

FY 19 - 20 BALANCED TWO YEAR FISCAL PLAN

RECOMMENDED TO THE BOARD OF SUPERVISORS NOVEMBER 8, 2017

Delivering tangible results
in an evolving landscape



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INTRODUCTION

Long range financial planning in Albemarle County brings together three major components of the County budget: the School Division, General Government, and the Capital Improvement Program. It is a critical process for County's AAA bond ratings and creates the framework for the annual budget development process. The Five Year Financial Plan process has been a valuable tool for taking a long-term look at the County's revenue and expenditure picture. The County further believes it is beneficial to focus on balancing the first two years of the plan. Expanding beyond the Annual Budget to include a balanced Two Year Fiscal Plan has provided a more helpful framework for decision making on major financial issues.

Long range financial planning and the Adopted FY 18 Operating and Capital Budget recognized that the cumulative impacts of community and Board aspirations along with growing citizen expectations and service obligations created by population growth may outpace available resources. The FY 18 budget acknowledged continued economic uncertainty at the state, national, and international levels by proposing responsible strategies that helped buffer the County from potential economic turbulence. It set a financial course for Albemarle County to advance strategic priorities, maximize transformation, sustain a quality organization, make strategic investments, and fund mandates and obligations.

The themes from last year's Two Year Fiscal Plan are carried forward in the Recommended FY 19 – 20 Balanced Two Year Fiscal Plan, which focuses on delivering tangible results in an evolving landscape. With this recommended plan, we propose to remain focused on the path we set out on in FY 18, maintaining the momentum achieved towards advancing the strategic plan, and positioning ourselves to successfully address emerging community needs not yet captured in the strategic plan.

The decision framework was informed by the Board's adopted strategic objectives and reflects our work in priority-driven budgeting. The plan also reflects the positive impacts of stronger revenues than were projected this time last year and the strategic use of one-time money to advance priorities and avoid creating future obligations.

TWO YEAR FISCAL PLAN HIGHLIGHTS – DELIVERING RESULTS IN AN EVOLVING LANDSCAPE

- Strengthening revenues
 - Positive housing market, both in reassessment values and in new construction
 - Local economy remains strong, including sales tax, meals tax and other local sources
- Opportunities provided for strategic investment
 - Savings/expenditure reductions
 - Stronger than anticipated revenues
- Building the framework to implement strategic priorities and respond to emerging needs
- Maintains current levels of service to our community
- Continue to face unmet needs

OUR OPTIMISM IS TEMPERED BY EXTERNAL REALITIES

While we are cautiously optimistic about some of the signs we are seeing in our local economy, that optimism remains tempered by a number of factors we are closely watching.

- Continuing uncertainty/volatility in the national and international economy
- State may continue to shift costs to localities
- There is always the possibility of economic slowdown based on historic trends/business cycles

OVERVIEW

The County's Recommended FY 19 – 20 Balanced Two Year Fiscal Plan focuses on continuing to deliver tangible results in an evolving landscape. It is shaped by priority driven budgeting with a clear focus on strategic priorities that were developed through Board of Supervisors and community dialogue. The plan acknowledges the need to maintain the levels of service our community expects while also responding to the changing landscape, recognizing that strategic priorities currently in development will move to implementation in the near future and that there are new issues on the horizon that are not part of current services or the current strategic plan.



As they developed the plan, staff was careful to balance across three areas of focus:

1. Sustaining a quality organization

- Obligations/Requirements
 - Support for education
 - Support for capital program (including debt service)
- Support Existing Workforce
 - Compensation and benefits
 - Department and agency operations
- Maintaining Current Levels of Service to Community
 - Public safety
 - Internal services

2. Advancing strategic priorities

- Economic Development
 - Continue ongoing funding for Economic Opportunities Fund
 - Funding to support the Arts and Culture initiative
- Infrastructure Investment
- Transportation Revenue Sharing

- Urban Services
 - Support for small area plans
 - Support for the revitalization and urbanization projects
 - Support for transportation-related initiatives
- Water Resources
- Environmental Protection
 - In support of local actions to reduce climate pollution
- Acquisition of Conservation Easements Program
 - Additional one-time support
- Broadband Access
 - Incentivizing broadband access in the southern part of the County
- At-Risk Four-Year-Olds
 - Funding for a Bright Stars classroom at Woodbrook Elementary School
- Family Support
 - Continue the Family Finders program started in FY 18
- Strategic Plan Support
 - Project management and implementation
 - Community relationships

3. Maximize transformation & addressing emerging issues

- Establish Housing Fund
- Continued Momentum for Implementation of Transformational Initiatives
 - Records management
 - Time and attendance
 - Technology needs assessment
- Emerging Issues
 - Transparency and analytics
 - Arising community needs not captured in the strategic plan

SPOTLIGHT: FY 17 – 19 STRATEGIC PLAN

Strategic planning is used to set priorities and focus energy and resources to move an organization towards its vision. Albemarle County has used strategic planning for many years to inform policy development and financial decision-making and achieve the community desires and values articulated in the County's Comprehensive Plan. The County's strategic planning is guided by a vision, mission and values that serve as the foundation for specific goals and objectives.

Our Vision	Our Mission			
<p>Albemarle County envisions a community with...</p> <ul style="list-style-type: none"> • 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 opportunity <i>...for present and future generations.</i> 	<p>To enhance the well-being and quality of life for all citizens through the provision of the highest level of public service consistent with the prudent use of public funds.</p>			
	<p>Our Values</p> <table> <tr> <td>Innovation</td><td>Stewardship</td></tr> <tr> <td>Learning</td><td>Integrity</td></tr> </table>	Innovation	Stewardship	Learning
Innovation	Stewardship			
Learning	Integrity			

Long-Term Strategic Goals

- | | |
|---|---|
| <ol style="list-style-type: none"> Engaged Citizens: Successfully engage citizens so that local government reflects their values and aspirations Infrastructure Investment: Prioritize, plan, and invest in critical infrastructure that responds to past and future changes and improves the capacity to serve community needs Thriving Development Areas: Attract quality employment, commercial, and high density residential uses into development areas by providing services and infrastructure that encourage redevelopment and private investment while protecting the quality of neighborhoods Economic Prosperity: Foster an environment that stimulates diversified job creation, capital investments, and tax revenues that support community goals | <ol style="list-style-type: none"> Educational Opportunities: Provide lifelong learning opportunities for all our citizens Natural Resources Stewardship: Thoughtfully protect and manage Albemarle County's ecosystems and natural resources in both the rural and development areas to safeguard the quality of life of current and future generations Quality Government Operations: Ensure County government's capacity to provide high quality service that achieves community priorities Rural Area Character: Preserve the character of rural life with thriving farms and forests, traditional crossroad communities, and protected scenic areas, historic sites, and biodiversity. |
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Highest Priority Strategic Objectives



