An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on March 5, 2018, at 3:00 p.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. This meeting was adjourned from March 1, 2018.

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

ABSENT: None.

OFFICERS PRESENT: County Executive, Jeff Richardson, County Attorney, Greg Kamptner, Clerk, Claudette Borgersen, and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. Call to Order. The meeting was called to order at 3:04 p.m., by the Chair, Ms. Mallek.

Ms. Mallek introduced the presiding security officer, Officer Jordan DeLange, and asked all other staff attendees to introduce themselves.

Agenda Item No. 2. Work Session: FY 2018-2019 Operating and Capital Budgets.

- Capital Improvement Program. *(continued from March 1, 2018)*
  - Complete overview of the FY 19 – FY 23 Capital Improvement Plan (CIP), to include information on the recommended expenditures, revenues, key projects, and policies.
  - CIP Chapter. (beings on page 249)

- Debt Management.
  - Overview of the County's existing CIP debt and FY 19 – FY23 debt service schedule.
  - Debt Management Chapter. (begins on page 297)

- Wrap Up – Review any remaining areas and/or outstanding issues from previous work sessions.
- Finalize Board's proposed budget and Finalize tax rate for advertising.

Ms. Lori Allshouse, Director of the Office of Management and Budget, addressed the Board and stated that she will be referencing several pieces of information already shared with them. She noted that power outages over the weekend may have precluded them from receiving all documents, so staff printed extra copies. Ms. Allshouse stated that the information includes the unfunded FY19 requests and the items placed on the list for discussion by Board members. She said what has been included in the recommended budget is found on page 89 in the budget document.

Ms. Allshouse stated that staff's desired outcomes are to review the schedule and potential adjustments to the work session schedule going forward, complete the review of the FY19 capital budget and debt management chapter, begin the discussion of items the Board had placed on the list from previous work sessions, and have the Board consider adopting a proposed tax for advertisement. She noted that the advertised rate is a cap – so they cannot go above it, but can go below it.

Ms. Allshouse presented information on the budget adoption timeframe, stating that staff had originally scheduled two "if needed" work sessions and still recommends using at least one of them. She said if they approve the Calendar Year 2018 tax rate for advertisement at this meeting, that is a requirement – as they have to do it 30 days before their April 10 public hearing. She noted that they can move the public hearing, but staff does not recommend doing that. Ms. Allshouse mentioned that the Board does not have to approve their proposed budget at this point, but will have to meet a certain time period in the rest of the process, and said staff is suggesting they do the proposed budget on March 27. She added that there is new information the school received from the state regarding the composite index and how the budget is changing at the state level. Ms. Allshouse stated there could be an additional work session on March 29 if they want to further discuss the CIP potential bond referendum. She said staff feels the March 27 session could provide additional time for both the Board and staff, as well as providing additional time for the Board to receive feedback obtained from constituents at the March town hall meetings – before the Board approves the proposed budget. Ms. Allshouse noted that it will also give the Board time for further consideration of the items on the list, including any additional items to be added from March 1 or today.

Ms. Allshouse stated this would also give staff time to update projected revenues, based on two months of additional information and actuals, so they can look at revenues again and incorporate any updated projected state revenues. She stated this will also allow staff to update any expenditure changes, as there have been a few changes shared with the Board already, and will allow them time to collaborate with the School Division to review updates and capital needs, and determine whether there are any possible joint operational efficiencies. She asked the Board if it is acceptable to them to adjust the schedule.

Ms. Mallek responded that she is always interested in more information if she can get it.

Ms. Palmer stated she would probably be more interested in it, and is very concerned about the CIP and the 4.5-cent increase needed for next year.

Mr. Dill agreed that they should add the extra sessions and do the tax rate at this meeting.

Ms. McKeel said the meetings are already on her calendar, and she is amenable to them.

Ms. Allshouse stated that at this meeting, they will pick up where they left off at the March 1 work session – at which time they are going to discuss the capital budget, which is the first year of the County's CIP. She said the capital budget is what will be included in their FY19 proposed budget and the budget appropriated in May or June. She noted the capital budget is $57.7 million, and the revenue pie chart shows that a lot of it is planned borrowed proceeds at 74.5% of the revenues. Ms. Allshouse stated there are also uses of the capital fund balance, general fund transfer, and local revenues. She said on the expenditure side, 74.7% will be for the School Division, primarily because of the high school improvements project – which will start in FY19, with a lot of the expenditures coming online in FY20. Ms. Allshouse stated they will need to budget when the actual project begins so they can go under contract, and that will start in FY19 with the contract being for construction.

Ms. Mallek asked if the financing of the Woodbrook and referenda projects from last year is also included in that. Ms. Allshouse responded that it will not be a new expenditure in FY19, but is included in the debt payments the County pays. She clarified that this is associated primarily with the high school improvement project, and there are also ongoing maintenance and replacement costs included for FY19.

Ms. Allshouse reported that there was information provided that shows the CIP, which is a longer-term plan, but they are talking about FY19 at this meeting. She said there is maintenance and replacement of County facilities and parks included, with the high school improvement project to begin in FY19, and the other potential quality of life referendum projects discussed on March 1 will not begin until FY20 – so they do not actually show up in the FY19 budget. Ms. Allshouse stated that water resources funding was assigned through available one-time money for FY19, so the County will be cash funding the water resources project work in FY19. She said there is also a volunteer fire/rescue facilities maintenance pilot project and funding for the transportation leveraging program, formerly called the transportation revenue-sharing program. She noted there are two projects that staff recommends funding in FY18 instead of waiting for FY19 – the public safety tactical robot and the public safety mobile burn building training center – and staff will bring appropriation requests to the Board to do that in the current year.

