

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on April 13, 2016, at 3:00 p.m., Lane Auditorium, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from April 12, 2016.

PRESENT: Mr. Norman G. Dill, Ms. Ann Mallek, Ms. Diantha H. McKeel, Ms. Liz A. Palmer, Mr. Rick Randolph, and Mr. Brad L. Sheffield.

ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley, County Attorney, Larry W. Davis, Clerk, Ella W. Jordan, and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. The meeting was called to order at 3:01 p.m., by the Chair, Ms. Palmer.

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

Agenda Item No. 2. Discussion and Adoption of Calendar Year 2016 Tax Rate Resolution.

Ms. Lori Allshouse, Director of the Office of Management and Budget, addressed the Board, stating the budget is County Executive, Tom Foley's, recommended budget that the Board had made amendments to along the way through all of their work sessions. She stated the Board added a CAT bus route to 5th Street Station, restored funding to the Legal Aid Justice Center, added CIP funding for Woodbrook School addition design, redirected local government's cost reduction in health insurance expenses to the CIP for ACE, added one school resource officer, and moved the technology productivity initiative funding to the category of Innovation Fund. Ms. Allshouse presented a slide showing the dollar amounts associated with those changes and said the school resource officer includes school funding of \$78,247 based on shared funding of the position with the school division. She presented a pie chart illustrating the total County budget and noted the resolutions before them to set the tax rate and adopt the budget.

Mr. Davis stated the resolution before the Board is for the advertised tax rate.

Ms. Mallek commented that the budget process has been very well done and she appreciates all the work staff has done, but she cannot vote for the budget because it includes a 2% raise.

Ms. McKeel stated that Ms. Mallek had suggested during the budget work sessions that they include a 1% tax rate. Ms. Mallek responded that her motion to that effect had not been seconded.

Ms. McKeel pointed out that the equivalent of that 1% was \$400,000, and the ACE program now included is \$288,000, with 5th Street Station at \$123,000, which totals \$411,000 and would make up the difference.

Ms. Mallek stated she is not demanding any changes, and the vote had been held on the percentage raises. She said the cost of the entire raise for the whole County is \$3,300,000, which represents a lot of money to her, and her experience over nine years has been that once they set the raise at 2%, they can never seem to get back to 1%.

Ms. McKeel said she is just trying to come up with a compromise that will help them get there.

Ms. Mallek said it should just be left alone.

Mr. Randolph stated that he will not be able to vote for the budget as presented, but he commends staff and the County Executive for presenting a bare bones, realistic budget. He said it troubles him greatly that at the previous night's meeting, the Board approved a new position without knowing the full figure, after having gone out to the public and said they were not adding any new hires, and that amount now provided seems quite high to him at \$156,495, being added the night before adoption of the budget. Mr. Randolph stated he cannot support that on principle, with the public having very little opportunity to weigh in on it. He emphasized that his intent is not to penalize or victimize County employees by reducing the proposed salary increase, but he feels the County needs to embrace the principle of "shared sacrifice" among all parties to move it forward and position it fiscally to deal with the kinds of stressors they are dealing with, especially the increase dependency on property taxes and General Assembly's refusal to enable the County to broaden its alternative revenue sources. Mr. Randolph stated that he feels if they could get down to a 1% in the second half of the year salary increase, that could have resulted in a savings that was approximately 1.5 cents of the budget being proposed today and could have potentially been talking about a tax increase of approximately 1 to 1.25 cents. He noted this cannot be viewed as a proposed budget that would in any way jeopardize the school system, and the schools will continue to get 0.4 cents as well as receiving an additional \$887,000 in one-time dollars, totaling almost 1 penny of the tax rate dedicated to the school division. Mr. Randolph said he is troubled by the fact that the County Executive has presented a fiscally realistic budget, but the Board has blown by that and is proposing a 2.5-cent tax increase.

Ms. Palmer commented that she is going to support the tax increase, which she feels they need for all of the reasons she has previously stated. She said she wants to propose a different outreach approach to the state and at some point wants to talk about backing up their meeting with legislators, working over the summer to consider a bill that would offset the proffer bill that went through so quickly

this year, as well as finding a better way to approach legislators about increased tax authority. Ms. Palmer stated the County is doing this too late in the year, and they really need to get their act together and address this earlier in the year.

Mr. Randolph agreed, stating that he would like to find a group of like-minded counties to make appeals, not just to local legislators, but to the legislature as a whole, because there is power in numbers and in coalition. He said that otherwise, they will just keep going through the same motions and ending up with the same outcome.

Ms. Palmer responded this is why she said they need to change their way of doing things, and said that she would like to be more active over the summer, adding that Ms. Mallek has been very involved with VACO and efforts in Richmond.

Ms. McKeel suggested they might want to start the discussion over the summer with someone different, such as Senator Emmett Hanger.

Ms. Palmer agreed that it would be helpful to engage with legislators who sit on the Local Government Committee and understand that committee better.

Ms. Mallek said that even though Senator Hanger does not represent Albemarle anymore, it would be helpful to talk to him, and she suggested that they also stay involved with the high-growth coalition, noting that Board members should sign up for David Bailey's emails. She stated that with the recent proffer bill, the homebuilders were working all summer and fall, so they cannot fight something they do not have the wording for, which is part of the reason they are always behind, no matter how well prepared the legal department is.

Ms. Palmer asked if there is a motion from the Board.

Mr. Dill **moved** to adopt the proposed resolution to set the 2016 calendar year tax rate as presented. Ms. McKeel **seconded** the motion. Roll was called and the motion failed by the following recorded vote:

AYES: Ms. Palmer, Mr. Dill and Ms. McKeel.

NAYS: Mr. Randolph, Mr. Sheffield and Ms. Mallek.

Mr. Davis stated his assumption is that the tax rate at issue is the real estate tax rate, which is one component of the tax rates before them, and he suggested that they reach consensus on a real estate tax rate first.

Ms. McKeel said she would go back to her earlier suggestion of cutting a few things so that they can maintain where they are.

Ms. Palmer stated they have already voted on some of the things to include in the budget, but they do not have to adopt the budget now, just the tax rate, and asked if there is any problem with taking items out with another vote.

Mr. Davis clarified that the tax rate is assumed in the budget discussions they had held the previous day, and the resolution before them for the proposed adoption of the budget includes that proposed tax rate revenue plus the decisions made at that meeting and in prior work sessions. He stated that if they approve a lower tax rate now, there will need to be changes made to the budget in order to reflect a reduced amount of revenue and still meet the requirement to have a balanced budget. Mr. Davis noted that the Board needs to adopt the tax rate today in order to meet the April 15 deadline for adopting the real estate tax rate, but the Board does not have to adopt the budget today if they want to take more time to reflect on cuts they want to make. He stated they are legally required to adopt the school portion of the budget by May 15 and the County portion of the budget no later than July 1, but the consequence of not adopting a budget sooner than that is they cannot appropriate money for FY17 until they have an adopted budget. Mr. Davis noted that the schedule for appropriating money as proposed by staff is to have it before the Board on May 4 in order to accommodate certain construction projects over the summer that will require an adopted budget and appropriation in order to enter into contracts, so the schedule is rather important in order to move forward as quickly as possible. He added that he would recommend they adopt a tax rate today and then address the budget restructuring required to balance it, and it will delay the appropriation resolution until they have an adopted budget.

Ms. Mallek said she is surprised because when the Board had the vote on the percentage of the raise, it had pretty much sealed where the rate would be because the raise represented the biggest portion of this. She added that she would like to hear alternate proposals from Board members if they are not in favor of what is being proposed.

Mr. Sheffield stated they can remove the 0.7 cents for stormwater since they are not under such a strict mandate; he does not support the \$288,000 for ACE; he does not support the Pantops sidewalks and some other sidewalk projects; the \$1.7 million for transportation revenue-sharing would be great to assign to transportation projects, but there is no funding to sustain this going forward. He added that there are many items that are temporary changes that will not address the long-term issue of a funding shortage into the future.

Ms. Mallek responded that the \$1.7 million is left over from the Meadow Creek Parkway and is apportioned to smaller projects from the last three years, and the 0.7 cents for stormwater is covering meeting state obligations with current staff, and they have not even gotten to the point of proposing the new operation, which has been set out separately in the budget.