Increase Capacity for Education for At-risk four year olds



Redevelop Rio+Rt29 Intersection Area



Revitalize Aging Urban Neighborhoods



Implement Salary Compression Remedy



New Pantops Master Plan with Rivanna River Corridor Plan



Increase Support for Families Through DSS / Partners



Expand General District Court



Adopt 2 Year Fiscal Plan Through Priority Based Budgeting

Strategic Objectives Requiring Further Development

1. Develop differentiated funding strategies for core vs. enhanced projects in the rural areas.
2. Establish and implement strategic direction to expand broadband affordable access to under-served, rural communities.
3. Establish and implement an approach to consider age-friendly community needs and initiatives as part of County planning.
4. Establish and begin implementation of a Board-approved work plan for the County's newly created Economic Development Office – insure that economic resiliency/preparedness are a focus of the plan.
5. Establish and begin implementation of priorities for a natural resource program.
6. Explore more extensive environmental protection initiatives.
7. Determine most critical deficiencies/challenges facing the community regarding policing and assess capacity of geo-policing to meet those needs.
8. Establish strategic direction to address challenge of intensification of uses in the rural area.
9. Continue focus on improving the accessibility of County information, pay particular attention to website and emerging technologies as a vehicle.
10. Initiate near-term planning for a new police training facility.
11. Establish and implement strategic direction including appropriate public engagement, for school space needs.
12. Determine desired levels of service for water resource protection programs; and then identify and implement permanent funding source(s) to support those levels of service.
13. Strategically assess the County's future physical facility needs including working cooperatively with Schools to develop an approach for land banking – focus on better, more frequent and robust communication between Supervisors, School Board and Planning Commission regarding growth impacts as one area of emphasis.
14. Assure rural transportation needs are considered with the Secondary Six Year Improvement Plan and regional transportation planning efforts by the Thomas Jefferson Planning District Commission.

RECOMMENDED FY 19-20 ASSUMPTIONS

	<i>FY18 General Fund</i>	<i>FY19 General Fund</i>	<i>\$ Change</i>	<i>% Change</i>	<i>FY20 General Fund</i>	<i>\$ Change</i>	<i>% Change</i>
Revenue							
Current Real Estate Revenue	143,520,372	148,918,165	5,397,793	3.8%	153,846,890	4,928,725	3.3%
Assumes continuation of an 83.9 cent tax rate							
Tax Rate for Debt/Pay-Go (see page 18 for details) Assumes a tax rate increase of 1.5¢ in FY19 (CY2018) and 2.0¢ in FY20 (CY2019)	0	2,724,463	2,724,463		6,565,439	3,840,977	141.0%
Tax Rate for Water Resources Assumes a decrease of 0.7¢ in FY20 (CY2019)	0	0	0		(1,313,088)	(1,313,088)	
Other Local Revenue Major drivers: personal property tax, sales tax, business license tax, food & beverage tax	98,025,622	101,405,683	3,380,061	3.4%	104,110,650	2,704,967	2.7%
State Revenue	24,339,372	24,867,755	528,383	2.2%	25,061,843	194,088	0.8%
Federal Revenue	5,710,660	6,937,591	1,226,931	21.5%	7,075,578	137,987	2.0%
Resource Plan Revenue Anticipated revenue associated with new positions	0	162,541	162,541		177,254	14,713	9.1%
Transfers In	3,479,667	3,306,771	(172,896)	-5.0%	3,526,432	219,661	6.6%
Use of Fund Balance	1,810,875	3,165,156	1,354,281	74.8%	1,629,903	(1,535,253)	-48.5%
Total - Revenue	276,886,568	291,488,125	14,601,557	5.3%	300,680,901	9,192,776	3.2%
Sustaining a Quality Organization							
Obligations/Requirements	<i>FY18 General Fund</i>	<i>FY19 General Fund</i>	<i>\$ Change</i>	<i>% Change</i>	<i>FY20 General Fund</i>	<i>\$ Change</i>	<i>% Change</i>
Transfer to School Division <i>Calculated per formula</i>	124,028,955	128,796,451	4,767,496	3.8%	132,497,452	3,701,001	2.9%
Transfer to Debt Service/Pay-as-you-Go per Formula <i>Per formula: Balance remaining after meeting debt service obligations goes to pay-go for capital project</i>	25,049,458	26,030,608	981,150	3.9%	26,793,510	762,901	2.9%
Transfer to Debt Service/Pay-as-you-Go/School Operations - Tax Rate Increases - Includes \$213,194 in FY19 and \$220,421 in FY20 in School Division operations related to the Woodbrook Elementary School Addition/Modernization Referendum Project - Assumes a tax rate increase of 1.5¢ in FY19 (CY2018) and 2.0¢ in FY20 (CY2019)	0	2,724,463	2,724,463		6,565,439	3,840,977	141.0%
Transfer to Water Resources Fund Assumes continuation of 0.7 cents dedicated to Water Resources Fund through FY19 and creation of a Stormwater Utility Fund in FY20	1,230,689	1,271,416	40,727	3.3%	0	(1,271,416)	-100.0%
Revenue Sharing payment to the City	15,855,485	16,147,226	291,741	1.8%	16,610,651	463,425	2.9%
Subtotal - Obligations/Requirements	166,164,587	174,970,164	8,805,577	5.3%	182,467,052	7,496,888	4.3%
Support for Existing Workforce	<i>FY18 General Fund</i>	<i>FY19 General Fund</i>	<i>\$ Change</i>	<i>% Change</i>	<i>FY20 General Fund</i>	<i>\$ Change</i>	<i>% Change</i>
Salaries & Benefits - 2.0% market increase and 0.7% pay for performance pool in FY19 and 2.3% market increase and 0.7% pay for performance pool in FY20 - distribution of compression - funding for Police Career Development revision - funding for classification reviews - salary savings (lapse) of 1.5% per year - 3.75% increase in health insurance in Plan Year 2019 and 5% increase in Plan Year 2020	60,447,210	62,595,771	2,148,561	3.6%	64,289,241	1,693,470	2.7%
Department Operations and Capital Outlay Reflects current CPI-U projection of 2% for most items. FY19 includes removal of one-time capital outlay from FY18 and then assumes a 2% increase for ongoing capital outlay costs.	18,890,315	19,168,046	277,731	1.5%	19,721,694	553,648	2.9%
Agencies and Joint Operations - Includes impact of changes to volunteer policy and a 6% annual increase to existing funding - All other agencies in total assumed to increase 5%	22,123,471	23,420,269	1,296,798	5.9%	24,619,995	1,199,726	5.1%
Children Services Act (CSA)	3,542,469	2,194,720	(1,347,749)	-38.0%	2,194,720	0	0.0%
Reserves and Other	3,576,033	3,494,501	(81,532)	-2.3%	3,582,398	87,897	2.5%
Subtotal - Support Existing Workforce	108,579,498	110,873,307	2,293,809	2.1%	114,408,048	3,534,741	3.2%