Ms. Allshouse emphasized the importance of this is that this will be included in their budget, and the most important item they will continue to talk about is the high school improvement project funding – a large project that will kick off in FY19.

Ms. Palmer commented that the Board had talked about the 4.5-cent increase that will be necessary for FY20 and this concerns her a lot. She asked if the Board has interest about whether anything should be done this year with the CIP to address this, because she does not feel the community can handle a 4.5-cent increase – and this is too much given the stormwater utility fee and any increase in property assessments. She added that she does not know where they are going with FY20 and when that conversation would fit into their work sessions.

Mr. Bill Letteri, Assistant County Executive, stated that there are two components for the FY20 tax increase, the first being a three-cent tax rate increase associated with general government and school CIP projects, which are projects that had been underway. He said a good deal of that increase regards those $35 million in projects previously approved through referendum, and as the Board recalls, they anticipated that increase would begin in FY19. Mr. Letteri pointed out that deferring that creates a resource need in the capital plan over the five years, and the County was able to put in one-time funds for FY19 to help with that.

Ms. Palmer stated that she recalls the referendum impact to be 1.5 cents, but staff is saying 3 cents, and asked for clarification. Mr. Letteri responded that the 3 cents was in part the referendum project, and in part those projects the Board proposed to be set in place in FY19 and FY20 that would require additional resources to cover some of the debt service for FY19 and also provide the necessary cash for FY20. He stated the other part of the 4.5 cents was a 1.5-cent increase associated with stormwater, and that assumes there is no stormwater fee in existence at that point. Mr. Letteri said this funds the stormwater program additions, and there is a component of stormwater that will continue to be funded through 0.7 cents in the general fund. He noted that if the County were to expand the stormwater program to the extent the Board has indicated, that would require another $2.9 million in FY20. He said staff is proposing that this be entirely funded through an additional 1.5-cent tax increase. Mr. Letteri emphasized that their options are either to provide another mechanism for funding the stormwater piece, which would be a storm water fee; or they could decide not to expand the program to that extent and could phase the program and continue with the current level of service.

Ms. Palmer said if they did the stormwater fee, they would not have the additional 1.5 cents, and if they decided to phase the program it would be different. She asked for confirmation that the 3 cents is what is needed to deal with the capital already set in motion. Mr. Letteri confirmed this and stated that the 3 cents also covers what is proposed in the next two years.

Mr. Dill asked what the estimate was for the increase in the assessments, as his understanding was that the County was getting more revenue from the tax assessments than they estimated a year ago. Mr. Letteri replied that this, in addition to the one-time infusion, has enabled them to defer the tax rate increase for one year. He commented that natural growth does help, and in the scenario that calls for 3 cents in FY20, staff is anticipating a certain degree in natural growth in real estate values – and if that growth exceeds expectations, it would mitigate the need for part of the tax increase.

Ms. McKeel pointed out that it could also have the opposite effect and not yield as much as anticipated.

Ms. Mallek asked if they are basing it on 2.5%, or something fairly conservative in terms of real estate growth next year. Ms. Allshouse responded that the calendar year affects two fiscal years, and it is 2.2% in the first half and 2% in the second half.

Ms. Mallek commented that this is pretty moderate.

Ms. Palmer stated that the 3 cents was built in and is required, and her question is – if 2.5 cents is all they could handle – whether the Board would have to look at the CIP and identify other areas to be postponed. Mr. Letteri confirmed that this would need to be for FY19 and FY20.

Ms. Palmer asked if this is more of a discussion for March 29, or whether it could take place anytime over the next year. Ms. Allshouse responded that when they move to their proposed budget on March 27, the important thing would be to address FY19 because the proposed budget is one year of the CIP, but does impact the rest of the plan. She emphasized that this is an important conversation for March 27, and they could also use March 29 to discuss bond referendums and other ideas for the future – but either date would work and could even be combined.

Mr. Kamptner stated that March 29 poses a tight timeframe in terms of getting the ad to the *Daily Progress*, as the County is required to provide seven days' notice.

Mr. Randolph observed that when the Board reviewed the proposed budget and was looking at FY19, going through items department by department – including identifying staffing needs – the Board asked staff to explain the needs and establish a rationale for the additions to staff to determine whether they are justified or not. He said this typically generates an incremental increase in governmental spending and is an inherently inflationary-biased approach because they are adding staff, which adds to cost. Mr. Randolph stated that they come to the CIP last and see the actual projected five-year costs of shouldering increased overall governmental costs. He suggested they reverse the two steps and in the future look at the projected debt and CIP costs first, noting that FY21 adds two more cents on the tax rate and FY22 adds two more cents. Mr. Randolph emphasized that over the next three years, they will be looking at an 8.5-cent increase, yet in the first three budget work sessions they have added $2.6 million of new employees without anyone else being factored in, which comprises about 1.5 cents. He said they have looked at the budget and have added personnel, and now are looking at 4.5 cents in FY20.

Mr. Randolph reiterated that by the way they are doing things, they are automatically building in additional costs for the future – and once they are in there, they are silent and are not observed or subject to scrutiny, questioning, justification, and analysis. He commented that the process is biased towards increasing the size of the staff, then they come out on the back end facing increased costs in the following years. Mr. Randolph said they need to talk about this and be sure that every position can be justified beyond a shadow of a doubt, that it will provide increased governmental services that help people in the public, and will help staff be more efficient. He commented that the way the process is currently configured, they back themselves into a corner – although this was not intentional.

