

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on March 3, 2016, at 10:00 a.m., Lane Auditorium, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from March 2, 2016.

PRESENT: Mr. Norman G. Dill, Ms. Ann Mallek (arrived at 4:22 p.m.), 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 10:01 a.m., by the Chair, Ms. Palmer.

Ms. Palmer also introduced staff present and the presiding security officer, Officer Thomas.

---

Agenda Item No. 2. **Work Session:** FY 2016-2017 Operating and Capital Budgets.

---

Item No. 2a. **Capital Improvements Program**

- Overview of the FY 17 – FY 21 Capital Improvement Plan (CIP) , to include information on the recommended expenditures, revenues, key projects, and policies
- **Debt Management:** Overview of the County's existing CIP debt and FY 17 – FY 21 debt service schedule
- **CIP Financing Options Overview**, including Referendum information
- Board discussion, feedback and recommendations on the FY 17 – FY 21 Recommended CIP

Ms. Lori Allshouse, Director of the Office of Management and Budget, stated that staff will be reviewing the capital program and talk about debt and financing options, and then complete the work started on general government. Ms. Allshouse said that on March 8 the Board will finalize their tax rate cap for advertising and approve the proposed budget, with March 30 set for the public hearing.

Mr. Trevor Henry, Director of Facilities and Environmental Services, addressed the Board, stating that part of his role is to help shepherd the CIP through the planning and budgeting cycle, and at this meeting staff will do a review of the County Executive's recommended plan, look at revenues and expenditures, touch on financial goals and policies, and discuss where things stand on County debt and debt service as well as the referendum process. Mr. Henry noted that he will walk them through the expenditure recommendations on the CIP side, including a list of projects, and this will be the third time they have discussed the CIP, beginning in November after the Technical Review Team's process.

Mr. Henry stated that staff has gone through the CIP review, ranking, and the Oversight Committee's input, with a recommendation forwarded to the County Executive, and they will now review the five-year plan and the FY17 budget component of the plan. He said the CIP is the intersection of the five to ten-year planning process, the Comp Plan, long-range planning for schools, and agency/department needs, with the budget management process. Mr. Henry stated the recommended CIP continues to meet funding obligations, mandates, and the maintenance/replacement program, with prioritized funding of those items as requested. He said the recommendation adopts the Oversight Committee's baseline scenario, which was generally the adopted plan maintenance and replacement request as modified, and the projects already in design for construction such as Pantops Station 16. Mr. Henry stated there were some changes that came out of the County Executive's recommendation, including the Red Hill Elementary School modernization construction project; parks restroom renovation and modernization, which is tied to proffer funding; a pilot fundraising park project, which is a to be determined project in which the County will provide some design money to get the location and vision for the park moving forward, then relying on the area to help construct it.

Ms. Mallek asked if there is an identified location for the park yet. Mr. Henry responded that it has not yet been identified, but it could be a development area pocket park, and there is still some work to be done to determine the criteria for it. He stated the idea stems from the Citizens Resource Advisory Committee and the Board's thoughts about doing more fundraising, so they wanted to get a pilot project out there and felt that a park would be a good choice.

Mr. Henry reported there will be approximately \$250,000 in income from additional motor vehicle fees, and staff has factored that in to be the debt service source for transportation revenue-sharing funding. He said there is some more work to be done on identifying the priorities for that project, but this is a recurring source of funding that will allow them to maximize dollars. Mr. Henry stated the Board had approved the early construction money for the Western Albemarle High School kitchen upgrade, and that work had been in an adopted plan, but the schools felt it would be less disruptive to school operations if the work could start at spring break, and bids opened on March 3 for that project.

Mr. Henry presented a slide representing the overall funding for the five-year plan from FY17-21, which totals just under \$144 million, and said the FY17 budget request is \$34.9 million. He said that staff has provided some additional handouts that are also in the CIP chapter of the operating budget. Mr. Henry referenced a document that reflects the prioritized list of projects and funding, stating that it

includes the 90 requests submitted this year, organized by mandates, obligations, maintenance and replacement projects, and non-maintenance and replacement projects that are adding expansion to facilities and services. He stated the columns represent the ranking that came in through the Technical Review Committee, all requests from departments and agencies, Oversight Committee recommendations including accelerated funding of three and four pennies, and the County Executive's recommendation. Mr. Henry said this is "the list" of items that have worked through the five-year request process, with the changes and amounts noted.

Ms. Palmer commented that there will be more guidance from the state forthcoming in the spring regarding the dam spillway project, and asked if this item will go forward regardless of that guidance. Mr. Henry responded his understanding is that the guidance received from the state is requiring them to go forward with the project.

Ms. Mallek stated there was supposed to be a legislative study done, and localities were directed to re-evaluate their formulas. Mr. Henry said the County is in negotiations now on the design fee.

Ms. Palmer said there is a Rivanna project waiting on that information also, and it was brought up at the last RWSA meeting. Mr. Henry stated the recommended budget is \$143.7 million, and he presented a pie chart showing percentages across different functions, noting that 60% of the CIP budget is assigned to maintenance and replacement projects, with 40% for enhancement and expansion projects, totaling approximately \$56 million, with the courts project comprising about \$32 million.

Mr. Henry reported the Red Hill modernization and school security projects are in the recommendation, and the school security request has been modified from two to three years, covering about two schools per year. He stated the Red Hill project design is underway, with the idea of moving into construction over the summer, and it will be a modernization enhancement of nearly 13 classrooms, with the biggest piece being a media center upgrade that will add both capacity and function, to try to bring it up to the level of other schools in the district. Mr. Henry noted there will also be a security addition added to the front end of the school.

Mr. Randolph asked if there are other schools that will need these security measures. Mr. Henry responded there are four, and two will be in FY18 and two in FY19.

Ms. Mallek stated she is shocked at the high cost of these, but understands they had done the easiest ones first at a lower cost, so she hopes these improvements have other benefits. Mr. Henry said the easier projects were tens and twenties of thousands, but the newer projects are more complicated and involve moving of staff, etc.

Mr. Henry reported the Pantops Station 16 has been in the works since 2010 or 2011 when the Worrell Land & Development Company donated 1.3 acres to the County. He stated the parcel is just off of the first entrance to Peter Jefferson Parkway and is centrally located to the Pantops area, with design for a 10,000 square foot building, two bays, and a third entrance on the side to add some additional capacity. Mr. Henry said the project is underway, and the funding request for construction is approximately \$3.2 million, with the schedule having the project out to bid in the summer, with about a year to build it. He noted the stakeholder committee appointed by the Board has formed and had held an initial meeting a month earlier in which they looked at the project piece, partnerships, volunteer/paid staffing, and other activity related to the station operation.

Ms. Mallek asked if the staff there now is just day staffing. Mr. Henry responded that it is just ambulance day staffing, and it is out of Martha Jefferson Hospital.

Ms. McKeel stated the School Division needs desperately to get started on the Woodbrook Elementary addition so the schools in the urban ring are not overflowing, and she said the schools will need about \$1 million for the design phase.

Mr. Henry asked if her suggestion is to delay the funding. Ms. McKeel responded that the Pantops item is \$3 million and she wonders if \$1 million can be pulled out for the school addition, because they are just delaying the item further and requiring more trailers and so forth.

Ms. Mallek said the question might be what the phasing abilities are and if part of the costs for fire can be postponed, adding that she is shocked by the \$3 million price-tag.

Mr. Foley stated that staff can adjust the CIP as the Board directs, but it would be good to know if there is majority support for them to do that analysis and figure out how funding can be moved into another project. He said that Ms. Mallek's question about separating the fire from the rescue is a technical question that Mr. Henry would have to answer based on the design, because it is a small two-bay station.

Ms. Mallek said that most of the cost must be for the inside of the station and not the shell, because it is a very small building. She suggested they develop a list of items that need research, and before that research is assigned the Board can prioritize them.

Ms. McKeel stated that she just wanted to see if they could move forward on the design for the school addition.

Mr. Foley said he would want to make sure there is Board support for changing the timing on the Pantops station, but if it is a matter of having staff look at some options to move up the school, that is something they could do some work on. He stated they would also want to connect with school staff about possibilities for that, but the timing of Pantops is a different question.

Mr. Henry clarified that Ms. McKeel's request is to see how they might move the Woodbrook addition project up, but it would be hard to phase out \$1 million of the Pantops station without significant changes to the design and construction.

Mr. Dill commented that it sounds like the \$3.2 million for Pantops is all or nothing, and he just wants to make sure that is what they are discussing. Mr. Henry confirmed that it is.

Mr. Henry stated the new Ivy Materials Utilization Center project came late in the process, and the CIP reflects current funding plus additional funding in FY17, totaling \$2.6 million to construct a site and a building at just under 12,000 square feet at the existing Ivy MUC location. He said it was hoped the project design would get underway in spring, managed by the RSWA and fully funded by the County under the agreement in place.

Mr. Foley noted that every year the County has an obligation to the RSWA for environmental remediation expenses, which total about \$523,000 in the CIP every year. He stated that at the end of every year the exact amount needed for remediation is calculated, and there has been a balance for a number of years, so \$800,000 of the \$1.2 million is actually cash to go towards the project realized from savings from the remediation.