Sustaining a Quality Organization (cont...)							
Maintain Current Levels of Service to the Community	FY18 General Fund	FY19 General Fund	\$ Change	% Change	FY20 General Fund	\$ Change	% Change
Fire Rescue Coverage <i>Ensure acceptable fire rescue response times in the Southern part of the County (5.5 FTEs)</i>	0	420,437	420,437		460,550	40,113	9.5%
Workload Capacity and Organizational Support <i>Support increased workload demands primarily in Public Safety departments and the Department of Finance. Includes continued implementation of Geo-Policing (11.5 FTEs)</i>	0	562,102	562,102		1,117,700	555,598	98.8%
Subtotal - Maintain Service Levels	0	982,539	982,539		1,578,250	595,711	60.6%
Subtotal, Sustaining a Quality Organization	274,744,085	286,826,010	12,081,925	4.4%	298,453,350	11,627,340	4.1%
Advancing Strategic Priorities	FY18 General Fund	FY19 General Fund	\$ Change	% Change	FY20 General Fund	\$ Change	% Change
At-Risk 4-Year Olds <i>Establish an additional Bright Stars classroom at Woodbrook (3.0 FTEs)</i>	0	201,775	201,775		185,660	(16,114)	-8.0%
Family Support <i>Continues Family Finder/Family Engagement initiative (1.0 FTE)</i>	0	78,730	78,730		80,759	2,029	2.6%
Economic Development Initiatives <i>Includes \$250K for the Arts & Culture Initiative and \$300K for the Economic Opportunities Fund</i>	550,000	550,000	0	0.0%	550,000	0	0.0%
Environmental Protection <i>Supports local actions to reduce climate pollution (1.0 FTE)</i>	0	73,084	73,084		70,064	(3,020)	-4.1%
Infrastructure Investment <i>One-time transfer to CIP</i>	1,200,141	1,000,000	(200,141)	-16.7%	0	(1,000,000)	-100.0%
Urban Services <i>Provide support for the Small Area Plans; the Southwood redevelopment project; and transportation-related initiatives including urban infill projects, regional transit, and multi-modal transportation with a particular focus on trails and bike path (7.0 FTEs)</i>	0	400,109	400,109		643,524	243,415	60.8%
Neighborhood Improvement Funding Initiative (NIFI) <i>Support for administrative costs associated with the program</i>	117,342	117,342	0	0.0%	117,342	0	0.0%
Strategic Plan Support <i>As the Strategic Plan moves from planning to implementation, there is a need for further project coordination, communications, and community engagement efforts (2.0 FTEs)</i>	0	163,893	163,893		159,840	(4,052)	-2.5%
Subtotal, Advancing Strategic Priorities	1,867,483	2,584,932	717,449	38.4%	1,807,190	(777,742)	-30.1%
Maximizing Transformation and Addressing Emerging Issues	FY18 General Fund	FY19 General Fund	\$ Change	% Change	FY20 General Fund	\$ Change	% Change
Investment in Transformational Initiatives <i>Funding for Technology Needs Assessment implementation, records management equipment, and Municode</i>	275,000	535,000	260,000	94.5%	32,906	(502,094)	-93.8%
Emerging Needs <i>The way we work and the expectations of the community are changing (customer-focused technology, engagement, big data, open government, public/private partnerships, etc.). In addition, there are new issues on the horizon that are not part of current services or part of the current Strategic Plan (Yancey, bond referendum, etc.) This funding recognizes the County's need to support this evolving landscape (5.0 FTEs)</i>	0	404,508	404,508		389,290	(15,218)	-3.8%
Housing Fund <i>Funding for a variety of housing initiatives</i>	0	1,000,000	1,000,000		0	(1,000,000)	-100.0%
Subtotal, Maximizing Transformation and Addressing Emerging Issues	275,000	1,939,508	1,664,508	605.3%	422,196	(1,517,312)	-78.2%
Total - Expenditures	276,886,568	291,350,450	14,463,882	5.2%	300,682,736	9,332,286	3.2%
Total Revenues - Total Expenditures	0	137,675			(1,835)		

RECOMMENDED FY 19-20 ASSUMPTIONS - ADDITIONAL INFORMATION

Economic Development Fund

The FY 18 Budget included the creation of a separate Economic Development Fund that would provide funding to match specific state grant opportunities, encourage economic investment in development areas to support neighborhood revitalization, and implement priority economic development initiatives. The FY19-20 Two Year Fiscal Plan includes additional funding as indicated in the following chart.

Economic Development Fund

	FY18 Current Budget	Two-Year Plan Recommendations	Total
Stantec Consultant	200,000	-	200,000
Economic Development Investment Pool	559,000	2,000,000	2,559,000
Economic Opportunities Fund (Grant Match)	310,000	300,000	610,000
	1,069,000	2,300,000	3,369,000

Fire Rescue Coverage – Scottsville Area

Currently, ambulances from Monticello, Charlottesville Albemarle Rescue Squad and/or Western Albemarle Rescue Squad in Crozet must frequently respond to the southern area of the County when the Scottsville Volunteer Rescue Squad (SVRS) is not staffed by volunteers on nights and weekends. This puts an extra burden on the entire regional fire rescue which, in turn, increases an already long response time in the Scottsville first-due response area. SVRS has experienced a continual and marked decrease in membership over the last few years, leading to an inability to provide consistent and reliable EMS service to the citizens in the Scottsville's first-due response area which covers over 125 square miles surrounding the SVRS station. To rebuild this organization to past levels of volunteer EMS service in Southern Albemarle County, a part time position to provide administrative and leadership support to the squad is recommended. This part time position will assist in allowing current leaders to focus on operational needs and will support the recruitment and preparation of new volunteers. Further, addition career EMS staffing is also recommended to provide adequate staffing 24 hours/7 days a week. This career EMS staffing will also assist in the development of existing and new volunteers while providing needed EMS service in this part of the County.

