

A special meeting of the Board of Supervisors of Albemarle County, Virginia, was held on February 19, 2015, at 5:00 p.m., in Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from February 18, 2015. This special meeting was called by the Chair, Ms. Dittmar, for the purpose to receive an overview of the County Executive's recommended FY 2015/16 Capital and Operating budgets, and to consider the appointment of an Economic Development Director.

PRESENT: Mr. Kenneth C. Boyd, Ms. Jane D. Dittmar, Ms. Ann H. Mallek, Ms. Diantha H. McKeel, Ms. Liz A. Palmer and Mr. Brad L. Sheffield.

ABSENT: None.

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

Agenda Item No. 1. The meeting was called to order at 5:05 p.m. by the Chair, Ms. Dittmar.

Agenda Item No. 2. Presentation on County Executive's FY 2015-2016 Recommended Budget.

Ms. Dittmar stated that the Board's budget process began six months ago with staff, working on capital improvements and budgeting at the department level, and this is the culmination and public rollout of that work. She said that this is the first time the Board of Supervisors will have seen this work. The Board will hold its first public hearing on Monday, February 23, 2015, to reflect on what it has seen and to get citizen input. Ms. Dittmar stated that the Board will work through four work sessions and three public hearings before officially adopting the budget on April 14, 2015.

Mr. Foley stated that he appreciates her recognition of the length of this process, because technically it never really stops. He thanked staff for their work on the budget – particularly Lori Allshouse, Andy Bowman, Lindsay Harris, and Laura Vinzant – as well as Jackson Zimmerman and other School staff. Mr. Foley noted that schools and local government work closely throughout the process. He added that this year was particularly challenging because staff had to do some things differently. He then recognized Bill Letteri, Doug Walker, Lee Catlin, Larry Davis, and Louise Wyatt for their work on the budget.

Mr. Foley reported that in fall 2014, there were 18 town hall meetings held throughout the magisterial districts to engage the public in discussions about the County's future. He presented a slide showing the gap between projected revenues and expenditures, noting that the revenue expectations were without the assumption that the County would raise taxes for capital – which was in the adopted Capital Improvements Plan (CIP). Mr. Foley stated that the CIP Oversight Committee has recommended that the Board maintain the projection for tax increases to pay for capital funds going forward, beyond FY16, and even with a tax increase the gap remains significant.

Mr. Foley stated that they began the process for FY16 thinking back on those challenges, and some of the things that emerged from those discussions were the concept of service districts – with the main concept being higher levels of service in certain areas of the County, which might lead to higher taxes in those districts to pay for the services; and a bond referendum with a proposal to build certain facilities with the idea that taxes may need to be increased to pay for those. He noted that Board members indicated they had received constituent support for service districts, and both strategies involve discussions about revenues.

Mr. Foley referred to a prior Board meeting when Police Chief, Steve Sellers, Fire Rescue Chief, Dan Eggleston, Director of Social Services, Kathy Ralston, and Principal, Robyn Bolling comprised a panel that talked about the compelling issues they were faced with in trying to deal with the challenges presented after the recession and going forward. He stated that the Albemarle County Police Department ranks 126th out of 133 jurisdictions' law enforcement agencies in Virginia in terms of per capita staffing – and in comparison to the City of Charlottesville, the City provides five times more police coverage than the County does in its urban areas. Mr. Foley said that Social Services was 23.3 positions understaffed by State standards, working at 163% of capacity, with a 94% increase in overtime since 2009, and the turnover rate going from 8% to 13.5% between 2008 and 2014. Mr. Foley reported that from 2009 through the end of the five-year plan, it was projected that 2,000 new students total would have enrolled in County schools – with the number of free and reduced lunch students increasing 44%, or 1,000 students; English as Second Language students increased by 17% or 173 students over that same period.

Mr. Foley stated that the conclusion drawn was that projected revenue growth fails to keep pace with the County's unmet needs and strategic aspirations. He said that the County is operating in a fundamentally redefined relationship with the State of Virginia, in terms of their share of funding services. The County spent a lot of time in the legislative process this year talking about equal taxing authority, etc. Mr. Foley noted that while the Board may hear about the State giving more money to localities this year, it should not be fooled, because that is really just giving back money they cut over the last five years. He stated that this is not new money to move the County forward, it is really just helping the County reclaim money for things that had been reduced.