Ms. Palmer commented that they have not done the final design for the Ivy MUC, so there is an expectation that it may end up being different from this. Mr. Foley responded that the engineers and architects had built some contingencies into the budget because it is conceptual at the early stage, so hopefully the project will remain within the amount shown.

Mr. Henry said he wants to discuss the maintenance program in general, as there have been questions about it in the past. He explained that local government and schools went through a facilities condition assessment, formal vetting of all facilities, looking at systems and structures to identify where repair or replacement is needed. Mr. Henry said this information feeds into the CIP, and is measured by the industry standard current replacement value (CRV) for these types of facilities which dictates that 2-4% of the CRV should be spent between capital and operating. He stated the past few years, schools and local government have provided a report for the Oversight Committee that indicated the County provides 2-3% across facilities, which keeps up with industry standards. Mr. Henry stated that he learned from attending a CIP process forum last fall with other jurisdictions, Albemarle is held in high regard because of its priority funding of maintenance. He noted there are a lot of counties that have deferred maintenance and have focused on addition and capacity-building, and now are in deep trouble because the maintenance has failed.

Mr. Sheffield asked how this relates to the proffer discussions currently underway. Mr. Henry explained this particular side does not relate to it at all, and the capital needs assessment covered years 6-10, with any enhancements or additions factoring into the proffer analysis or recommendation.

Mr. Davis stated that only projects that increase capacity are in the proffer analysis because under the state legislation adopted two years ago, proffer funds cannot be used to fund maintenance projects, only projects that increase capacity. He said in the County's funding scheme, they have been very careful to separate out the projects that meet criteria for proffer funds, and those that do are those that meet capacity but are not maintenance projects.

Ms. Mallek said that new classrooms at Woodbrook and Northside Library would be examples. Mr. Davis confirmed that they are.

Mr. Sheffield asked if design falls into that category. Mr. Davis responded if it is design for a project that will increase capacity, it would be an eligible cost.

Mr. Henry said that there is proffer funding identified as a source of funding for Pantops.

Ms. McKeel asked for clarification as to what is meant by the difference in square footage versus percentage. Mr. Henry responded that it refers to the volume of facilities maintained, with schools at 2.3 million gross square feet and a replacement value of around \$500 million. He stated the maintenance program for those facilities comes in at about 2.3% of industry standard.

Ms. McKeel said she thought County government and schools would be closer in their percentages. Mr. Henry stated it is because of the denominator, 2.3 versus 2.9.

Ms. McKeel said the difference between square footage is significant.

Mr. Dill noted the schools' square footage is five times that of local government.

Mr. Randolph said the schools' square footage would be much higher for schools because of the square footage of playing fields. Mr. Bill Letteri, Deputy County Executive, stated that at this point, the square footage numbers do not include playing fields.

Mr. Henry asked Ms. McKeel if she would like to see the reports that were done. Ms. McKeel responded that she would.

Mr. Henry pointed out the baseline scenario coming from the Oversight Committee to fund mandates, obligations and maintenance replacement program, as well as the additions reviewed at this Board meeting.

Ms. Mallek asked if the water resources money on the chart is the income that comes from the 0.7 cents adopted several years ago, and if it was a five-year investment waiting to be allocated or is it in process. Mr. Henry responded that it is in process, and said there is a use for that on projects as well as funding on the operational side.

Ms. Mallek asked if the fields mentioned in the parks and athletic field improvements are turf fields or grass and dirt fields. Mr. Henry responded that he thinks those are conversions from grass fields to turf.

Ms. Mallek said there is supposed to be money set aside every year to cover that, as part of the original decision on the conversion to turf. Mr. Henry clarified this request would be an expansion, and the parks request to which she is referring is taking grass fields and converting them to new turf fields, and that is different than the maintenance replacement side.

Mr. Henry asked Water Resources Manager, Greg Harper, to answer the earlier question on the Hollymead spillway. Mr. Greg Harper, Water Resources Manager, addressed the Board and asked for clarification as to whether their question is if the Hollymead spillway construction can be deferred.

Mr. Henry stated the question is whether the County has received feedback from DEQ on the analysis and standards, as there was some speculation that it might defer the project or reduce the scope of the project.

Ms. Palmer stated that at the last RWSA meeting, it was brought up that they had not received the final word on it, and she wanted to know the status. Mr. Harper explained there was a legislative request to the Department of Conservation and Recreation to assess the storms that dams are designed to, and that analysis has been completed, with the County's consultant, Schnabel Engineering, incorporating the new storm standards into their analysis. He stated the County has downgraded the design for the Hollymead spillway to reflect a smaller design storm, and they are caught up with the latest revision to the design standards, so instead of 5 feet of water spilling across, there is 4.5 feet of water spilling across. Mr. Harper stated the cost would not shift downward very much, and the budgeted amount is what was needed to cover the cost of the dam as reflected by the latest standards.

Ms. Allshouse reported the total CIP revenues equal expenditures at \$143.7 million over five years, with 70% of the CIP as borrowed proceeds, the use of fund balance at 4%, transfers coming in at 5%, and general fund transfer at 13% of total budget, with some state and local revenues. She stated the Board adopts very sound fiscal practices and policies, and some of the policies actually include some things that are goals, such as funding a significant portion of capital improvements on a cash basis, with the County's goal for the budgeted net transfer to capital after debt service as 3% of general fund revenues. Ms. Allshouse stated there are also some fiscal practices that staff implements when putting together the CIP, one of which involves modeling the CIP with inclusion of all revenues and expenditures and a goal to leave a remainder of a \$2 million fund balance at the end of the five-year time period.

Ms. Allshouse stated the CIP equity or pay/go funding goal is included in the County's policy, which stipulates the net transfer to capital should be 3% of the general fund revenues. She said the general fund transfer uses a formula that directs a certain amount of money over to the capital program, with the first step being to pay debt service, with the remaining balance transferred to capital so it can be used for pay/go projects. Ms. Allshouse presented history on the general fund transfers to CIP from FY10-17, noting the net transfer for FY10 was \$1.8 million and for FY17 is \$1.7 million. She stated that the County does not meet its goal of transferring 3% from general fund to capital, and in FY10 forward it does not quite make it to 1%, although in FY13 it hit 1.4%, and in FY17 the projection is for 0.7%.

Ms. McKeel asked Ms. Allshouse to explain how a tax increase impacts the transfer. Ms. Allshouse explained the tax rate increase is shared by formula between schools and local government, with a percentage going over to capital, although sometimes a portion of a tax increase can be dedicated directly to capital, and the tax increases have helped to create even the small percentages through the tough years.

Ms. McKeel asked what the transfer was projected to be last year, as she recalled it would have been only about \$5,000 without the tax increase. Ms. Allshouse said that staff could check that for her.

Ms. Mallek stated that almost the entire \$1.6 million for FY16 was dedicated to capital.

Ms. McKeel said the public often wonders why there needs to be a tax increase, and the reality is that the tax increase is what funds the CIP.

Mr. Letteri said that is right in part, and the way the formula works is that it takes the prior year transfer and adjusts it by the percentage increase in revenues, and some of it is natural growth, some of it is increases in tax rate, and some of it is dedicated. He stated that all of those factors together are what contributes to the change.

Ms. McKeel said it would be interesting to somehow show that this is where a big portion of their tax increase is assigned, to support infrastructure.

Mr. Foley pointed out that this pertains to cash, but there is still about \$21 million going every year to pay debt on previous projects, such as libraries, maintenance on schools, etc.

Mr. Randolph stated the \$1.7 million is equivalent to about one cent on the tax rate. Mr. Foley noted that for the last two years, the County has designated the equivalent of a penny to capital, and otherwise they would not have had anything above meeting debt obligations.

Ms. Palmer said that last year the debate was whether or not to put more money into the CIP, and that is why they had an additional increase in the tax rate. Mr. Letteri stated it is also important to clarify that the 0.7 and percentages being talked about do not necessarily represent the County's cash equity position in the overall plan, it is new funds coming to bear on new projects.

Ms. Allshouse presented information on the general fund transfer to capital, noting the equity funding goal and general fund transfer over the years. She stated this also shows what was planned for the CIP from FY17-21, which reflects a stronger general fund transfer for the future than it had in the past. Ms. Allshouse stated there are policies that the County meets, others that it works hard to meet, and fiscal practices to ensure the capital program is sound. She stated that one fiscal practice is that the CIP fund five-year program model includes a remainder of \$2 million in the CIP fund balance at the end of the five-year period, which for this cycle would be FY21. Ms. Allshouse said the CIP fund balance is \$2.1 million in FY17, \$2.5 million in FY18, below \$1 million in FY19 even with a tax rate increase, at \$2.4 million in FY20, and \$1.4 million in FY21. She stated this illustrates that they are making the CIP work as hard as possible, while keeping an eye on the fund balance even though the bottom line is not quite as strong as they would like it to be in the out years.

Mr. Randolph commented that the biggest dip is in FY19, which is attributable to the \$44 million cost of the courts project moving through.

Ms. McKeel asked Ms. Allshouse to review the tax increases built into the model to support it. Ms. Allshouse responded that in FY17 there is 1 cent dedicated to capital, with 2.1 cents dedicated in FY19.