Children Services Act

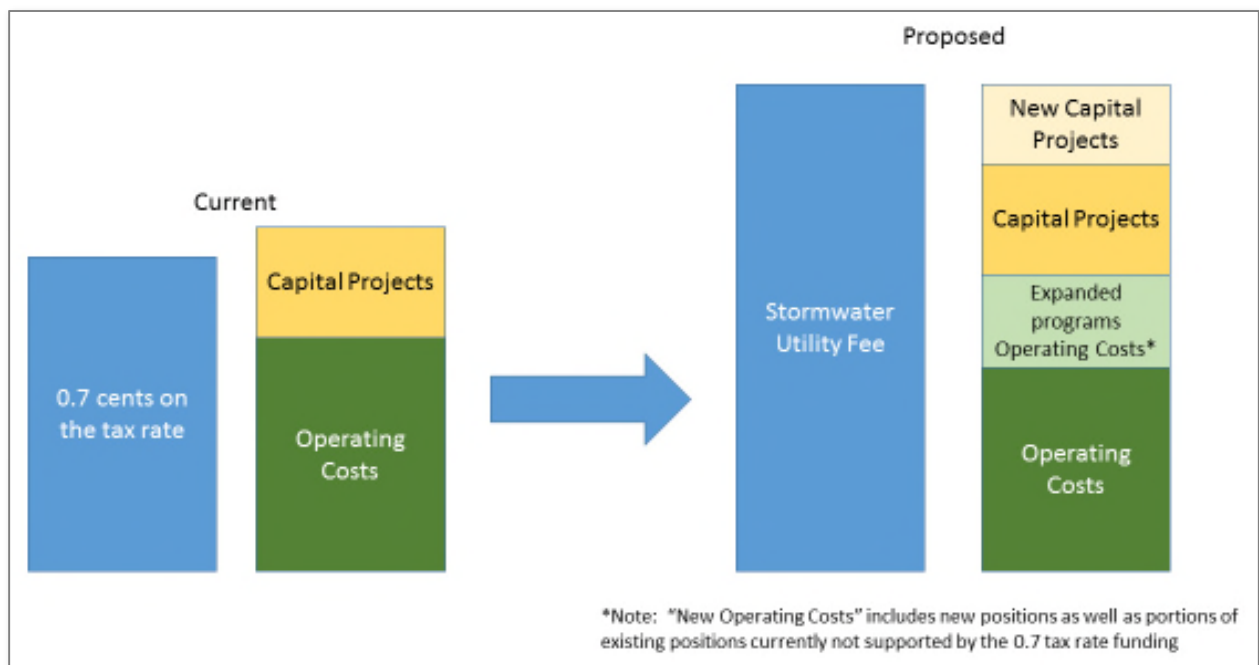
The Children Services Act (CSA) program provides a system of services for at-risk children and families that is child-centered, family-focused and community-based. Expenses can vary significantly based on the number of children and families served in a given fiscal year as well as the types of services provided and reimbursement match amounts provided by the State. The actual Children Services Act (CSA) expenses were significantly lower than projected in FY 17 due to a decreased caseload as well as an increased use of community-based care choices which increased the State reimbursement rate. These reduced expenditures resulted in a larger CSA fund balance than required. As a result of these changes, FY 19 projected CSA expenditures are based on the actual expenditures in FY 17. Future CSA projections assumptions include a 5% growth rate in total CSA expenditures, a 56% State reimbursement rate for services, and transfers from the CSA fund balance. CSA expenditures are volatile and will continue to be closely monitored in the current fiscal year.

Stormwater Utility Program

The proposed transition from the 0.7 cent real estate tax rate funding that is currently dedicated funding to the Stormwater Utility Program to Stormwater Utility Fee is anticipated to go into effect for CY 2019 and will impact the second half of FY 19 (1/1/19 start). This transition is proposed to coincide with an expansion of the stormwater program, which would be supported by the stormwater utility fee. The chart below demonstrates expenses that could be supported by the Stormwater Utility Fee based on the Board's future approval.

The Stormwater Utility Program will be further discussed at two upcoming Board meetings. On December 6, 2017, staff will provide the Board with information about a proposed drainage infrastructure program that will establish estimated program infrastructure and maintenance costs. Board feedback at that meeting will inform a formal policy delineation of county responsibility that will be further discussed in spring 2018. On January 3, the Board will receive information on proposed rate formula options to support the total Stormwater Utility-funded program. The formula will be based on impervious area and driveway considerations. The Board will also receive a demonstration of a proposed GIS tool at that time.

Storm Water Utility Program Illustration



PROJECTED REVENUES

Two Year Revenue Projections – General Fund

	FY17 Actual (Preliminary)	FY18			FY19			FY20		
		FY18 Adopted	FY18 Projection	% Change	FY19 Proj- FY18 Adopt			FY20 Proj- FY19 Proj		
					FY19 Projected	\$ Change	% Change	FY20 Projected	\$ Change	% Change
General Fund Revenue										
General Property Taxes	171,154,571	179,106,549	180,688,605	5.6%	187,765,277	8,658,728	4.8%	196,246,129	8,480,853	4.5%
Other Local Taxes	55,375,305	53,920,084	56,180,224	1.5%	57,290,263	3,370,179	6.3%	58,818,633	1,528,370	2.7%
Permits & Fees	2,735,807	2,502,863	1,988,048	-27.3%	2,011,970	-490,893	-19.6%	2,101,076	89,106	4.4%
Fines & Forfeitures	440,281	373,461	444,881	1.0%	442,657	69,196	18.5%	440,444	-2,213	-0.5%
Use of Money & Property	1,183,764	1,277,927	1,366,299	15.4%	1,392,361	114,434	9.0%	1,417,889	25,528	1.8%
Charges for Services	3,678,196	3,842,606	3,670,276	-0.2%	3,703,147	-139,459	-3.6%	3,736,399	33,252	0.9%
Other Local Revenue	412,354	522,504	436,051	5.7%	442,636	-79,868	-15.3%	449,321	6,685	1.5%
Local Revenues	234,980,279	241,545,994	244,774,384	4.2%	253,048,311	11,502,317	4.8%	263,209,892	10,161,581	4.0%
Payments in Lieu of Taxes - State	146,245	138,259	155,363	6.2%	158,470	20,211	14.6%	161,640	3,170	2.0%
Non-Categorical Aid - State	15,925,464	15,887,552	15,784,260	-0.9%	15,802,620	-84,932	-0.5%	15,821,434	18,814	0.1%
Shared Expenses - State	2,164,737	2,180,771	2,226,314	2.8%	2,270,840	90,069	4.1%	2,316,257	45,417	2.0%
Categorical Aid - State	6,375,075	6,132,790	6,511,591	2.1%	6,635,825	503,035	8.2%	6,762,512	126,687	1.9%
State Revenues	24,611,521	24,339,372	24,677,528	0.3%	24,867,755	528,383	2.2%	25,061,843	194,088	0.8%
Federal Revenue	6,669,681	5,710,660	6,802,310	2.0%	6,937,591	1,226,931	21.5%	7,075,578	137,987	2.0%
Transfers In	2,999,694	3,479,667	3,597,307	19.9%	3,306,771	-172,896	-5.0%	3,526,432	219,661	6.6%
Use of Fund Balance	0	1,810,875	2,666,503		3,165,156	1,354,281	74.8%	1,629,903	-1,535,253	-48.5%
Resource Plan Revenue	0	0	0		162,541	162,541		177,254	14,713	9.1%
TOTAL General Fund Revenue	269,261,175	276,886,568	282,518,032	4.9%	291,488,125	14,601,557	5.3%	300,680,901	9,192,776	3.2%