Ms. McKeel said that for Board members who are not comfortable with the proposed tax rate, there are things they can cut to bring the tax rate down.

Ms. Palmer commented that it can be sidewalks.

Mr. Trevor Henry, Director of Facilities and Environmental Services, addressed the Board and explained that the \$1.7 million for transportation revenue-sharing includes the County's share that would be matched 100% by VDOT, and the County's source for that revenue would be the modest increase in the car decal fee, and it would cover the debt service for its share of the funding.

Ms. Mallek said the \$250,000 from the decals would be leveraged by five. Mr. Henry confirmed this, stating there are specific uses of that fund allowable including transportation revenue-sharing.

Ms. Palmer stated they have a choice to reduce the tax rate and then discuss what they are going to cut, with the Pantops sidewalks, stormwater, ACE and the CAT route having been suggested up to this point, as well as staff raises.

Ms. McKeel said she would feel more comfortable knowing what they are going to cut before setting the tax rate.

Mr. Randolph stated the school resource officer position was a late entry and strongly recommended that it be removed, adding that it breaks the trust with the public that they would not be adding any new positions this year.

Mr. Dill said he does not see that as some inviolable pledge, because there are other things in the budget that they have changed, so he does not see this as a matter of principle or point of honor. He stated the County Executive proposes a budget, to which they make changes and hold discussions.

Ms. McKeel stated this is what they do every year.

Mr. Dill commented this is how budgets work.

Ms. Palmer said this is the County Executive's proposed budget, and they are allowed to make changes to it.

Mr. Dill stated this is their job.

Ms. Palmer asked if the Board members agree with the approach to figure out first what they will cut in the budget prior to adopting the rate.

Mr. Davis explained that one Board member who votes against the tax rate will need to change his or her mind, and if Mr. Randolph's objection is to that one particular item, perhaps addressing that item would remove the stalemate, and if that is not the sole issue, the Board will need to start identifying items to remove from the budget in order to lower the tax rate.

Mr. Randolph stated he also wants to see the salary increase for all County employees lowered, and Ms. Mallek has said that she would be supportive of a 1% increase for purposes of compromise and moving the budget forward, so he would approve the budget with a 1% increase in FY17 and drop the school resource officer as well as some other minimally significant items in the budget.

Mr. Sheffield said that when Mr. Randolph had suggested that, his initial reaction was that he would not be willing to reduce staff compensation and fund millions of dollars in sidewalks. He stated that in giving this some additional thought, the County has about \$2 million in debt service they are going to have to fund, and to balance that they are going to have to reduce future compensation to employees in order to pay for it, so it seems to him that they will be asking employees to pay for debt service for capital projects taken on years ago. Mr. Sheffield said he sees the employees working way too hard, emailing into the night and addressing problems, and they have yet to disappoint in what they do.

Ms. McKeel noted the difference between a 1% and a 2% raise for County employees is \$400,000, which they just added back into the budget for other things, and while she feels that ACE is valuable and serves a great purpose, she values employees more and they need raises in order to be retained.

Mr. Foley stated there are several items that need to be clarified, including the fact that reducing the tax rate is reducing ongoing revenue, with the ACE money being one-time money, the \$250,000 for revenue sharing is from the decal fees, and the 5th Street route only requiring \$50,000 in one-time money.

Ms. Palmer said she thought the \$288,000 for ACE this year is a recurring figure because of the healthcare issue.

Mr. Foley clarified that it is not going into ACE in perpetuity, and the decision they are making is to take the \$288,000 and not put it toward the future deficit to have an ongoing effect instead of a one-time impact.

Ms. Palmer asked Mr. Dill if he would be willing to vote for a lower tax rate.

Mr. Dill responded that he agrees with Mr. Davis's strategy of the minimal amount needing to be changed to get the tax rate, and there are those on the Board who agree to the 2.5-cent tax rate, so they built their budget around it as well as discussing it in work sessions. Mr. Dill emphasized that he would like to hear from Board members who voted against this tax increase what they would like to cut.

Ms. Mallek stated she had already answered that question.

Mr. Sheffield said he has been publicly against the sidewalk projects and he had voted against the ACE funding at their meeting the previous evening, as well as the transportation revenue-sharing amount.

Mr. Dill said they have to vote on the tax rate and asked if Ms. Allshouse can provide a figure on how much the ACE program and sidewalks will generate.

Ms. Allshouse asked whether Mr. Sheffield is suggesting removal of every sidewalk project in the budget. Mr. Sheffield responded that he has been against the Avon Street Extended sidewalk project as well as the Pantops sidewalk projects, and he has an issue in general of building sidewalks when they cannot even pay the debt they already have.

Ms. Allshouse asked if he means any sidewalks that have not already begun construction or planning. Mr. Sheffield confirmed that is what he means.

Ms. Allshouse asked if he is also suggesting redirecting the \$250,000 from the motor vehicle decal revenue from transportation revenue-sharing to another part of the budget. Mr. Sheffield responded that he is not sure how this money can be moved around, because his assumption was that it was focused on a transportation project.

Mr. Foley clarified that the Board has a policy in place that transfers money to capital, so anything cut in capital does not necessarily move it over to the general fund to reduce the tax rate unless they change the policy. He stated the \$250,000 from the motor vehicle decal fee can go directly to the general fund and does not have to be transferred to capital. Mr. Foley emphasized the issue with reducing the sidewalk projects in the CIP is that those projects are being paid for out of the CIP balance generated out of the \$20 million transfer to capital, and if the sidewalks are not done it typically will remain in the CIP fund balance. He said the Board can move that back over to the general fund, but they can only move over what is ongoing revenue and would have to cut some of the dedicated CIP money.

Mr. Sheffield stated if they reduced the 0.7 cents for stormwater, the goals for the schools and local government could be achieved.

Ms. Mallek pointed out that they will be laying off the inspectors.

Mr. Sheffield disagreed.

Ms. Mallek stated they will be laid off because the stormwater funding is how they have been paid for the last several years.

Mr. Sheffield said he has put his position out there, and he simply is not going to vote for a tax increase that funds projects he does not support.

Mr. Foley explained that the 0.7 cents for stormwater generates about \$1.1 million, and all but about \$200,000 of that goes to ongoing operating expenses, such as the inspectors, with the remainder going to capital. He stated that Mr. Henry can better explain this if needed.

Mr. Henry stated he will address this point, but if they stop projects with revenue-sharing funding that are already underway, they will have to reimburse VDOT for that money. He said the Pantops/State Farm Boulevard sidewalk is currently under contract for construction and is tied with Crozet North sidewalk that is in its first phase, with Pantops scheduled for the fall and the total for both so far representing about \$500,000 of work.

Ms. Mallek asked if this amount has already been spent. Mr. Henry confirmed that the design money has been spent.

Ms. Palmer asked if "under contract" means the contractor who is going to build it.

Ms. Mallek noted they are onsite in Crozet to build the project. Mr. Henry responded the two projects were tied together from a VDOT budgeting standpoint.

Ms. Palmer commented this would be a difficult one to cut out. Mr. Henry stated the contract was written to be two bids and two items, and the County could do a change order to pull that out if that is the Board's direction.

Ms. Mallek mentioned they would have to pay back to VDOT the amount of money that has gone into the design at a cost of several hundred thousand dollars. Mr. Henry confirmed that is the case.

Mr. Foley said that if there is a place the Board is trying to get to, staff can figure out how to come up with that amount from the list, but the other work session had the staff who were involved with the budget changes, and it will put them in a difficult spot now to try to figure out more than about a half-cent on the rate, with cuts needed at about \$800,000.

Ms. Mallek noted that it would also have to be split with the schools. Mr. Foley agreed that would be the typical approach.

Ms. Palmer asked if any Board members who had voted against the 2.5-cent increase would be willing to consider a half-cent less than that.

There were no responses.

Ms. Palmer emphasized that the Board has to get through this, as legally they will need to adopt a tax rate today.

Mr. Randolph stated that he understands that and tried to make it clear that he would like the rate to be lower than that. He pointed out that the seven sidewalk projects in the CIP totals \$327,311, far below what would be proposed for support of the Senior Center over four years. Mr. Randolph said one of the reasons he advocated for taking one penny out via the staff salary reduction was that it would generate \$1.6 million.

