

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on November 10, 2010, at 3:30 p.m., Room 241, Second Floor, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from November 5, 2010.

PRESENT: Mr. Kenneth C. Boyd, Mr. Lindsay G. Dorrier, Jr., Ms. Ann Mallek, Mr. Dennis S. Rooker, Mr. Duane E. Snow and Mr. Rodney S. Thomas.

ABSENT: None.

OFFICERS PRESENT: County Executive, Robert W. Tucker, Jr., Assistant County Executive, Thomas Foley, Assistant County Executive, Bryan Elliott, County Attorney, Larry W. Davis, and Clerk, Ella W. Jordan.

Agenda Item No. 1. The meeting was called to order at 3:38 p.m., by the Chair, Ms. Mallek.

Agenda Item No. 2. **Work Session:** Five-Year Financial Plan.

Mr. Elliott reported that last week staff covered the initial draft of a balanced, baseline five-year plan for FY12-16 that funds basic obligations and commitments of the County, shores up facility maintenance, sustains staff capacity, and further builds the Board's reserve balances and undesignated fund balance as well as taking steps toward unfreezing five of the police officer positions while making sure their compensation is competitive with peer communities.

Mr. Elliott stated that this baseline plan does not address core programs and initiatives the Board desired, such as operational funding for the Ivy Fire Station, additional police officers beyond the five unfrozen positions, and the Capital Plan funding. He said that staff will brief the Board on a formative plan to achieve construction and operation of the Ivy Fire Station and seek their concurrence to bring it to fruition by FY13 when the Fontaine Station is constructed and operated by the City. Mr. Elliott said staff will also provide a quick recap of past County budgets, cover where they are today and lastly allow for some facilitated review and discussion in terms of other direction the Board would like for staff to take on as part of the five-year planning effort.

Mr. Elliott stated that the discussions would begin with Mr. Dan Eggleston, Fire Chief, discussing the proposed formative strategy for operation of the Ivy Fire Station. Mr. Bill Letteri, Director of Facilities Development, will provide an overview of a strategy to achieve the construction of the Ivy station. Ms. Lori Allshouse, Director of OMB, will review past budgets and the current budget situation. Finally, Ms. Lee Catlin, Assistant to the County Executive for Community and Business Partnerships will lead the Board in a discussion of other areas the Board would like to move forward.

Mr. Eggleston said that the Pantops development area is a higher risk area of the County primarily because of the elderly population, as 20% of residents there are over age 65, due to the senior care facilities in the area. He reported that Route 250 has over 52,000 vehicles daily that move through the area, and there are a lot of multi-family and single-family dwellings on Pantops. Mr. Eggleston noted that currently emergency response times for Pantops exceed acceptable standards with service now provided by the Route 250 Bypass station in the City, with times above seven minutes and approaching eight minutes. He said that it is challenging to assemble the necessary number of people in a reasonable timeframe when there are calls there, and there is no nearby backup to the Rivanna development area, which is currently served by East Rivanna. Mr. Eggleston presented a map that illustrates how much penetration can be achieved through the City Bypass station, noting that on the western side firefighters can get to the bottom of Pantops but cannot get into the heart of the area due to time, distance and traffic.

Mr. Eggleston explained that with the station proposed for Peter Jefferson Place, there would be coverage for the majority of the Pantops development area, with great improvements in the northern area once the road network is completed in that particular area.

Mr. Boyd asked what the EMS response times are for that area currently. Mr. Eggleston responded that he is not sure, but the Department is working on a central records management system so that those times become known. He added there have been discussions about first response EMS provided by fire engines, but the transports for ambulance response times would need to be considered as well.

Ms. Mallek asked if there had been conversations during the construction of Martha Jefferson about the hospital's contribution toward providing emergency service. Mr. Eggleston replied that there had not been.

Mr. Eggleston reported that Neighborhood 6, the urban area west of the City in the community of Ivy, is very much like Pantops in that it is a high-risk area because of elderly care facilities and new long-term acute care hospital in the Northridge Medical Center, in addition to other resort facilities such as Farmington and Boar's Head. Mr. Eggleston said that Ivy is the most densely populated rural area of the County, and with just the fire services from the station at Route 250 and Ivy Road there are still about 520 homes that are beyond the fire station and are rated at an ISO Level 10, the lowest level of service and one that requires them to pay a premium for insurance. He added that some citizens have reported loss or cancellation of their homeowners insurance, and the rating for Brumley Road Bridge is so low that fire trucks are not able to cross that bridge, so they have to go through West Leigh and then come down.

