OVERCOMING *the* CHALLENGE

Bold Leadership to Redefine Our Community's Future

BUDGET OVERVIEW

The proposed Fiscal Year 2017 combined capital and operating budget totals $376,300,542. This budget reflects the impact of very modest improvement in the economy overall and very slow growth in property values. We face the continued serious reality that the economic recovery remains uneven and sluggish and that increases in property values have fallen below what was projected even during our Five-Year Financial Plan process last fall. These revenues are not sufficient to keep up with increasing mandates and obligations while supporting existing levels of critical services, either in the short term nor as we project ahead to 2018 and beyond. As a result, this budget proposes new measures to allow us to meet obligations and commitments and support existing services to the greatest extent possible and to make strategic investments to accomplish specific and necessary steps that will strengthen our community's future.

WE ARE A RESILIENT COMMUNITY

Since the recession, we have responded to the evolving pressures mentioned above by taking steps to transform into a leaner, more nimble organization that is tested and positioned to respond to the challenges and opportunities of the future. We have demonstrated significant innovation, reinvention and partnership. We have diversified our revenue streams through various revenue recovery measures and have focused on investments that will bring future returns such as the establishment of an economic development office. While that strategic and innovative work must and will continue, these measures are not adequate to address the ongoing structural imbalance caused by the cumulative impacts of expectations and service needs that outpace available resources.

A GREAT COMMUNITY FACING A GREAT CHALLENGE

As was made clear during the Five-Year Financial Plan process and demonstrated again in this budget, the cumulative impacts of community and Board aspirations, growing citizen expectations and service obligations created by population growth outpace available resources. Natural growth in revenues is not sufficient to meet our obligations and commitments and also maintain critical services at existing levels. International, national and state economic pressures have prevented our economy from regaining the momentum we had hoped for and expected, and we firmly believe that is the long term reality we are facing. Given our continued slow growth in property values, projected revenues will not cover needs as currently defined.

ALBEMARLE COUNTY VIRGINIA

Proposed Operating & Capital Budget FY17

Updated 03.14.2016

OVERCOMING *the* CHALLENGE

WHY ARE WE (STILL) HERE?

It is important to understand exactly why we face a continued funding challenge even as the economy overall shows some slight improvement. Here is a closer look at major factors that are driving budget pressure.

- ***Slow growth in our largest revenue source*** – Real estate revenues typically make up approximately 60% of our General Fund local revenues, and are by far our largest revenue source, so any fluctuation in property values has a major impact on our budget. In the four years leading up to the recession, we experienced double digit annual growth in reassessments, adjusting for the fact that we were doing biennial reassessments at that point in time. Beginning in 2008 we experienced six straight years of declining property values until we experienced a slight recovery in 2014. While our most recent reassessment shows a third year of increase, the amount is minimal and is significantly lower than what we projected even as recently as during last fall's Five-Year Financial Plan review process. Last year's growth was 2.64%, and this year we had projected a conservative and reasonable growth rate of 2.25% which came in at a final total of 1.84%, putting us behind in revenues in the current year (FY16) as well as in the upcoming year.
- ***Significant increases in obligations, mandates and commitments*** – While overall revenues have shown only very modest recovery, we continue to experience significant increases in obligations, mandates and commitments. For example, the Children's Services Act (CSA) is a mandate that impacts both local government and the School Division. In the coming year we are projecting an increase of $1.7 million, which alone equates to nearly half of the total new revenues that would be generated at our current tax level. Other areas of obligation experiencing significant increases include the Jefferson Madison Regional Library and the Albemarle Charlottesville Regional Jail which total $426,000 combined.
- ***Significant challenge in maintaining existing levels of service as population grows given revenue challenges*** – During the Five-Year Financial Plan discussions we talked about how service needs across the organization have been impacted by over 18,000 new residents projected between the beginning of the recession and the last year of our Five-Year Plan (according to Weldon Cooper estimates). The pressures of a growing and urbanizing county also impact schools as a result of enrollment growth – creating pressure to maintain desired class sizes and student teacher ratios. Our organization's capacity to provide high quality services has been diminished in some key functional areas and we are challenged to provide essential services within continued financial constraints.
- ***Challenge is both short and long term*** – While we have been hopeful during the past several budget cycles that economic conditions would show more energetic recovery, it has become very apparent that this uneven and sluggish revenue outlook is a reality we must acknowledge as we consider our operations going forward. Solving our problem with short term fixes in the current year or even in the upcoming budget does not change the long term trajectory of our financial situation, which will worsen in FY18 without serious redirection.
- ***Inability to address Board and community aspirations in the current environment*** – Our focus since the recession has been on maintaining the critical services of government, with most support going to shore up the essential functions of public safety, human services and education. Without new strategies, tax increases will be needed in the foreseeable future just to keep up with existing services, leaving little to no capacity to address quality of life initiatives or strategic plan priorities of natural resource protection or creating quality urban places. The Capital Improvement Plan (CIP) primarily funds maintenance, obligations, and mandates with only essential projects funded into the future and even that requires a 3 cent tax increase over the next five years.