Ms. Palmer clarified that he would vote for a 1.5-cent increase, and asked Ms. Mallek what she would vote for.

Ms. Mallek stated she would vote for 1.5 cents, but her preference would be that it be targeted at the raise.

Ms. Palmer responded that it probably would not be allocated to the raise, but they do not know that yet because they first need to get people to agree on a rate, and then figure out the best way to come down to it.

Mr. Sheffield clarified that his intention with cutting sidewalks was re-appropriation of money allocated to sidewalks that have not yet been spent, which totals millions of dollars, although this year's amount may not be a large amount.

Ms. Palmer asked if Mr. Sheffield would be willing to identify a tax rate that he would vote for and let staff decide what the best way is to make the cuts.

Ms. Mallek emphasized that staff should not be the ones to decide, as this is passing the buck.

Ms. Palmer stated that it is not passing the buck, it is just a matter of letting those who do the budgeting pick out what they think is most appropriate to cut.

Mr. Dill commented that he agrees with Mr. Sheffield on the sidewalks, but he feels that it is already too far along to turn back. He stated that he does not feel the sidewalk projects are appropriate for some of the neighborhood designs and he would like to reallocate that money for other community things.

Ms. Palmer pointed out that the sidewalks are one-time money, but they are talking about ongoing appropriations in future years.

Mr. Sheffield noted there are long-term issues, as identified by staff, that even reducing salaries will not solve, and at some point they will to be faced with telling County staff that they will be paid below market or bring them back up to market in the future, which the Board had to do several years ago with an increase in the tax rate. He stated that unless the Board gives direction to staff to cut services, they are going to continue to face this same issue in order to balance the budget. Mr. Sheffield said that he is not going to gamble on any assessment increases beyond 2%, and this Board or a future one will need to find what tax rate and economic development sustains the expectations of the community. He added that he hates making these kinds of recommendations, but he is conflicted that projects he does not support are getting funded and pulling them down like an anchor.

Ms. McKeel stated the Board is hiring new employees and has been insistent in making sure they are paying at market for them, but she feels they should be paying at market for all of their employees, and that is what the 2% recommends. She emphasized that the 2% is actually lower than the World at Work figure of 3%, and in looking at raises for comparable markets, those increases are looking like 2%, 3%, or even 3.5%.

Ms. Palmer asked what it would look like if they removed the sidewalk money out of the CIP and put it into operating. Mr. Foley responded the only way to answer that would be to determine how much of the cost of those projects is equity versus borrowed money, but the best way to think about it is that the decal money is \$250,000 that can go elsewhere, which would mean it would not bring down transportation revenue-sharing money from the state, which would affect the sidewalk program going

forward. He stated if there are questions about the sidewalk program then adding \$250,000 this year is probably not a great idea, so that money would be freed up. Mr. Foley said if the Board cuts the tax rate by one half-cent, they will have to come up with \$298,000, schools would have to come up with \$448,000, and the CIP would be reduced by \$79,000, according to the formula that is in place. He stated that \$250,000 of the Board's \$298,000 could be reallocation of the decal money, so they would only need to come up with the remaining \$50,000.

Ms. Palmer asked if Mr. Sheffield is trying to get one penny off the tax rate, or more than that. Mr. Sheffield responded that he is less concerned about the tax rate than the projects he does not support, and his estimation is that they do not have to increase the tax rate, but he could be wrong about the sidewalk numbers, so he cannot give a clear answer.

Mr. Foley stated that if the Board wants less money to go over to the CIP to pay for sidewalks, they can reduce the transfer to the capital fund. He said that generally that would shift money from sidewalks to another unmet capital need, so the only way to affect that change would be to transfer less from the general fund to the capital fund. Mr. Foley emphasized the \$250,000 is an automatic amount that will have an effect on sidewalks going forward.

Mr. Sheffield asked about the \$1.7 million transportation revenue-sharing line item in the capital budget. Ms. Mallek responded that all of that amount except for \$250,000 is leveraged from the state, so the only funding from the County is the \$250,000.

Mr. Henry explained that the \$250,000 cash that would come from the decal fee increase would cover the debt service, so they would be borrowing the remainder, and the amount is \$3.4 million over two years.

Ms. Lindsay Harris, Senior Budget Analyst, explained that with the \$1.7 million across both fiscal years, there is \$250,000 in equity for the first two years, and the years after that the \$250,000 would go towards the debt service.

Mr. Sheffield commented that he is having issues with taking on more debt since they are struggling to pay the debt they already have.

Mr. Foley stated if the Board wants to balance the budget by moving the decal money over to reduce the tax rate, the conversation about sidewalks and how important they are in the context of other capital items would be part of their May discussion. He stated in order to balance the budget today, the \$250,000 would get them most of the way there for local government and there is \$50,000 that is transferred to the capital part of stormwater that could make up the difference, and the tax rate would effectively be reduced by half a cent. Mr. Foley said the mandates for stormwater are not as strong as they were, but they do have to pay for operating expense unless the Board wants to freeze some positions with vacancies, so they could reach the \$300,000 through those two means without having a dramatic impact. He stated the stormwater issue is before the Board in May as part of a discussion of utility fees as an alternative, but they would want to re-evaluate all the ongoing stormwater program expenses anyway. Mr. Foley commented this strategy would require some reductions from the schools and would reduce funding to the CIP that would require some adjustments, but it would get them to a resolution.

Ms. McKeel asked Mr. Sheffield if he would be interested in moving the capital for the sidewalks to the school CIP. Mr. Sheffield responded that he does not like spending money on non-essential capital projects when they are having difficulty balancing the budget, and one of the reasons he has not brought up the Pantops Fire Station is because discussions with staff have indicated that if they do not build it they are going to run into issues. He emphasized that non-essential capital projects need to be taken off the table.

Mr. Randolph stated that he applauds Mr. Sheffield for trying to prioritize capital projects and agreed they are in a situation of needing to trade off valuable projects for essential projects, and the Pantops Fire Station is essential.

Ms. McKeel said in the big picture, she finds this conversation sad and it feels like a race to the bottom, and the Board is not talking about prioritizing or being willing to fund and show the public what their vision is for the County. She stated that anything they cut this year or do not support is going to come back to haunt them in spades next year and the year after. Ms. McKeel said she understands that politically it is very hard to raise taxes, but they are in a structural imbalance and will not have double-digit property assessments next year. She said she is very saddened at the prospect of putting employees at risk and the entire organization at risk, and this is really just a race to the bottom.

Ms. Palmer stated there has been much discussion of the fact that the average property tax payment is the same that people were paying ten years ago when adjusted for inflation, and while there are people who cannot afford this, there are many who cannot afford for the County not to do this. She emphasized that Albemarle is operating on a lower tax rate than surrounding communities and up to now has done a pretty good job dealing with that, and while priority-based budgeting may help them get where they need to be, she does not feel that it will get them all the way there. Ms. Palmer stated the more people that come here, the less services will be available unless they agree on the tax rate increases and make some serious attempts to deal with the state and the tax structure. She said that other communities in Virginia are hurting just as the County is, and she would advocate for supporting the County

Executive's budget as proposed, and then go to priority-based budgeting sessions and strategic planning to address what they will cut or how much they will need to raise the tax rate.

Ms. McKeel said that a race to the bottom gets the County nowhere, and just kicks the can down the road.

Mr. Randolph stated they are trying to avoid kicking the can down the road, and while the County feels it is in a structural imbalance, its citizens are in a structural imbalance and many of them have not had pay increases. He said that many people have told the Board they are hurting, and many decisions made in the past are influencing where they are today, specifically a CIP that was not funded during the recession while property continued to depreciate. Mr. Randolph stated they cannot have it all anymore, and it would be wonderful to maintain all the employees at the 75th percentile, but they are not the only county in this position.

Ms. McKeel and Ms. Mallek pointed out that staff is not at the 75th percentile, only teachers are, and staff is at the 50th percentile.