Mr. Foley said they have talked about the need to rebuild critical capacity lost during the recession. The County is behind by 27 police officers, partly due to the recession. Enrollment growth

and demographic changes in the schools continues that requires higher expenditures. The overriding conclusion is that they must do something differently. He stated that they cannot keep taking the same approach. These challenging times requires that they think differently about the future and that they need to reconsider existing assumptions, current practices, and engagement with the public.

Mr. Foley said that the recession has required the County to transform as an organization. The information before the Board reflects the establishment of a new Economic Development Office; implementation of EMS revenue recovery; development of new partnerships with the schools and community agencies; establishment of an Innovation Fund; and acquisition of over \$3 million in grant funds. Mr. Foley said that as they have added staff back, those positions have gone to public safety and social services. Staffing levels for local government remain at the 2006 level, even when adding some positions back.

Mr. Foley stated that even in the difficult times of the recession, the County has continued with best practices – and became one of only 39 counties in the country to receive a triple AAA bond rating. He said that Albemarle remains one of the lowest tax rates among the top 20 localities in Virginia in terms of population. The average tax bill for homeowners remains where it was in 2009 – and it still has not exceeded that level in the current fiscal year. He noted that the County has been recognized for financial reporting in its budget and for technology advancements.

Mr. Foley said that with the challenges faced, the County needed to establish some clear goals in putting the budget together. Those goals are: meeting evolving mandates and obligations; sustaining an efficient and adaptable organization; and building critical capacity that supports quality service delivery. He stated that the other three goals represent big changes in the budget, with the first one being to redirect current funding from enhancements to core services. Mr. Foley explained that this goal pertains to redirecting part of the capital transfer to support of core services. He stated that there are some programs and projects in the CIP that are considered “enhancements,” and they can no longer transfer \$20.2 million to the CIP without providing the necessary level of safety for police officers. Mr. Foley stated that the next goal is to dedicate any proposed tax increase to core services. This budget proposes a one-cent tax increase on real estate, completely dedicated to fire rescue services and the increased demands they are facing. Mr. Foley stated that staff is proposing that all of those expenditures be pulled out of the General Fund to create a fire rescue services fund, to be supported by the one-cent tax increase. The third item under this budget that is different is to set up a citizen committee to address these challenges, to look at capital needs and proposed tax increases, to address gaps in operating needs, and to provide input on some of the ideas discussed. He stated that staff is recommending that a citizen committee be formed to report back to the Board before the five-year financial plan.

Mr. Foley stated that before the Board is a pie chart representing the County’s proposed \$370,686,000 budget, with 43% of revenues coming from real estate and personal property taxes, other local revenue such as sales, meals, and hotel tax comprising 27%, state revenues at 21%, federal revenues at 4%, use of fund balance at 3%, and the remainder coming from borrowed proceeds from capital projects.

He reported that 54% of total County expenditures go to the School system for operations, debt service, and the capital program; 42% go to General Government and other services; the City of Charlottesville receive 4% through the revenue-sharing agreement. Mr. Foley said that the expenditures represent a 5.3% increase from FY15, which breaks down into a 3.5% increase in combined operating expenditures. He noted that the capital budget is up about 17.2% and is balanced on an 80.9-cent tax rate, which represents a one-cent increase.

Mr. Foley stated that revenue growth is modest this year, with general fund revenues – real estate, personal property, etc. – up about 3.2%. He said that real estate reassessments came in at 2.3%, more than the expected 1.9%, and when adding new construction the total increase in values is approximately 2.6%. Mr. Foley noted that the numbers reflect the one-cent increase for fire and rescue, and state and federal revenues – which are essentially flat. He reported that general property taxes are up about \$6.5 million, with total increase in revenues at \$7.6 million, or 3.2%. He stated that the 5.3% increase in expenditures represent about \$18.6 million in increased expenditures. General Government operations is up about \$6.9 million or 6.2%; schools are up about \$5.3 million or 3%; and capital has approximately \$6.7 million additional in expenditures.

