the audited financial statements may appear to be surplus, but were not in actuality, which was explained in the email.

Ms. LaPisto-Kirtley asked what the 10% and 2% numbers were in reference to.

Ms. Birch said that the financial policies included those amounts, with policy indicating that 10% must be reserved to maintain the Triple Triple A credit.

Ms. LaPisto-Kirtley asked if that additional 2% was in case of an economic downturn.

Ms. Birch said that that amount was for the budget stabilization reserve. She said that it was created at 1% in 2017 and was raised to 2% due to the economic uncertainty.

Ms. Price said that with the Triple Triple A rating, it saved them \$5.1 million per year.

Ms. McKeel said that these were uncertain times for funding for the County and their schools. She said that it was important to have the rainy-day fund and stabilization fund in order to give back large amounts of money quickly.

Ms. Mallek said that poor economic conditions resulting in canceled funding had made budget seasons incredibly difficult in the past. She asked if the Board reserve was moved into the 2% stabilization fund.

Ms. Birch said that the strategic reserve was still in the capital fund.

Mr. Bowman said that, as far as good budget management practices, there was a smaller reserve for small issues the Board may find over the year, the 2% would be for a much more severe situation than anticipated in a regular budget year, and the 10% would be for an even more drastic event. He clarified that \$5.1 million in debt service was a result of the last two issuances rather than an ongoing, cumulative amount.

Ms. Price clarified that by having the Triple Triple A rating, they were able to save that amount.

Mr. Bowman said yes, and they certainly had advantages to that.

Ms. Mallek said that it was never reasonable to expect things closer than 1% of a budget, although they all wanted every penny.

Agenda Item No. 3. From the Board: Matters Not Listed on the Agenda.

Ms. Mallek said that it was now forest fire season, and the Department of Forestry had issued a red flag warning. She said that fires were easily preventable.

Mr. Andrews said that he attended the third traffic town hall last week, which was held at the North Garden Fire Station. He said that the renovation for the station had been a successful County collaboration with the volunteer fire department.

Ms. Price said that last night, she attended the Scottsville Town Council meeting. She congratulated Councilmember Payne, who was elected as Vice Mayor and President of the Council.

Ms. Mallek said that the most important new feature at the North Garden Fire Department was the laundry. She said that having the ability to properly clean the firefighters' equipment was of utmost importance to maintaining the health of their firefighters, as they were often coated in dangerous chemicals.

Agenda Item No. 4. From the County Executive: Report on Matters Not Listed on the Agenda.

There was no report.

Agenda Item No. 5. Adjourn to March 1, 2023, 2:00 p.m., Lane Auditorium.

At 1:21 p.m., the Board adjourned its meeting to March 1, 2023, 2:00 p.m., Lane Auditorium. Opportunities for the public to access and participate in this meeting are posted on the Albemarle County website on the Board of Supervisors home page and on the Albemarle County calendar. Participation will include the opportunity to comment on those matters for which comments from the public will be received.

Chair

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| Approved by Board |
| Date: 02/19/2025 |
| Initials: CKB |