

Five Year Financial Plan Review

“Develop a Comprehensive Funding
Strategy / Plan to Address the County’s
Growing Needs”

Agenda

- Briefly Review Process
- Overview Results of Staff's Review
 - Balanced 5 Year Plan
 - A **starting point** for Board Review
- OMB Full Review of Plan Assumptions and Results
- Board Discussion / Direction

Board Discussion / Direction

Questions?

- Given the current financial forecast, does the 5 Year Financial Plan adequately address community needs and the Board's desired direction?
- Does the Board agree with the goals established in the development of the Plan?
- Does the Board agree with the revenue and expenditure assumptions and the adjustments proposed to balance the 5 year plan?

5 Year Financial Plan Process

1. Preliminary Board Direction

- ✓ Board Strategic Planning Retreat
- ✓ Joint Retreat with School Board
- ✓ Review of Revenue Alternatives

2. Staff Development of Balanced 5 Year Financial Plan

- ✓ Development of revenue and expenditure projections
- ✓ Preliminary review of current programs & services – process will continue in the year ahead
- ✓ Balancing the plan **to the greatest extent possible** within Obligations, Board Policy, Established Goals

3. Board Review and Approval of Balanced 5 Year Financial Plan

- Review and approval of assumptions
- Consideration of Program & Service Levels
- Direction on Board priorities
- Complete in December

5 Year Financial Plan Process

- Assures focus on policy and long-term
- Creates Alignment
Strategic Plan-->5 Year Plan-->Annual Budget
- Identifies budget impact of Strategic *priorities* and *challenges* on horizon
- Increases Board success in achieving its priorities
- Provides broad direction for annual budget process

5 Year Financial Plan Process

- Financial Planning Process – not next year's budget or an adopted 5 year budget
- Based on the best information available as of today
- Critical process to provide clear direction to staff
- Balancing the Plan essential to establish clear Board priorities

Result of Staff's Review

– A Starting Point for Board Review

■ Goals established in development of plan

- Fund obligations & commitments
- Maintain core services
- Maintain competitive compensation
- Continue commitment to core public safety improvements
- Maintain commitment to capital program
- Maintain County's strong financial standing as reflected in our AAA Bond Rating
- Maintain allocation of 60% of the increase in new local tax revenue to the School Division

Result of Staff's Review

– A Starting Point for Board Review

- Revenues
 - Overall
 - 2.2% increase in year one, 5% average over 5 years
 - Reflects downturn in housing market in first two years of plan with slow recovery in years 3-5
 - Real Estate
 - -1% reassessment in first year, modest increases over time
 - Reduced new construction increases in first two years
 - Other sources
 - Includes new Emergency Medical Services fee revenue
 - Reflects modest personal property and sales tax revenues in year one, gradually increasing thereafter
 - Reflects flat Federal and State Revenues over the 5 years

Result of Staff's Review

– A Starting Point for Board Review

- Expenditures
 - Overall
 - 1.8% increase in year one; 5% average over 5 Years
 - Reflects maintenance of core services
 - Scales back some enhanced levels of service
 - Increases
 - Obligations & Commitments
 - Fully meets projected 5 year obligations
 - General Policy Commitments
 - Maintains funding of School allocation formula
 - Maintains commitment to competitive salaries
 - Previous Board Goals and Direction
 - Meets core public safety priorities
 - Funds operating cost of committed capital projects

Staff Adjustments to Balance Plan – A Starting Point for Board Review

■ Expenditure Adjustments

- 16 frozen positions over the 5 years of the Plan
- 1 position eliminated
- Moves planned Pantops ambulance staffing out of the 5 Year Plan
- No funding of new initiatives for 5 years except core public safety priorities
- Reduces market compensation increases by 1% for 2 yrs (3.3% v. 4.3%)
- Department operational increases limited to 2%
- Assumes \$350,000 in adjustments from reform and efficiency efforts – additional review planned in year ahead
- Reduces capital transfer by 1 cent in years 2-5 of the Plan

■ Revenue Adjustments

- Includes 1 cent tax increase in year 3 (FY11) of the Plan, assuming revenues don't recover more quickly than projected