Mr. Foley stated that in looking at goals, he would address how the budget has changed. He said that in terms of the first goal of meeting mandates and obligations, this budget provides a \$4 million or 3.6% increase in local transfer to the school system. This budget reduces the funding gap presented by the Superintendent of Schools from \$3.2 million to \$1.25 million. Mr. Foley stated that this is a reflection of the reallocation of the penny from capital back to operations, split 60/40, and represents the stronger real estate assessment values. He said that some additional funding for the schools is expected from the state, which will help fill in the remaining \$1.25 million gap.

Mr. Foley stated that the budget also meets mandates and obligations by funding full-year impacts of items previously approved by the Board – water resources protection mandates, a transportation planner, two Commonwealth’s Attorney office positions, a full year of Northside Library expenses, and the operating impact of the regional firearms facility. He said that the County’s increase in contribution to the Regional Jail is 19% or \$600,000 – and it is hoped that state revenues could reduce this somewhat, which will be discussed further in the Board’s budget work sessions. Mr. Foley said that the budget includes \$1.2 million in capital funds to implement a solid waste solution, perhaps continuing a transfer station operation at Ivy but with some new, more efficient facilities.

Mr. Foley reported that in terms of the second goal of sustaining an efficient and adaptable organization, the budget includes professional development and training for employees, continues funding the innovation and grants leveraging fund, addresses essential departmental operating needs – which has been scrutinized through zero-based budgeting every year, addresses the problem of compression among staff salaries – beginning with a study and setting aside some money for that issue going forward, and reflects the Board’s video streaming decision.

Mr. Foley emphasized that the budget continues to look at efficiencies in a way it has not done before, with schools and local government working together and forming a team to evaluate how they are doing business, and how they can do business together more efficiently in the future. He stated that each organization has done efficiency evaluations independently in the past, but they will now look across the organizations in a new way with an eye towards consolidation or shared expenses.

Mr. Foley stated that for the goal of building critical capacity, the budget includes a targeted 2.3% salary increase or higher, based on performance, to begin in January – and the recommendation is that if they get any additional revenues back from the state, they would first put them toward accelerating the pay increase for employees to October 1. He said that this is when the County’s health insurance increases will kick in, and staff felt there are some real opportunities to move the salary increases to that date on both the school and local government sides.

Mr. Foley said that the budget includes six police officers – a crime analyst, and five patrol officers, as well as two social services workers. The budget increases administrative support for the County’s customer service center and legislative and financial management operations, which has suffered over the years. He stated that there is restoration of support capacity with a policy analyst, a zoning enforcement position, a maintenance mechanic, a stormwater inspector, and an Information Technology position. He said that the budget provides funding for the Places 29 small area plan to focus on the Route 29/Rio Road interchange area, looking at land use planning, coupled with transportation changes going on there; and also provides funding to support the Route 29 Solutions Business Assistance Program.

In terms of the County’s goal of redirecting current funding from enhancements to core services, the budget redirects funding from enhancement and expansion projects in the CIP to critical core operating needs of schools and local government. The budget reduces the \$20.2 million total capital transfer by \$1.6 million, or the value of a penny, to help address some of the compelling issues they have discussed. Mr. Foley said that if that money were to be allocated back, the County would not be able to afford to provide funding for enrollment growth, police staffing, human services’ needs, compensation, and some of the mandates, without the \$1.6 million coming back.

Mr. Foley said that the funds are redirected from the ACE program, school modernization and sidewalk construction; however, the budget supports the upcoming year to match available grants and provide essential support classroom improvements. He stated that the sidewalk program also continues with a revenue-sharing match from the state one last year. Mr. Foley emphasized that this is one-time money, and the CIP has no funding in the out years for any of these projects, until they have the community conversation on long-term funding. He stated that this also addresses needs in the CIP by liquidating some projects. Staff has eliminated some projects because they are no longer needed – and they continue to scrub the CIP year after year.