Mr. Sheffield asked if it affects the County's bond rating to have the capital fund that low. Mr. Letteri responded that it is a factor, but what rating companies look at more carefully is an organization's equity position in its overall capital plan, and they want to be sure that at the end of a five-year planning cycle there is an appropriate level, which for the County is \$2 million.

Mr. Foley noted that this is not a policy for the County, it is just a goal.

Mr. Letteri stated that the County works very closely with financial consultants to ensure that the plans are in keeping with what would be expected of a AAA.

---

Ms. Allshouse presented a summary of debt service and debt service management, along with key policies and goals. She stated that long-term debt is one of the funding sources for the CIP, and financing projects with debt supports the principle that projects are paid for over the useful life of the asset, over a time that taxpayers will enjoy the use of the asset. She said that historically Albemarle has been a strong pay/go county, but also recognizes that paying cash for a project that may be used over a long period of time may not be as advantageous as financing with debt service that is spread out. Ms. Allshouse stated the County can employ various types of debt vehicles, and it strictly adheres to its debt service financial policies. She said the County plans to fund the majority of its FY17-21 CIP with borrowed proceeds and will add \$88.1 million in debt during this time period, but at the same time will retire \$76.1 million in existing debt. Ms. Allshouse reported that for FY17-21, the beginning principal balance on debt will be \$169 million, with new and retired debt changing the bottom line through to FY21.

Mr. Sheffield asked how they determine which projects they will take on debt for, and said \$30 million of the \$88.1 million will be debt taken on for the courts. Ms. Allshouse explained that you only borrow for the useful life of the project, and they need to be very careful that what they are borrowing for fits the length of the debt.

Mr. Letteri stated that as a general rule it is prudent to avoid maintenance type projects even though they are classified as capital, but the County does a fair amount of borrowing for capital maintenance, particularly for schools. He emphasized the County tries to make sure those are restricted to projects that have longer useful lives, such as 15-20 years.

Mr. Randolph commented that when the Board gets into strategic planning discussions, they will need to contemplate the growing cost of maintenance for older schools versus investing in new schools that will have reduced operational costs due to efficiency.

Ms. McKeel agreed.

Mr. Sheffield asked if it is accurate to say that \$30 million of the \$88 million is for courts. Mr. Letteri confirmed the total is approximately \$47 million, and there is an equity component of that in terms of a contribution from the City.

Mr. Foley stated the entire court project is \$47.3 million, with \$13 million of that total outside of the five-year period, and \$31 million of the \$88 million during the five-year period is for courts.

Ms. Mallek asked if some of that is offset by City money. Mr. Henry explained the \$31 million reflects the total project cost, including the City portion, and the City contribution is also reflected on the revenue side.

Mr. Foley stated the County's net would be somewhere in the neighborhood of \$25 million.

Mr. Henry said that in year seven, there is another \$13 million for completion of the project.

Mr. Sheffield asked if the County is taking on debt that will be paid for by revenues from the City. Mr. Letteri clarified the County would be borrowing the net amount necessary for the project, and the City will be borrowing its share.

Mr. Sheffield asked if the County will only be taking on debt for its share. Mr. Henry confirmed that is the case.

Mr. Randolph asked if Mr. Henry could provide a one-page summary on the courts project, as it is not in the CIP. Mr. Henry responded that it is in the CIP but not in detail, and it had been summarized for the Oversight Committee in a format he can share with the Board.

Mr. Foley said that on April 6, the Board will be doing a full review of the project including alternatives outside of the City, and that will show total costs, but in the meantime, staff can send out a summary.

Ms. McKeel stated that it is important to note that the five-year CIP has no new school projects except for the Red Hill modernization, and the Board has heard about the school capacity issues, so this is a serious concern for the County's educational infrastructure. Mr. Foley said the budget proposes holding the line while they spend time working on strategic initiatives to get them there.

Ms. McKeel agreed they have to discuss the strategic process going forward in the plan.

Mr. Dill agreed.

Ms. Allshouse presented information on the County's debt service funds, stating the CIP has different funds within it, School Division, General Government and water resources, and noting that the total projected expenditures for all three categories in FY17 is \$22 million. She stated the revenues have different sources for debt payment, with general fund transfer being the primary source.

Mr. Randolph asked what the federal revenue contribution at \$78,880 is based on, since it is obviously not based on population. Ms. Lindsay Harris, Senior Budget Analyst, OMB, stated the amount is federal revenue in the form of the school construction bond program for the Greer Elementary renovation/addition project, with some of the interest reimbursed, and it is a constant until the loan is paid off.

Mr. Foley explained that during the recession, there was a special program that allowed localities to get some federal funds to pay for some shovel-ready capital projects, which the County took advantage of based on the recommendation of its financial advisors.

Ms. Allshouse stated that another goal for capital is for the County to maintain a 10-year payout ratio, always above 60% at the end of each adopted five-year CIP for tax-supported debt and lease payments. She said the goal related to useful life means that when the County finances capital improvements or other projects through bonds or capital leases, it will repay its debt within a period not to exceed the expected useful life of projects. Ms. Allshouse noted there are some debt ratios calculated annually to ensure that debt is the right percentage in comparison with other AAA-bond organizations, with one of them being outstanding debt as a percentage of market value of taxable property. She stated the County does not want to have that number exceed 2%, and Albemarle County stays below that and stays below that of other AAs and AAAs, just touching the AAA line in FY20. Ms. Allshouse stated the County also monitors the ratio of debt service expenditures to general fund and school fund revenues so that it does not exceed 10%, and Albemarle does not exceed that level. She said this shows that the County has the capacity for more borrowing, but on the revenue side it does not have the capability to pay any more back.

Mr. Foley commented that these are the things that bond rating agencies are monitoring closely, and what they need to stay within in terms of other AAAs.

Ms. Mallek stated that hopefully the value of some of the County's properties would increase as they add new buildings, which will provide some additional capacity.

Ms. Palmer asked what percentage is built into the CIP in terms of real estate value and total real estate revenue from property taxes. Ms. Allshouse responded the information used in the capital plan is the same information used in five-year financial planning, and those numbers are updated along the way.

Mr. Foley stated that all of the graphs shown reflect staff's projections for growth in real estate values as 1.4% beyond the first CIP year, those projections have been lowered based on the most recent reassessment.

---

Mr. Letteri stated the Board has expressed a good deal of interest in bond referendums, and he has spent some time talking about the advantages. He said that given the Board's desire to be very engaged with the community, a bond referendum is an important tool to consider because it takes projects to the community and gauges the level of support, as well as providing a financial advantage because full faith and credit from the community allows bond issuance at the best possible rate. Mr. Letteri stated that Mr. Henry has prepared a list of unfunded projects identified in the CIP and the capital needs assessment period, many of which would be good candidates for the subject of bond referendum. He said the five-year CIP, with the exception of the courts project, is all about maintenance or replacement type projects, which are not typically good candidates for a bond referendum. Mr. Letteri stated there are several options the Board can consider for financing, including general obligation bonds; lease revenue bonds, which are the more typical form of financing; and pure revenue bonds, which are not likely to be considered unless a utility or another revenue-generating entity is formed.

Mr. Letteri presented a slide highlighting the particular issues associated with general obligation bonds, noting that they are issued by the County and come with the full faith and credit of the citizens, which is an important consideration in the rate able to be secured, and they are not subject to annual appropriation as a lease revenue bond would be. He stated that like lease revenue bonds, ratings from agencies would need to be secured prior to issuance, and the County's AAA rating puts them in a favorable position for issuing general obligation bonds relative to peers. Mr. Letteri said that once the Board conducts a bond referendum and gets the support to proceed, they have eight years to do the actual bond issuance. He stated that staff has looked around the state to evaluate the kinds of bond referendums that have been issued, and there are a number of ways to do this, by a specific project, such as a school, and issuing bonds for that project; by category, such as all schools or all park projects; or by general support for all debt issued for capital projects in the CIP, which is not typical because it would put them in an awkward position if a referendum for all capital funding were voted down.

Mr. Davis agreed, but said that localities often like to let the public know what the project is they would be voting to fund, and the more general it is the less it can be communicated to voters.

Mr. Letteri stated there are some localities that go out routinely, every year or two, with a bond referendum.

Mr. Letteri reported that the financial advantages of a bond referendum relate primarily to the better interest rate secured, and that savings is dependent on the interest rate environment, and if those rates creep into the 5-7% range, the typical ¼% savings could be exceeded. He stated the typical timeline to issue a bond referendum would be to have a CIP plan adopted in the spring that included the projects to be the subject of the referendum in the fall. Mr. Letteri said the Board would need to approve the projects in April; and if there are school projects included, the School Board would need to pass a resolution in May in support of those projects; in June the Board would approve the questions posed to the public; and in July/August, the County would ask the Circuit Court to enter the order; and the County would engage in a public information campaign up until the November election.

Mr. Letteri stated it is assumed that the County will not be entertaining a bond referendum for fall 2016, based on the nature of the projects in the upcoming annual plan, but as they figure what they are doing in the future, they can put something together for 2018, which would be in time for the courts project.