Ms. Mallek noted there are 17,000 more people in the County now since she joined the Board, and the services they require compound this issue.

Ms. Palmer commented that when they see certain departments growing faster than others, she wonders if there is a bias in that regard. She stated that it is good to justify positions in Finance, but it is hard from where she is sitting to understand, and she has to depend upon staff to convey what the most efficient use is and where those staff people need to be. Ms. Palmer said there are unfunded mandates for the Sheriff's Department, for example, and they wanted two deputies but got just one – and now must transfer people across the state with temporary detention orders because the state passed legislation to improve mental health regulations.

Ms. Mallek said she prefers the word "perspective" over "bias," as it is less pejorative, and she disagrees a bit that everything is predetermined once it arrives at the Board level, because they have considerably repositioned members of the staff over the last 10 years to move into higher demand areas and not fill some positions when people retired due to fallen demand. She emphasized that the County is trying hard to evolve and evolve the operation.

Ms. Palmer stated that she is just commenting about the Board's evaluation of all the different positions, as she finds it very hard.

Ms. Mallek agreed.

Ms. Palmer said that she does not have the knowledge base to tell staff what they need for their departments and does not expect to gain that. Ms. Allshouse clarified that the positions listed on the yellow paper are not in the recommendations.

Mr. Gallaway asked how the chart would change if the bond referendum were of interest to the Board, and where the tax would fall.

Ms. Allshouse asked if he is referring to the potential future bond referendum for the school improvements project and the other quality of life bundling – and this budget does reflect them, as they are included in the recommended CIP. She said this is actually based on projections of doing the quality of life referendum. Mr. Gallaway asked if the tax rates would fall as they are reported here, if the referendum were to pass.

Ms. Allshouse explained that when they pass the referendum, it does not mean the County borrows right then – and they will borrow and do a careful spend plan just when the money is actually needed. She noted that the referendum is just to set it in motion as something that could be done over the next eight years.

Mr. Letteri stated that the general fund has a transfer over to capital, which is done intentionally by formula and consistently from year to year so they can establish an extent to which the general fund supports a capital program. He said in looking at general operations, they try to use natural growth to develop the budget and do it in such a way that does not trigger a tax increase, to the extent possible, which is what they did this year. He explained that they then send the transfer over to the capital fund and look at it in isolation to compare the tax rate impact of what they have transferred to capital against the project needs out there. Mr. Letteri reiterated that the three-cent increase is associated with that transfer, along with the additional projects identified as being necessary.

Ms. Mallek said this is the first time since 2009 they have had the three-cent transfer be possible.

Ms. Allshouse stated that she has also brought the quality of life referendum project and information about the timing, as she thought they might be of interest to the Board when they talk about the capital budget. She said they are improving the capital budget, which is FY19, but the document also includes the CIP. Ms. Allshouse commented that if they approve the document, they are approving this plan – and it is important to keep this in mind. She stated that this is updated every year because as revenues change, the out-years and expenditures change.

Ms. Allshouse reported that one of the last chapters is the debt management information, and she only has a few slides pertaining to this topic. She stated that the County has existing debt from past years, and the information includes amortization schedules for it, with the Finance Department being very involved in putting those together. Ms. Allshouse said the County has about $207 million in debt, including information on the existing debt, the debt service schedules, and policy information. She noted that the County intends to maintain a 10-year payout ratio and is about 60% at the end of each adopted 5-year budget, with some debt at 7 years, some at 10, and some at 20. Ms. Allshouse stated there has been debt that has been refinanced along the way to get lower interest rates, and that has been taken into account in their schedules.

Ms. Allshouse reported that the information presented on debt capacity is a look ahead, and the County has financial policies that were approved by the Board – with a look at debt service as a percentage of revenues. She stated that County policy is that debt service not exceed 10% over general fund revenues, and there is also cap per their policies. Ms. Allshouse said that with the current CIP, the County is staying below its cap, calculated on existing debt and new debt. She noted that another calculation used is outstanding debt as a percentage of assessed property, with a cap at 2% – with Albemarle County riding below that cap. She commented that much of this is based on projections.

Mr. Dill asked if these are based on the 4.5-cent increase. Ms. Allshouse responded that is her understanding.

Mr. Dill said that if it does not realistically seem feasible to add more than 2.5 or 3 cents – but 4.5 cents does not seem reasonable – he would like to see what those charts would look like. He also pointed out that this does not take an economic slowdown into account, even though there is a conservative estimate of real estate assessments.

Mr. Letteri replied that they would need to look at what project adjustments could be made over the five-year period to bring down the projected debt and cash requirements, so they did stay within those policy guidelines. He said with a five-year plan, you start major projects and set in motion debt that carries over the next 20 years, so they need to be thoughtful about the timing of those adjustments.

Ms. McKeel stated that they still have the ability to look at projects that were in the plan further out. Mr. Letteri confirmed this, stating that all they are doing with this year is making decisions for about 19 projects.

Ms. Mallek commented that they do not know what the choices would be in a voter referendum and which of the five categories they would support the highest, which would also help the Board with prioritization. She added that there have been many projects over the years that are on the CIP list, but are now in the distance because the County has evolved away from that particular thing.

Ms. McKeel asked about the debt service as a percentage of revenues, as it goes above the average in FY22 and then comes back down, stating that her tendency is to view that as being in trouble – although it is probably not interpreted that way. Mr. Letteri responded that rating agencies take a long view of the capital plan, rather than a one-year look.