Mr. Eggleston said that what makes the situation even more challenging is the move of the City station at Route 250 and Ivy to Fontaine. He said that once it moves there would be further degradation of service in Neighborhood 6, with response times expected to increase to eight or nine minutes. Additionally, Mr. Eggleston said, there are 228 homes in the east Ivy area that will likely see an increase or cancellation in homeowners insurance because now they will be more than five miles away from the fire station, bringing the total number of homes impacted to about 700. He reported that once the station moves to Fontaine, the number would increase to 785 with a financial impact to that area of approximately \$228,000 based on information from insurance companies and homeowners. Mr. Eggleston explained that if the Ivy station is pursued there would only be 33 homes in the area that would be beyond five miles, yielding a net savings of over \$500,000 to the homeowners through improved insurance rates.

Mr. Thomas asked who would be responsible for the 33 houses. Mr. Eggleston responded that this station would still cover those, but the response times would exceed the five minutes. The rating is established by the distance to the fire station.

Mr. Rooker commented that the number would essentially go from 785 to 33 when the Ivy station is opened up.

Ms. Mallek noted that the 33 homes are rural people anyway, and most people in the rural area do not expect to have five minute response times.

Mr. Eggleston said that the 33 homes are beyond five miles but are close enough to a fire hydrant that they can get coverage.

Mr. Rooker noted that with a new station everyone in that area is eliminated from being outside the circle, except for the 33 homes, which is a huge savings in insurance rates.

Mr. Eggleston mentioned that when ISO came to help out Augusta County, a regional educational program took place with the Advisory Board and staff, and they came up with the same numbers as far as numbers of homes and costs.

Ms. Mallek asked if there is a reduction in their assessment value because of the distance from a station. Mr. Eggleston responded that he does not think that is a factor with assessments.

Mr. Boyd commented that these people were always outside of the development area and were never guaranteed development area fire service. Mr. Eggleston responded that that is correct. He also said this station attempts to solve two problems, providing urban area services for Neighborhood 6 but also benefiting people in Ivy, which is why the spot along Route 250 has been identified.

Mr. Rooker mentioned that the University has also made a contribution toward this station. Mr. Eggleston agreed that that makes the deal even better.

Mr. Boyd commented that he does not want to make this decision solely on the basis of people's insurance rates, adding that the problem at Pantops might be more acute as far as the population and types of residents there.

Mr. Eggleston said that there would be the ISO issue for Ivy residents, but also an increase in response times to Neighborhood 6.

Mr. Rooker noted that there is a growth area problem once the station moves to Fontaine.

Ms. Mallek pointed out that the Ivy area used to be in the planned growth area, and then it was removed, so that makes the situation somewhat different from other rural areas.

Mr. Davis noted that these 33 homes are close to a fire hydrant, and there are other rural homes that are not.

Mr. Eggleston then showed the location for the proposed site at the Kirtley warehouse and the Neighborhood 6 area, which would be covered under the five-minute response time. He pointed out all of the homes that would be within five miles of the fire station and close enough to a fire hydrant to receive the lower ISO rating.

Mr. Eggleston said that a strategy is needed to address this problem, and there are certainly some alternatives to long-term funding related to this station, such as general property tax, a fire tax district, and reallocation of staffing and/or funding. He added that the Fire Department's recommendation in the short term is to try to develop a plan to further engage with the City in a mutual aid type of relationship. He spoke with Chief Werner last night about this topic and he agreed that it is important to discuss it. Mr. Eggleston stated that some of the City contract funds could be reallocated to hire supplemental staffing for Ivy. There are also some discussions that need to occur with the stakeholders to begin the process to consider options to reallocate existing staff.

Ms. Mallek asked what that might be.

Mr. Eggleston explained that in the past the Fire Department has provided supplemental career staffing to stations if they ask for it, and there is staffing at a lot of rural stations that have a low call volume, so in the short term they could possibly be relocated in the short term. If the Board desires, they can engage with the stakeholders and determine if that is a viable option to move forward. He added that

if the Board chooses to end the contract with the City and take those savings and direct them toward supplemental staffing for East Ivy, then the County would need to discuss coverage of Pantops with the existing stations there. Mr. Eggleston stated that he and Chief Moore, of East Rivanna, have traded phone calls and that is another person that needs to be involved in the discussions. He added that Chief Wood of Crozet Volunteer Fire Department has already been included in conversations about partnering with the County to help staff the Ivy station.

