An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on February 17, 2017, at 12:00 p.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. This meeting was adjourned from February 16, 2017.

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

ABSENT: Mr. Norman G. Dill.

OFFICERS PRESENT: Interim County Executive, Doug Walker, County Attorney, Greg Kamptner, Clerk, Claudette K. Borgersen and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. Call to Order. The meeting was called to order at 12:05 p.m. by the Chair, Ms. McKeel.

Ms. McKeel announced that the Board meeting would be live streamed today. She also announced that Mr. Dill would probably not attend the meeting due to a family medical matter.

Ms. McKeel then introduced the presiding officer, Officer Adam Bryant, and staff present.

Agenda Item No. 2. Presentation on County Executive's FY 2017-2018 Recommended Budget.

Mr. Walker reported that the staff will be covering a fair amount of material at this meeting, all of which will be seen again over the next several months. It is intended to provide a high-level overview of the budget, and his obligation is to present them with a balanced budget. He state that he would present his recommended budget as an introduction to the process. Mr. Walker stated that staff had provided a press briefing and embargoed that information so the press could be better prepared, which is a typical part of the County's process.

Mr. Walker stated that the budget intends to focus on action to achieve certain goals established by the Board through the two-year plan process, starting with their approved strategic priorities and including the focus on organizational transformation, the quality of the organization, recognizing that they are about people serving people, and the work done to support the talent through training and other means. He said the budget also focuses on thoughtful investment in the future, both as it relates to investments in the capital improvements program and in using one-time money to advance the Board's strategic priorities. Mr. Walker stated that underscoring all initiatives is the fundamental principle to meet the many mandates and obligations the County is responsible for, including maintaining the current level of services and programs.

Mr. Walker stated the draft budget, as presented, is the culmination of a year's work in response to what was discussed in the FY17 budget, heading toward a very thoughtful and deliberate process in making changes to how they are focusing investments for the community going forward. He said in adopting the FY17 budget, it included a direction to the County to focus resources on a sustainable future. He said there were a lot of conversations around the funding gap and the County's need to reposition itself to balance revenues coming in and expenditures going out, and to provide a more structural relationship to close the gap. Mr. Walker stated that part of the work included a strategic planning effort that worked within the organization and with the community to prioritize needs and initiatives within the strategic plan. He said that in addition, using a focus on their program and service inventory, they engaged in a priority-based budgeting initiative involving staff, the community and Board, along with the strategic plan to solidify priorities for the Board's work heading into fall.

Mr. Walker stated that as part of their commitment to long-term financial management, they included a balanced two-year fiscal plan to look not just at the upcoming year but at the implications of projections and choices made in the first two years. He said the Board's two-year fiscal plan adopted in December 2016 laid considerable groundwork for the work that went into developing the recommended budget. Mr. Walker said the guidance for the plan included no tax rate increases; a delay in the CIP-related increases, with a projected 1.3-cent increase dedicated to funding the CIP; an enhanced use of dedicated revenues for specific services, including the creation of a stormwater utility; strategic use of new revenue and one-time money; maintaining current levels of service, according to the program and service inventory; and using existing funding formulas specifically referencing the commitment as in the past of dedicating 60% of new revenue as transfer to K-12 education. Mr. Walker said that through the two-year plan process, the Board helped to identify focus areas, including implementing the Board's strategic priorities, driving transformation to reduce costs and improve productivity, and continue support for a quality organization.

Mr. Walker reported that there was a significant, meaningful change in the information considered. He explained that in their December discussions, staff anticipated a 1.8% increase in assessed values from calendar year 2016 to calendar year 2017, but the information shows a 2.9% increase, which translates into additional resources for the County, as reflected in the budget presented. He stated there is also an increase in real estate revenue due to new construction and land divisions, which he would discuss separately. Mr. Walker stated that most comparisons they do are "budget to budget," such as the adopted FY17 budget compared to the recommended FY18 budget, but they did experience some meaningful improvement in revenue outlook, so those increases are reflected. He said there have also been increases in personal property taxes; consumer-driven activity, such as meals tax, sales tax, lodging tax, and BPOL; and public service tax, which is due to one business being reassessed by the State Corporation Commission.