Ms. McKeel said it seems to her that they will want to do it in a Presidential election year when there is a good voter turnout, and asked Mr. Letteri if he is saying it is off the table. Mr. Letteri responded that based on the mix of projects currently in the CIP for immediate financing, which are primarily maintenance, staff feels that is the case. He stated if they are going to add a new project, the Board would have to move quickly and adopt a CIP that included it for FY17.

Mr. Foley said staff's thought is that every other year would be an opportunity rather than waiting four years, which would mean 2016 or 2018, with the latter coinciding with the courts project. He explained that rather than asking for a yes or no on the project itself, the ballot question would be whether the County should use its AAA bond rating to get the most attractive rate possible. Mr. Foley added that staff also feels it should be on a two-year cycle even if the bond is for a new project, rather than waiting four years.

Ms. McKeel stated the way it will be presented to voters makes a big difference also. Mr. Foley said there are two primary ways they would go about it: to state that it needs to be done and ask for authorization to get the best rate; or to support the project itself and asking that on the ballot question. He noted the information about a tax increase cannot be included as part of the ballot question, but all the education surrounding the ballot question about the referendum could explain that there would be a tax impact, which is typical around the state.

Ms. Mallek asked for clarification of the ballot wording, because a tax increase cannot be put on a ballot. Mr. Davis explained there is no authority to have a referendum on a tax increase, only on a financing approach for a project or projects.

Mr. Foley noted how that is discussed with the public depends on what approach the Board takes, but both are done by localities, and a \$47 million court project with a lower interest rate might be worth putting on a referendum as long as the public knows the project has to be done anyway. He stated that staff does not feel this is primed for 2016 unless the Board wants to add some projects from the unfunded list into the CIP with the assumption they are going to go to the voters to see if they will approve doing those projects, with the discussion with the public about the rate needing to go up. Mr. Foley said he would emphasize that the proposal for the CIP is hold the line, but not forever, just while they contemplate what the most important projects are for the future, which would be done through the strategic planning discussion. He stated if the Board feels differently and thinks that some projects should move forward now as part of this process, staff understands that, and what they have presented is just how they choose to put it forward.

Mr. Randolph stated that Ms. McKeel's point about voter turnout is a good one, so 2018 would not be ideal in terms of turnout given that it is only a Congressional election. That would have to be weighed with other factors and it is better than just local/state election year. He said the question is whether they can wait to address needs until the next Presidential election, which will be in 2020, because the education projects may well take at least three years to prepare for a bond.

Ms. Palmer said if they make some changes this year to get some design work in, they will be in a better position when the time comes.

Mr. Dill said that he assumes the bonds offer a tax benefit.

Mr. Letteri confirmed that they are completely tax exempt.

Mr. Dill asked if the County makes an attempt to market them to local bond buyers investors. Mr. Letteri responded that in the past with revenue bonds, buyers like banks will buy whole segments of bonds and in turn do the marketing to individuals, and that would be the case with bond referendum as well, with bids taken from banks.

Mr. Dill commented that there may be more community buy-in for the referendum if the bonds are available to local buyers. Mr. Letteri stated that as part of their marketing campaign locally, they could advertise Albemarle County municipal bonds for sale that local citizens could invest in.

Mr. Dill stated there could be more votes if there were bonds local citizens could invest in.

Ms. Mallek asked if everything has to be designed and ready before a project goes to bond, or if the referendum can say that the money would be invested in a project to follow in a year or so. Mr. Letteri clarified that what is required is to have an adopted CIP plan that includes the project, but you would not want to borrow money and wait a year before the majority is used for construction, and once approval is given through referendum, a locality has eight years before they have to act.

Ms. Mallek asked if it is possible to get more information on the Albemarle High School and Woodbrook improvements, as she does know the costs or consequences, but it would be nice to know if there is something that could be done in the interval because it is obviously needed.

Ms. McKeel commented that the modernization would include labs and such.

Ms. Mallek said selling that might be difficult, but bricks and mortar projects like classrooms for existing students would likely be more appealing to voters.

Ms. Palmer clarified that Ms. Mallek is interested in finding out what the cost of the bricks and mortar school projects are, and if the timing of those would work out with a bond referendum, sooner rather than later.

Ms. Mallek said that is a good summary of her intentions.

Ms. McKeel commented this would at least get them started.

Ms. Mallek asked if it is advantageous to work in \$100 million lots so it would be more efficient. Mr. Davis explained that they do not have to issue all the bonds at once, as they have eight years to meet the bond obligation, so if there are \$100 million in projects, they could borrow \$20 million every other year to meet the spending plan in the CIP. He stated that before going out to referendum, it is important to have some certainty about the projects that are being proposed to the public for vote, and the process for that is the capital improvement program, because by the time projects are in the CIP, they would have already had due diligence done regarding the estimated cost and how they would be funded going forward in terms of a financial plan. Mr. Davis said this information would be critical for the Board to provide to the public.

Mr. Sheffield commented that even if they identify projects to put into a bond referendum, they still have to be funded, and based on assessment projections, they would not have the revenues and would have to seek them, and currently the only source is property taxes.

Mr. Foley said the timeline suggests that through this strategic session, if the Board identified projects it wants to go out to the public with in November, they could make the timeline work, but might have to amend the CIP adopted in April, then have the strategic discussion to identify projects. He



pointed out that the key is having to enter an order with the Circuit Court in July, but if the Board wants to pursue a referendum in November, it could probably be worked out.

Mr. Sheffield emphasized that with an unfunded CIP and CNA totaling \$205 million over the next five years, it is not a matter of finding projects that are worthy of funding, it is a matter of the will of the Board to fund the projects after the bonds have been assumed.

Mr. Foley stated the operating needs in FY18 will require significant decisions, and if the Board put projects to referendum and they are approved, that would add on top of those existing fiscal challenges. He said if this is the desire of the Board to do something with a referendum in 2016, staff could leave with that direction and work a schedule out and amend the CIP in an adequate timeframe to meet that.

Mr. Sheffield said he would support having a strategic discussion about this, and said that perhaps they would need to move up their strategic plan discussion to May instead of June. He asked if it is appropriate in the bond referendum education materials to identify that the source of revenues would be a possible tax increase.

Mr. Foley stated they would want to be as straight with the public as possible.

Mr. Davis said the CIP could indicate, just as it currently does, that there are "planned tax increases" to fund the CIP.

Mr. Randolph said he hopes they would avoid coming to the strategic meeting in June wanting to do things, especially those related to capacity building, and realize they would have to wait another year, which means another year of delay and incrementalism and no capacity building. He stated as they move toward a more strategic approach to identify revenues in the budget for the coming year, this would hopefully allow them to do an assessment of the overcrowded northern schools and under crowded southern schools, which he would like to do in the next nine or so months. Mr. Randolph emphasized he would like to send the message that they are not going to continue to pour money into aging infrastructure and not get the kind of return the community needs.

Mr. Sheffield stated there are only three capacity-building projects in the CIP for the next five years: Red Hill Elementary School, the Pantops Fire Station, and the courts project. He said that for the next five years based on this plan, which also includes a tax increase in FY19, they are not expanding capacity of any facility in the County.

Ms. McKeel said her concern is that they have been talking about this for at least the last year or two, and it is time to stop admiring the problem and start addressing it.

Mr. Foley said that is the heart of this budget proposal, and the thought from staff is that it needs to be more than something they did over three weeks, and the Board needs to get on the same page about their direction. He stated that a great example of a strategic issue is that they have needs in their high schools now, and the school system decided to get trailers to help fill the gap, with the cost of a new high school at \$60-80 million. Mr. Foley said this will consume their capacity, but at the end of the day continuing to add to a school with a bunch of decisions prompts questions of strategy, but that item is not even in the CNA and thus will not be ready for November.

Mr. Sheffield stated that expanding a school has a diminishing return, and students are experiencing that by virtue of the fact that lockers are too far apart from classrooms to even be used to hold books in between classes.

Mr. Foley asked if the Board wants to have staff evaluate putting some items on a November ballot referendum.

Mr. Sheffield responded that he would.

Ms. McKeel commented that the schools need to weigh in on this.

Mr. Foley stated the schools are always involved in this process, and nobody else in the state does it this way.

Ms. McKeel said she understands that, but said they are going to need to be more deeply involved, and there is the sense at the School Board level that there is just no money.

Mr. Dill stated they need to have their strategic discussion, but every Board member wants to address the school issue and it is unacceptable to have five years with no capacity added. He said they should not look at it as one high school in the northern part of the County because politically it would be more easily passed with a broader approach and several programs that affect different parts of the County. Mr. Dill stated that when Virginia Attorney General, Mark Herring, was on the Loudoun County Board of Supervisors, they built 16 new schools over 4 years, and put out referendums for multiple schools in different parts of that county so everyone had a stake in it.

Ms. Palmer said Dean Tisdadt had told her that in his experience it is best to have something in each area of the locality so that everybody has buy in.

Mr. Sheffield added that it should not be limited just to geographic area, as there is also demographic diversity to consider.