Program & Service Review

- Overview
 - Evaluation of current expenditures
 - Program & Service *delivery* and *value for dollars invested*
 - Core v. Enhanced levels of service
 - Operational Efficiencies
 - 10% target for multi-year approach
- What have we done?
 - Departments submitted review of current operations
 - Internal team performed initial review
 - Some elements of the review are reflected in the Five Year Financial Plan
- Next steps
 - Partner with Business Community to review budget process and program/service review
 - Program/service review becomes ongoing part of budget process

OMB Review

- Revenue Assumptions
- Expenditure Assumptions
- Results

Major Revenue Assumptions

■ Tax rate

- Maintained at 68¢ in FY09-FY10
- Increased to 69¢ in FY11 and out

■ Real Estate

Reassessment

- 2008 – (1.0)%
- 2009 – 1.0%
- 2010 – 2.0%
- 2011 – 3.0%
- 2012 – 3.5%
- 2013 – 4.0%

New Construction

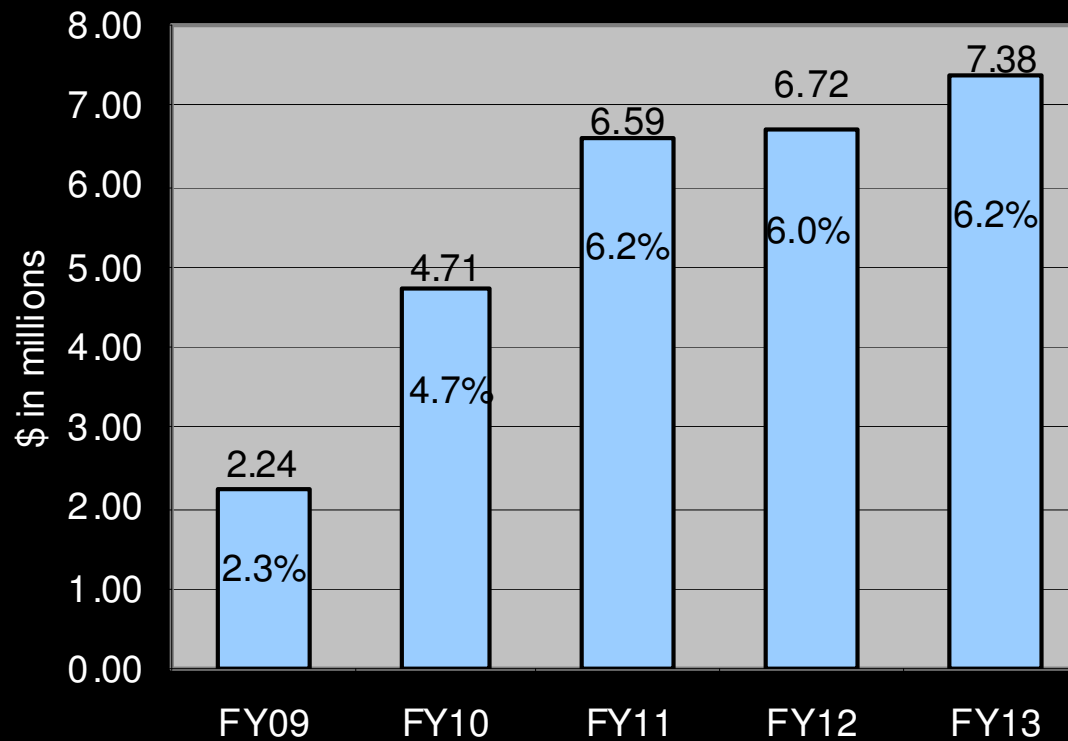
- 2008 – 2.4%
- 2009 – 2.5%
- 2010 – 3.0%
- 2011 – 3.0%
- 2012 – 3.0%
- 2013 – 3.0%

- EMS Revenue Recovery starting in FY09
- Sales Tax flat in FY09, 4-5% in out years
- State and Federal revenues remain flat