Mr. Walker reported that this budget is intended to implement the choices the Board has made in terms of its strategic priorities and efforts on continued organizational transformation. He said at the highest level, they talk about the total budget when discussing the proposed budget. Mr. Walker stated that the total budget is almost $400 million and is a reflection of uses and sources, with the largest share being local revenues, particularly from property tax and other local revenues. He said the budget also reflects the use of fund balance, borrowed proceeds from the general obligation and lease revenue debt that is transferred into proceeds for the coming year. Mr. Walker stated that on the expenditure side, K-12 education comprises 61% of all expenditures, with the majority being operations but also including school capital and debt service to support infrastructure. He said that 4% of expenditures is dedicated to the revenue-sharing program with the City of Charlottesville.

Mr. Walker reported that the budget highlights include: an increase of almost $22 million in revenue; increases in both operating and capital expenditures; an increase in real estate values through reassessment; maintenance of the current 83.9-cent tax rate and no recommended changes to the rate; increasing state revenues, primarily for increased school division support but also for social services. He presented a chart reflecting changes in expenditures from the adopted FY17 budget to the recommended FY18 budget, noting that capital projects investment began in FY17, with unspent funds rolling into FY18. Mr. Walker said that for the first time in six or seven years, coming out of the recession, revenue-sharing support for the City has increased, this year by $88,000.

Mr. Walker reported that most of the work on the budget is in the general fund, which comprises about 68% of the total budget, and it does not include the state's share of K-12 education support and other special revenues that do not go through the general fund. He stated that the total budget is $400 million, with the general fund recommended at $264 million for FY18. Mr. Walker presented a chart showing increases at the local, state and federal levels, and presented a slide showing revenue trends over time. He noted that the County has experienced modest revenue growth for the past several years, which has happened in conjunction with tax rate adjustments. Mr. Walker said there is a slight uptick in locally generated revenues, real estate, other local, and other general property, and state and federal revenues have remained relatively flat.

Mr. Walker stated that the County tends to work off of the Governor's budget, with a lot of work needed between when the Governor submits his budget and when the money committees go to conference and come out with what the state says the budget is going to look like, but that is a moving target that is difficult to make assumptions around. He said that in general, the Governor has had a fairly pessimistic view of the state's economy, but it has been improving over the last several weeks, and the public is seeing some dialogue within the money committees as to how they want to use some revenue to make some investments. Mr. Walker stated that the budget tries to take advantage of the best available information, the timing of which is hard to predict. He pointed out a reference to changes in local support for local needs and a partnership with the state, and while there has not been a dramatic shift, the evolution has been that localities are receiving less support from the state proportionally for the cost of providing services to citizens, particularly those that are mandated. Mr. Walker noted that the schools' situation is even more dramatic, with the trend from FY09 to present showing an increasing proportion borne by local government versus the state for K-12 education, which is an important issue going forward that necessitates engagement with state partners as part of their role in the process. He said the increase in local share has been between 3% and 5%, with the state share continuing to decline.

Mr. Walker presented a chart reflecting how expenditures are reported in categories through the auditor of public accounts comparative report, which in turn can be used to share broadly across the state, enabling localities to approximate benchmarking. He noted that the category of "community development," for example, includes departments and agencies, such as JAUNT, that support that functional area. Mr. Walker stated that many of the County's resources are tied into personnel, and those costs are spread throughout the departments and functional areas. He noted that even when the County funds its share of things like the regional jail, it gets lost that the jail is also a service organization, with much of its costs driven by personnel.

Mr. Walker said that in shifting the focus on how the budget is supporting the focus areas identified through the Board's two-year plan process, the first item is implementation actions to ensure timely completion of successful outcomes related to their strategic priorities, acknowledging them and driving them toward implementation. He stated that the budget recommends a one-time investment in resources to manage the many strategic plan priority activities so the organization can stay focused on the progress made in getting them toward completion, so they do not get lost in everyday delivery of services. Mr. Walker said that resources were added in the current year to enable Community Development and the County Attorney's office to focus directly on modernization and recodification of the zoning ordinance. He said it also includes the initial aspects of implementation of the Rio/Route 29 Small Area Plan, and this budget continues those investments into FY18, most of them on a one-time basis that anticipates a start and an end, and is not trying to tie up ongoing resources for that project.