Mr. Foley said that one example of this was, for the last five years, the County has set aside money to replace ambulances for the Charlottesville/Albemarle Rescue Squad, but County policy is that the vehicles must be co-titled in order for the CIP to pay for them – which they have not agreed with. He stated that the money has been sitting there in anticipation that this might change, but the County has liquidated those dollars and rolled them into the fund balance to pay for critical needs. Mr. Foley said that in past years, the County has left that alone – but now, after five years, staff felt it should be liquidated. He stated that it also eliminates projects without detailed plans or clear timelines. Staff has set some money aside for things like master plan implementation in some cases.

Mr. Foley reported that the rest of the CIP is intact. This budget continues to fund core CIP projects as well as the maintenance program for schools and general government, the courts project, the upgrade to the ECC 911 system, the Hollymead Dam, school safety updates, the Western Albemarle Environmental Studies Academy phase one project, Pantops Fire Station preparation, and renovations to the Berkmar Rescue Squad building. He stated that the staff is not robbing its capital program. He reiterated that staff is continuing to fund its commitments.

Mr. Foley stated that the second major proposal is to dedicate any proposed tax increase to specific core services. This budget established a separate fire rescue services fund – providing complete transparency for those expenditures, which is one of the largest increases in the budget over the last 15 years. He noted that this is for good reasons, and for high-value services provided to the community to help supplement the volunteer system. Mr. Foley said that this combines all revenues and expenditures and provides the ability to track expenses in a more transparent way than if it were lumped in a general fund. He stated that this proposes a one-cent dedicated tax increase and allocates current expenditures in the budget – which is equivalent to 6.6 cents on the tax rate – and that will be moved into a separate fund that will grow as property values equivalent to that amount grows. Mr. Foley said that EMS revenues and growth are also in that fund, and with a one-cent increase on the tax rate, the total to the fund is actually 7.6 cents dedicated to the fire rescue fund. That will help the public to understand how much is going into fire and rescue services.

Mr. Foley reported that some of the major highlights of increases are growing capital expenses in the CIP, increasing support for volunteer services including operating expenses and training, and replacement of \$743,000 worth of expiring grants to pay for nine firefighters and \$135,000 worth of turnout gear for the entire system. He stated that the compensation increase of 2.3 cents is also in this fund for existing fire rescue staff. Mr. Foley noted that the fund totals \$14.5 million in the budget, with \$13.8 of that as operations and \$650,000 for capital needs.

Mr. Foley presented a map that denotes the response times in development areas and immediately around those areas before 2000. The areas where growth was being funneled, and that included infrastructure, had no fire stations, except for the Seminole Trail Volunteer Fire Department. He said that at that time, firefighters were at Seminole to help support them because of the call volume, with five firefighters there in 1999. Mr. Foley stated that since that time, the County has put a system in place to cover the development areas where most of the population is – with Monticello Fire Station, then Hollymead, and recently Ivy. He said that the one underserved area remaining is Pantops, and design is scheduled to begin on that fire station this fiscal year.

Mr. Foley said that the County has built a combination system to help supplement the volunteers and provide better service the rural areas and the development areas – but it has cost some money, which is why staff felt it was important to pull it out. He emphasized that this is not about escalating costs – it is about dramatic improvements in their most core services, and County fire rescue does an excellent job every day in protecting lives and property in the community.

Mr. Foley said that the volunteer support provided by the County over this period has been for volunteer marketing and recruitment, fire and EMS training opportunities, operational funding at 100% based on a formula, and addition of daytime career staffing to Berkmar Rescue, Scottsville Volunteer Rescue and East Rivanna Volunteer Fire – with staff already in place at Seminole Trail Fire Department. He stated that overall systems enhancements include replacement of aging apparatus and enhancement of the overall fleet, with equipment kept up to date at volunteer and career stations; enhancement of career staffing at Earlysville, Stony Point, and Seminole Trail fire stations; addition of the three fire stations; and enhancement of EMS service to provide daytime coverage in Earlysville, Pantops and Ivy, and 24/7 service at Monticello, Hollymead and Seminole. Mr. Foley said that the last few years have been significant in terms of addressing EMS response needs, and in terms of expense. He stated that even with all of these improvements, Albemarle remains one of the lowest per-capita cost fire rescue departments when compared to benchmark localities. County staff has been doing a great job and this is a real success story. He noted that if the County is going to dedicate tax increases, it should go to core services like this so that citizens can see where the funding is going.