Ms. Mallek said you can also view parks and courts as different areas in addition to education, and while she understands the desire to distribute everything, if the students are in the northern part of the County, they should not add to other schools that are already crowded and site constrained with parking and traffic issues, and the Board needs to be sensible and brave about this, and make the right decision.

Mr. Dill commented that the school system has a better idea of those needs.

Ms. Mallek stated the schools have been talking about this for 10 years now, and it just needs to get on the front burner again.

Mr. Henry said that one of the outcomes of the Oversight Committee process was to look at "scenario four," looking at the top 13 unfunded projects, which blended public safety, schools and some transportation projects. He suggested the Board go back and look at the memo that came out of Oversight, which added about \$100 million in projects above what is being considered today. He stated this ties in with the work Davenport & Associates had done, and the financial model would have required 4 pennies on the tax rate dedicated to those projects, and that information might be good to look at going into the strategic planning session. Mr. Henry agreed to send that to the Board, noting the numbers are a bit different now than they were in December, but the projects were a good blend of key areas of the County and the top-ranked projects.

Mr. Foley stated the difference between the Oversight Committee process and the Board's exercise is that the Board will have the ultimate responsibility for those priorities, so they will need to make the determination on what they feel is most important in terms of a combination of projects. He said the committee's outcomes did not include a high school or an assessment of operating impacts, so the Board needs to go to the next level of review because their priorities should drive that list.

Ms. Palmer stated the Board has a request to try to find \$1 million for design of Woodbrook. She also asked if they can have a quick overview of service districts and how they are used.

Mr. Davis explained that service districts are allowed to provide services within a defined area of the County where they are proposing to provide enhanced services or facilities that are not provided countywide. He stated that service districts are created by ordinance after the Board holds a public hearing, and are required to define specific boundaries of the service district, and the Board could set a tax rate that would pay for those additional services that would be collected as real property taxes are collected. Mr. Davis said things that are typically covered by service districts include road improvements, sidewalk improvements and other capital improvements, as well as higher level of services such, as parks or enhanced facilities that promote economic development within a business district.

Mr. Sheffield stated that beautification projects, such as landscaping for entrance corridors, would be one example. Mr. Davis said that projects that increase quality of life standards could be supported by service districts, but they must be enhanced levels of service for a certain area.

Ms. Palmer commented that there has been a lot of interest in sidewalk improvements and similar projects.

Mr. Foley said the Board had talked before about the higher levels of service in urban areas because of some challenges faced, and staff looked at the tax base in urban versus rural areas, determining that about half of the tax base is in the urban areas, so a penny on the tax rate would generate about half of what is normally collected, or about \$850,000.

Mr. Henry clarified that the Board's action items from this conversation are the direction to staff to look at funding the Woodbrook design and how that might be accomplished; to send out the current replacement value reports from schools and local government for maintenance percentages; to clarify the general fund transfer to CIP without the tax rate increase and the impact of adding the tax; to send out the courts project modeling with both expenditures and revenues from the City; and to send out the Oversight Committee recommendations to the Board and School Board.

Mr. Foley added they will also begin preparing for their strategic planning session, with a referendum in 2016 and what projects might be a part of that.

---

**Note:** The Board recessed their meeting at 11:53 a.m., and reconvened at 12:04 p.m.

---

Item No. 2b. **Recommended FY 17 General Government Operations Budget** – Continue discussion from Feb 25<sup>th</sup>

Ms. Allshouse reported they had started the discussion of the general government operating budget on February 25, and will pick up where they left off to talk about different chapters of the Board's budget document. She stated that in the compensation section, the budget includes a 2% salary increase effective July 1, 2016. Ms. Allshouse noted that Mr. Randolph had asked for some additional information about salaries, and staff is working closely with the schools on compiling that information. She

referenced a slide provided by the Human Resources Department, and said that some of the Supervisors were not yet on the Board in October when Lorna Gerome came before the Board and School Board to talk about compensation and provide HR's recommendation. Ms. Allshouse stated that World at Work is a highly respected global organization that looks at salaries across many categories and tries to project where the competitive market will move, and at the time this was presented to the Board, World at Work feels the market would move about 2.7%. She said that HR also has an adopted competitive market, which is approved by the Board and School Board, and in October HR felt the adopted market would move by about 2%. Ms. Allshouse noted that HR contacted those in the adopted market in February to see if anything had changed since October, and 15 entities responded, including James City County, Hanover, Charlottesville, Spotsylvania and others, and they still plan to put a 2% increase in their budgets. She added that with the state budget, the Senate version includes a 2% increase in FY17 for state-supported local positions; the House version is a bit different, with the Governor's version varying as well. Ms. Allshouse said that Albemarle's budget also includes 2% for FY17.

Ms. McKeel noted that the 2% is recommended for state of Virginia employees, but the 2% for teachers would factor through the composite index, so the state would not be reimbursing localities for teachers.

Ms. Mallek stated it would not supplant the County's funding for teacher salaries. Ms. Allshouse said the state also has a lot of caveats with its raises, and staff is watching it very closely.

Ms. Allshouse stated the next category in their budget review is Public Works, and Mr. Letteri will cover that information.

---

- **Public Works**

Mr. Letteri stated the category of Public Works involves two areas, Facilities and Environmental Services, which combined the General Services and Office of Facilities Development departments into one category; and contributions to the Rivanna Solid Waste Authority, primarily in connection with supporting services that are not funded by revenues, particularly the McIntire Recycling Center and other recycling activity at the Ivy landfill. He said the total category is just under \$5 million, increasing by about \$23,000 or about ½ of 1%. Mr. Letteri said that page 132 of their budget explains some of the principle changes in the operations of Facilities and Environmental Services, with a number of substantial decreases, particularly around energy and utility costs. Mr. Letteri reported there is a minor increase for custodial and cleaning services for nine different facilities, as well as increasing the frequency of mowing some of the medians, but overall the category stays fairly steady from last year.

Ms. Mallek commented the first year she was on the Board, Supervisor Dennis Rooker had gotten an extra \$40,000 put in the budget so the County could hire a contractor, because VDOT was only mowing the medians in entrance corridors about twice per year, so it looked pretty ratty most of the time. She stated that in talking about all of the maintenance being done in streetscapes and common areas, the County did not have a department of public works, but there were still places where staff took care of sidewalks around libraries, and the burden on them has really increased over the last few years.

Ms. McKeel stated that some of these medians are in the middle of the urban ring, and in the middle of summer they can look pretty awful.

Ms. Mallek said that at one point the "Welcome to Albemarle" sign on Route 29 was barely visible because the grass was so tall.

Mr. Letteri clarified that up to now the medians had been mowed once per month, and the County is increasing that to twice per month.

Mr. Letteri noted the sustainable materials management coordinator has not been added into this budget, nor has an additional custodian. He said the County is adding facilities and is challenged by that, but he feels they can hold the line this year until some strategies can be re-evaluated.

Ms. McKeel said she hopes one of those strategies is combining custodial services for schools and local government, since they currently have a staff to take care of 26 schools. Mr. Letteri responded that this is already on staff's radar.

Mr. Foley stated this is the type of thing that will have an accelerated review.

Mr. Randolph asked for clarification of the statement that there will be a 10% anticipated increase due to the energy costs going down, as it seems to be erroneous. Mr. Letteri responded there is an inverse relationship between energy costs and the cost of recycling, having to do with the market for the material.

Ms. Mallek asked if the market for collected recyclables has not been as strong as they thought, and that is why this is down, i.e. it is not gas-related. Mr. Mark Graham, Director of Community Development, addressed the Board and explained the value of the product trying to be recycled is inversely related to the price of energy, and the cheaper the energy the easier it is to use raw product rather than recycled product. He noted the price of the recycled products has plummeted recently.

Ms. Palmer stated this is especially true of scrap metal, which has a global market, and when you increase metal production elsewhere it has an effect here. Mr. Graham said that it is very challenging right now, and China has three times as much excess capacity as the U.S. has total capacity for steel production.

Ms. Mallek commented that she has doubts about the safety of Chinese steel.

- **Health and Welfare**
  - **Health and Welfare agencies, including Jaunt**

Mr. Letteri stated that regarding the Health and Welfare category of the budget, this section is one of the larger categories of expense, totaling \$31 million for all funds, with the major operations being social services, Bright Stars, and the Children's Services Act. He said the category also funds a number of other important community organizations, notably departments such as the Health Department, Region Ten, JAUNT, and other agencies.

At this time, Mr. Sheffield read the following Transactional Disclosure Statement: "I am employed as the Director of JAUNT, a regional public transportation provider owned by the City of Charlottesville and the counties of Albemarle, Fluvanna, Louisa, Nelson and Buckingham located at 104 Keystone Place, Charlottesville, Virginia 22902, and have a personal interest in JAUNT because I receive an annual salary from JAUNT that exceeds \$5,000 annually."

Mr. Davis said his understanding is that staff will separate discussion of JAUNT from the other health and welfare items.

Ms. Allshouse clarified the first portion covers social services, Bright Stars and CSA, and then they will move into the agency category, which includes JAUNT, at which time Mr. Sheffield can remove himself from the discussion at any point.

Mr. Sheffield said he will disqualify himself and step out at that point in the discussion.