Mr. Randolph said he would like to see it go even higher than that, but they must embrace a notion of shared sacrifice to get out of this situation, and it is not a race to the bottom, it is a race for survival. He stated the Board needs to approve a realistic budget that is fiscally prudent so the County can maintain vital functions, then they can go into discussions in May as to what strategic priorities are moving forward. Mr. Randolph emphasized they cannot do this the way they have done in the past, but they cannot figure that out today and they just need to come up with a way to reach agreement.

Ms. Mallek stated that she has been trying to get the program service review discussion from February and March into this process, and she is sorry they were not able to do that because it would have made a measurable difference in zeros in this budget.

Ms. Palmer said that what they need right now is a tax rate, and she does not think they can figure out what they will pull out.

Ms. Mallek asked if anyone is interested in doing the 2% raise at the half-year point, which they have done in the past to get them to market but to realize some savings in the first half year to help reduce costs.

Ms. McKeel noted that for County government, the cost would be about \$400,000.

Ms. Mallek stated they would need to achieve commonality and make this for everyone.

Ms. McKeel said that she will not be in favor of this.

Mr. Dill pointed out that there is a cost with not giving raises, and it is not just a matter of saving 2%, because what happens inevitably is that the most valuable employees leave, and paying under market gives you under market value with your staff. He emphasized this is not a matter of shared sacrifice, it is a matter of whether they are willing to pay for good employees. Mr. Dill stated he would rather have one really good employee making \$15 than three \$10 employees that do not perform as well, so while adding 2% to the budget may provide an immediate on-paper increase in cost, the reality is that they will lose a lot of effectiveness if they lose the best people who can find better jobs.

Ms. McKeel stated that 1% this year and 2% next year and so forth starts to add up and all of the sudden they are just pushing the can down the road. She emphasized the County has been here before and has been so far behind in market that they cannot hire the good people or keep the good employees, and then they end up struggling to come up with a much larger number that is far more painful.

Mr. Foley said if the goal is to reduce this by a half-cent, the way to least affect services and staff is to move the decal fee revenue from capital to operations, and if the schools are going to be asked to come up with some reductions as well, they might second guess their funding of the SRO, but that is a School Board decision. Mr. Foley noted the \$250,000 gets them most of the way there, but the SRO would be \$45,000 or the stormwater money could get the other \$50,000, which would mean less money transferring over to the capital project side of this. He stated there is a balance in stormwater so it would not stop the program, and there is the decision to be made about stormwater fees. He said that an alternative would be the SRO.

Ms. McKeel asked about the impact of reassigning the ACE funding of \$288,000. Mr. Foley explained this would not solve reducing the tax rate, but taking it away from the ongoing funding would achieve that, and they would just have to make that up next year.

Ms. McKeel stated they would have to make up any cuts or reductions next year, including salary decreases, because they are talking ultimately about cutting services and employee raises that will come back to haunt them. She said she will not support a reduction in salaries unless they add the compression amount back in, because they talked about a 2% raise but did not address the compression issue. Ms. McKeel said that not having either one of those would be a huge mistake.

Ms. Palmer asked what the amount of the compression would be. Ms. Allshouse responded that it is around \$200,000-\$300,000 for local government.

Ms. McKeel said that \$380,000 is the figure she recalled for the whole system, and there were many people who had left the County or did not take jobs here because of the salaries.

Ms. Mallek commented that she is sorry she voted for the transfer out of capital last year, and the penny they were putting into capital this year basically replaced that, and she would support a two-cent increase on the tax rate, which is based upon the numbers Mr. Sheffield provided.

Mr. Foley stated the decal fee shifting to reduce the tax rate would be one component, and the Board would need to decide how to get the balance of that, which is roughly \$50,000. He said that taking it away from the ongoing healthcare reduction, one-time ACE money, the SRO or stormwater would be ways to address this without significant impacts on service.

Mr. Dill asked if they can take \$25,000 each out of stormwater and ACE, plus the decal money.

Mr. Randolph suggested they look at the areas in which they have the greatest amount of agreement and go from there.

Mr. Sheffield said that a reduction of a half-penny still means that schools will have to come up with their share, and the healthcare savings will provide half.

Mr. Dill asked Mr. Foley to reiterate how they are getting at the half-cent.

Mr. Foley explained that raising the decal fee but not allocating that to the CIP for the sidewalk program but leaving it in the general fund so they can reduce the tax rate would be the major component of that, which would take care of \$250,000 of about \$300,000 that local government would need, and then there are several options of how to get the \$50,000, with stormwater or healthcare savings being the simplest.

Mr. Dill stated that all things being equal, it would be nice not to give up money that is being matched.

Ms. Mallek said ACE and revenue sharing are in that category.

Mr. Sheffield said that ACE is the other option.

Ms. McKeel stated she would only support taking it out of ACE.

Mr. Foley stated they should call it healthcare savings, because they would want that on an ongoing basis to reduce the tax rate, so that will impact ACE by \$50,000.

Ms. McKeel noted that last year, they ended up with a lot more in ACE than anticipated because the state provided more than expected.

Mr. Foley said that \$50,000 would come from what the Board had targeted to reduce the deficit, and also out of the one-time money for ACE, which would drop the \$288,000 down to \$238,000.

Mr. Dill, Ms. McKeel and Ms. Mallek commented that this seems reasonable to them.

Mr. Foley said that this gets them the \$300,000 needed for the local government share of a reduction of a half-cent on the tax rate.

Ms. McKeel asked for the impact on schools. Mr. Foley responded that the schools will have to come up with \$448,000, which can come from the healthcare savings.

Ms. McKeel said that Jackson Zimmerman, Executive Director of Fiscal Services for the School Division, is shaking his head.

Mr. Dean Tistadt, Chief Operating Officer, addressed the Board and stated the tax rate increase of 2.5 cents is a penny to capital, 1.5 to operating, 1.1 dedicated to local government and 0.4 to schools. He stated that 0.4 equals about \$660,000, and the Board is now proposing that the schools provide \$448,000 out of that but they never got it in the first place, and he is not sure where they will come up with it.

Mr. Sheffield stated that until yesterday, the \$887,000 did not exist. Mr. Tistadt explained the schools had a \$1.7 million deficit until the Board decided the 0.4 dedicated to schools, which closed it to the 1.1, which ended up as \$887,000, and until the 0.4 is dedicated the gap is \$1.7 million, and the healthcare savings is half of that.

Mr. Sheffield responded that he appreciates that perspective, but if the County put everything on the table it would also have a deficit. Mr. Tistadt stated he is just trying to get some clarity around the tax rate.

Ms. Palmer asked for clarification that he is concerned about getting the 0.4 out of a two-cent increase. Mr. Tistadt said it is hard to say they would get a dedicated 0.4 to begin with, and now they are getting a 60% reduction of a half-cent.

Mr. Foley stated that Mr. Tistadt is correct in his perspective, because the 1.5 only had 0.4 dedicated to schools, so for them to take an equal share based on the 60/40 is probably more than it should be. He added they are doing this on the fly instead of in work sessions, so staff would need some time to be able to calculate this so they do not make a decision that impacts schools more than it should, based on where they are trying to go.

Mr. Dill asked if this will change the amount they had just agreed to. Mr. Foley responded that they would need to take the percentage that 0.4 is of 1.5 and calculate that in terms of the reduction to get to the number they are trying to achieve.

Mr. Dill said they are not suggesting to change the percentage that goes to the schools.

Mr. Foley suggested they take a recess and calculate this.

Mr. Sheffield stated that Mr. Randolph had a good point about finding the common ground and building from there, so perhaps they can do that while staff is making its calculations.

Mr. Foley said they can at least figure out if the decal issue is on the table for local government, and that revenue would be subject to the 60/40 split, unless it goes to capital. He stated that staff wants to make sure the Board's decisions are not affecting schools more than expected.

Ms. Palmer noted they will need to figure out the \$250,000 decal revenue, \$50,000 for ACE, which only gives the \$300,000 for local government, and schools do not get the \$450,000. She asked if there would be four votes for a two-cent increase under those circumstances. Ms. Mallek responded that she would agree as long as those things remain in place.

Ms. McKeel said her vote will depend on how the schools are affected.

Ms. Palmer stated the point is that those two things are only \$300,000.