WHAT THIS BUDGET PROPOSES:

- Concrete Steps toward Transformation Action
- Investments that Catalyze Change
- A Process to Establish Clear Board and Community Priorities that Drive Future Decisions
- Continued Focus on Growing our Non-Residential Tax Base
- Aligned Tax Structure and Service Levels
- Engaged Public Partners

ALBEMARLE COUNTY VIRGINIA

Proposed Operating & Capital Budget FY17

It's peak budget season in Albemarle County and we're eager to engage in a useful dialogue about budget priorities with you, our community.

Throughout February, March, and April, there will be many opportunities for you to stay informed and engaged with the budget review process. All Board meetings will be held in Lane Auditorium at the County Office Building, 401 McIntire Road, and will be live video-streamed. Meetings will also be recorded, so you can view them anytime. See the calendar on page 3 for specific dates and times.

Additonally, Albemarle County residents will have chances to weigh-in at community meetings during the next two months, details will be announced on the website soon.

STAY ENGAGED AND INFORMED:

- Visit ***www.albemarle.org/budget***, your one-stop-shop for all the latest budget information and materials. Check back frequently for details about upcoming community meetings and other budget developments!
- Visit ***www.albemarle.org/videostream*** to access live and recorded videos
- Provide thoughts and comments to the Board of Supervisors via email at ***bos@albemarle.org***
- Sign up for A-Mail at ***www.albemarle.org/amail***
- Connect with us on Social Media:
  - Facebook (***www.fb.com/Albemarle.County***) or
  - Twitter (***twitter.com/AlbemarleCounty***)

IMPORTANT TERMINOLOGY

Capital Improvements Plan (CIP) is a five-year plan for public facilities resulting in the construction or acquisition of fixed assets, primarily schools, but also parks, land, landfills, etc.

Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities.

Children's Service Act (CSA) is legislation which mandates funding for children with significant emotional or behavioral concerns with some funding matched from the state.

Debt Service is the cost of paying principal and interest on borrowed money, according to a predetermined payment schedule.

Debt Service Fund accounts for the payment of general long-term debt, which includes principal and interest. The School Division, General Government, and Water Resources each have Debt Service Funds.

Fire Rescue Services Fund includes all emergency fire rescue services provided by the County Department of Fire Rescue, the volunteer fire companies and rescue squads. This fund requires a local transfer from the General Fund; however, it also includes other revenues.

Fund Balance refers to the amount of money or other resources in a fund at a specific point in time. It usually refers to the year-end balance.

General Fund accounts for most traditional local government programs such as police, libraries, parks, human services, etc.

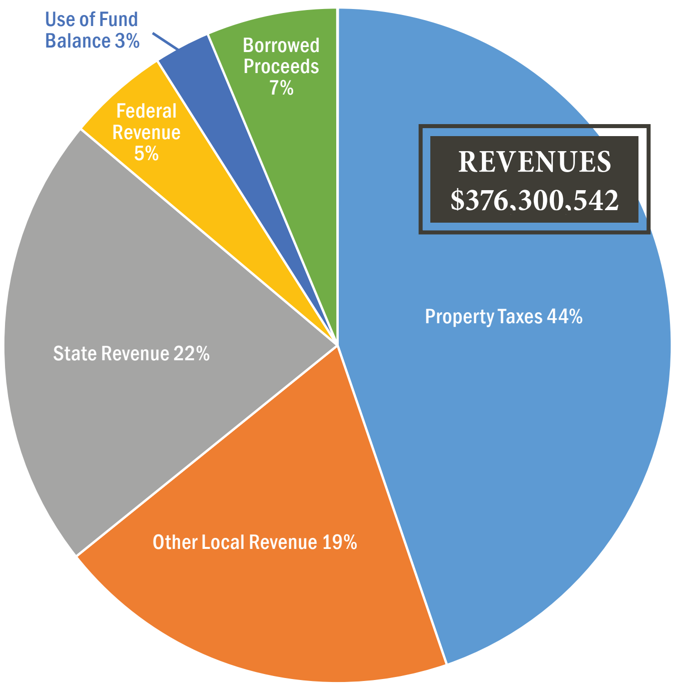
School Fund supports the operations of the County's school system including instructional costs, transportation, etc.