Mr. Randolph pointed out that when they looked at 2017 debt, there was $207 million; and in FY23, there is an increase of almost 50% – yet they continue to add staff. He said that 17.5 of the positions proposed would not actually be in the County Office Building but 12.5 would be, and there is nothing in the debt management strategy regarding the potential additional costs associated with having to borrow money for some portion of a new COB. Mr. Randolph stated that the value of the building will continue to increase, but that will not cover the potential cost for a new building and they will need to find funding – and the logical place to look for that might be a voter referendum. He commented that the schools certainly need to be attended to, but they also need to ensure that employees have a professional setting that helps them be efficient and effective in their jobs, and the COB replacement might need to be confronted within the next five-year period.

Ms. Allshouse presented a list of items identified by the Board in the first two work sessions, and stated that staff took notes through those and established the list for further discussion. She referenced a list of unfunded position requests, as reflected on the yellow page, and noted a list of items that were not on the page but had been requested to come up for discussion. Ms. Allshouse reported that one such item was the Agency Budget Review Team (ABRT) agencies, specifically reallocation of Charlottesville Opera Funding to the Paramount Theater, increasing part-time hours for the Virginia Cooperative Extension 4-H program, and use of end-of-year money from FY18 in the fuel reserve fund for FY19.

Ms. Palmer stated that they will hear from the Sheriff's Department on March 7, and she is concerned about unfunded mandates – with changes coming from the General Assembly that are positive, but have also impacted that office.

Mr. Andy Bowman, Senior Budget Analyst, explained that as part of their long-term financial processes in the summer, when OMB sends out requests known as "resource plans," asking departments and constitutional officers to project what they think they need, given the Board's strategic priorities and what is needed to move them forward, what is needed to meet current workload service demands, any ideas related to implementing transformative initiatives, and any other emerging needs that do not fit in those four categories. Mr. Bowman added that they also request that departments explain how their requests relate to potential budget goals and prioritize them. He stated that they receive those in the summer and sit down in OMB to do a first review to prioritize those that are the most compelling and have the strongest tie to the strategic plan, then turn an initial list over to the County's Leadership Council – a group of department heads and the County Executive's staff who look at the positions through the strategic plan and in the context of workload issues. He noted that all of that feedback is incorporated along with considerations of other expenditure obligations and mandates that must be met, available revenue, and any other budget considerations. Mr. Bowman said this is used to compile a balanced two-year fiscal plan that goes before the Board in November, followed by a series of work sessions in December that provide a long-term look at the County's financial picture and an opportunity for feedback from the Board prior to heading into the annual budget. He stated that after receiving input from the Board on the two-year plan, staff takes a look at available revenues, any new information received from departments, changes in other areas of the budget, and other obligations incurred. Mr. Bowman said they factor all of that in and look at it in the context of the three main budget goals – the strategic plan, supporting transformation, and sustaining the quality of the organization – then present the recommended budget.

Ms. Palmer asked if staff has any specific comments related to the Sheriff's Department. Mr. Bowman responded that the department has a compelling case, which is why one position was recommended in the budget under the goal of sustaining a quality organization.

Ms. Palmer stated that she is somewhat torn because the Board will not hear from the department until March 7 and she does not want to preempt that, but they are discussing positions now.

Mr. Letteri emphasized that there were 70 positions requested and as they looked at available funding, hard decisions had to be made. He stated that this is not an exact science, and they try to look at all different factors to the fullest extent possible. Mr. Letteri said there was a recognition of the Sheriff's needs, and one strategy was to spread them out over the course of the next two to three years.

Mr. Randolph asked if it is appropriate for the Board to make a decision prior to the public hearing scheduled for March 7, and said that he feels uncomfortable having that discussion at this point. Ms. Palmer added that this was her concern as well, and she is trying to preempt that discussion but is just trying to understand the approach. Mr. Letteri responded that staff anticipates questions from the Board at this point related to those departments directly, just for information and understanding as to what the needs are.

Ms. Palmer stated that her question was whether there had been changes from the General Assembly since they provided information to staff as part of their request, and there was also no information in the packet regarding how staff made the decision.

Mr. Bowman noted that the original request was in December, but staff had an ongoing dialogue and had discussed this with the department in October.

Ms. Palmer expressed concern about unfunded mandates and how staff is addressing those. She asked if there have been any changes and whether the Board would hear about it on March 7. Sheriff Deputy Chan Bryant responded that they will hear more about it at that time, and explained that her request for the budget process is a continuous workload increase in the reserve division, as volunteer hours and numbers have decreased. She said their temporary detention orders (TDOs) are under an

MOU with the County Police Department that the Sheriff would handle those for the police 24/7, except for local transports from Region Ten to UVA or from Martha Jefferson to Region Ten. Ms. Bryant noted that since 2008, TDOs have increased for their department by 206%, causing a demand on staff to take away from their job responsibilities and court duties by requiring two deputies be assigned to a TDO. She noted that their budget request was strictly based on the workload increase, with one deputy on light duty who has been on light duty since October, and one currently in the basic law enforcement academy.

Ms. Palmer reiterated her concern about the impact of unfunded mandates on this department, and she also had questions regarding how many volunteers are operating as deputies in the courts.

Ms. Mallek stated that there is a lot of uncertainty about the line-by-line decisions being debated, and said the questions are whether they would affect the proposed tax rate and whether the Board is expecting to live within and advertise for the County Executive's proposed tax rate – or if there is a proposal to do something different. She commented that it may be premature for this discussion, but she wants to bring it up to start contemplating.