ADDITIONAL INFORMATION

Revenue Projection Process

The County's Five Year Plan and the General Fund's annual local, State and Federal budget revenue projections are prepared by a Revenue Team that is led by the Department of Finance's Manager of Economic Analysis & Forecasting. Each fall these numbers are updated based on the most current information available at the time. Members of the Revenue Team include representatives from various divisions of the Finance Department including auditing, Revenue Administration, and Real Estate, as well as from OMB and Community Development.

The Revenue Team uses all of the following approaches, identified by the Government

Finance Officers Association (GFOA) as being best forecasting practices, in order to generate forecasts of the County's General Fund revenues:

Judgmental Approach

- Institutional Knowledge and Intuition

Extrapolation Approach

- Linear Trend Line Analysis
- Year-Over-Year (YOY) Methodology
- Assumed Rates of Growth
- Non-Statistical Algorithm

Regression Approach

- Multivariate Regression Modeling
- Multivariate Regression Modeling

Revenues received in FY 17 provide a basis for the FY 19-23 revenue projection updates

The County's five-year financial planning projections for the time period of FY 19–23 utilize all of the techniques mentioned above. The revenue update effort began with a careful review of the most recent estimate of the actual revenues received FY 17. The County's FY 17 overall estimated revenues came in well within the revenue projection tolerance levels identified in the GFOA guidelines.

Revenue Team members carefully study the results of each revenue stream to inform the future projections. Information about FY 17 revenue sources that had significant variances from the initially budgeted amount is provided below:

- Real Estate – The strengthened real estate market, along with substantial new construction, contributed to Real Estate revenue exceeding the budgeted amount in FY 17;
- Public Service Tax - The State's assessment of one company's property subject to Public Service Tax increased significantly from the previous year. This huge assessment increase was unforeseen (and unforeseeable);
- Personal Property Tax - The better-than-expected growth in this revenue stream reflects the persisting strength of the County's economy. Auto sales at the national level continued to be strong in FY 17; this situation existed at the local level as well and had a positive impact on the County's PPT revenue;
- Sales Tax - Better-than-expected revenue reflects a stronger local economy than was expected last year at this time and, also, the opening of a major new shopping center in the County;
- Consumer Utility Tax (CUT) - This revenue stream has been on a generally downward trend during the course of the past several years. The driving force behind this trend has been annual declines in telecommunications tax revenue, as people switch from landlines to Skype, FaceTime, and other forms of electronic communication, which are not subject to taxation. Note: Electricity-based CUT revenue has been flat the past few years, even though the County's population and business base has been growing; this situation suggests that improved energy efficiency might flatten out revenue in this portion of the CUT;
- Business License Tax - The June 2017 payment, reflected in FY 17 BPOL, reflected stronger-than-expected business conditions in the County in calendar year 2016.
- Clerk Fees -This stream is a combination of Recordation Tax, Tax on Wills, and Seller's Tax. Variance reflects primarily unexpected jumps in Recordation Tax and Seller's Tax. The performance of these two streams is consistent with the County's strengthened real estate market;
- Food & Beverage Tax -This stream was positively impacted by better-than-expected increases in the sales in existing eating establishments, as well as the addition of new restaurants in FY 17;
- Inspection Related Fees – These fees reflect robust growth in new construction in the County in FY 17; and
- Federal Categorical Aid – The positive variance in this revenue stream resulted from a rise in the Department of Social Services caseload, as well as an increase in the Federal reimbursement rate. Additional contributing factors to the positive variance included revenue received through Federal agencies such as the Fish/Wildlife Foundation and the Federal Emergency Relief Administration (for final reimbursement for damages sustained during the Derecho of June 2014). Note: Higher-than-anticipated revenues are typically offset by higher-than-anticipated expenditures in DSS categories.

Two Year Plan - Revenue Projection Highlights

The FY 19 and FY 20 forecasts are informed, in part, by the revenue results of FY 17 and the projected performance of revenues in FY 18. As mentioned above, in FY 17 certain revenues came in significantly higher than budgeted, while others came in lower. In FY 18, current projections indicate that Sales Tax, BPOL, TOT, Food & Beverage tax, and Federal Categorical Aid will be greater than budget, while Public Service tax, TOT, and Inspections-Related Fees are expected to come in below budget. Looking forward to FY 19 and FY 20, the projected performance of the revenue streams listed below merits attention.

Real Property

Revenue in FY 19 is expected to come in about 3.8% above the budgeted FY 18 level, while the forecasted FY 20 amount is 3.3% greater than the projected FY 19 level. Note that revenues in the Two Year Fiscal Plan reflect a rise in the forecasted amount of the January 1, 2018 (and subsequent) reassessments. Essentially, the Revenue Team knew in the summer of 2017 the level at which the January 1, 2017 reassessments had landed, whereas the Team was only able to project this amount in the summer of 2016. This new knowledge about the January 1, 2017 reassessments had a positive impact on the projected January 1, 2018 reassessments as well as later reassessments;

The projection also reflects:

- A change in the projected land deferral amount;
- The same set of assumptions that positively impacted the October 2016 FY 19 real property tax revenue forecast also lifted the October 2017 FY 20 real property tax revenue forecast.

Local Personal Property Tax (PPT)

FY 19 revenue is expected to be about 3.8% above FY 18 budgeted, while FY 20 revenue is projected to come in about 3.4% above the FY 19 level. The increase in the forecasted PPT revenues is the result of the better-than-expected performance of this revenue stream in FY 17. Note that, in a multiyear forecast, in which each successive year depends on the prior year, this type of robust performance has a “chain” impact across years. In the case of Local PPT, the strength of the FY 17 revenue translated into the expected FY 19 increase mentioned above but, also, had an impact on the forecasted FY 20 figure.