Mr. Foley mentioned that \$190,000 is not needed for operating expenses for stormwater and is going to be put into a capital fund for stormwater that is already funding projects going forward. He added that he would need to talk with staff further about this.

Ms. McKeel said she would like to see what they can do so that schools are in a better position than being \$400,000 or \$500,000 in the hole. Mr. Foley responded that he cannot really dream up an idea, and what staff can do is calculate the accurate amount so that everyone gets the share they are supposed to.

Ms. Palmer noted this does not take all the sidewalk projects out, and said that Mr. Sheffield is voting against a particular project.

Mr. Dill asked if that can just be discussed later as part of their CIP discussions.

Mr. Sheffield clarified this affects the tax rate they would set, because if they set the tax rate at 82.5 cents it needs to be decided where the increase will go. He stated if there is \$2 million in sidewalk projects that can be removed, that money can be moved around in the CIP, and even \$1.6 million is a penny on the tax rate.

Mr. Foley asked for clarification that the Board is aiming for a half-cent.

Mr. Sheffield asked for an explanation of the \$250,000 of the decal money and how it would be allotted. Mr. Foley explained the schools will get 60% of the \$250,000 because it will not be going to capital, and any general fund money is supposed to be shared.

Mr. Sheffield said this is true unless it is dedicated by the Board, and they can dedicate it to the general fund. Mr. Foley said they can state the amount will be dedicated to reducing the tax rate, but they will have to calculate the 0.4.

Mr. Sheffield said it can still go to schools.

Ms. McKeel commented that the schools will not be getting their share of this.

Mr. Sheffield said there is a philosophical debate because local government is not getting all of its needs funded either, and this is about trying to find the balance between what the community can sustain and what will get them a little but further along.

Ms. McKeel stated she just wants to make sure the schools are not in a worse position.

Mr. Foley emphasized that with a half-cent decrease, both schools and local government will be in a worse position.

Recess. The Board recessed its meeting at 4:23 p.m. and reconvened at 4:53 p.m.

Ms. Palmer stated that during the break, a fellow Supervisor had asked her about the contracts related to the sidewalks, and she asked Mr. Davis to comment because she is not sure it is even on the table.

Mr. Davis explained there are a number of projects approved in the FY16 capital budget that involve revenue-sharing as well as other County funds that have been appropriated in the FY16 budget. He stated that in reliance upon that approved capital plan and appropriated money, the County has entered into contracts for construction of some of those projects, and those contracts are binding legal agreements, so canceling them would have implications of the County being in violation, which could result in damages if the contracts were terminated. Mr. Davis said that in addition, those contracts relied on revenue-sharing money from VDOT, so the consequence of that is that any funds that have been expended for a project that is not been completed, the County is obligated to reimburse VDOT for all of the expenses they have incurred, which could amount to as much as \$1/2 million, as \$1 million has been expended. He noted this would also have an impact on future revenue-sharing projects, because canceling contracts is taken into account in future revenue-sharing decisions as to whether VDOT will fund the County's projects. Mr. Davis emphasized it is not a good strategy for the Board to try to balance future budgets by taking money away from FY16 approved and contracted projects.

Ms. Palmer asked if the \$250,000 would affect this in any way. Mr. Davis responded the \$250,000 motor vehicle decal revenue is simply a funding source for funding debt service going forward for revenue-sharing projects, and this would allow the County to borrow money to match the state for revenue-sharing purposes and pay the debt service for that. He noted this funding idea came from the CRAC committee to help fund revenue sharing where it was envisioned there would be no money in the five-year plan for revenue sharing, and this was an innovative approach because the decal money for automobiles has a relationship to funding transportation projects, so it was thought to be a good approach. Mr. Davis stated the decal money is subject to the Board's approval of an ordinance to raise the decal fees, which is scheduled to come before them in July.

Mr. Foley stated there is nothing easy about this, and he and Ms. Allshouse will share three different approaches, each of which has its own challenges.

Ms. Allshouse explained that if they reduce the tax rate by 0.5 cents and share it with school and local government operations based on the way the penny is divided, it is 73% for local government and 27% for schools.

Mr. Foley stated this is in the same ratio put in the budget as 1.1 for local government and 0.4 for schools.

Ms. Allshouse said she will also be sharing the typical 60/40 later.

Ms. Allshouse said the 73% cut for local government would total \$605,000, and the 27% cut to schools would equal \$220,000. She stated the 60/40 formula has a small capital piece to it and based on that, the half penny would mean a \$79,000 reduction in capital, a \$448,000 reduction to schools, and a \$299,000 reduction for local government.

Mr. Randolph asked her to repeat the information, and she did.

Mr. Foley stated that a third approach would be to reduce the half-cent from the penny going to capital, which would reduce the capital fund by about \$800,000 and would be ongoing, for a total of about \$4 million over the course of five years, which is a significant impact to capital. He said the reason that 1.1 cents was dedicated to local government initially was because of increased mandates and obligations, and he mentioned there are no new positions or expansions of services and programs. Mr. Foley stated they cut \$400,000 over the next two fiscal years in operating expenses, and reduced another \$700,000 for local government despite a tax increase that was 1.1 cents dedicated to local government.

Mr. Foley said the schools are not dealing with those same challenges on their side, and he is not trying to suggest the schools have a big wonderful budget, as it is modest, but there are new positions and programs. He stated that as the Board thinks about the ratio, if they come up with \$600,000, that amount is dedicated totally to mandates and they are already cutting expenditures and are expecting to cut more. Mr. Foley said the schools are required to put a needs-based budget together and they are following that requirement, but local government does not have that choice and must come up with a tax rate that balances it. He emphasized that he does not feel it is an apples-to-apples comparison, and local government's \$605,000 is not going to be some program they are hoping to expand, it will be for mandates, and the SRO becomes the only thing that is close to being a "want." Mr. Foley stated if the general fund revenue is shared for the \$250,000, then it is not something that can be put against the \$605,000, so they will be in a tough position.

Ms. Palmer stated the solution to all of this is to go ahead and accept the County Executive's proposed budget.

Ms. McKeel then offered **motion** to approve the County Executive's proposed budget.

Ms. Mallek asked if there is any other information that should be shared first.

Ms. Palmer asked Ms. Mallek if she would start.

Ms. Mallek responded that she can support 2% and option 2 immediately, and with option 1 she would prefer to split it half and half or something, because it is impossible for local government to assume the entire \$605,000 right now.

Mr. Sheffield asked what she means with option 1. Ms. Mallek explained that having 73% of all of the reductions in local government cannot be handled, and asked if there are four people who will support option 2.

Ms. Palmer asked if they are sure this will be the impact on schools. Mr. Foley responded that it is accurate based on the formula that they use.

Ms. McKeel noted this includes the reduction to the CIP.

Ms. Palmer asked for clarification that the \$79,000 comes out of the CIP and will come out of school or general government projects. Ms. Mallek stated this is a fight they will have to have.

Ms. Allshouse clarified the other amounts are \$448,000 for schools and \$299,000 for local government.

Mr. Dill asked why more is coming out of schools. Ms. Mallek responded this is generated from the 60/40 revenue split.

Ms. McKeel noted the new and improved formula includes the CIP, and for years it did not, but that is not an argument they can have right now.

Mr. Randolph suggested voting on the motions that have been presented.

Ms. Mallek asked if there is a second for her motion.

Ms. Palmer stated she would like to hear from everyone first because if they have not heard all of the possibilities, they may end up in round after round of discussion.

Mr. Randolph said that option 1 is out for him, and 73% is an impossible amount for local government to deal with since they have taken salaries off the table, and he does feel they need to look at the 79/448/299 scenario.

Mr. Sheffield stated that he disagrees with Mr. Davis's assessment regarding sidewalks and the County's commitment, and he feels there are some sidewalks that have not started that do not make sense, and those with a small amount of expenditure made could be cut back, which could impact the amount of money they could be dedicating to the CIP. Mr. Sheffield reiterated that he does not like taking on more debt when they are having trouble paying back the debt they already have, and it does not mean he does not want to build these things or that they are not worth it, it just means that assessments did not go up enough to help fund the aspirations they have for those kinds of capital investments. He stated that he wished he had been more articulate about his concerns, although he had mentioned in the past not supporting the sidewalk projects, and he wished they could get the information back from Mr. Henry, but he is willing to gamble that removing a handful of the sidewalk projects would be a net of \$1.6 million, the one penny dedicated to the CIP.