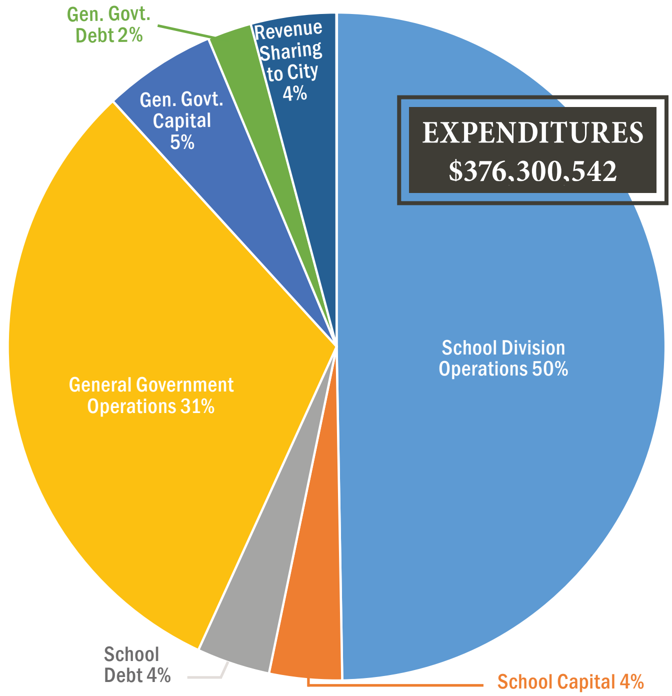
Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes such as federal and state grant funds, the Vehicle Replacement Fund, and the Tourism Fund.

M	Tu	W	Th	F
FEBRUARY				**19** 12PM County Executive Presents Proposed Budget to Board
22	**23** 6PM PUBLIC HEARING: County Executive's Proposed Budget	24	**25** 3PM Board of Supervisors Work Session	26
29 3PM Joint Board of Supervisors & School Board Work Session	**MARCH**			
	1	2	**3** 10AM Board of Supervisors Work Session	4
7	**8** 3PM Board of Supervisors Work Session	9	**10** 12PM Lunchtime Live Tweet	11
14	**15** 12PM Lunch-time Webinar 7PM Community Mtg. at Jack Jouett	16	**17** 7PM Community Mtg. at Monticello High School	18
21	**22** 8PM After-Dinner Webinar	**23** 7PM Community Mtg. at Western Albemarle High School	24	25
29	**30** 6PM PUBLIC HEARING: Board of Supervisors Proposed Budget	31	**APRIL**	
4	**5** 3PM Board of Supervisors Work Session	6	**7** 7PM Community Mtg. at North Garden Fire Station	8
11	**12** 6PM PUBLIC HEARING: 2016 Calendar Year Tax Rate	**13** 3PM Board of Supervisors Final Budget Discussion	14	15

ALL FUNDS SUMMARY

The County's proposed Fiscal Year 2017 combined capital and operating budget totals $376,300,542. The Total Budget includes the General Fund, School Division Fund, and the Capital Fund as well as special revenue funds, the debt service fund, the new Fire Rescue Services Fund and other special funds. The Total Budget is balanced on an 84.4¢ tax rate.





REVENUES

The overall net increase in revenues is $1,553,098, or 0.4% when compared to the FY16 Adopted Budget. This small increase in the total budget is primarily due to year-to-year fluctuations in the capital program. This net change is due to the following::

Decreases:

- Borrowed proceeds for capital projects decrease by $2.7M (9.9%).
- The Other Local Revenues category decreases by a net of $7M largely due to a decline of $8.6M in local funding for FY17 capital projects.
- Overall, the planned use of prior year fund balance monies has decreased by $1.1M (9.9%), mainly due to a decreased use of fund balance for capital projects.