Sales Tax

Between October 2016 and October 2017, the forecasted figure for FY 19 Sales Tax revenue increase resulted primarily from better-than-expected growth in Sales Tax revenue in FY 17 which, as mentioned above, has a “chain” impact on the forecasted amounts for subsequent fiscal years. For FY 19, Sales Tax revenue is expected to be 7.8% higher than the FY 18 budgeted amount; in FY 20, the level of Sales Tax revenue is projected to be 3.4% above the expected FY 19 level.

BPOL

This revenue increase reflects primarily the very strong growth that occurred in BPOL revenue in FY 17. The “chain” effect discussed earlier also resulted in a sharp rise in the projected FY 19 and FY 19 BPOL figures. In FY 19, forecasted BPOL revenue is 5.7% above the budgeted FY 18 amount whereas, in FY 20, this revenue stream is expected to be 1.9% above the expected FY 19 level.

Food & Beverage Tax

The increase in Food & Beverage Tax revenue reflects in part the very strong growth in FY 17 and the resulting “chain” effect discussed above. For FY 19, Food & Beverage tax revenue is projected to reach a level 11.6% above the FY 18 budgeted amount while, in FY 20, this stream is expected to come in at 3.5% higher than the FY 19 projected amount.

Inspection Fees

Inspection fee revenues increased in preceding years due to pent up demand after the recession. We anticipate fees will return to a more normalized rate in the coming years. As such, in FY 19, inspection Fee revenue is currently projected to be 14.4% below the budgeted FY 18 amount; for FY 20, this stream is expected to recover slightly and come in about 3.4% above the projected FY 19 level.

Transient Occupancy Tax (TOT)

Changes in TOT reflect a number of factors including changes in the number of hotel/motel rooms in the County (vs. the number of competing rooms in the City). The projected decline in FY 19 revenue over

FY 18 budgeted (6%) incorporates the estimated growth in the number of hotel/motel rooms in the City relative to the County. In FY 20, with the planned addition of a substantial number of hotel rooms in the County, as well as the presumed collection of TOT revenue from non-traditional lodging establishments, TOT revenue is expected to increase by 9.9% over the projected FY 19 level.

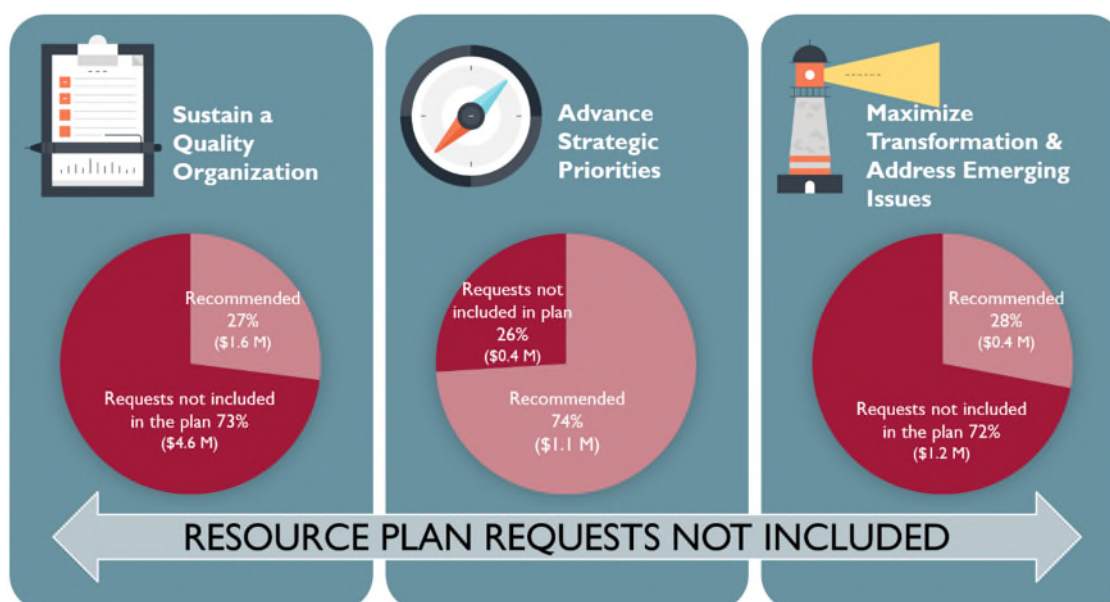
Federal Revenues

In FY 19, Federal revenues are currently projected to be 21.5% over the amount included in the FY 18 Budget. This projected increase in FY 19 is reflective of the actual revenues received in FY 17, which came in substantially above the budgeted FY 17 amount, due to an increase in the Department of Social Services caseload and an increase in the Federal reimbursement rates. The performance of Federal Revenues in FY 17 is an indication that FY 18 Federal Revenues likely will come in well over the FY 18 budgeted amount, and the FY 19 forecasted amount reflects this expected FY 18 performance. Federal funding will continue to be closely monitored.

RECOMMENDED FY 19-20 STAFFING PLAN

Sustaining a Quality Organization					
FY19			FY20		
Position	FTEs	Total Cost	Position	FTEs	Total Cost
Finance Operations Facilitators	1.00	66,102	Finance Operations Facilitators	1.00	67,906
Office Associate	0.50	26,657	Sheriff Deputy	1.00	68,602
Squad-Based Police Officers	2.00	323,801	Squad-Based Police Officers	2.00	337,694
Police Records Clerk	1.00	51,852	Police Logistics Officer	1.00	169,758
Scottsville Rescue Staffing	5.50	420,437	Eligibility Worker	1.00	67,024
Child Welfare Supervisor	1.00	93,690			
11.00		982,540	6.00		710,984
Advancing Strategic Priorities					
FY19			FY20		
Position	FTEs	Total Cost	Position	FTEs	Total Cost
Community Relations Generalist	1.00	75,306	Facilities Maintenance Supervisor	1.00	75,029
Strategic Plan Project Manager	1.00	88,587	Transit Coordinator	1.00	85,418
Trail Crew Technician	1.00	53,311	Trail Crew Technician	1.00	107,895
Strategic Emerging Needs Position	1.00	115,493	Strategic Emerging Needs Position	1.00	95,751
Energy Program Coordinator	1.00	73,084			
Bright Stars Staffing	3.00	201,775			
Family Finders Program	1.00	78,730			
Transportation Project Manager	1.00	90,652			
Neighborhood Support Position	1.00	90,652			
11.00		867,590	4.00		364,093
Maximizing Transformation and Addressing Emerging Issues					
FY19			FY20		
Position	FTEs	Total Cost	Position	FTEs	Total Cost
Time and Attendance position/HR Specialist	0.25	16,316			
Budget/Management Analyst	1.00	75,776			
Quality Control Coordinator	1.00	93,792			
Building Attendant	1.00	90,940			
GIS Data Analyst (includes licensing fees)	1.00	127,684			
4.25		404,508			

Note: If the Stormwater Utility Program is approved by the Board, three additional staff positions funded by the program would be recommended.