Ms. McKeel thanked Mr. Bowman for his explanation about how budget request items connect to the strategic plan.

Ms. Mallek suggested that they take the items off the list that she had put on, as she does not want either of them to impact the total. She asked the Board for their questions related to ABRT items.

Ms. McKeel commented that she feels the ABRT process is very strong and she had her questions answered. She added that she is also concerned about what the future might bring and is trying to be very careful with this budget.

Ms. Mallek stated that it is difficult to predict the future.

Ms. Palmer said that some of the funding with the ABRT process – which she feels is great and she supports – may have overlooked some of the smaller things. She added that she does not think they need to be taken out of the discussion because of the impending tax rate, given that some of the items were recommended for funding by the ABRT and are amounts in the $10,000 range.

Mr. Dill stated that the ABRT items are in the $5,000-$10,000 range, compared to tens of millions for CIP projects, and it is difficult to compare the relative value of that – and even one position in any department would be more than the total of anything he would fund. He said the Legal Aid Justice Center was up 32% in the number of County residents served, and this was recommended as a constant amount from the previous year, but he feels the Board could raise it 3%, which would yield $5,000. He stated the organization was rated as "solid," and the ABRT was asking the Board to decide whether this was worth an increase. He stated that the local food hub revenues shown as $3 million were different from other nonprofits in that the hub is a local economic development generator, with the $3 million reflecting products purchased from local farmers, which is supporting the agricultural economy. Mr. Dill stated that he did not note the amount of their request.

Ms. Palmer clarified that their request was for $13,000 as a new program.

Mr. Dill said that even if the County gave $5,000 to show that it supports the food hub, the organization could use that to raise more money. He stated he also supports Sin Barreras, which is rated solid and had an ABRT recommendation for funding – and even $5,000 would show that the County supports their low-income constituency. Mr. Dill said he had spoken with Frank Sullivan from the organization, which is very active and helps tremendously. He noted that Sin Barreras held an event in the County in 2017 that had more than 100 people attending and interested in all kinds of issues affecting the Latino community. Mr. Dill stated that he also supports funding for the YMCA childcare at the Jefferson School, which had a "solid" rating and moderate impact, and said they have 48 new Albemarle residents in their program. He said this total recommendation is only $25,000, and this would be a good signal to other people who are considering donating to them.

Mr. Randolph asked if he wants to put that into a single motion or individual motions. Mr. Dill responded that he does not know if this is the appropriate time, and he did not think in terms of writing it as an official motion for this meeting.

Ms. Palmer stated that those things would not affect the tax rate as set, because they are relatively small amounts.

Ms. Allshouse clarified that they would need to identify a place for them in the budget.

Ms. McKeel said they would have to identify where the money would come from, regardless of the fact it is a small amount in the big scheme of things.

Ms. Allshouse suggested that staff clarify the numbers Mr. Dill is requesting and put together some options for where these items could be funded if they stay within the tax rate. She said that staff could bring that back to the Board for their March 27 meeting, should they choose.

Ms. Palmer commented that she could support it.

Mr. Dill said that is a reasonable approach and they do not necessarily need to vote on it at this point.

Ms. Allshouse asked him for clarification of the amounts he wants.

Mr. Dill confirmed that it is $5,000 for the local food hub, $5,000 for Sin Barreras, $10,000 for the YMCA childcare, and a 3% increase for Legal Aid.

Ms. Mallek pointed out that Legal Aid's request difference is $8,000.

Mr. Dill clarified that he is suggesting $5,000 instead of $8,000, which is about 3% and is typically what ABRT recommends for "solid" organizations.

Ms. Mallek stated that she is glad to receive the information and is also thinking about other things that could be sources for transfer. She agreed that they do not have to decide at this moment and would rather get more information.

Mr. Gallaway asked for clarification if it is up to the Board member to identify a source of funding for items to be added in.

Ms. Allshouse explained that staff would provide recommendations to the Board with some options for them to consider.

Mr. Dill noted that there seems to be some new buffers in terms of available funding, especially given the small amounts being discussed.

Ms. Palmer stated that the Van der Linde all-in-one recycling facility in Louisa has closed, and that is where a lot of Albemarle County's trash was going. She said the Board had received a handful of emails questioning this, and the *Daily Progress* will be doing an article on this. She said she has no idea if Rivanna could accelerate its schedule for opening the Ivy recycling center, and there is currently $80,000 in Rivanna's budget for the facility to open in spring of 2019. Ms. Palmer noted that if Rivanna is able to open early, perhaps it would be possible for the County to find that out before the next meeting.

Mr. Trevor Henry stated that there is potential to accelerate the Ivy opening, but that typically comes with a cost as it involves factors such as staff working weekends and doubling up shifts. He said it would be a matter of working with Rivanna and the contractor to see what could be accelerated and what the cost would be. Mr. Henry noted that bringing it early might gain them a month, but he doubts it would be months earlier. He added that staff could follow up on what an accelerated schedule might look like.

Ms. Palmer said the master plan is supposed to be done by the consultants and given to Rivanna in July of 2018, and when that trickles down to the RSWA Board is another issue. She stated that she does not know whether the Board will be ready to make that decision in the next month, but she would like to see what would be possible given the bin facility has closed.

Mr. Henry responded that he would provide that information to the Board as soon as it becomes available, and this seems like more of a current project question.

Ms. Palmer agreed with that approach.

Mr. Henry commented that there would be a new sound system in the future, although it will not be installed for this budget work session cycle.