Mr. Walker stated that they have talked most recently about the neighborhood improvement funding initiative, and in addition to the $1.4 million this budget includes, there is $200,000 to help support the "soft costs" so that more of that money can go to projects and not get tied up with resources needed to make that project happen. He noted that this could be design work, engagement work that accompanies working with the CACs, or the planning aspects of it. He said that support for economic development is here in a number of ways, and the Board would be discussing it in considerable detail. Mr. Walker stated that there are also resources assigned to the Pantops Master Plan and the Rivanna River

Corridor, and there is a “Finding Families” pilot program in the Department of Social Services to help them meet priority initiatives in serving families; there is also agency support in the budget, specific to the Board’s strategic priorities, including expanded hours at Northside Library, as a reflection of their commitment to addressing issues related to urbanization and redevelopment. He said there is also support for the Boys & Girls Club at Southwood, the Senior Center, and the Women’s Treatment Center, which the County firmly believes has direct correlation to the ability to prevent other costs in service to families, through Children’s Services Act (CSA) requirements, if there are not alternatives in the community.

Mr. Walker stated that the second focus area is organizational transformation, as the County prides itself in being innovative, transforming, and efficient, and this intends to take the ideas ready for implementation and move them forward. He said this includes continued conversion of records management from a paper-based system to a more digital based system, and conversion of the County’s copy center to an imaging center. Mr. Walker said the budget also includes expansion of the Innovation Fund, the Board is aware of the many successes in engaging employees in developing innovative solutions to problems, and these funds help to operationalize those improvements. He stated the budget also includes a Diversity Inclusion Generalist in HR, with this position intended to improve recruitment and retention for the specific benefit of helping the organization look more like the community served. Mr. Walker said there are some departments that have done a good amount of engagement in this area to try to improve recruitment of a diverse workforce, and this adds to that focus for the entire local government side of the organization. He stated that the Fire/Rescue system fleet consolidation continues to build a number of successes in consolidating fuel purchases and training, and this would consolidate fleet management and maintenance to realize full advantage of economies of scale and coordination of the maintenance of a very expensive fleet.

Ms. Mallek asked for confirmation that all of this would be coming back to the Board for discussion. Mr. Walker responded that it would.

Mr. Walker reported that a workforce management program that has been in development is now ready for implementation, the first phase of which is a time and attendance system. This is a marked change in moving from a paper-based time and attendance system to a computer-based enterprise system that is expected to bring significant gains in productivity, accuracy, and efficiency for all departments. Mr. Walker stated the budget includes the 2% market adjustment that the Board approved previously in conversations with the School Board and through the two-year plan process. He noted that the remedy to relieve the two-year compression is included in full in the recommended budget, and there is a projected 7% increase for the employer share of health insurance, and they would be looking at other opportunities to address that further, but the changes made at the staff level would enable them to bring forward smaller increases than seen in the past. Mr. Walker said the budget also includes increasing training funds to support the quality of the workforce. He stated that there are a number of temporary and contractual staff positions in the budget, with positions added in FY17 to continue in FY18, including two in Community Development to help with the workload. Mr. Walker noted that there were some adjustments in current positions in terms of reclassifying and redefining, as well as expanding from part time to full time.

Mr. Walker presented a chart showing the changes made in the composition of the County organization since FY09, which was followed by years of austerity measures. He stated that they have added positions back through each budget process, and he noted where positions have been added and subtracted, with more emphasis on health and welfare, particularly in social services, and on public safety, and less emphasis in the areas of public works, parks and recreation, and community development. Mr. Walker said it is difficult to understand in this context the transformational changes and efficiencies, and there are conversations that staff could have with the Board about things that are not in this budget and where to go in the future. He also presented an illustration of how the County has changed in its staffing levels per capita over time, going back to FY09 and using that consistent benchmark. Mr. Walker said this does not compare necessarily to other localities, but it does reflect the fact the County is a growing community, with mindfulness of the staffing levels relative to the size of the population to maintain service to citizens.

Mr. Walker noted that Charlottesville is a City and is different in its service delivery, but as the County focuses on becoming more urban and delivering services in a more urbanized way to a more urbanized community, it becomes more meaningful to look at how cities are structured in terms of the services it provides. He stated the County believes that innovation, efficiency, and transformation are important values, and it prides itself in enormous organizational energy around trying to be better, and there are both big and small changes in this budget. Mr. Walker said this underscores that driving change into the future and driving innovation already has a track record, and the County is excited and committed to doing them, and with resources dedicated to making some of those changes, they can expand on these items. He stated that the fourth focus area is strategic investment, investing funds to improve urban neighborhoods, both through the CIP and reduced future borrowing.