Mr. Foley reported that the final goal for the FY16 budget is to create a structured community dialog to help the County in thinking about the future, which the budget itself does not fully address. He stated that the budget proposes the creation of a citizen committee to focus on long-term funding alternatives to meet unmet needs – particularly unfunded capital needs. Mr. Foley said that there are 4.2 cents in tax increases in the five-year CIP, based on what was adopted last year and what the Oversight Committee has put forward, which is not inconsistent with what has been recommended in the past. He stated that the committee would look at compelling operating needs as well strategic aspirations, adding that this is a “quality of life” community, and they need to think about that in addition to just keeping up and catching up.

Mr. Foley stated that possible areas for consideration are service districts, bond referendums, alternative sources of new revenue, and other solutions and opportunities. He said that staff proposes coming to the Board with a more specific charge after talking with them following the budget process. With regard to compelling operational needs, in terms of police officers, the County has tried to make some progress. Five officers were approved in the current fiscal year, and five is being proposed in the next fiscal year. Mr. Foley noted that would mean 10 police officers added over two years, and going back four years, there would have been 17 new officers – but the community continues to grow. Chief Sellers has indicated that he would feel more comfortable with officer safety if he had about 10 additional positions.

He stated that the goals presented and how to achieve them represent the recommended budget for FY16. Mr. Foley then referenced a chart before the Board showing a tax bill for the average homeowner. Mr. Foley said that for the first time since 2009, with the one-cent tax increase and the 2.3% increase in property values, the County would exceed the 2009 tax bill. He stated that even with a one-cent tax increase, this represented \$23 in the average homeowner tax bill, while County per-capita staffing levels remain below 2007 levels. He presented information on Albemarle’s tax rate in comparison to benchmark localities, and said that even with the tax increase, the County remains in the same position, below its peers. Mr. Foley emphasized that Rockingham, Frederick, Pittsylvania, Augusta and Bedford are not facing the same urbanizing challenges that Albemarle is – and James City is the exception with a similar tax rate; Hanover is at 80 cents.

Mr. Foley concluded his presentation by stating that this budget begins to address some of the County’s challenges, maintains a focus on efficiency and innovation, and engages citizens at a higher level by forming a citizens committee. He said that if the Board wants to move forward with this, he would like to include people with some knowledge of finance or economics, to explore some options for the County.

Mr. Foley stated that there is news from the state that seems to indicate there will be more money for teachers – a \$350 million cut statewide in Aid to Localities – which will improve the situation. He said

that this is not reflected in this budget, but it is something that staff will be monitoring. Mr. Foley added that he would love to have the salary increase effective October 1 instead of January 1, when the healthcare increase kicked in, and to bring the employees closer to market sooner.

He stated that school modernization projects are completely gone from the CIP, and that is because they envision being able to accommodate money in the first year to upgrade the atmosphere at schools in the most basic of ways, consistent with what they did with ACE and sidewalks. Mr. Foley said that he does not think additional money will be necessary by shifting things around. He noted that the state recently indicated that it was refinancing some bonds to a lower interest rate, which would return money to those localities that financed through that bond program.

Mr. Foley reported that the public hearing on this proposed budget is scheduled for February 23, and between February 24 and March 11, the Board will have its work sessions. The Board will hold its budget public hearing on April 1 and a separate public hearing on the tax rate on April 8. He stated that the budget is available on the County's website. He added that typically staff provides a budget overview and a lot of reading material first, with questions emerging in the Board's work sessions throughout the process.

Ms. Dittmar asked if Board members had questions.

Mr. Boyd said that this is a lot to absorb, and he would prefer to ask questions in the work sessions, or to staff individually.

Mr. Foley noted that four work sessions are scheduled. Even after the public hearing, the Board can direct questions to staff.

Ms. McKeel commented that including schools and local government together for five-year planning shows a change in approach, and she appreciates the proposals as presented by Mr. Foley.