Mr. Foley said if the Board does not want to transfer the penny over, that assessment could be done.

Mr. Sheffield responded it is not about the pennies, it is about not taking on the debt, and if everyone can agree on the half cent, the \$299,000 is reflective of the healthcare savings, the \$448,000 is offset by the schools' \$887,000 healthcare savings, and the \$79,000 can be absorbed in the CIP. He stated he may not support the budget if it includes projects that he does not support, and his recollection was that last year he voted against the CIP because of the sidewalk projects; and he also had concern about the \$1 million to do design of an addition of a school as opposed to a new school. He emphasized the goal now is to set the tax rate, and the budget is another discussion.

Ms. Palmer asked if he is OK with option 2, and at this point they are not saying where the money is coming from. Mr. Sheffield responded the things on the table for him are: the transfer over of dedicated CIP money, the healthcare savings, and the half-penny reduction.

Ms. Palmer said they are trying to concentrate on the half penny now, but there was a lot of concern about how that will affect schools, so it sounds as though he is willing to support that as a tax rate. Mr. Sheffield responded that he does not know, because he keeps coming back to the sidewalks and taking on debt, which the County cannot afford.

Ms. Palmer asked Mr. Dill for his comments on the half penny and options 1 or 2, or taking it totally out of capital.

Mr. Dill explained that he would vote for a half penny for any of those if that is what it takes, and in the context of a \$374 million budget, \$50,000 means they are almost there. He said that Ms. Mallek's suggestion with option 2 and splitting the difference with the schools and local government seems acceptable to him, because in a sense everyone will win even though it is just muddling through.

Ms. Palmer stated this is the \$299,000 for local government and \$448,000 for schools, and it is not an even split.

Ms. Mallek said this was Ms. Allshouse's option 2 and she had thought that perhaps there might be another option, but she is supportive of the original option 2 given the healthcare savings and the big difference in those amounts.

Mr. Dill confirmed that he will support the option 2 for the half penny.

Ms. McKeel said she could support option 1, but she still has concerns about option 2 because it seems as though the schools are not getting what the 60/40 split would indicate, but she would like to see how this goes.

Ms. Palmer stated she wants to make absolutely sure the 60/40 split is correct, because Mr. Tistadt was talking about something else.

Mr. Foley clarified that Mr. Tistadt was talking about another methodology entirely, and the 60/40 split and 10% off the top for capital is absolutely correct on a half penny.

Mr. Randolph said he is in favor of option 2, but if they agree on it he feels they should ask Mr. Davis to investigate all of the existing contracts for sidewalks to see if they can be altered in any way without damaging the County's borrowing status or jeopardizing VDOT funding. He stated if Mr. Davis looks at the contracts individually, there may be one or two that could be delayed.

Mr. Davis responded there are a number of projects where construction contracts have not been signed, and those could be stopped, but they already have expended money for design, engineering and property acquisition. He said to the extent those funds have been expended, the County must reimburse VDOT for its share of those expenses.

Mr. Dill asked if there are some projects that have not gotten that far.

Mr. Davis responded he can identify those, but the majority of projects have expenses associated with them.

Mr. Foley stated that staff will be doing a full evaluation of the projects immediately, but Mr. Henry just did not have enough time to do that on the spot.

Mr. Sheffield said if the County has to pay VDOT \$30,000 to not spend \$500,000, he would be in favor of that, and he apologized for bringing this up at the last minute but he has been mulling it over and does not want to take on any more debt.

Mr. Foley stated that transportation money used to go to roads, but several years ago they started using it for sidewalks and have continued on that path, and it is good to stop and re-evaluate as some of these funds could be used for critical road connections. He said that staff will do a full evaluation of this regardless of the Board's adoption of the budget.

Mr. Sheffield said that option 3 would be to take healthcare savings into account and split it 60/40, then take away the penny dedicated to the CIP, that will mean an 82.8-cent tax rate that still provides the 1.1 cents to local government and 0.4 cents dedicated to schools. He stated this gets them a little bit closer to an agreement, and he hopes that staff can find \$1.6 million in the capital budget that the County could back away from.

Ms. Mallek emphasized that part of the capital program that benefitted from constant investment was to not have to borrow every penny, and having some cash on hand, especially for maintenance, which is a really big expense when you are not even getting new facilities for it. She stated this got them into difficulty during the recession, and the County is facing some pretty high court expenses, so she hopes they can find a way to leave their very small transfers to the CIP alone so they can continue to build a nest egg there.

Ms. Palmer stated that she is extremely disappointed to vote for 2 cents instead of 2.5 but she will reluctantly vote for 2, and she feels the healthcare savings item should go back on the table, and she always hates putting ACE back on the table, but in this case she would be willing to do that. Ms. Palmer said that first they should have a motion for the 2 cents.

Ms. McKeel asked if they are in agreement for this vote that salaries remain as they are in the original budget as presented by Mr. Foley. Ms. Palmer responded there are not four votes for that.

Ms. Mallek said her motion has not been seconded.

Ms. McKeel stated she just wants to make sure, and will not support anything that reduces salaries.

Mr. Sheffield asked Mr. Henry if he has more information to share.

Mr. Henry explained that if a half cent is pulled out, that is \$800,000 of equity funding annually, and that would need to be multiplied by five years. He said that to pull projects and reduce the CIP would

be significant, and to take a penny out would be even more significant, so it can be done, but there would be a lot of work to do.

Mr. Foley stated that it can be worded even more strongly, because if they pull a penny out the County will have trouble meeting its debt service payments without some dramatic change.

Mr. Davis said there would need to be dramatic reductions in the five-year CIP if they pull the penny out because it is multiplied by the debt service.

Mr. Foley said that it is \$8 million, and if they get back to that discussion they will need to look at it carefully.

Ms. Mallek clarified that her motion is for two cents.

Mr. Davis asked if this is a straw poll.

Ms. Mallek responded that it is an actual motion.

Mr. Davis stated the motion would need to be adoption of the resolution to set the calendar year 2016 tax rates, and the number to be changed would be the number under items 1, 2 and 3, and the number would need to be .839 instead of .844, which would reduce the advertised tax rate by 0.5 cents for real estate, manufactured homes and public service properties, which are counted as real estate to the purpose of building the budget.

Mr. Sheffield asked if he feels the staff could accommodate a half-cent reduction in the CIP. Mr. Foley responded that he feels they can but they will have less of a balance, and this will need to be adjusted in the strategic planning session.

Mr. Sheffield said there are some projects that they may not do.

Ms. Mallek noted that there would have to be a lot of them, and one year they would already be down to \$800,000 in the balance.

Mr. Foley stated they can make their debt payments and the balance would drop more quickly, but they have time to recover on a five-year plan to identify their priorities.

Ms. McKeel said they are just pushing everything off.

Ms. Palmer stated they need to set a tax rate today, and she would rather they just get through that now.

Ms. Mallek then restated her **motion** to adopt the resolution to set the calendar year 2016 tax rates, reducing the advertised tax rate of .844 by 0.5 to .839 cents for real estate, manufactured homes and public service properties, which are counted as real estate to the purpose of building the budget.

Mr. Randolph **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

AYES: Ms. Palmer, Mr. Randolph, Mr. Sheffield, Mr. Dill and Ms. Mallek.
NAYS: Ms. McKeel.

(The adopted resolution is set out in full below:)

**RESOLUTION TO SET
CALENDAR YEAR 2016 TAX RATES**

BE IT RESOLVED that the Board of Supervisors of Albemarle County, Virginia, does hereby set the County Levy for Calendar Year 2016 for general County purposes at:

- (1) Eighty-Three and Nine-Tenths Cents (\$0.839) on every One Hundred Dollars for assessed value of real estate;
- (2) Eighty-Three and Nine-Tenths Cents (\$0.839) on every One Hundred Dollars for assessed value of manufactured homes;
- (3) Eighty-Three and Nine-Tenths Cents (\$0.839) on every One Hundred Dollars for assessed value of public service property;
- (4) Four Dollars and Twenty-Eight Cents (\$4.28) on every One Hundred Dollars for assessed value of personal property;
- (5) Four Dollars and Twenty-Eight Cents (\$4.28) on every One Hundred Dollars for assessed value of business personal property with an original cost of less than Two Hundred and Fifty Dollars (\$250.00); and

- (6) Four Dollars and Twenty-Eight Cents (\$4.28) on every One Hundred Dollars for assessed value of machinery and tools; and

BE IT FURTHER RESOLVED that the Board of Supervisors orders the Director of Finance of Albemarle County to assess and collect County taxes on all taxable property, including all taxable real estate and all taxable personal property.