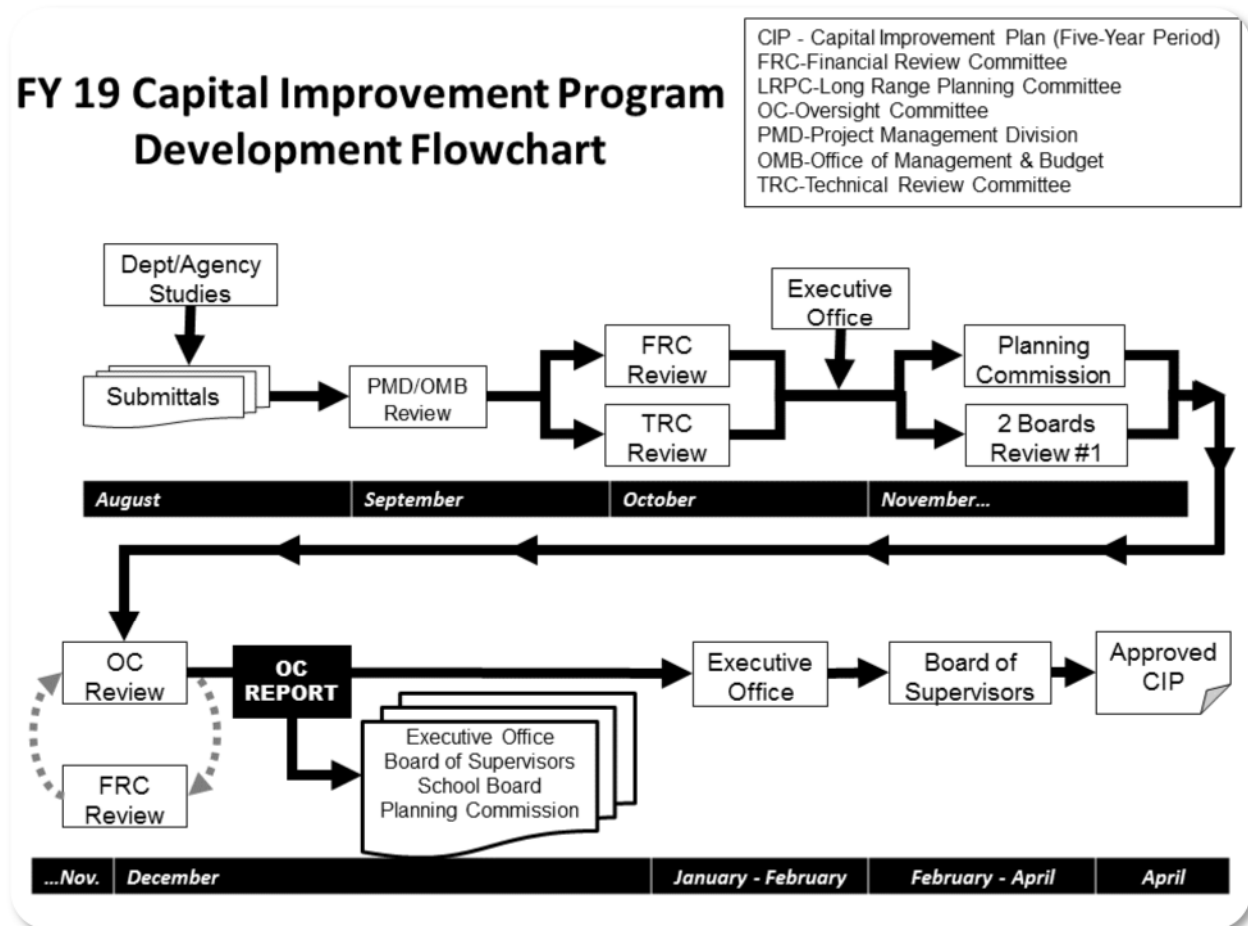


CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program Development Process is underway for the ten-year period: FY 19-23 Capital Improvement Plan (CIP) and FY 24-28 Capital Needs Assessment (CNA).

The Recommended FY 19-20 Two Year Fiscal Plan includes a projected increase of \$2.7M in funding for the CIP and Debt Service in FY 19 and a \$3.8M increase in FY 20. This proposed funding amount is supported, in part, by a projected increase in the Real Estate tax rate of 1.5 cents in FY 19 (CY 2018) and 2.0 cent increase in FY 20 (CY 2019). A portion of the tax rate increase (estimated at \$213K in FY 19 and an additional 7K in FY 20) is projected to be provided to the School Division to support increased operating costs (custodial and utilities) associated with completed projects supported by the FY 16 Bond Referendum.

The Capital Improvement Program development process begins in August and is detailed in the following chart.



On November 8, 2017, the Board of Supervisors and the School Board received information on the project submittals and initial rankings by the Technical Review Committee.

At this point in the Capital Improvement Program development process, there has been 90 Capital project request submittals received to date totaling \$287 million for the Capital Improvement Plan (CIP) period FY 19-23 and \$208 million for the Capital Needs Assessment (CNA) period of FY 24-28. The following chart provides a summary of requests received and reviewed by the Technical Review Committee (TRC).