Mr. Randolph stated that if they look at funding programs rated by ABRT at a "fair" to "moderate" level, there are programs that did not receive any funding that were rated at a solid level – so it seems the Board is picking winners and losers, which is what the ABRT was designed to prevent. He added that this creates confusion in the nonprofit community, because if they apply and get a "weak" or "fair" rating and the Board funds that program, it is a disincentive for people who have worked hard and submitted a better proposal. He commented that it is a slippery slope to start picking winners and losers outside of the ABRT process, which was designed to be neutral and impartial for both the City and the County.

Ms. Palmer said she would not support anything that was not recommended by the ABRT, and she understands Mr. Dill's suggestions to be for organizations that are solid.

Mr. Dill clarified that all organizations he recommended were ranked as "solid," and he views the ABRT process as advisory – with the Board making the final decisions in the same way that the different departments proposed staffing and budget levels. He emphasized it is not an absolute that they would always go along exactly with everything the ABRT said, and they have not in the past. Mr. Dill said the Board has to make the final decisions on all items suggested in the budget, and he does not see any moral hazard or precedent setting aspects, as they are just supporting groups that they feel are serving the community well. He stated that their major goal is to look for opportunities to spend their money better, and if nonprofits can provide services for health, childcare, and economic development, the Board should support them.

Mr. Randolph noted that the YMCA was rated "moderate," and Sin Barreras was rated "fair," according to the report.

Ms. McKeel commented that Ms. Ellis had addressed several of those items when she was before the Board, and if they are going to discuss ABRT programs again, perhaps the Board should ask her to come back.

Mr. Randolph agreed.

Ms. Allshouse stated that staff will invite her to the March 27 meeting, and asked if there are any other items the Board wishes to discuss.

Ms. Palmer recalled that the Board had asked IT Director, Mr. Mike Culp, to explain his needs again, and he is working hard on the Broadband Authority. She said they seem to be passing up the help desk item, and she wants to make sure the other members of the Broadband Authority are okay with that.

Mr. Randolph said he had brought that up and had suggested that Mr. Culp submit the request for Board consideration.

Ms. Palmer commented that she is quite concerned about budget projections for next year and will be asking Mr. Culp to continue working as is for the next year.

Mr. Gallaway asked if the departments agreed when the decision was made to put the positions in that were recommended, and if it was fair to assume that the County Executive's recommended staffing match what the department heads want. Mr. Bowman confirmed that they did agree.

Deputy Chief Greg Jenkins of the Albemarle County Police Department stated that the department does prioritize positions and had prioritized the two funded patrol officer positions currently in the budget, which are moving forward.

Ms. McKeel said that he and Chief Ron Lantz had said there would be two patrol officers and asked if those are the priorities.

Deputy Chief Jenkins responded that their priorities are to get the patrol shifts staffed so they can continue with geographic-based policing, and everything else fell below those two positions.

Mr. Letteri commented that the IT Department has been evolving very quickly over the last six months, and the authority has generated a lot more work for Mr. Culp than originally anticipated. He said the issues regarding how time, attendance, and records management would unfold are questions for them as they go into the budget – and some of the thinking was to what extent these systems and programs might create some efficiencies. Mr. Letteri stated that their department is stressed and there are shortages in the Help Desk program as well as with office assistance.

Ms. Palmer said she hopes they will be able to afford the position the following year.

Mr. Dill stated there is concern about the budget and there were issues raised regarding staffing. They are trying to balance ongoing operations, which is mostly staffing; the CIP; debt service; and what is an acceptable increase in the tax rate. He commented that the issue is which areas could be postponed in terms of capital investments, and he wonders whether they have a strategy to deal with problems that might arise.

Mr. Letteri explained that as it relates to the tax rate increases proposed over the next several years, there are a few major drivers: the proposed referendum projects, which includes about $40 million; and the stormwater program, for which this plan carries the burden. He said the Board could do all or some of the referendum projects, and could decide what level of service would be provided for stormwater. Mr. Letteri emphasized that the other major driver is $90 million for school projects, and the schools have done the best job possible in identifying the components of that project and when they should happen. He said there might be a way in which they can look at how those projects are specifically phased, but it is premature for him to know whether that is actually possible.

Ms. Mallek stated there are only so many known factors at this point, and she could not make a decision at this point based on thinking she knew something that was going to happen in two years. She would rather make very good decisions with the best information possible, and deal with 2020 a year from now when the realities become more evident. Ms. Mallek said that choices would be made by the Board and others in terms of capital projects, and they all knew in 2010 and 2011 that zeroing out the CIP was going to have a painful impact. She stated that the postponement is costing the County millions as they try to turn it around. Ms. Mallek emphasized the needs are already a reality, with school children already here and crowded into schools. She stated that many of the staff positions put in the budget are because the Board and citizens have said they need to do a better job in certain areas, specifically to address existing inadequacies in programs. Ms. Mallek said she appreciates the process, but also knows that things change – although they have a way of turning out better than anticipated. She stated that planning for the worst and hoping for better is a good idea. Ms. Mallek pointed out that there is a lot of stormwater money paid for by the taxpayers instead of by the people getting the inspections done, and she hopes proposals will come forward to make it more of a pay-as-you-go process instead of dumping general fund expenses of $800,000-$900,000 into a stormwater fund fee that almost overblows the impact level. She said they also need to consider that if the fee happens, it will come off of the tax rate so people are not double taxed for it, and these decisions will be looked at in great detail over the next few months.

Ms. McKeel asked for confirmation that the Board needs a motion to advertise a tax rate for public hearing, and the rate they choose could go down, but cannot go up. She stated that while they could choose to lower the rate, they could not raise it at the next meeting.