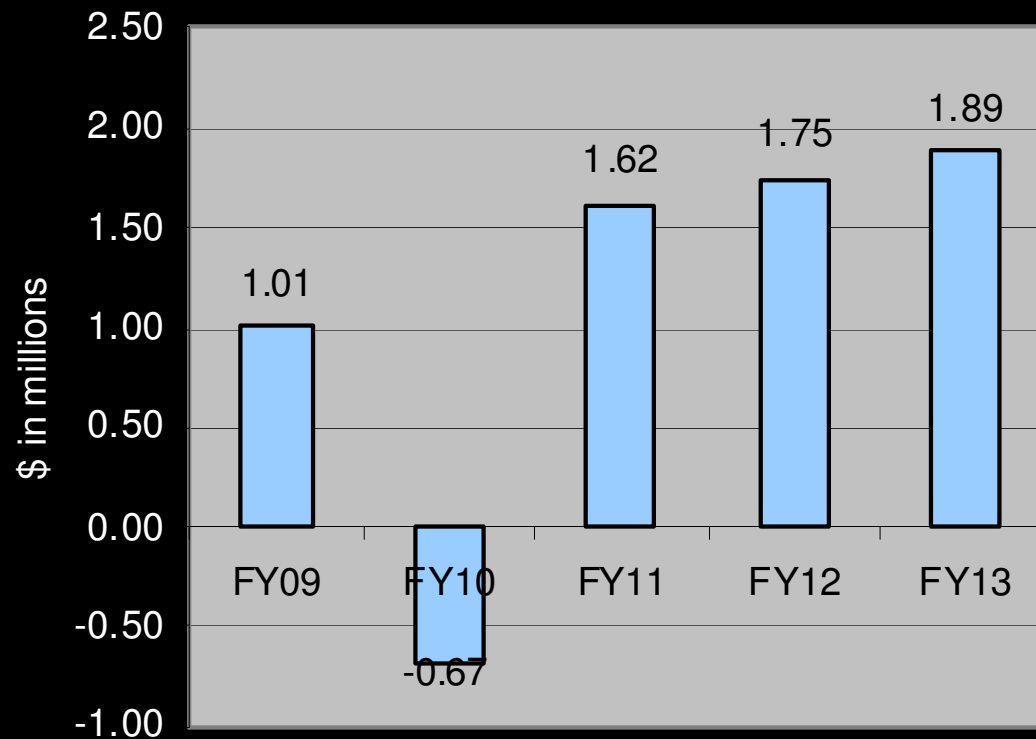
Expenditure Assumptions Obligations and Commitments

- Revenue sharing
 - Major increase in FY10 (\$3.4 M), smoothes out in subsequent years
- Post Retirement Benefits (GASB 45)
 - Use Health Fund's fund balance for FY08 and FY09
 - Beginning in FY10, fund from a combination of fund balance and ongoing revenues
- Transfer to Comprehensive Services Act (CSA)
 - 9-10% increases annually based on history and new mental health mandate
- Regional Jail – 12% annual increase based on history
- ECC – 4-5% annual increase based on average departmental increases

Expenditure Assumptions General Policy – School Transfer



Expenditure Assumptions General Policy – Capital Transfer



Expenditure Assumptions

General Policy

- Local Government Compensation
 - Market Adjustments
 - FY09 Market Study Recommendation – 4.35%
 - Historical Market Increase – 3.75%
 - Model: FY09 and FY10 – 3.35%
 - Model: FY11-FY13 – 3.75%
 - Merit – 0.7% annually
 - Reclassifications/Other – 0.3% annually
 - Increases \$1.8 million in FY09 up to \$2.9 million in FY13
- Department Operations and Capital Outlay
 - Operations - 2% annually
 - No capital outlay
 - Slight decrease in FY09 up to \$371,000 increase in FY13
- Agency Increases
 - 4% annually
 - Increases \$530,000 in FY09 up to \$630,000 in FY13
- Board Reserve - \$300,000 per year

Expenditure Assumptions Previous Goals / Directions

- **Public Safety**
 - Four new police officers funded each year
 - 12 firefighters starting in April 2009 for Pantops fire station
 - 12 firefighters starting in March/April 2010 for East Ivy fire station
 - No ambulance staffing included in five year plan
 - Public Safety Training Facility – operating impacts begin in FY10
- **Libraries**
 - Crozet Library operating impacts in FY11
 - Northern Library operating impacts moved out of five year plan
- **Other Capital Impacts**
 - Access Albemarle
 - Recycling Centers
 - Crozet Area Growth Park
 - Others