Mr. Snow asked what the savings would be by reallocating to help with personnel, if the County has its own station. Mr. Eggleston explained that one possibility would be to take the contract money paid now to the City and reallocate that \$650,000.

Mr. Rooker mentioned that it could not be eliminated entirely, but if a new station were opened then the city would be relied upon a lot less.

Mr. Eggleston agreed that the numbers would definitely drop, and the ultimate goal is setting up a mutual running assignment between the City and the County.

Mr. Boyd asked if the station is put in Ivy if it would cause the County to run more in the City. Mr. Eggleston answered that if resources were close to the City, they would use them more often so it would help balance out the runs.

Mr. Rooker said that there would be neighborhoods in the University that the County would be closer to than the City.

Mr. Eggleston reiterated that that's why the conversations have focused around a mutual aid type of structure. He added the strategy is really contingent upon working out these partnerships with the stakeholders out there, with Crozet and East Rivanna and the City; recruitment of volunteers for nights and weekends; and support from the CIP Oversight Committee. He said that it is staff's recommendation to pursue this short-term alternative, and asked for the Board's approval to begin as soon as possible.

Mr. Snow asked what is offered to volunteers when they are recruited. Mr. Eggleston replied that they are given free training, equipment, benefits through discounts in the community. He emphasized that training, camaraderie and sense of community tend to be less tangible but more meaningful to volunteers. The Department is always looking for ways to incentivize people to join up and volunteer.

Mr. Dorrier asked if there is a tax deduction also for volunteers. Mr. Davis said that it is in the form of a personal property tax stipend. Mr. Elliott mentioned that they also get an insurance policy for their services. Mr. Eggleston stated that they are insured when they use their vehicles to respond to a call.

Mr. Snow asked if the personal insurance was health insurance, life insurance, or both. Mr. Elliott said that it is a disability/life insurance policy.

Mr. Boyd asked how ACFRAB is progressing with its plan to boost recruitment efforts. Mr. Eggleston responded that they are in the middle of the marketing plan, but had a small setback when the consultant resigned and moved on, so they are working with Human Resources now to develop the marketing plan.

Mr. Elliott noted that a presentation is tentatively scheduled for the Board in January. He added that this presentation was on the operating piece and the Board was also interested in how they would finance the renovations of the space. He added that the desire is to keep the level of service the same in Pantops in the interim period.

Mr. Eggleston stated that he believes that ultimately a new station is needed there, but the goal is to not have the service become worse than it is now if a change is made.

Mr. Boyd mentioned that at one point the County was close to getting that area covered by East Rivanna volunteers. Mr. Eggleston confirmed this, adding that is why it is important for him to have a discussion with Mr. Moore.

Mr. Rooker noted that there are paid staff members at that station during the day. Mr. Eggleston responded, "yes".

Mr. Letteri reported that the staff has continued with negotiations with UVA, and those have gone successfully, with recent Board requests and provisions appearing to be acceptable to them. He hopes to have a lease ready for signature as early as December. He said that the agreement would be to provide the warehouse facility at essentially no cost to the County. Mr. Letteri mentioned that monies were appropriated last year for a consultant to do a preliminary assessment of the warehouse space and confirm its viability as a fire station, and drawings made have enabled staff to assess the cost of construction. He said that the actual retrofit of the building to make it suitable for a fire station would cost about \$1.0 million, and additional site work would cost about \$250,000, with approximately \$82,000 in soft expenses such as furniture, equipment, IT upgrade costs, and station alerting systems. Mr. Letteri said that the total estimate is \$1.8 million, but there is an unresolved question as to what additional apparatus might be needed, which could add as much as \$900,000.

Mr. Letteri said that if the Board agrees this new station is a very high priority, then the County could consider previously appropriated funds for transportation, revenue-sharing funds accumulated over time, sidewalk funds, and master planning funds that were set aside for various future projects. He

emphasized that there are adequate funds in those various line items to support construction, and the Oversight Committee is now considering that strategy.

Mr. Dorrier asked how much would be available in master planning funds and how many years out would be used.

Mr. Letteri responded that transportation monies total \$2.2 million, which were set aside for contingencies for large projects like Meadow Creek Parkway, Jarman's Gap Road, Georgetown Road, etc. He said that it is unknown as to whether these funds might be needed in the future for these projects, and staff felt it was responsible to set them aside as contingencies.