Ms. Allshouse asked if they would like to move to that part of the work session. Board members agreed that they would.

Ms. Allshouse presented a slide with information shared at an earlier work session, with some background on real estate property taxes, and the FY19 budget's recommended tax rate is the current rate or .839 cents per $100 of assessed value. She stated that the lowered or effective tax rate would be .8117 cents per $100 of assessed value, and each penny on the real estate tax rate yields approximately $1.8 million in estimated collectible real estate tax revenues. There is a tax relief for the elderly and disabled program, which they had discussed at an earlier work session, and there is already $1 million in that program. Ms. Allshouse said the real estate property taxes, based on current projections, are expected to generate about 52% of general fund revenues – a $7.5 million or 5.2% increase over FY18. She stated those increases are based on $4.5 million in appreciation, which is a 2.2% increase in Calendar Year 2018 reassessments; an assumption of an additional 2% increase in Calendar Year 2019 reassessments. Ms. Allshouse stated that $3 million is due to growth or new construction and land divisions.

Ms. Allshouse referenced a slide including suggested motions, noting that they could also make a motion to include the assessed value of the taxes for personal property, machinery, and tools, but they do not have to do that at this point.

Ms. McKeel **moved** that the Board advertise the following rate for public hearing for the 2018 tax year: $0.839 cents/$100 of assessed value for real estate, public service property, and manufactured homes. 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, Mr. Dill and Mr. Gallaway.
NAYS: None.

Ms. McKeel **moved** that the Board advertise the following rates for public hearing for the 2018 tax year: $4.28/$100 of assessed value for personal property and $4.28/$100 of assessed value for machinery and tools. 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, Mr. Dill and Mr. Gallaway.
NAYS: None.

Ms. Mallek asked if staff could email to the Board the most recent median residential home values or any other facts of that type so that constituents could do their own calculations and be clear for themselves how things compare with the assessments they just received.

Ms. Allshouse asked if they want to continue discussing items on the list or if they want staff to continue their work and bring the information back on March 27.

Ms. Palmer responded that she has not had power for three days and still does not have internet service at home, so she would like a bit more time to look through it.

Ms. Mallek said she would also be happy to do more homework.

Mr. Gallaway stated that he would like to clarify his points regarding the fuel efficiency fund, and the usage of the current one-time monies was to set up the new sustainability fund at 1% to cover the fuel efficiency fund once it expires this year. He said the total is about $256,000 in the fund currently, and if $200,000 is remaining at the end of the year, it seems logical in terms of accounting to go from the expired fuel fund to the sustainability fund to help get the 1%. Mr. Gallaway emphasized that his point is that there is $200,000 in one-time monies not being used because it is tied up to equal the 1% amount, and that creates a fund that will probably grow to the next year's surplus rather than funding items on the list. He said he is not asking to spend money out of the contingency fund, but there is likely to be money there that should go to the 1% fund that should free up the other money. Mr. Gallaway stated that he is trying to figure out a way to be creative with how they can potentially use one-time monies they know can be there and make some approvals, working them into the budget process. He commented that he would like to see the Board be nimbler, rather than waiting for another year for monies they know will fall to a positive end-of-year variance. Mr. Gallaway also said he wants to have a continued conversation about monies coming back through DSS monies, as $329,000 was projected to be left after taking out the Medicare and health insurance piece.

Mr. Gallaway stated that Mr. Steve Allshouse had provided a publication to him, *An Elected Official's Guide to Revenue Forecasting*, and he does not know if the Board has had a thorough conversation as to how revenues are forecasted. He stated that there is both quantitative and qualitative information that goes into those forecasts, and in predicting BPOL or sales tax, there was some subjectivity. He stated that he did work in the subjective realm, and before the revenue forecasts made it to the Board, subjective calls were being made by staff – and he does not question their expertise but feels that Board members should probably have a say in that subjective call. Mr. Gallaway said it would be advantageous to the Board to learn what subjectivity is going into the decisions, as well as learning more about the quantitative side, then the Board can see if there is a need for them to have some say in the matter. He noted that if projections were different, it could change how the dollars there are to be used, and if they cannot get to this discussion for the current budget cycle, he would like to have it for the next budget cycle.

Ms. Palmer agreed with the suggestion, stating that they have received information about how revenues are forecasted, but nothing in the level of detail that the book includes. She mentioned that she would like to have a copy of that, and other Board members indicated they would as well.

Ms. Allshouse stated that staff could get those for the Board.

Mr. Letteri said that conversation might even occur before the actual revenue projections are done, so they will have a much more in-depth understanding of all the components of revenue and how they are analyzed.

Mr. Dill stated that the revenue projections are at the top of the bell curve but did not take into consideration whether there was a possibility of being higher or lower – which is where so much of the budget concern arose. Ms. Allshouse responded that the stabilization reserve just established would be very helpful because it is a revenue fund as well as expenditure fund.

Ms. Mallek emphasized that volatility is "one of the things that scars you," and she is very reluctant to spend down balances. She said she would love to think the state passthrough is going to continue so they can hire more staff at DSS, but she really needs to see the full picture.

Ms. McKeel commented that as they are going through their strategic plan process, it is good to tie in how subjective decisions are made by staff. She said it is important to remember that Board priorities guide staff in their decisions, and it would be beneficial to have a conversation as to how that plays out.

Mr. Gallaway mentioned that there is also a significant school funding gap, and he would be interested in addressing that as they hold discussions over the next month.

Ms. McKeel agreed with that proposal, given the schools' situation with the state.