Mr. Letteri reported that the Health and Welfare category is proposed to increase 9.8% or \$1.9 million, and the CSA category is one of the major drivers behind that increase, with few other increases other than things like cross-departmental salary increases. He said that CSA is among the major drivers behind the increase in this budget's operation, increasing almost 59-60% over prior year expenditures.

Ms. McKeel asked if there had been any discussion of other localities partnering with CSA, similar to the parent resource program (PREP). Mr. Letteri responded that staff is looking at a number of different strategies, as they are seeing a number of foster children immediately transferred to the custodianship of social services, so it would be advantageous to work with judges and other agencies that can be more on the preventative end to prevent those immediate transfers.

Mr. Foley said the County is working with the City on some of these things, but more effort is needed. He stated that budget staff has been working with Phyllis Savides of DSS to discuss different strategies, so there is a recognition that they must come up with some ideas. Mr. Foley noted there is also some one-time money set aside that can be invested in a solution, such as the West Street Center, which was not included in the County budget but can have one-time funding allocated if it will bring the County's costs down.

Ms. McKeel stated that she is not sure if the PREP model will work, but the County should look for opportunities to establish regional models like that whereby costs can be shared and reduced, as everyone has the same challenges.

Mr. Letteri said there is information in the Board's materials that demonstrate the rapid growth in expenditures as well as the volatility over the years, and just a few cases can dramatically change the expense.

Ms. McKeel stated that one child could throw a budget by \$300,000 or \$400,000, and this is part of the school system's challenge with the volatility and gaps in funding.

Ms. Mallek said there is no longer a local residential treatment center, so some of those students are sent to Massachusetts and other places out of state. She said the legislature changed the rules to try to provide incentives or less disincentives locally, but without the bricks and mortar it is hard to be able to do it.

Mr. Letteri stated that staff had proposed a hold-the-line scenario for social services, but their operations are extremely stressed and there are quite a number of additional requests that came to the County this year including several positions, language assistance coordinator, adult benefit specialist, adult eligibility worker, part-time adult/family services specialist, foster care adoption specialist and others. He said that as they look to the coming year, it will be important to strategize about the CSA issues as well as the operations of the department to address a very challenging caseload.

Ms. Mallek said the department is now 18 positions below versus the 23 positions it was down previously in terms of state standards, but it is still so far off the target staffing level.

Mr. Randolph stated that in looking at five counties with similar population, with Hanover having 1,000 fewer people at 102,704 and the persons living in poverty between 2009 and 2013 were 5.10% of the population there, versus 10.20% in Albemarle. He said the fact that Albemarle County has a greater population living in poverty, the requirement to provide services, and the net amount of the budget that has to be dedicated, is a reality. Mr. Randolph stated that despite the economic recovery, those poverty numbers continue to increase.

Ms. Mallek commented that a lot of rural poor retired on \$50 a month many years ago and were trying to hold onto their homes.

Mr. Dill said he would like to suggest that the Legal Aid Justice Center not be in the Health and Welfare section, because it seems far closer to the public defender funding than it does to the Boys & Girls Club, Bridge Ministry, etc. He noted that he has worked with the center and is familiar with the people who founded it, many of whom are still there, and he feels they do incredible work and provide a tremendous service, with attorneys working for a quarter of what they can earn in the private market. Mr. Dill said he feels they should restore the funding to \$38K, which is what it was two years ago.

Ms. Mallek commented that it is on her sheet to add to the list, so they can give it further discussion.

Mr. Dill stated the West Street Center item is another one he wants to discuss.

Ms. McKeel said she has a meeting with Kathy Galvin the following day to discuss funding to Legal Aid and whether it fits into the regular process.

Mr. Dill said it would be good if the City felt the same way about it, and he has talked with a few people about it too.

Mr. Doug Walker, Deputy County Executive, asked if Ms. McKeel is referring to the ABRT process.

Ms. McKeel said she is, and noted the public defender's office is not in that process. She added that she will get back to the Board with follow-up from her meeting with Ms. Galvin.

Mr. Foley stated the Board had moved items about the ABRT process to a different review process in the past, so staff can comment on that.

Mr. Walker stated that staff has been in contact with the City regarding the West Street Center, and it does require construction of a new facility, but a site plan has not yet been submitted, so the timing for this fiscal year is a concern. He said that staff also wants to look at its value to the CSA investment, but the timing of it in the context of the fiscal year is a consideration. Mr. Walker confirmed that the facility will be in the City on West Street, and the concern from City staff is that it will not be ready this fiscal year.

Ms. Mallek noted this is in the Venable neighborhood, and maybe they can come up with an alternative location until the bricks and mortar project is ready.

Mr. Foley said that staff will bring back that information as part of their later discussion.

Ms. Allshouse stated that she will discuss the Health and Welfare contributions.

Mr. Sheffield asked if they can hold off on any JAUNT questions so he can weigh in on the other items. Ms. Allshouse said there is only one slide with JAUNT involved.

Mr. Foley noted that staff has only used JAUNT as an example of an organization that has lost state funding.

Ms. Mallek expressed concern the property tax waiver for the elderly and disabled has been reduced, and she feels that lack of awareness contributed to the previous money not being fully utilized in the past. She said the needs in the community are increasing, especially as the County tries to find ways to increase the size of the pie in order to accomplish capacity investments. Ms. Mallek stated that she very much supports this program because it allows people who worked their entire lives to stay in their homes and in their neighborhoods, and she hopes the Board can find a way to restore it.

Mr. Davis stated the eligibility for the tax relief program has not been reduced, the funding amount was reduced because the number of applications in the past have not used up all of the budget, but no one is being removed from the program because of this budget action.

Ms. Mallek stated she understands that, but she feels that the demand is going to change.

Mr. Sheffield asked what the County's approach would be if the amount of applications exceeds the amount currently budgeted, which is \$910,000. Mr. Davis responded the Board would have to find the money to fund it.

Ms. Mallek said they can take it out of reserves.

Ms. Palmer asked what the outreach efforts are for the program.

Ms. Mallek explained that all she has seen is an ad in the newspaper a few times per year, and she carries the applications in her car with her, but the best success she has had in reaching people is at town hall meetings, and she asks people to come take a few and share them with people they know in their neighborhood. She stated there have been concerns in the past from users about confidentiality, but those assurances to users have been provided.

Ms. Palmer asked if JABA informs people about the program.

Mr. Dill said that he wondered the same thing.

Ms. Mallek said it is hard to get people over the threshold to use this, and it is very much a street effort to get people to use it.

Ms. McKeel agreed, stating that she would hear from constituents that they do not want people to know they are using the tax relief program.

Mr. Randolph commented that there are still critical needs in the County that are not being met as successfully as they could be, and this is a very hardworking department in the County where caseloads are going up but they are not able to add additional staff to address them, yet the needs are becoming more acute. He stated this is an area they need to talk more about because the federal and state levels are not stepping up, with more and more responsibility put on local government. Mr. Randolph said that people also need to be reminded of their own role in helping their neighbors.

Ms. Mallek stated if the Board is contemplating reallocating potential new positions in one place versus another, this is one of the departments she would want to have at the top of the list. She said that over the last few years, they have been able to come up with some new positions to try to reduce the shortfall, but they need to do more.

Ms. Allshouse noted there are no new positions in this budget.

Ms. Mallek said she understands that, but they may be able to create some.

Mr. Foley stated the reallocation concept is part of the discussion going forward.

---

- **Parks and Recreation**

Mr. Walker reported that there is not a lot of activity in the parks and recreation section of the general government budget, but there is investment in the Jefferson-Madison Regional Library as a percentage of overall investment in the category of Parks, Recreation and Culture. He stated the increase in support for JMRL in addition to just increased costs for maintaining the current levels of service is tied to the third year of a three-year commitment to implement a pay plan as adopted. Mr. Walker said the library's request to expand or increase services at County and regional branches is not recommended for funding in the budget this year.

Mr. Walker stated the Parks and Recreation Department hold the line well as an agency that enjoys an enormous amount of volunteer support, and they leverage their resources to get as much out of community investment as possible. He said the department has an Assistant Director position that was eliminated several years ago during the period of austerity, and they have identified that as a key need going forward to make sure they have continuity, particularly for succession planning, as the current director is not expected to be there forever.

Ms. Mallek stated there are several people in the department who have been there for 40 years or more. Mr. Walker agreed that the seniority in that department is notable.

Mr. Sheffield mentioned he has been contacted repeatedly about pickleball facilities. Mr. Walker responded that the Supervisors have been contacted about it as it is an active issue being worked on by the department along with stakeholders for tennis and pickleball, and the item is being referred to the Darden Towe Park committee. He said the project has already been supported for funding, and he does not know when it will come back to the Board.

Ms. Mallek pointed out that the repurposing of the tennis courts has been supported and it is in the CIP.

Mr. Dill commented that the tennis courts have been approved, and they are contemplating whether the courts can be repurposed for both tennis and pickleball at the same time, since it will involve the same facility and equipment. He said that it sounds like the department and committee have it under control, but perhaps it should go on the Board's list for discussion.

Ms. Mallek said the Board needs to know how to direct the Darden Towe liaison.