Ms. Mallek asked if any of the Jarman's Gap allocation part of making up the difference or if that was all done with VDOT funds. Mr. Letteri responded that that was done with revenue sharing funds.

Ms. Mallek asked about Broomley Bridge. Mr. Letteri stated that if additional funds were needed, allocations for Broomley Bridge would be considered and it would be a question of balancing whether or not they felt the urgency of the fire station was such that they should go ahead and use these funds now and get the fire station going, and look to replenish those funds in the future.

Mr. Rooker pointed out that there was a time that the County was setting aside money for transportation each year, and these funds are now being targeted for other purposes.

Mr. Boyd asked about Mr. Dorrier's point regarding master planning funds.

Mr. Letteri responded that with the Places29 Master Plan, there is \$1,385,000 set aside for that purpose.

Mr. Boyd asked what could be accomplished with that money. Mr. Letteri replied that it would only really cover sidewalks, perhaps some small side roads, and curb and gutter work.

Mr. Rooker said that safety is at the top of the list, and while he does not like to suggest using these funds the Board needs to ensure that safety issues are dealt with as they are a higher priority than a few sidewalks. He said that he thinks the Board should look at reallocating some of that money if that is the only way to get this done.

Mr. Boyd agreed.

Ms. Mallek said that she agrees with proceeding with the inquiry, but she does want to hear all the pros and cons.

Mr. Letteri stated that the next stage would be for staff to look at each of the accounts and talk about those specific tradeoffs.

Ms. Mallek commented that apparently VDOT is asking localities to reveal their plans for revenue sharing so they will know how much is going to be requested for matches.

Mr. Rooker said that the County does not want to be in a situation of not being able to take advantage of that state money.

Ms. Mallek added that if the County does not have a bridge, it cannot get fire engines over the bridge to the neighborhoods.

Mr. Eggleston asked if he is hearing general consensus that the Board agrees with the need to move forward with this strategy.

Board members concurred.

Mr. Rooker asked for clarification that this plan does not encompass moving forward with Pantops at this time.

Mr. Eggleston said it does not at this point. Staff wanted to ensure that it did not "rob Peter to pay Paul", and there is still coverage at Pantops. Staff will pursue this and report back to the Board in the not too distant future.

Mr. Rooker asked about the response regarding rescue in the Pantops area, as it is more acute than the fire response. He asked if it is possible to run an ambulance out of Martha Jefferson in the interim before a station is opened at Pantops.

Mr. Eggleston said there have been no discussions with Martha Jefferson on that issue. He would like to take a look at response times to see if there is a problem with ambulance service on Pantops, but it is a bit of a messy process because there is not a central reporting system to generate a report. He will probably have a conversation with Chief Haugh at CARS.

Mr. Rooker asked why the rescue response would be any better than the fire response, given the location of the rescue squads. It seems to me that it would be pretty comparable. If there is a low-cost way to deal with the rescue issue before Pantops is built then it needs to be pursued.

Mr. Eggleston said he will follow up with Martha Jefferson and report back to the Board.

Mr. Boyd noted that there is County staff people located at CARS that could be pulled out and located on Pantops. Mr. Eggleston said they have two people during the day at CARS.

Ms. Mallek mentioned that UVA provides ambulance coverage by contract to Greene County because that County does not have full coverage, and Albemarle should consider this approach in the short term. She also stated that the only way the shift of stations will work is if dollars come off of what is paid to the City.

Mr. Elliott stated that it is hoped that if the County moves to a mutual aid agreement with the City, those dollars freed up would be sufficient to cover daytime personnel for Ivy.

Mr. Eggleston said that there are several variables at work here, and he would work with staff to bring back more information to the Board in the near future.

Ms. Mallek reiterated the importance of the volunteers because they are going to be needed to fill in the evening times.

Ms. Allshouse presented the next part of the discussion, stating that five-year planning is about creative solving of problems and working together. She added that the Board would have another work session with the School Division tomorrow. Staff hopes to have a balanced and approved plan that would allow them to move forward in the budgeting process.

Ms. Allshouse said that there have been a lot of changes over the last couple of years made in local government due to the "Great Recession". Local government became very proactive in the Fall 2007. These changes included reducing the overall General Government budget by \$40 million, a 12% reduction from the FY09 budget. She reported that the five-year CIP budget was also reduced by \$160.0 million, a very significant decrease since FY08, and in General Government alone 70 positions were removed, including 60 permanently eliminated positions.