Mr. Walker noted that this budget restores $700,000 in ongoing revenues to the capital fund, and back in FY16 there was a diversion of funding from capital to operations to deal with the circumstances then, but the circumstances are such now that the money can be returned to the capital fund to bolster the cash component. He stated they are also seeking to assign $1.2 million in the FY18 budget for the CIP, in addition to the $700,000 in ongoing funding. He noted that this includes increased resources for transportation and revenue sharing, and the process of identifying priority projects is coming up so there may be an opportunity on the revenue-sharing side to be more like Smart Scale, with an expectation from the state that more local money must be invested. Mr. Walker said this budget enables the Board to defer the previously identified tax rate increases for the CIP: 1.3 cents for the bond referendum projects and 0.2 cents coming out of the Oversight Committee for the Senior Center and PVCC projects. He stated it is not as apparent, but the combined implication of that is part of this picture. Mr. Walker noted that the budget provides for ACE funding in FY18.

Mr. Walker reported that mandates and obligations comprise a significant cost of delivering programs and services in local government, including transfer to debt service; fire fund dedicated resources; transfer to water resources, which will include implementation of a stormwater utility beginning in FY19; revenue-sharing payment to the City, which increases slightly for the first time in many years; and transfer to the school division, for both operations by formula and debt service. Mr. Walker stated the Board is aware that they supported borrowing all of the funding supported by the general obligation bond referendum, as well as the lease bond, in order to avoid increasing interest rates, so while borrowing more money sooner saves money in the long run, it requires more repayment in the short term. He said that not only are they able to avoid future increased interest rates, they are still able to defer the increase in the tax rate for this year. Mr. Walker stated that to the extent they are using more cash and less debt, taxpayers are paying less interest and costs overall in the long run. He said this captures the County's intent to get closer to the 3% equity funding for the CIP going forward.

Mr. Walker stated the three primary challenges envisioned by staff include the uncertainty within the economy, as there are many changes afoot, including the Affordable Care Act. He said that with in mind, staff is mindful of not overcommitting, and making investments in one-time resources instead of ongoing resources will enable the County to be more agile going forward when and if circumstances change. He stated another challenge is that there are staff capacity needs that remain unmet, and staff can provide more detail on the resources identified to keep pace with demand. Mr. Walker noted that the Board may have interest in expanded or new programs and services. He commented that while investment in the capital plan helped mitigate borrowing and delay the tax rate, there is the larger issue of the capital needs assessment, which has not received a lot of attention over the last several years with major projects that may continue to sit, on both the general government and school sides.

Mr. Walker summarized his presentation by noting the goals to implement the Board's strategic priorities; achieve transformation that promotes efficiency and productivity; sustain a responsive, flexible, high quality organization; invest resources in the CIP to build the County's future; and continue to meet mandates and obligations and maintain program and service levels. He stated that in terms of next steps, the staff has an ongoing commitment with the Board and the public at large, and there is a public hearing scheduled for 6 p.m. on February 21, with the Board's next work session scheduled for February 23, where staff will provide a budget overview and then start on the chapters. Mr. Walker said that March 7 is the final date for the Board to finalize the tax rate for advertisement, and in April there will be the public hearing on the proposed budget, with the final adoption of the tax rate and budget scheduled for April 18. He noted that the departments work on their budgets all year long, and he commended them for their dedication in creating the background behind the numbers.

Mr. Randolph asked if the federal revenues increasing by 3.1% for social services were projected revenues or committed revenues, as he has concerns about how accurate those projections will be given where the current administration and Congress are apparently going with social services. He stated that there is a declining commitment at a state and federal level, and Albemarle is fortunate to have the resources to compensate, but he is mindful of the fact that there are other localities that do not have that capability and feel fiscal constraints to local government. Mr. Randolph asked for confirmation of the total number of new positions being added in the two-year budget.

Ms. Lori Allshouse, Director of the Office of Management and Budget, responded that it is about 14 positions, calculated as FTEs, and there is a page in the Board's budget book that outlines the changes in positions. She said if you total them all up, the FTEs started since the beginning of FY17 and added in FY18 total 19 positions.