Agenda Item No. 3. Discussion and Adoption of FY 2016/17 Capital and Operating Budgets.

Ms. Palmer commented that it may cause some issues with appropriations if they do not pass the budget today, but she cannot help but think that it is probably not a good idea right now although there may be four votes to do it.

Mr. Sheffield stated the half cent can come down from the healthcare savings.

Ms. Palmer said he is talking about the option with a 60/40 split, but asked if he is combining that with the healthcare savings.

Mr. Sheffield explained he is applying the healthcare savings to that dynamic.

Mr. Foley said the issues are whether they want the reduction to be distributed according to the 60/40 split, and whether on the local government side they would look at the \$288,000 to address their portion of it.

Mr. Sheffield agreed.

Ms. Palmer asked if Mr. Sheffield's motion takes ACE off the table. Mr. Sheffield responded that it does.

Ms. Palmer stated they are using that to do the \$299,000 and the \$79,000 for the CIP, and the \$448,000 is up for schools to figure out.

Mr. Randolph said that as they address the structural imbalance, they all have to be looking at ways to share in the imbalance and there are no sacred cows.

Ms. McKeel and Ms. Mallek said there never have been.

Ms. McKeel asked for clarification of the healthcare savings and the 60/40 split, because it does not make sense to her.

Ms. Mallek responded that the healthcare savings is based on the number of employees for the schools and local government, and that is why the schools are realizing \$880,000.

Ms. McKeel said that to call it the 60/40 split is very confusing because they have so many more employees.

Ms. Mallek stated that Mr. Sheffield is talking about option 2 of the amounts, and the healthcare savings is the source of the money.

Ms. Palmer commented the numbers just happen to work out right.

Mr. Sheffield said the healthcare savings are \$288,000 on the local government side and \$887,000 on the school side, so with the tax rate just applied, compared to a week ago the schools are net \$440,000 above where they were.

Mr. Foley stated that this is money freed up from what they planned to spend that was already built into their budget.

Mr. Dill commented that he does not understand why it all has to come out of ACE, as they had talked about stormwater and some other items.

Ms. Mallek responded that she is happy to talk about other possibilities and stated that ACE's program removes future debt by having conservation and offering benefits by not having to invest in other stormwater measures, so it is not just money going into a hole.

Mr. Dill added that it is also matched by the state.

Ms. Palmer asked if the Board wants to go ahead and vote on the option of the 60/40 split with the \$79,000 going from the CIP.

Mr. Randolph stated there is already a motion on the table, and while he likes the idea there was a motion that was suspended in order to vote on the tax rate.

Mr. Davis said there was not a second yet on the motion.

Mr. Randolph stated he had seconded it.

Mr. Dill and Ms. McKeel said they would like to hear the motion again.

Ms. Mallek **moved** to adopt option 2 with \$79,000 from the CIP, \$448,000 from the School Board and \$299,000 from local government, with sources to be determined.

Mr. Foley clarified this would be to implement the half-cent reduction in the proposed budget according to the existing formula for the split between CIP, schools and local government.

Mr. Randolph **seconded** the motion.

Roll was called and the motion failed by the following recorded vote:

AYES: Mr. Randolph, Mr. Sheffield and Ms. Mallek.

NAYS: Ms. Palmer, Mr. Dill and Ms. McKeel.

Mr. Foley said they had two other options: one was to take a half cent out of the CIP, which would not affect the first year but after the strategic planning session as they look to the capital program, they would have to consider by the end of the fifth year how they would either reduce projects or increase revenues to meet a minimal CIP. He stated that the other option was 73% for local government and 27% from schools.

Ms. Palmer stated they could also do 50/50.

Mr. Foley said this would mean \$375,000 from each.

Ms. McKeel stated she would support option one.

Ms. Palmer asked if she would support taking it out of the CIP for now and looking at that for further investigation during the strategic plan.

Ms. McKeel responded she would.

Mr. Foley said they can figure out how much of that half cent can go to sidewalks.

Mr. Dill stated that it would be the easiest way.

Mr. Sheffield pointed out that his vote in favor of the tax rate was for local government and schools to share the impact.

Ms. McKeel and Ms. Mallek responded they would be sharing it.

Mr. Sheffield said what they are suggesting has the County absorbing 100% of the impact.

Mr. Foley stated the motion had failed, and now they are trying to figure out how to make up that half penny in another way.

Mr. Sheffield said he voted for the tax rate because he thought they were going to share in the burden, but it does not seem like that is going to happen.

Mr. Davis stated the half penny would be more than sidewalks.

Ms. Mallek said there are very few sidewalks that are funded right away.

Mr. Foley said the CIP is a five-year plan, and the Board will have an opportunity to review it in May and see how much of sidewalk reductions would help offset the half cent. He stated it cannot be answered tonight, but it is a five-year plan and the first year will not be in jeopardy. He stated that a half cent on a CIP that is just doing maintenance and mandated projects would have an impact, but the Board has an opportunity to figure out how to address that.

Mr. Sheffield stated that he stands by the fact he was expecting local government and schools to share in this expense.

Ms. Mallek suggested that he vote for option two, which will accomplish that.

Mr. Sheffield explained that he stands by the fact there is a healthcare savings that was a win for schools and a wash for local government.

Ms. Mallek asked how that is different from option two.

Ms. Palmer stated there was a 3-3 vote for option two and she, Ms. McKeel and Mr. Dill had voted against it. She said the reason she had voted against it is that she is concerned about using the healthcare savings and while she is also concerned about taking money out of capital, she feels more comfortable doing that given where they are right now and the impacts on the operating budget.

Mr. Sheffield commented that he had a different read on where they are going with this.

Mr. Dill stated he does too, and he wants to know if Ms. Palmer does not want the schools to pay for anything. Ms. Palmer responded if it is taken out of capital, it affects both of them.

Mr. Sheffield said that local government knows where they are taking it from, but they have no guarantee where it is coming from the schools. He stated they have an operating option in front of them that makes sense through the reduction in healthcare costs, and the math is proportionate to the reduction in costs, so he is confused about why they are trying to make an issue more complex than it needs to be, and he voted for the tax increase because he thought they were addressing this through the healthcare savings.

Ms. Mallek stated the point in favor of that is that it is one-time money used for a one-time thing, and it would be up for re-discussion next year.

Mr. Sheffield said if they are to go in that direction, they have effectively reduced the future tax rate by another half penny because of the healthcare costs, but if they go the capital route they have not, and will have to vote on it next year.

Ms. Palmer stated that she will change her vote and will reluctantly agree to go with the 60/40 split in option two.

Ms. McKeel said this whole discussion is pushing everything down the road and will increase what the Board will be dealing with over the next few years.

Ms. Palmer agreed, but said that in order to get this legal and to get the tax rate taken care of she is willing to vote for it.

Mr. Davis stated what is left to do is to approve the budget, and the budget resolution as Ms. Allshouse has prepared does not yet reflect the option two numbers, so she will need to plug those in for the Board to officially adopt a budget.

Ms. Palmer said she is not ready to vote on exactly where that money will come from.

Ms. Mallek clarified that option two can be voted on with an adoption of the budget, and they can figure out later which account it will be taken out of.

Mr. Foley stated the direction of the Board can be clear with a motion on option two if they support that, and it is an administrative matter for them to come back with the numbers.

Mr. Sheffield said that he, Ms. Mallek and Mr. Randolph are ready to vote.

Ms. Mallek **moved** to adopt the proposed budget as presented in option two. Mr. Randolph **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

AYES: Ms. Palmer, Mr. Randolph, Mr. Sheffield and Ms. Mallek.

NAYS: Mr. Dill and Ms. McKeel.