Mr. Boyd asked what percentage that number of positions represents. Ms. Allshouse said staff believes it is between 8% and 10%, but it depends on how they are counted.

Ms. Allshouse said that there was a lot of focus on efficiency and innovation which included substantial restructuring, including ongoing restructuring for core service support, alternative revenue sources, with enhanced revenue generation and improved partnerships in many areas. Ms. Allshouse said that a lot of volunteers in the organization have come on strong, with continued partnerships with UVA, PVCC and others for the internship program. She stated that on-going cost reductions in the budget are still at the same rate, with privatization of custodial service, reduced utility usage, streamlining of the fleet management system, and reevaluation of the health care program.

Ms. Allshouse noted that General Government departments comprise 19% of the total budget, with agencies comprising 6% of the budget, revenue sharing comprising 6%, and over 50% going to schools. She said that the five-year financial plan is balanced on the current tax rate all the way through the plan period, and it redirects savings as employer contributions to health insurance are planning to be reduced. Ms. Allshouse stated that the \$7.5 million would be reallocated to the shortfall contingency in core services, and the revenue and expenditures would also continue to be evaluated for further efficiencies.

She stated that the five-year plan does fund basic obligations and commitments, shores up reserves and undesignated general fund balance, provides an ongoing operating reserve with the stabilization fund, builds in a 1% market salary increase for FY12, market and merit increases in the out years, includes more sustainable maintenance funds for the CIP and General Fund, and makes progress towards police-related public safety goals.

Ms. Allshouse noted that the plan falls short of addressing long-term issues by not funding ACE, community policing, or future library facilities.

Mr. Rooker asked about items such as jail expansion, which the County has no choice in funding.

Mr. Tucker indicated that that funding is done through a cooperative regional agreement with the city, Nelson County, and the State, but acknowledged that Albemarle's portion will be mandated as the State dictates.

Mr. Dorrier mentioned the possibility of an inmate work program which Sheriff Harding is advocating and it would save money on Jail costs.

Mr. Tucker said that is true, but the Judges would have to agree to that. He added that the Jail system has been considering weekenders and low-security expansion rather than adding to the main portion, and that would mean a lower cost.

Ms. Allshouse said that emerging needs on the watch list include unfunded mandates. It does not include operational funding for the Ivy Fire Station. It does not provide for the Capital Plan that meets all infrastructure and operational needs. It does not provide for any additional police officers beyond the five frozen positions, which won't even come online until FY14.

Mr. Rooker mentioned that the Plan does not contemplate school shortfalls. Ms. Allshouse agreed, adding that the regular transfer is built into the policy throughout the five years.

Mr. Dorrier asked if it includes funding for the Chesapeake Bay cleanup. Ms. Allshouse responded that it does not.

Mr. Snow asked how much the School budget increases over the five years based on projected revenues.

Ms. Mallek commented that they only get an increase if there is an increase in revenue. If revenues are flat, there is no increase.

Ms. Allshouse said that the projection for transfer to the schools for FY11-12 is \$97.3 million, going up to \$98.7 million in FY13, \$102.0 million in FY14, \$106.0 million in FY15 and \$111.0 million in FY16.

Ms. Catlin stated that her role at this point in the meeting is to serve as a guide so that everyone has a chance to engage in the conversation, with the Board giving clear direction to staff as to what they would like to see differently for the December 1st meeting. She asked Board members to provide an initial reaction over what they have heard over the last few weeks during the budget and planning process. She added that it is important to remember that this is not a decision or commitment moment to an absolute item in the Plan.

Mr. Boyd said that the County is kind of painted into a box, but it also needs to be recognized that it is not the only entity that is hurting right now, as businesses and unemployed individuals are also affected. He would like to continue to stay afloat and provide the services without a tax increase.

Mr. Rooker commented that the things not being done in this plan are troubling, although staff has done a terrific job in making it work without a tax increase. The Board really needs to start thinking outside of the box. He emphasized that there will definitely be some unfunded mandates, and to sit here and act like they are not coming is really putting our heads in the sand. Mr. Rooker noted that the TMDL estimate is a \$5.0 million to \$10.0 million annual expense, which would add between three and seven cents on the tax rate. The School Division is also losing money from the state. He emphasized that there are going to be very significant impacts on the quality of education the County is delivering based on the current revenue picture. Mr. Rooker also said that there cannot be a capital plan that has nothing in it, and responsible budgeting recognizes that there must be a somewhat level commitment to capital funding. He added that this does not even consider the impacts that have been felt in the Social Services and Zoning enforcement Departments that have been cut to the bones. He added that there is not currently a State plan for transportation funding for secondary roads. Somebody has to provide money for continuation of some additions to the secondary road system. He thinks the Board needs to keep these things in mind as it moves forward because some are very real and do not just belong on a page.