CAPITAL PROJECT REQUESTS

CIP FY 19-23	New	Continuation	On-going	Resubmitted	Grand Total
Mandate	0	0	1	0	1
Obligation	1	6	2	0	9
Conditional	2	0	0	0	2
Maint/Repl	6	5	15	0	26
Non Maint/Repl	7	1	0	33	41
Total	16	12	18	33	79

CNA FY 19-23	New	Continuation	On-going	Resubmitted	Grand Total
Total	5	0	1	5	11

*Pending Projects

90

Total Submissions

New

Project request not previously submitted

Continuation

Project with defined start/finish which is currently funded and/or included in FY18 CIP

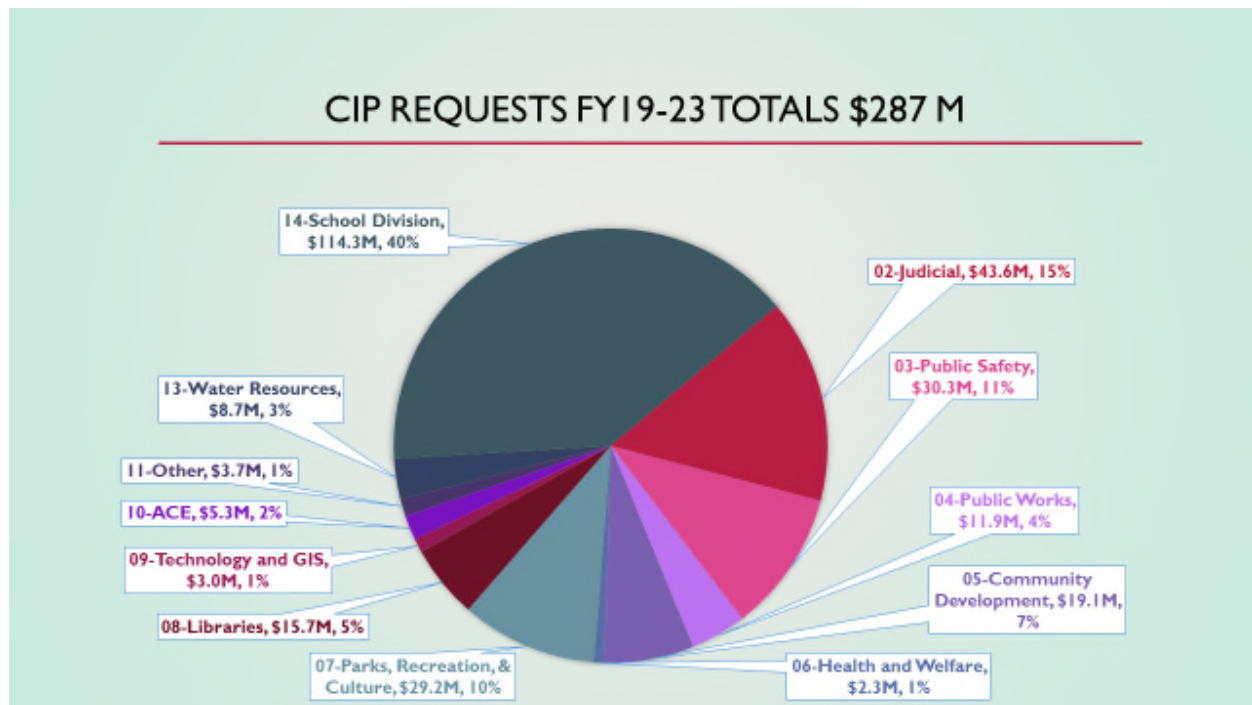
On-going

Project with no defined start/finish which is currently funded and/or included in FY18 CIP

Resubmitting

Project that was previously submitted but has not been approved for funding

The following chart displays these CIP project requests by functional areas:



Based on a review of project requests and projected funding availability, the Oversight Committee will make a written recommendation in December. The Board of Supervisors may consider placing a potential Bond Referendum on the ballot in Calendar Year 18

GENERAL FUND FUND BALANCE INFORMATION

General Fund Estimated FY 17 End-of-Year Fund Balance

AUDITED FUND BALANCE JUNE 30, 2016	\$	47,933,070
Total FY17 Revenues - Preliminary, Unaudited	\$	269,345,110
Total FY17 Expenditures - Preliminary, Unaudited	\$	(261,591,082)
Net Change in Fund Balance	\$	7,754,027
PROJECTED FUND BALANCE JUNE 30, 2016	\$	55,687,097

Policy Use of Fund Balance		
10% unassigned fund balance reserve	✓ \$	33,074,949
General Fund - School Reserve Fund	\$	1,975,506
Committed	\$	934,935
Unspendable Fund Balance (Inventory & Prepaids)	\$	105,800
1% Stabilization Reserve (policy pending)	✓ \$	2,742,453
Subtotal, Policy Use of Fund Balance	✓ \$	38,833,644

Appropriated Use of Fund Balance		
FY18 Adopted Budget	✓ \$	1,600,758
Other Appropriated Uses of Fund Balance (FY18)	✓ \$	1,065,745
Subtotal, Appropriated Use of Fund Balance	✓ \$	2,666,503

Projected June 30, 2017 Fund Balance	✓ \$	55,687,097
Policy Use of Fund Balance	\$	(38,833,644)
Appropriated Use of Fund Balance	\$	(2,666,503)
Un-appropriated General Fund Fund Balance	\$	14,186,950

Recommended One-Time Uses of Estimated Available General Fund Fund Balance Monies

Proposed Uses of Year End Positive Variance	
Sources:	
Un-appropriated General Fund Fund Balance	\$ 14,186,950
TOTAL SOURCES	\$ 14,186,950
Proposed Uses:	
FY18 Uses	
November Re-appropriations (approved 11/1)	\$ 185,605
NIFI (December appropriations)	\$ 1,400,000
Transfer to Capital Improvement Funds	
Capital: Transportation Revenue Sharing	\$ 2,000,000
Capital: ACE	\$ 500,000
Capital: Cash Equity	\$ 2,000,000
Capital: Strategic and Emerging Capital Reserve	\$ 2,000,000
Capital: Ivy MUC front-end loader	\$ 270,000
<i>Subtotal, Transfer to Capital Improvement Funds</i>	<i>\$ 6,770,000</i>
Economic Development Fund Contribution	\$ 2,000,000
Operating: Broadband Tower Incentives (Match)	\$ 200,000
Capital Outlay	\$ 370,000
Subtotal, FY18 Uses	\$ 10,925,605
FY19 Uses	
Contribution to Economic Development Fund - Economic Opportunities	\$ 300,000
Operating Reserve: Grants Matching Fund	\$ 100,000
Operating Reserve: Innovation Fund	\$ 300,000
Operating Reserve: Contingencies - One Time	\$ 300,000
Operating: Arts & Culture Initiative	\$ 250,000
Capital Outlay: Implementation of Technology Needs Assessment	\$ 500,000
Capital Outlay: 2 Year Plan One-Time Costs in FY 19 Budget	\$ 415,156
Contribution to County's Housing Fund	\$ 1,000,000
Subtotal, FY19 Uses	\$ 3,165,156
TOTAL PROPOSED USES	\$ 14,090,761
Available Fund Balance (Total Sources - Total Proposed Uses)	\$ 96,189