Expenditure Assumptions

Major Expenditure Reductions

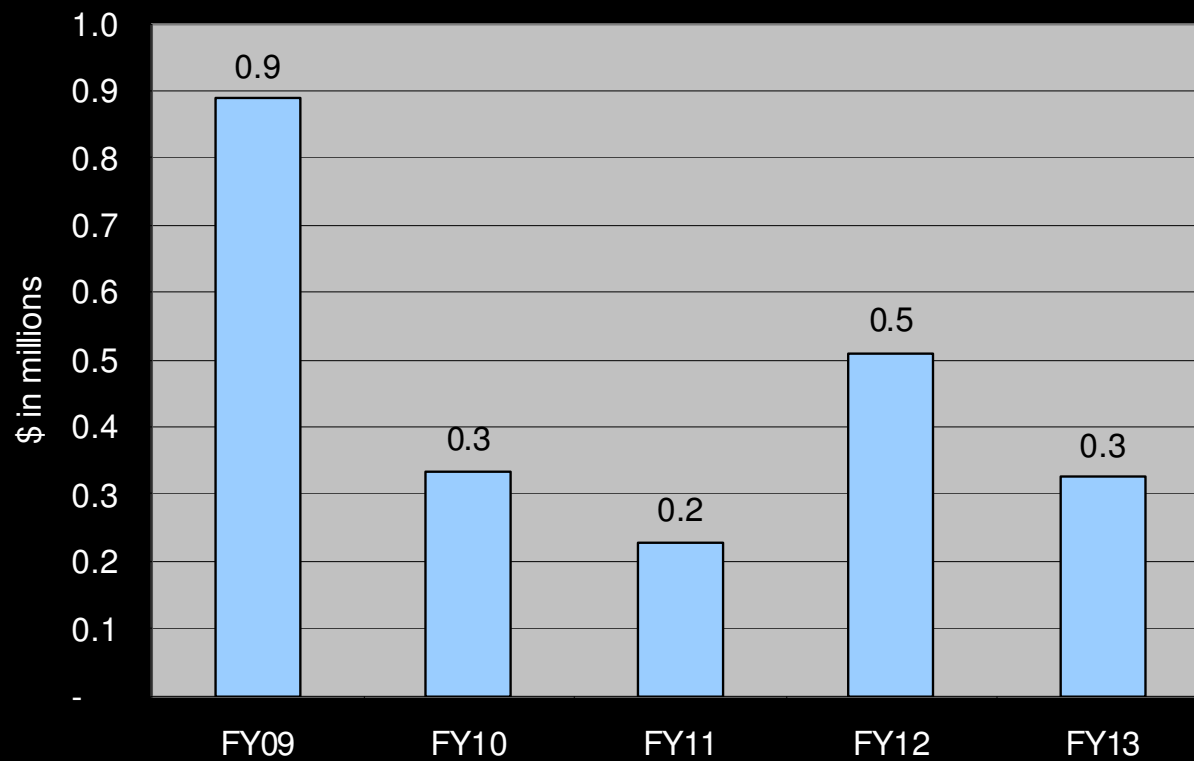
- 16 Frozen Positions
 - Positions frozen throughout five year plan
- Eliminated Housing Coordinator Position
- Other Reductions
 - City / County Fire Contract in FY11
 - Total Rewards
 - Master Planning
 - Vehicle Replacement FY10-12
 - eCivis
 - Program / Service Review

Summary of Changes

\$ in millions

	FY09	FY10	FY11	FY12	FY13
Obligations & Commitment:	\$1.0	\$4.2	\$1.0	\$1.8	\$2.2
General Policy	5.1	6.6	12.3	12.2	13.2
Previous Goals/Directions	1.0	1.4	1.6	0.5	1.0
New Initiatives	0.0	0.0	0.0	0.0	0.0
Expenditure Reductions	(3.2)	(0.2)	(0.7)	(0.1)	0.1
	<u>\$4.0</u>	<u>\$12.0</u>	<u>\$14.3</u>	<u>\$14.4</u>	<u>\$16.5</u>

Projected Revenues over Expenditures



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■ Goals?

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- Maintain core services
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- Continue commitment to core public safety improvements
- Maintain commitment to capital program
- Maintain County's strong financial standing as reflected in our AAA Bond Rating
- Maintain School Division allocation
- *Other critical goals?*

Board Discussion / Direction

■ Assumptions?

- Revenues
- Expenditures

■ Adjustments?

- Frozen positions for 5 years
- No new initiatives for 5 years
- Reduction in compensation increases
- Reform and efficiency efforts
- Reduction in capital transfer
- 1 cent tax increase in year 3, assuming revenues don't recover more quickly