Mr. Snow stated that staff has done a great job with the five-year plan, and he likes the idea of maintaining the tax rate. Mr. Snow said that an audit of VDOT found that they had \$1.5 billion, which they are planning to release in the next 12 months, in addition to the \$500.0 million they already have allocated. He stated that because localities had not identified specific projects and had gotten them to the point that they were ready to go, work that had been funded and approved was taken away. Mr. Snow said that there are 547 mandates that come down from the state, and officials are going to be considering each of them in light of saving localities money. He commented that what he learned from the VACo meeting is this is more than just talk, and he does anticipate some relief on the mandates. Mr. Snow commented that 55,000 new jobs have been created in the state with some in the local area, and there is a light at the end of the tunnel. He said that maintaining the course and providing relief for citizens is the best approach at this point.

Ms. Mallek commented that she also tries to remain optimistic, but assuming the same tax rate is essentially a budget reduction as assessments will likely be lower than before. She said that many communities embrace a revenue-neutral approach, as it provides stability with services provided, and that is something that is important to citizens, especially those who are on fixed incomes. Ms. Mallek stated that the citizens also understand the needs that are out there. At her first town hall meeting last night many grandparents commented that they hoped the School Board would make a better effort to educate them on the budget so that they can be better advocates. She added that she had asked Senator Werner and Lieutenant Governor Bolling about bricks and mortar funding, but they indicated that there would not be any more stimulus funding for projects like the Crozet Library. Ms. Mallek said that many other communities have indicated that they have realized substantial savings for capital projects, and by completely turning their backs on projects the County will end up having to borrow more money in the future.

Mr. Rooker added, and at a higher rate.

Ms. Mallek said that she is hoping that a bonded project might be designed so that it would have staggered payments and interest reductions in the beginning that would allow for construction to go forward so that the community can function. She added that she thinks Board members need to educate themselves about the options so that they can make a better choice going forward.

Mr. Dorrier commented that at the VACo conference he became very depressed that no officials came up with any new options, with state and federal representatives saying that they did not have any

money and offering no optimistic scenario. He said that in contemplating this dilemma, he sees the options as cutting spending, increasing the tax rate, or working through bond issues. Mr. Dorrier stated that he is leaning towards the bond approach with a plan to keep the County's AAA rating. He thinks the County needs to be selective in what projects are pushed and to focus on those that are doable. He added that perhaps more spending cuts could be made, but it is pretty painful at this point and he is not in favor of increasing taxes.

Mr. Thomas said that he is happy to see the plan based on the same tax rate and commended staff for the tremendous amount of work involved in doing that. He stated that he would like to see the Board move more towards reaching consensus on issues. He is in favor of a mutual aid agreement for fire and rescue. He hopes the Board can figure out a way to accommodate educational needs, but he has not figured out how much money it takes to have a world class educational system. He said that the TMDL situation is a "shot in the dark", that is probably going to cost the County a lot of money.

Ms. Catlin said that what is important for staff to hear now is whether there is consensus among Board members on what is in and what is out for this plan.

Mr. Thomas stated that he would like to have more detail on the CIP.

Ms. Catlin said that there are discussions planned on the CIP. The Board will be continuing its discussions with the School Division tomorrow. She added that for the December 1st meeting staff would like to know if there are things in this five-year plan that cannot be supported by the Board.

Mr. Snow asked if BPOL and machinery taxes were included in the revenue for the plan. Ms. Catlin responded that they are included. Ms. Mallek added that those revenues are not predicted to change for this year.

Mr. Snow said that he heard from state officials that they would be off the table this year and probably next year.

Mr. Dorrier mentioned that Governor McDonnell is putting \$55.0 million into job creation and advocacy. He suggested that the County's Economic Development Action Plan could be used to target this effort, with the DIA being used as a spearhead for job growth here.

Mr. Snow asked for more information about a bond issue.

Ms. Mallek responded that she would only support the use of a bond issue for capital projects, not for operations.