Mr. Bob Crickenberger, Director of Parks and Recreation, stated that the department was contacted by the Pickleball Association requesting that one of the tennis courts at Darden Towe be utilized and converted into four pickleball courts. He said that department staff discussed it, looked into the design, and met with the tennis community, and it was felt overwhelmingly that pickleball should have its own independent court, not on the same footprint as the tennis courts. Mr. Crickenberger said that

staff just recently received updated costs for refurbishing the full courts, with a contractor on a schedule to refurbish the courts the end of May/beginning of June, and parks and recreation did not want to hold that project hostage while they determined funding strategies to accommodate the pickleball community.

Mr. Crickenberger apologized for all the emails and said that his inbox has also been loaded with messages, adding that parks and recreation staff have reached out to both communities and are close to moving forward.

Ms. McKeel asked if there is space for a pickleball court should they decide to build it. Mr. Crickenberger responded there is space, and parks and recreation have already identified an area in the park that could accommodate it, and they have just received an updated cost estimate for refurbishing the court, so things are looking brighter. He stated that staff will be sitting down with both groups to go over the options, with recommendation to be made to the Darden Towe committee.

Mr. Sheffield said he would like to discuss as part of their strategic planning the possibility of expanding hours and services at Northside Library on the weekends, stating that it is a side effect of the new library and people wanting more use of a nicer facility.

Mr. Dill stated the only time the library is always open is between 12:00-4:00 p.m., and the hours are erratic, so that is not a good public policy.

Ms. Mallek said the library had to reduce its opening times to focus on when customers were coming, and that is why they ended up with limited hours.

Mr. Sheffield stated that residents, such as moms, who are taking night classes are not able to use the library for studying, as it is not open on evenings and weekends under the current structure, so if the County is serious about improving its workforce and education, the library is a component of that.

Ms. Mallek asked if the County should ask the library to provide extra categories of hours. Mr. Sheffield responded that if they give JMRL and its officials a heads-up that this is going to be discussed, they will provide that information for the Board's consideration.

Mr. Foley said that staff will work with the library to get that together.

Ms. McKeel stated that she received an email from John Halladay that indicates Northside Library is only open 51 hours per week and full funding of their request will allow it to be open 56 hours per week, but she does not have any information as to what the times are. Mr. Davis explained that local funding for Northside, Gordon Avenue, and the Central Library is from the County and the City, whereas Scottsville and Crozet are funded just by the County.

Mr. Randolph said they could look at the possibility of using volunteers, as there are plenty of retired librarians in the community that could form an auxiliary library corps so there would be one volunteer working with one employee instead of two employees.

Ms. Mallek stated that Mr. Halladay can provide more information on that.

Mr. Sheffield noted that his mother was a librarian and supervised quite a few volunteers on the weekends.

Ms. Mallek said there are already about 20 volunteers working at the Crozet Library, and she anticipated there may be that many at Northside. She also stated that community investment in the fundraising for things like library operations, like the \$1.6 million raised in Crozet, is what got these things done. Ms. Mallek said that getting Northside users and neighborhood associations in the area to help is one way to jumpstart the conversation.

---

- **Community Development**

Mr. Walker reported that in the Community Development category, the Office of Housing is reflected, although its work is more associated with the work of social services, sharing a space at COB-5<sup>th</sup> Street, which is attributable to their work on the housing voucher program. He stated they also have significant connection to the work of Community Development, including ongoing conversations about affordable housing. Mr. Walker said that much of what the Community Development department does is development-driven, and their capacity is heavily influenced by the level of development activity, which impacts their ability to do other projects. He stated the department requested additional planner positions, which were not recommended, in accordance with priorities identified in the recommended budget, but those items are available for discussion and consideration as the Board desires. Mr. Walker stated the investments made in the electronic records management system, beginning with the pilot in Community Development, provides a challenge in terms of having an imaging technician position requested, but not funded. He said that staff continues to work to provide those needed services to implement the system with the resources available.

Mr. Dill asked if that is a catch-up position, or if it is ongoing. Mr. Walker explained the County had funded a part-time temporary position through the investment in the creation of the records management system, creating it, but also inputting the historical data. He stated they are now at the point of current information going forward, so the challenge is how to keep up with the system when there are

resource limitations. Mr. Walker said there are a number of options, but a new position is not currently recommended in the budget.

Ms. Mallek asked if the submissions are all required to be submitted electronically now, as this will help facilitate the filing. Mr. Graham responded they are not required to be submitted that way, but staff is looking at a number of pilot programs now to look at digital plan submissions, although there are some issues because not everyone is using the same software system. He stated there are still a lot of people out there doing things the old way, so staff wants to make sure they are not turning anyone away because they do not have the technology. Mr. Graham added that some of the challenge is the department works with paper that is not just 8½ x 11”.

Mr. Letteri stated that records management and digitizing goes beyond Community Development, and he and Mr. Walker have been working with a team of people to look at how to utilize what they have learned in the pilot program and use it elsewhere in the County. He said a lot of the opportunities are not just about achieving efficiencies, but are about saving money because of eliminating storage of paper records. He noted there are some requests in this area that have not been funded this year.

Mr. Walker reported that funding of Charlottesville Area Transit (CAT) is recommended and provides the County's share for the routes previously funded, and also sets aside an amount of funding to address the issue of access to 5<sup>th</sup> Street Station. He noted what was previously identified was a new route, but at this point staff feels it is worthwhile to have a conversation about how to provide service through more cost effective ways without creating a new route.

Mr. Sheffield asked if they are going to have those discussions now. Mr. Foley stated that \$50,000 is in the non-departmental section, but this is a good time to talk about it.

Mr. Sheffield said that Mr. Randolph likely has some input about this.

Mr. Randolph said he is looking forward to seeing what is presented, but he feels that a bus route is absolutely critical to the long-term success of the 5<sup>th</sup> Street Station project so that employees can get there. He stated that if the project is to be an economic development driver, it will only sputter if the requisite number of employees is not available.

Ms. Mallek pointed out that it is not a question of whether to have the route, it is just how it will be done and what the service area will be.

Mr. Randolph agreed that those are the issues to be determined.

Mr. Sheffield asked how he would prefer to move forward, in the context of the Board's budget discussions.

Mr. Randolph stated that he is looking for success this year, as Wegman's is slated to open in November and the bus route will be needed by then.

Mr. Foley explained that Mr. Randolph had asked a question by email and staff is putting some things together, but it is a much larger issue that has to do with whether the City will fund that portion. It is still not clear what the County's obligation will be, so he just set aside \$50,000 and is not sure if they can do anything absolute at this point in terms of increasing the contingency. He suggested carrying this to their session on Monday.

Mr. Sheffield said the language in the City's budget indicates they will not fund it unless the County does, so the route will not move forward.

Mr. Foley stated the challenge becomes whether it is just what CAT proposes or whether that is a higher level of service than what is needed to achieve a route to 5<sup>th</sup> Street, but they have not funded a higher level of service in some time because of the complexities of the joint decision-making process.

Mr. Sheffield said he supports the fact that staff did not put this in the budget, because it cannot be assumed that the County will absorb any recommendation made by CAT. He stated it is important for the Board to provide that direction to staff, but in his understanding the Board has not given clear direction to them as to whether they want to fund a specific route to 5<sup>th</sup> Street Station. Mr. Foley responded that staff does a lot of work to assess those needs, but they have not been involved in the decision-making process so it is hard to react to changes, and if this is the beginning of a possible new approach, that is a good idea.

Mr. Sheffield stated if the Board does not talk about an item almost a year before it comes into a budget, it is difficult at the last minute to make a change. He said this is a bit cumbersome currently because it highlights the dysfunction of the process.

Mr. Randolph said that when Ms. McClintic brought information in regarding the 44 potential light industrial sites, one of the things they would need to consider is the proximity of those to bus routes, and if not, the cost of accomplishing a network that makes sense. He stated those are strategic discussions that need to take place so they are not doing things incrementally and responding after the fact.

Mr. Foley stated the answers to these questions are not ones that staff can easily answer, and must be answered by the Board and City Council. He stated that transit is an issue they clearly want to



discuss, and those will take time, but he asked if there is something the Board wants staff to do now in terms of a final decision on this particular budget.

Mr. Sheffield asked if the Board is considering the cost of the different scenarios to fund the 5<sup>th</sup> Street Station route, and if they can see what those costs might be, because it seems the three options are a significant Mill Creek option for a new route to serve it; a route that loops around Avon Street and 5<sup>th</sup> Street; and just a basic Route 3. He stated the best approach will be to examine the options, financial obligations and other impacts, and weigh them in the budget. Mr. Foley said that staff has done some back and forth with CAT on alternatives, but they may not have come back with those exact options, so staff can come back to the Board with more information on that.

Mr. Sheffield said that what he mentioned is a brief version of possibilities, because neither the Board nor Mr. Randolph have had the opportunity to discuss this with the community or CAT thoroughly enough to determine the finite details of stop locations, etc., and there is not time to have those discussions for this budget.

Mr. Randolph stated those discussions are not possible until they have actually agreed on economically viable options, as they do not want to turn around and tell the public they are not going to fund them. He said it is really important to follow a public engagement process to foster agreement about the highest-value project to get employees to 5<sup>th</sup> Street Station, then they can discuss usage and stops.