Mr. Foley stated that staff will come back with the final adjustments for Board action, for the budget approval.

Ms. Palmer mentioned there is a closed meeting on the schedule and asked if the Board has any matters to discuss.

Agenda Item No. 4. **Work Session:** Capital Improvement Program (CIP) Bond Referendum.

Due to time constraints, this item was rescheduled for a meeting in May.

Agenda Item No. 5. From the Board: Matters Not Listed on the Agenda.

Mr. Sheffield stated there are two projects that have come to his attention with the House Bill 2 applications that may be candidates for them to apply, finishing Berkmar Extended from Berkmar to Airport Road, which will make Berkmar Extended more effective; and options with transit and park and rides, which have been heavily favored and might correlate well with some new services being proposed in the County.

Ms. Mallek said that any multi-modal things are well received throughout the state.

Mr. Sheffield stated that VDOT is buying up right of way for Berkmar Extended, and it would seem like a no-brainer to fund the construction to build out the park and ride aspect.

Ms. McKeel requested they get the numbers as to what schools and local government are getting in terms of percentages and breakdowns.

Mr. Foley said that he and Ms. Allshouse were just talking about that and will bring something back to the Board after the closed session.

Agenda Item No. 6. From the County Executive: Report on Matters Not Listed on the Agenda.

There were none.

Agenda Item No. 7. Closed Meeting.

At 5:43 p.m., Mr. Dill **moved** that the Board go into a Closed Meeting pursuant to Section 2.2-3711(A) of the Code of Virginia under Subsection (7) to consult with and be briefed by legal counsel and staff regarding specific legal matters requiring legal advice related to negotiation of an agreement for the Ivy Landfill Transfer Station and construction of the facility. Ms. McKeel **seconded** the motion.

Roll was called and the motion carried by the following recorded vote:

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

Agenda Item No. 8. Certify Closed Meeting.

At 6:32 p.m., Mr. Dill **moved** that the Board certify by a recorded vote that to the best of each Board member's knowledge, only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act and identified in the motion authorizing the closed meeting were heard, discussed, or considered in the closed meeting. Ms. Mallek **seconded** the motion.

Roll was called and the motion carried by the following recorded vote:

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

Note: At this time, the Board went back to the discussion on the budget.

Mr. Foley said that staff is still working on the resolution for the adjustments, and in the meantime the Board had wanted to talk about another matter.

Ms. Palmer stated it had been asked about meeting on April 19 to discuss the bond referendum, but that date will not work for all Board members. The Board will be joining the Planning Commission in a discussion on that date.

Mr. Foley noted that what Ms. Allshouse will be bringing back is an updated resolution with three lines amended, so the \$79,000 for capital would have to be reduced and the transfer to the schools would have to be reduced. He stated the other issue that was not completely clear is the local government share at about \$298,000, and they did not yet get to an end conclusion on that, but they have adjusted a line based on the idea that rather than the healthcare savings at \$288,000 being transferred to capital to pay for ACE, it will stay back in the general fund so the tax rate could come down, and the other \$10,000 will come from the reserve for contingencies. Mr. Foley stated that Ms. Mallek had not been completely comfortable with that and may want to comment on it.

Mr. Sheffield stated that he is open with Ms. Mallek working with staff to see what could be reduced before they adopt a budget.

Ms. Mallek suggested that if there is \$250,000 left at the end of the year for ACE as there was last year at the end of the audit, it would be transferred at that point, and she would be happy to make that motion if others would consider it.

Mr. Dill asked for clarification as to where that money comes from.

Ms. Mallek explained that the \$250,000 was transferred to the ACE program after the audit out of the end-of-year money in one-time funds.

Mr. Dill asked if this is the same reserve fund they are taking it out of now.

Mr. Foley added this is money that exceeded what the County had planned, excess balance of revenues over expenditures, which are anticipated each year.

Mr. Sheffield noted that typically it carries over to capital.

Ms. Mallek said that ACE is a capital account, so it is where it belongs.

Ms. Mallek then **moved** to approve the transfer of \$250,000 at the end of the audit to go for ACE funding. Mr. Randolph **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

Ms. Allshouse explained that the total budget was reduced by \$826,031, with capital reduced by \$79,286, schools reduced by \$448,047, and local government reduced by \$298,698. She stated that additionally, capital was reduced by \$288,288 with the ACE program as discussed, and reserve contingencies would be reduced by \$10,410. Ms. Allshouse stated that the new budget total was \$375,455,833.

Mr. Dill **moved** to adopt the resolution for the FY17 budget as presented.

Ms. Mallek noted that the names need to be fixed on this prior to filing.

Ms. Allshouse stated that staff was having to use old document formats to create this on the fly.

Ms. Mallek **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

(Note: The adopted resolution is set out below:)

**FY 2017
BUDGET RESOLUTION**

BE IT RESOLVED by the Board of Supervisors of Albemarle County, Virginia:

- 1) That the budget for the County for the Fiscal Year beginning July 1, 2016 is made up of the County Executive's Recommended Budget document and the amendments made by the Board of Supervisors.
- 2) That the budget for the County for the Fiscal Year beginning July 1, 2016 is summarized as follows:

General Government - General Fund	
Administration	13,081,414
Judicial	4,966,096
Public Safety	38,308,178
General Services	4,937,107
Health & Welfare (including PVCC)	22,055,785
Parks, Recreation, and Culture	7,725,284
Community Development	7,476,265
Nondepartmental	158,950,269
Total General Fund	\$ 257,500,398

<u>Less Transfers to Other Funds</u>	<u>(159,860,368)</u>
Net General Government - General Fund	\$ 97,640,030

School Division - School Fund	
School Fund	172,632,349
<u>Less Transfer to Other Funds</u>	<u>(4,127,930)</u>
Net School Division - School Fund	\$ 168,504,419

School Division - Special Revenue Funds	
School Special Revenue Funds	17,946,303
<u>Less Transfer to Other Funds</u>	<u>(400,000)</u>
Net School Division - Special Revenue Funds	\$ 17,546,303

General Government - Other Funds	
Computer Maintenance and Replacement Fund	303,653
Commonwealth Attorney Commission Fund	60,000
Victim Witness Grant Fund	125,493
Crime Analysis Grant Fund	69,313
Problem Oriented Policing (POP) Grant Fund	139,509
Regional Firearms Training Center - Operations Fund	200,280
Fire Rescue Services Fund	14,255,832

Criminal Justice Grant Fund	731,081
Water Resources Fund	1,639,662
Facilities Development Fund	932,945
Courthouse Maintenance Fund	28,500
Old Crozet School Fund	85,559
Vehicle Replacement Fund	1,182,985
Bright Stars Fund	1,407,064
Children Services Act Fund	12,225,328
Martha Jefferson Health Grant Fund	5,000
Darden Towe Park Fund	279,003
Tourism Fund	1,626,334
Proffers Fund	1,301,779
Economic Development Authority Fund	80,000
Housing Assistance Fund	3,440,000
Total General Government - Other Funds	\$ 40,119,320
Less Transfer to Other Funds	(5,098,059)
Net General Government - Other Funds	\$ 35,021,261

Capital Projects Funds	
General Government CIP Fund	29,922,057
Firearms Range CIP Fund	3,268
Water Resources CIP Fund	14,661,695
School Projects CIP Fund	4,367,660
Total Capital Projects Funds	\$ 48,954,680
Less Transfer to Other Funds	(13,901,293)
Net Capital Projects Funds	\$ 35,053,387

Debt Service Funds	
General Government Debt Service Fund	8,122,482
Water Resources Debt Service Fund	12,817
School Division Debt Service Fund	13,555,134
Total Debt Service Funds	\$ 21,690,433

TOTAL COUNTY BUDGET **\$375,455,833**

- 3) That the budget for the County for the Fiscal Year beginning July 1, 2016 as described in 1) and 2) above is approved.

Agenda Item No. 9. Adjourn to April 19, 2016, 6:00 p.m., Room 241.

At 6:40 p.m., Ms. Mallek **moved** to adjourn the Board meeting to April 19, 2016 at 6:00 p.m. Ms. Palmer **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

Chairman

Approved by Board
Date: 06/01/2016
Initials: TOM