Mr. Randolph commented that Albemarle County has higher rates of poverty per population than the other comparable counties, and he noted the urban complexity of the County that distinguishes it from its peers. He suggested finding another comparable county that is urbanizing at a similar rate to bring that in, even though at other levels it may not be purely comparable. Mr. Walker responded that another factor to consider is the County's support for the Bright Stars and Family Support programs, which add to the costs for social services in an educational environment.

Mr. Randolph agreed, but emphasized that they need to address through their strategic planning the fiscal impact of a federal support reduction. He stated that he is pleased to see the $700,000 going into the capital fund and asked if there was a total number between the FY16 surplus and this capital budget in terms of how much is proposed to be delivered to the CIP. Mr. Walker responded that there was.

Ms. Palmer noted that the information is on the page that shows the fund balance list.

Mr. Walker pointed out that this assumes appropriation of FY16 positive variance in FY17, for carry over into FY18, and that appropriation has not happened yet.

Mr. Randolph stated that he is delighted to see ACE funded for FY18 and FY19, and the Planning Commission will be very happy with this as well.

Mr. Walker noted that $250,000 of the ACE funding for FY17 and FY18 is coming from tourism revenues.

Ms. Mallek pointed out that there is nothing allocated in the CIP for FY19. Ms. Allshouse responded that they have not put the allocations in yet for FY19.

Mr. Walker commented that there is a delay for when money is available and when it is spent.

Ms. Mallek said that was true in the most recent years, but for many years there was a dedicated penny for ACE.

Ms. Mallek stated that the budget talks about deferring previously identified tax rate increases, and in the CIP they were shown for FY19, so she wants to be clear when communicating that.

Ms. Allshouse recognized the Finance Department for their work in budget preparation. She stated that the budget document presented to the Board is a copy to be marked up, so the Board can make notes and ask questions. She stated that the format is GFAO approved, and it also serves as an historical document, with both numbers and narrative. Ms. Allshouse stated that the budget document includes a table of contents, acknowledgements of those who worked on budget development, chapters, and notes regarding cross-departmental items, such as salary adjustments. She said it would be helpful for the Board to read the chapters ahead of time, so staff can move through the highlights fairly quickly to provide time in the work sessions to answer the Board's questions. Ms. Allshouse noted that the "non-departmental" section of the budget includes a lot of detail about additional funding and one-time funding. She said the "education" chapter is basically information provided by the school division, with a brief overview of the budget, and their entire budget has also been provided to the Board as well as being available online.

Ms. Mallek asked staff to address in the future the difference between "actual" and "adopted," as there is always a question about it.

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

Mr. Randolph reported that a Virginia winery owned by Mr. Eric Trump is seeking 23 workers from overseas to plant and harvest grapes, and the Department of Labor published that request about a week ago. He stated that potential workers will earn $11.27 hourly, working at the 1,300-acre estate from April 3 to as late as October 27, and are being sought using the federal H-2A visa program, which permits U.S. employers to hire foreign agricultural labor for temporary work as long as no qualified Americans want the jobs instead. He urged qualified Americans to apply for the positions immediately.

Ms. Palmer noted that when she first heard the report, the wage was $10.70, so apparently that has increased.

Ms. McKeel thanked School Superintendent, Dr. Pamela Moran, School Board Chair, Kate Acuff, and Vice-Chair, Stephen Koleszar, for their attendance at the Board meeting.

Ms. McKeel mentioned that the company that does the live streaming of Board of Supervisors meetings has open licensure to localities, and suggested that the School Board also participate in live streaming. Ms. Jody Saunders stated that this has been the thinking from the start with the Planning Commission and School Board, but the issue lies with their agenda process and the way the video streaming corresponds with those agendas and the way the information is connected through Granicus.

Ms. McKeel said she just wants to make sure they are aware, as there previously had been an issue with licensure.

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

Mr. Walker stated that he had no additional reports.

Agenda Item No. 5. Adjourn to February 21, 2017, 6:00 p.m., Lane Auditorium.

At 1:21 p.m., Ms. Mallek **moved** to adjourn the Board meeting to February 21, 2017 at 6:00 p.m. in the Lane Auditorium. Ms. Palmer **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

Chairman

Approved by Board
Date 08/09/2017 Initials CKB