Increases:

- Property tax revenues, which include taxes such as real estate and personal property, are anticipated to increase by $7.1M (4.4%), chiefly due to a $6.8M (5.3%) increase in real estate tax revenues, which is based on a tax rate of 84.4¢, and includes a proposed 2.5¢ rate increase.
- State revenues are projected to increase by $3.6M (4.6%) primarily due to increases in funding for the School Division and the Children's Services Act (CSA).
- Federal revenues are projected to increase by $1.7M (10.1%), also due mainly to increases in school division special revenue funds.

EXPENDITURES:

- The combined operating expenditures increase $13.9M (4.5%)
  - The general government operations budget increases by $5.9M (5.0%) to meet the County's mandates, support the community's public safety and social services needs, and to support other essential governmental services. This includes general fund, special revenue funds, and general government debt service funds.
  - The school division operations budget increases by $8M (4.2%). This includes school fund, special revenue funds, and school division debt service funds. The local transfer to the School Division is an increase of $3.3M (2.9%) over last year's Adopted Budget.
- There is a decrease of 25.6% in the capital budget primarily due to a $18M Emergency Communication Center (ECC) project that was budgeted in FY16.
- The Capital Improvement Plan covers the time period of FY17 – FY21. Only the first year of the Plan is included in the FY17 Total Budget. For FY17, the net Capital Budget is $35.1M. Major projects include continued commitment to maintenance and replacement needs for schools and general government, Water Resources Total Maximum Daily Load (the process for restoring impaired waterbodies in the County), school safety updates, Pantops Public Safety Station, Transportation Revenue Sharing Program, Hollymead Dam repair, Red Hill Elementary School Modernization, and Ivy Materials Utilization Center New Facility, and School Addition/ Modernization Design

THE SPENDING PRIORITIES INCLUDED IN THE RECOMMENDED BUDGET ARE HIGHLIGHTED BELOW ACCORDING TO THE ESTABLISHED BUDGET GOALS:

Address current commitments and obligations

- Mandated Children's Services Act (CSA) – increase of $1.4M for general government and $0.3M for the school division
- Transfer to School Division – provides $3.3M in additional funding, an increase of 2.9%
- Debt Service obligations – increase of $2.9M
- Rebuild fund balances/reserve for contingencies

Protect current levels of service

- Market salary adjustment of 2% for employees
- Employer contributions to health insurance
- Funds a 6.2% increase, $223,276, to the Regional Jail
- Funds a 5.0% increase, $203,245, to Jefferson Madison Regional Library
- Funds a 4.5% increase, $100,950, to the Emergency Communications Center
- Funds a 1.1% increase, $134,120, in the transfer to Fire Rescue Services Operations
- Funds a 13.9% increase, $184,607, to JAUNT

Hold the line on existing expenditures

- No new positions for local government
- No new programs or program expansions for local government
- No funding for salary compression
- Department operations decreased $17,471
- Department capital outlays decreased $511,598
- Captures fuel savings
- Commits to $400,000 in additional efficiency savings in next two fiscal years

Invest in meaningful solutions

- Urbanization/economic development investment pool – $250,000
- Efficiency study – $125,000
- Technology/productivity initiative – $50,000
- Reallocation pool
- Increase grant attainment efforts – $32,000
- Transportation revenue sharing – $250,000
- Bus route to 5th Street Station – $123,815
- School Addition / Modernization Design – $1,000,000

Propose a comprehensive process to determine Board and community priorities

- Community-centered priority based budgeting effort – $50,000

Develop a realistic two year Financial Plan beginning in FY18 (FY18–19 Financial Plan)

- Will be supported by existing resources

MAJOR REVENUE CHANGES

	Changes Compared to Adopted FY16 Budget *(in millions)*
Current Real Estate Revenue	$2.7
Other Revenue *(including state and federal)*	$1.9
1.1¢ Tax Rate Increase for General Government	$1.8
1.0¢ Tax Rate Increase for Capital Improvements Program	$1.7
0.4¢ Tax Rate Increase for School Division	$0.7
Motor Vehicle Registrations *($2.25 increase per vehicle)*	$0.3
Total Revenue Change	**$9.0***

MAJOR EXPENDITURE CHANGES

	Changes Compared to Adopted FY16 Budget *(in millions)*
Support for School Division	$3.3
Debt Service Obligation	$2.9
Children's Services Act Mandates	$1.4
Key Regional Services – Agency Support	$1.0
Local Government Health Care Costs *(14.5% increase)*	$0.6
2% Market Increase – General Government	$0.5
Total Expenditure Change	**$9.7***

** rounded to nearest $100,000*