Mr. Rooker pointed out that if more bonds are used for capital projects, then operating costs will increase. That debt will have to be paid back in future years. In his opinion there is some denial of economic reality here. Board members talk about the things that they want to do, but they are not willing to produce the revenue to do them. He added that perhaps the decision not to touch the tax rate is a good move, but the Board cannot have it both ways. Mr. Rooker emphasized that it is unrealistic for the Board to suggest it can fund a change in the VRS rate, follow through with the TMDL mandates, and make up for school shortfalls. He added that the five-year plan is a projection, but the budget is going to be a reality. He said that there would be a lot of competing interests going forward, and the Board needs to recognize that being a low-tax County has its effects. He added that there are no counties in the state of a comparable size that operates on anywhere near as low a tax rate.

Mr. Dorrier said that it is an asset to be in that position, as it will help in borrowing money that will stimulate the economy.

Ms. Mallek responded that the County will not be in a position to borrow money because they won't be collecting enough to pay it back with even 1% interest, and the AAA bond rating will really be for nothing. She added that it will probably be a year or two before the state and feds get organized enough to implement the TMDL measures, but the school reduction of approximately \$5.0 million is imminent.

Mr. Dorrier stated that Delegate Steve Landes came out in favor of expanding the school year to 10 or 11 months.

Ms. Mallek and Mr. Rooker responded that there is a significant expense in that approach. Mr. Rooker said that other countries do go year round and are outperforming the U.S., but there is a cost associated with that.

Mr. Rooker said that the County has pitched several priority projects at the MPO level, and if there is a pocket of money then everything possible will be done to try to get it locally. He added the Board needs to understand that the money VDOT found was put aside for reserves, because there's a concern that projects that are out there might have cost overruns, and other reserve things. The state is, in a lot of cases, taking reserves, which is one-time money. Mr. Rooker said that it is not a continuous stream of funding for transportation. He emphasized that there is nothing built into the state structure right now that is going to stop the pushing of the cost of the secondary road system onto counties unless there is a change in state taxation policies, such as a gas tax increase.

Mr. Rooker pointed out that the size of some of these obligations is going to be significant, and general government operations only constitute 20% of the budget. He asked how far that lemon can be

squeezed. Mr. Rooker said that there is not a whole lot of money to be found and doing things such as cutting police officer numbers or one or two other people are not going to accomplish it either.

Mr. Snow asked if the revenue projections are based on property rates going down. Ms. Catlin responded that they did go down slightly, but other marginal increases in revenue made up for it and kept revenue flat. Mr. Foley commented that the values decreased slightly, but the rates stayed the same.

Ms. Mallek commented that everyone looks forward to the day when the consumption and quality of life types of taxes relieve the burden from property taxes.

Ms. Catlin reviewed the Board's comments in summary, stating that the plan continues the 60/40 split with the schools, with further discussion pending with the School Board tomorrow. The Board is conscious of pending mandates including TMDLs although they are not included numerically in the plan. The Capital Plan needs additional work and information. A possible bond issue has also been raised along with the recognition that bonds would increase pressure on operating expenses. Ms. Catlin asked if there was anything else the Board wanted to consider when the plan comes back to them in December.

Mr. Dorrier responded that he would like to see an economic analysis of what the County can do to bring in more income, including job creation. Ms. Catlin said that it is hoped that the Economic Vitality Action Plan would bring that forward.

Mr. Rooker commented that it is difficult to predict whether there is going to be a net gain in revenues over expenses when someone moves here to take a job, noting that the cost of sending one child to school is \$11,500.

Mr. Dorrier stated that those people are getting salaries of \$75,000-\$100,000.

Mr. Rooker pointed out that there is no income tax for the County.

Ms. Catlin added that the Economic Vitality Action Plan has a series of measures and metrics that get at some of that activity. When staff comes back with quarterly reports, beginning in February, that may provide the Board with a sense of how the County is doing in some of the areas.

Mr. Rooker added that if a person spends \$30,000 locally the tax going to the County is \$300. He does not think it would get the County out of an economic hole by bringing people in here. It is good to have jobs in the community, but he does not think it is going to get you out of an economic hole.

Ms. Mallek said that what she would like to see from staff for the next round of discussions information on programs such as ACE that might have matching money, i.e. leveraged funds. She thinks it is a mistake to not have a program that they all support and has been described by many people as the one program that can protect the rural areas.