Mr. Gallaway asked if there is any updated information from the state.

Ms. McKeel responded that she is referring to the composite index change.

Mr. Gallaway stated that there was $600,000 in the schools' funding request for the pilot center, but moving forward, the remaining centers are in the CIP request – and he asked why the $600,000 was not considered a capital project.

Ms. Rosalyn Schmitt, Director of Planning and Budget for Albemarle County Schools, addressed the Board and stated that in the operational funding request there was a pilot high school center – with the intent for it to be leased space, which is why it was operating versus capital. She stated the intent was that it be more agile, rather than a new building.

Mr. Gallaway noted that this would allow them to get it up and running sooner.

Ms. Schmitt mentioned that the schools have no other updates from the state.

Ms. McKeel asked if they had included leased space in the CIP in the past. Ms. Schmitt confirmed that the warehouse space previously rented for storage was through the capital program.

Mr. Bowman explained that the expense was paid for out of the operating budget, but there was a transfer from the capital fund to achieve that.

Mr. Richardson clarified that staff would be working between now and March 27 to update the projected revenues, based on two additional months of actuals in the current fiscal year, and would be looking to update that and incorporate any updated non-local revenue projections coming back on March 27. He stated they would also be updating any projected revenues, based on any new information. Mr. Richardson stated he would like for school and general government leadership to convene and discuss funding, particularly given the $1 million composite index shortfall that has been created through the state. He said that on March 29 as they go into the CIP, they will look at the strategic plan and budget alignment and be prepared to discuss continuing and new initiatives tied to new resources in the following year. Mr. Richardson stated that this will not resolve all the challenges faced going into 2020, but it may be helpful for the Board to consider – and 29 positions is a lot of positions to contemplate. He commented that it is a very challenging process for the leadership team to reduce the number of positions requested.

Ms. Mallek stated that the County is making new investments in economic development, in hopes of getting a different result, and if they can parallel other counties' successes, this will help them going forward – and without that, they will remain in the same path they have been in for a long time.

Ms. McKeel agreed, stating that economic development is about making the pie bigger.

Ms. Mallek emphasized the needs of the new 18,000 people in the community are greater by their very nature.

Ms. McKeel commented that this all relates to them becoming an urbanizing county, with more services needed and a higher level of services needed – whether it is recycling, education, sidewalks, or clean water.

Ms. Mallek responded that they are all essential.

Ms. McKeel noted that this does not even approach the challenges related to climate change and regional work on issues.

Ms. Palmer said that many urbanizing counties have much higher tax rates, and Albemarle has a very large rural area that still anticipates a rural tax rate – and this is difficult to balance. She stressed that this is an acknowledgement that there is a very large population of constituents in the rural area.

Ms. Mallek added that it is also important to keep low and moderate-income taxpayers in their homes.

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

Ms. Mallek stated that after the derecho in 2011, there was a series of debriefing meetings at which they discussed in depth the things they should be planning with the next event. She said there were conversations following the recent severe weather regarding those approaches, and the needs for both urban and rural residents to receive help – especially those who are remote and elderly, and may be resistant to leaving their homes and pets to get help. Ms. Mallek stated that this underscores the need to establish more schools and firehouses as emergency centers, to enable people to have access to electric and water. She said if they can figure out ways to make incremental changes to reduce people's misery, that would be a positive step. Ms. Mallek stated there are also new outreach people at CVEC and Dominion, and they have to be brought online to understand their roles and evolve with the process.

Ms. Palmer commented that they touched upon fire stations and volunteer stations and the use of County money to improve those facilities, many of which are not handicap accessible, but would be good facilities in rural areas to serve as emergency places for people to go.

Ms. McKeel stated the Board has requested that staff look at the impacts of climate change and how the County is addressing that, and staff will be presenting some recommendations in the spring.

Ms. Mallek clarified that there is a plan development, with the new staff person they are trying to add.

Mr. Randolph stated that the recent storms and the accident with the Congressional Amtrak train in Crozet identified a need in terms of emergency communications within the County, and there should at least be a binder with information to point people to safe locations. He said they need public service announcements that will go out to the media to help get the word out about emergency shelters and their locations. Mr. Randolph emphasized that they cannot always shift the responsibility to police and fire/rescue, and the County needs to take the lead and guide the process – which is reflected in the correspondence the Board had received.

Ms. Mallek said what is most successful in the rural areas is big posters put up at all the corners, listing which fire stations have hours, where to get water for livestock, etc.

Mr. Randolph stated that in a small town, there are people who have lived there for many years – but with many new residents since the derecho, they would not have any idea where to go.

Ms. Mallek stated that many people signed up for the electronic notification, but the County needs to get the word out again, and the Board should also be involved in disseminating information.

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

There was none.

Agenda Item No. 5. Closed Meeting.

At 5:06 p.m., Mr. Gallaway **moved** that the Board go into a Closed Meeting pursuant to Section 2.2-3711(A) of the Code of Virginia, under Subsection (1), to discuss and consider prospective candidates for appointment as Director of Economic Development. 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, Mr. Dill and Mr. Gallaway.
NAYS: None.

At 5:39 p.m., Mr. Gallaway **moved** that the Board of Supervisors certify by a recorded vote that to the best of each Supervisor'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. 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, Mr. Dill and Mr. Gallaway.
NAYS: None.

Agenda Item No. 6. Adjourn.

There being no further business to come before the Board, the meeting was adjourned at 5:40 p.m.

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Chairman

Approved by Board
Date 07/05/2018
Initials CKB