Mr. Foley stated that this was the best process they have ever had in working with the schools.

Ms. Dittmar noted that Mr. Foley will be presenting a budget overview again at the public hearing.

Mr. Boyd pointed out that this is being videotaped for the website also. Mr. Foley said that they are going to do some videotaping but they have not done that yet. The whole presentation and the audio is available immediately.

Mr. Boyd added that it will be online on Monday, when the public hearing is being held, if some of the public cannot make the meeting.

Ms. McKeel noted that the comments about budget challenges made by school personnel and department heads, Steve Sellers, Kathy Ralston, Dan Eggleston and Robyn Bolling are available online now.

Ms. Dittmar said that Board members are also planning their town hall meetings for the spring, and staff will get the word out about that. Mr. Foley stated that staff is hoping to work with Supervisors very soon, so they can line up resources. He encouraged Board members to use technology and combine meetings for efficiency.

Agenda Item No. 3. Appointment of Economic Development Director.

Mr. Foley stated that after a very extensive process of recruiting and interviewing candidates for the County's first Economic Development Director – including extensive involvement with the business community and superintendent, tours of the County, and many other steps – he is recommending Faith McClintic to fill this role, effective April 1, 2015. He said that the County has put together a press release announcing her appointment, and read the press release to the Board.

Mr. Foley stated that in this role, Ms. McClintic will lead the County's efforts to foster and encourage best practices in economic development activity that provide for quality job creation and sustainable employment opportunities, increasing the business tax base, and improved quality of life for all citizens. The County believes that Ms. McClintic's extensive experience in economic development at the local level, as well as her track record of collaboration makes her well-qualified for the unique opportunities associated with the establishment of a comprehensive economic development program for Albemarle County.

Ms. McClintic brings over 22 years of local government experience, including economic development leadership positions in Chesterfield County and Stafford County. Most recently, Ms. McClintic has been a small business owner, operating an independent consulting firm, Spectrum Growth Solutions, specializing in economic development and marketing services. The County is pleased to recommend someone with Ms. McClintic's professional background and expertise to join its senior leadership team and its community partners in furthering economic vitality in Albemarle County. Ms. McClintic has a Bachelor of Science in Public Administration from James Madison University and has completed graduate MBA work at the University of Richmond. Ms. McClintic has also completed the Certified Economic Developer Program through the International Economic Development Council (IEDC).

Mr. Foley stated that he is pleased, after an extensive process with community involvement, to recommend Ms. McClintic for appointment.

Mr. Boyd **moved** to appoint Ms. Faith McClintic as the Albemarle County Economic Development Director, effective April 1, 2015. Ms. McKeel **seconded** the motion.

Mr. Sheffield asked if there is a probationary period with this appointment. Mr. Foley said that the County has a standard six month probationary period with all positions.

Ms. Dittmar commented that this is an historic moment for the County, with this appointment and the opening of an Economic Development Office. She thanked everyone for all their work in this process.

Roll was then called and the motion passed by the following recorded vote:

AYES: Ms. Dittmar, Ms. Mallek, Ms. McKeel, Ms. Palmer, Mr. Sheffield and Mr. Boyd.
NAYS: None.

Mr. Foley said that getting to this point and hiring a director has been a long haul, as well as an evolution. He recognized Ms. Susan Stimart, the County's Business Development Facilitator, for the economic development work she has been doing during this period of transition. He also recognized Ms. Lee Catlin, Assistant County Executive, for the tremendous job she has done in bringing this from an economic vitality action plan four years ago to where they were today.

Agenda Item. No. 4. Adjourn to February 23, 2015, 6:00 p.m., Lane Auditorium.

At 6:03 p.m., Ms. Mallek **moved** to adjourn the Board meeting to February 23, 2015 at 6:00 p.m. Ms. Palmer **seconded** the motion.

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

AYES: Ms. Dittmar, Ms. Mallek, Ms. McKeel, Ms. Palmer, Mr. Sheffield and Mr. Boyd.
NAYS: None.

Chairman

Approved by Board
Date: 08/05/2015
Initials: EWJ