Mr. Snow asked what is planned in the budget this year for nonprofits, noting the 5% reduction last year. Ms. Allshouse responded that it is recommended they receive the same as the market increase for staff, or 1% in the next year and 2% thereafter.

Ms. Mallek asked if the \$750,000 shortfall contingency reallocation was used to meet the current year's budget and if this came out of the transportation money from last year.

Mr. Foley explained that the Board had about \$1.0 million in a revenue shortfall contingency, and going forward it was not projected to be continued so some of that money was reallocated to create \$250,000 ongoing operating reserve with the rest used to fund this five-year plan. He said that a few years ago the Board used one-time transportation money for emergencies, but last year they adopted a budget with current operating revenues setting aside \$1.0 million as an ongoing amount. Mr. Foley stated that now they have moved to a best practices method of creating an ongoing operating reserve, while setting aside a stabilization fund as a one-time pot of money that can be replenished.

Mr. Rooker noted that having a \$250,000 operating reserve for a \$300.0 million budget is less than .1 % and that is not any kind of significant cushion.

Mr. Foley said that the one-time money set aside for cash flow and rainy day expenses has shifted from 8% to 9%. \$2.6 million, or 1%, has been added as one-time money for the long-term establishment of a stabilization fund.

Mr. Rooker stated that the 8% must be maintained for liquidity purposes, and the \$2.6 million exists in addition to that.

Mr. Foley said that it is designated as 1%, but together they make up 9% and put the County in a stronger position. He added that the County has leveled out on revenues; revenues are not dropping.

Mr. Snow said it would be interesting to see where the County is expense wise compared to the budgeted amount. Mr. Foley said that information would be provided in the first quarter report on December 1st.

Mr. Tucker commented that it is a little difficult when staff is trying to balance the five-year plan and it is easy to slip over into next year's budget. When the five year plan is established it will provide guidance in developing the FY11-12 budget.

Mr. Foley mentioned that staff would be coming back with a proposal to get the fire station funded in this model. He added that if the Board hears something tomorrow during the School Board's presentation and wants staff to do something different in the five year plan, he asked that staff be provided with that information. He also said that the challenge the Board faces is the surfacing of other items such as school needs. His office has worked with the Superintendent's office in an effort to get them to identify critical, immediate, watch list, and long-term items. Mr. Foley cited the VRS rate change as an example, as that is not going to impact schools next year.

Mr. Tucker added that the challenge for the Board is going to be deciding whether to continue with the 60/40 split for schools. In addition local government has done about as much as it can do to provide efficiencies in General Government operations.

Mr. Foley said that while General Government may be able to make further cuts, it will not likely have a significant impact without cutting entire programs.

Mr. Rooker stated that the whole Board has generally agreed that they are not comfortable with a five year plan that has no capital budget, yet they are talking about a tax rate that will do that. He added that at some point the Board needs to own up to its decisions, and if the mindset is not to move on the tax rate then they need to be honest about what can be done with that revenue base.

Ms. Mallek added that they need to understand what the consequences of those decisions are, as the people who come here for a certain standard of living are not going to come and bring their businesses here. She said that it has been loud and clear message from the presidents of all the ribbon-cutting businesses at the Research Park. They cannot get their staff to move here and allow them to expand if they do not have a really strong commitment locally to a certain standard. She also mentioned that the reason Virginia is no longer the #1 place to do business in the country is because of the lack of commitment on the state's part to education.

Mr. Thomas said that the funds are simply not there to accomplish these things.

Mr. Foley mentioned that Board members have agreed that the capital program is an issue, and staff will come to them in January with more detailed information on that.

Ms. Mallek commented that it is important to consider the timing of the decision made on the tax rate, because last year when it was decided it was before information was available and the Board had already prejudicially decided what would happen. She said that it could be advertised at a higher rate, even if the Board ultimately decides not to raise it.

Mr. Rooker said that there is a list of things that are on the watch list for the future, but what is known is that some of these things are definitely going to hit the County. He added that to be prudent the Board needs to have at least some contingency in this five-year plan for dealing with the things on that list that are going to impose mandated expenses on us.

Ms. Mallek thanked staff for all of their work and analysis going into the five-year plan.

Agenda Item No. 3. Adjourn.

At 5:22 p.m., with no further business, the meeting recessed until 6:00 p.m., for the regular night meeting.

Chairman

Approved by Board
Date: 03/02/2011
Initials: EWJ