Ms. McKeel said they currently have affordable housing in one place and jobs in another, with no transit to link them, and that is why they need to have discussions about this with Charlottesville.

Ms. Mallek noted that this transit to 5<sup>th</sup> Street Station was part of the proffer discussion when this was rezoned in 2008, so this is an obligation that is already there, not a question of maybe, and they need to make it work the best they can and consider the consequences to other buses.

Mr. Sheffield stated the focus is a partial year beginning in October, and then the following full year.

Mr. Foley asked if they want to wait until there is more discussion with the City or hold at \$50,000 and revisit it at the strategic planning session. Mr. Sheffield responded they will have to try to make a decision and not just let the money sit there as contingency, and that will help the City make a decision as well.

Mr. Walker reported that there is funding in the budget for FY17 that will further the economic development efforts.

Mr. Sheffield asked if staff can review the amount requested by Ms. McClintic and the recommended amount by staff, as she is supportive of the change and he wants to make sure the public knows this does not reflect a lack of commitment on the County's part. Mr. Foley explained that Ms. McClintic had requested that her part-time position go to full time, but this is early in the process and rather than jump into that right away, staff recommends adding \$10,000 now and revisiting it for next year. He stated this is an alternative way to support her efforts, and she needs more money to finish her economic development plan.

Mr. Sheffield stated he is not typically in favor of considering these items outside of the budget cycle, but if that office needs more help he is willing to try to find the money to make it happen.

Mr. Foley mentioned that some departments have money set aside for economic development initiatives, recognizing that if the tax base does not grow, it will be harder for the County to get out of its current financial position.

Mr. Randolph stated that he recommended to Mr. Foley that the CVPED and EDA costs be included in the Economic Development office budget rather than the Board's budget, as it makes more sense for them to be there.

Mr. Foley asked if there is Board consensus on that.

Board members agreed that there is.

Ms. Mallek and Ms. Allshouse noted that CVPED dues are already in the Economic Development budget.

Mr. Foley noted that those items not currently there should be moved there.

---

- **Non-Departmental (including fund balances and reserves)**

Ms. Allshouse reported that the non-departmental category in the budget includes \$159.6 million, with a lot of the transfers from other areas, like schools, and additional funding from the proposed tax increase, as well as the transfer to capital and debt, water resources and some other uses of funds. She noted this is also where the revenue-sharing payment to the City is made. Ms. Allshouse reported that the category includes the urbanization/economic development investment pool at \$250,000, with targeted funding for small scale improvements as part of creating urban places with a potential initial focus on Rio

and 29. She stated there is also \$125,000 for an efficiency study and a small amount that could be used to implement some of the recommendations made by staff and school staff when they worked together under Mr. Letteri's guidance on some efficiencies to get them started with a little bit of funding. Ms. Allshouse stated there is also \$50,000 for a technology productivity initiative, which would increase efficiency, upgrade the website, provide more opportunities for self-service on mobile devices, etc. She said there is also \$50,000 set aside for the priority-based budgeting process that would be very community focused in the year ahead, and staff sent out information to the Board called a "program and service inventory" to start looking at the budget in different ways, not necessarily by categories.

Ms. Mallek said the urbanization and economic development pool might be a place where a matching grant from a business or the community might kick start a project.

Mr. Randolph stated that hopefully some of that might come out of GoVirginia.

Ms. Allshouse reported that one of the sound fiscal practices for AAA bond rated jurisdictions is to keep fund balances, contingencies and reserves sured up, especially if there are changes anticipated in the economy. She stated the County has a fund balance known as "unassigned," which is 10% or \$30.2 million, to help with cashflow or a catastrophic event requiring additional funds, and this is only to be used for very severe situations. She stated the County also has a school reserve fund balance not to exceed 2%, which is currently \$2.3 million. Ms. Allshouse said the rainy day or stabilization fund has been called a "revenue contingency fund," and staff's recommendation is that it be used for revenue downturns or other important issues that come up that need to be stabilized. She stated the current year is \$1.5 million, with \$2.1 million for FY17. Ms. Allshouse stated there are other fund balances that may have volatile changes from year to year, such as the CSA, CIP and the healthcare fund. She noted they also have a fund balance for Bright Stars to absorb any changes that might occur. Ms. Allshouse stated there is also a reserve for contingencies of \$313,000, which in the past has been called the "Board reserve," and with a budget as large as the County's it is important to have this on hand. She said they also have a fuel and utilities contingency this year, which has been expanded this year from just fuel and this is a very volatile category subject to external pressures. Ms. Allshouse stated the budget also has a salary reserve, which is for reclassifications of positions that may occur throughout the year based on analysis from the Human Resources department. She said the budget includes a small disability insurance reserve, required by VRS for new employees. Ms. Allshouse stated there has been a grants leveraging reserve in the budget for many years to help with grant opportunities, which is used for required grant matches.

Ms. McKeel asked if these funds come off the top prior to the split with schools. Ms. Laura Vinzant, Senior Budget Analyst, OMB, stated that all of the reserves are budgeted within the 40% local government share of funding.

Ms. Allshouse reported the general fund is the County's main fund, where revenues are used and transferred into many other funds, and staff wanted to start with the last audited fund balance from June 2015. She stated the audited fund balance at that time was \$39.86 million, and the policy use of fund balance, unassigned 10% balance, the schools and Board policy, and a small category for inventory and prepaids, a \$32.63 million would be reduced. Ms. Allshouse said the Board has approved use of fund balance of \$2.42 million in the current year, leaving a general fund unassigned fund balance of \$4.81 million. She stated the 2.5 cent tax increase, if approved, will provide \$2 million additional in the current fiscal year because it will come into this calendar year. Ms. Allshouse said that Bright Stars will also bring in an additional balance of \$220,000, making the total sources of funds \$7.1 million.

Ms. Allshouse said the first step is to shore up the fund balance for FY17, with \$1.17 million to be used for that. She said the rainy day stabilization fund, a small Bright Stars contingency, and FY16 plan uses, healthcare, CSA and CIP, as well as \$1.3 million for one-time costs are included in this budget.

Mr. Foley noted the CSA costs are having a significant impact beyond ongoing expenses to shore up fund balances because of the volatility in that program.

Mr. Foley also mentioned the anticipation of the Jesse Matthew trial, which requires County resources to host those events, but as of yesterday the \$50,000 cost is no longer needed.

Ms. McKeel asked about shoring up the healthcare fund at \$2 million at one point and the 14.5% that added 6-7% to what is needed to get it up to 25%, but now she is seeing \$456,000 and she wonders how that amount was deduced.

Ms. Allshouse explained that the healthcare fund is joint and also includes schools, jails and other entities, and several months ago staff felt that it may need an infusion for general government's portion based on participants in that fund.

Mr. Walker noted that other participants have an identified amount for their own participation as necessary.

---

- **Brief Summary - Other Funds**

Ms. Allshouse reported the Board has an "other funds" chapter in their budget, and it totals \$40.2 million spread over 17 funds, with five other funds described in other chapters, such as CSA. She stated that many of the funds have other fund balances, and it includes tourism, proffers, housing assistance

program, water resources, computer maintenance, and other grants funds, and said these are kept separately for accounting purposes.

Ms. Mallek noted that tourism receipts would come into this fund as revenues, and then would pay out to CACVB. Ms. Allshouse confirmed that is the case.

Item No. 2c. **Summary/Wrap Up/Next Steps**

Ms. Allshouse reported that on March 8, the Board will hold their work session in which they will finalize the tax rate cap for advertisement, approve their proposed budget so it will be available for their March 30 public hearing. She noted that Laura Vinzant had developed a live spreadsheet that will allow the Board to add and remove items to see how they will impact their budget.

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

Mr. Dill stated that he would like to discuss tourism and its funding mechanism, as he has heard complaints about its effectiveness from business people and it seems like a critically important piece to understand.

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

Mr. Foley stated the Board had received an email about the budget outreach meetings at the three high schools, with North Garden Fire Station added as a way to get to the southern Albemarle area; there will be a combined CAC meeting with Mr. Sheffield and Mr. Dill. He said that staff wants to get confirmation of the dates and that three Board members will attend, and the school representatives have said they will attend.

Mr. Sheffield asked if they are going to use the Smart Cville website. Mr. Foley responded that staff is looking into doing it right now, and is pursuing it full force.

Ms. Palmer said she had asked the Coveseville Ruritans if they would host the budget meeting on April 7 since it is on the same night as their regular meeting, which is usually well attended, and she has received good response from them.

Ms. Mallek said she had just received an email asking about the proffer bill addressed in the Board's February 3 resolution, and said that the Board's comments need to get to the Governor by the end of March 4. Mr. Davis responded that he is writing a letter that will go out in time, and the meeting of locality officials scheduled is no longer happening, and there is a concerted effort by a number of county attorneys to put some pressure on the issue.

Agenda Item No. 5. Adjourn to March 8, 2016, 3:00 p.m.

At 1:39 p.m., Ms. Mallek **moved** to adjourn the Board meeting to March 8, 2016 at 3:00 p.m. Ms. McKeel **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

Chairman

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