

Albemarle County Citizen Resource Advisory Committee

Recommendations
November 2015

1 INTRODUCTION

Last summer at the Board's strategic planning retreat, the Board discussed the challenges faced by the County in funding future services and identified the need to involve citizens in helping provide input regarding ways to best address this challenge. During the Five-Year Financial Plan discussion this past fall, it became even clearer that funding existing and future needs is a challenge that exists for both local government and the school system. As was discussed and reviewed during the process, the issues facing the County are both the result of resource reductions made during the recession and growth in population and school enrollment since that time and projected into the future, among other things. Various alternative approaches to address funding needs were discussed by the Board and with the public during community meetings held in November and December. In response to the need to address these challenges the adopted FY16 budget called for the formation of a citizens committee to evaluate and consider the resources necessary going forward and to recommend alternative approaches to address those resource needs.

Addressing the 5-Year Financial Plan funding gap will require a comprehensive review through various means. Below is a process of review which recognizes the need for citizen input as well as review by the Board of Supervisors and School Board in ultimately coming to decisions on how to address the financial challenges facing the County. This process and continued discussion will better inform consideration of the new 5-Year Financial Plan in the Fall of 2015.

1. Citizen Committee review of resource alternatives to address the gap

- Existing revenue sources
- Alternative revenue sources
- Taxes by service or other districts
- Voter referendum to indicate support for tax increases for specific facilities
- Continued pursuit of legislative changes to provide additional taxing authority
- Other alternatives to enhance resources

2. Board of Supervisors Review

- CIP Follow up Review
- Land Use and Land Use Revalidation Programs
- Fire Rescue Services Operating Fund
- Partnership opportunities – County/City, UVA, Regional, Inter-departmental, Public-Private, etc.

- Expenditure prioritization and reallocation
- Economic Development Plan

3. Joint Review by the Board of Supervisors/School Board

- Existing funding formula regarding the allocation of revenue growth between Schools, Local Government and Capital
- 5-Year Plan Assumptions
- Capital Improvements Plan and Decision Making Process
- Local Government/Schools Joint Efficiency Committee/Study
- Citizen Funding Committee recommendations
- Specific consideration of referendum

2 CITIZEN RESOURCE ADVISORY COMMITTEE

During this past year, through the County's Five-Year Financial Planning process, the County identified a significant gap between its projected growth in revenues and its anticipated expenditure needs for all County services, including schools. This gap existed in all five years of the financial plan and grows more significant over the period. Projected revenue growth is based on assumptions for growth in the economy and the projected increase in property values over the five year period, as well as anticipated State and Federal support. Anticipated expenditure needs are based on a set of assumptions regarding pay and benefits for local government and school staff and an assessment by departments and the school division of their future needs to meet existing and projected growth in demand for services. The projected increase in demand for services is primarily driven by projected population and enrollment growth. Similar to other localities, this increased demand is happening in a time when revenue growth is slow given the existing economic climate. This gap between revenues and expenditures has led to discussion and consideration by Board members, staff and citizens regarding alternative approaches to assure adequate resources are available to meet service demands and community priorities for the future.

Committee Charge:

The charge of the committee is to understand current and future funding challenges and service demands and develop a prioritized set of strategies to meet future resource needs. Strategies may include, but are not limited to, identifying new sources of funding, considering various methods of raising funds and the potential enhancement of existing revenue sources. While examining expenditure priorities will also be an important consideration in ultimately addressing the gap, those options will be separately reviewed by the Board of Supervisors and School Board. The Committee will provide a final report to the Board of Supervisors by the Board's first regular meeting in November for consideration during the Five-Year Financial Plan process.

Committee Membership & Operation of the Committee:

The Committee is made up of eight members with background and experience in business and government finance, economics and management and who are not currently serving in public office.

Committee Members	Affiliations
Cole Hendrix	<i>Former Charlottesville City Manager/Consultant</i>
Mark Roberts	<i>Managing Director, Alveraz & Marsal North America</i>
Dennis Rooker	<i>Former Albemarle Board of Supervisors member; Attorney</i>
Steve Runkle	<i>Retired Developer; Real Estate III</i>
Leonard Sandridge	<i>Retired University of Virginia Vice President/Chief Operating Officer</i>
J. Thomas Weaver	<i>Retired Program Director Buccaneer Data Services, LLC., CDAC Operations</i>
Roxanne White	<i>Former Assistant County Executive; Consulting</i>
Bernard Whitsett	<i>Chief Operating Officer, Legacy Asset Mgmt.</i>

Appointments were made by the Board of Supervisors with input from the School Board. The Committee is considered a public body and all meetings are open to the public. A web site has been established that provides public access to all agendas, presentations, background materials and other work of the Committee – www.albemarle.org/resourcecommittee.

Primary support was provided to the Committee by staff from the County Executive’s Office, County Attorney’s Office, Office of Management and Budget and the County’s Financial Advisor. Other departments and the County’s School Division provided support and information to the Committee as needed.

3 EXECUTIVE SUMMARY OF RECOMMENDATIONS

Before outlining our recommendations, Committee members wanted to make an introductory statement regarding the circumstances in which they were charged to do their work. By many measures, Albemarle County is an urbanizing county which creates service demands and resource challenges that have been and will continue to cause budgetary pressures and impacts for citizens. The current tax rate does not accurately portray the resources that the County has at its disposal - Albemarle County has a real estate tax rate of \$0.819 / \$100 of assessed value but actually operates on a tax rate of **(will have this final number at the meeting)** because of the financial impacts of land use and revenue sharing with the City of Charlottesville. This places us among the very lowest of our peer communities. We urge the careful consideration of the strategies detailed in this report. If alternative revenue generation strategies/ solutions aren’t implemented, the County will find itself forced to reduce services in order to stay fiscally sound. While the committee recognizes the critical importance of cost savings/expenditure reductions strategies, we did not study the expenditure side in depth as that was

not part of the charge approved for our committee by the Board of Supervisors. We do however recommend that regular independent efficiency studies for both local government and the school division be conducted as part of ongoing scrutiny of opportunities for savings/cost reductions.

The following charts highlight the Committee’s recommendations for concepts in three different tiers based upon the Committee’s assessment of feasibility, readiness and revenue generation potential associated with each strategy:

Tier One – Strategies Recommended for Serious Consideration/Implementation

Strategies that should be seriously considered for implementation.

Strategy	Revenue Generation Potential	Implementation
Revenue Generating Tools (general strategies)		
Economic Development	Significant potential; varies based on activity.	The Economic Development Office, established in 2015, is currently developing a work plan to address.
Increasing sales	Dependent upon the opportunities identified by staff.	Identify opportunities to increase public awareness of existing revenue streams, e.g. park passes. Identify additional opportunities for marketable expertise/capacity. Staff would prepare recommendations for approval by the Board of Supervisors.
Investment of Funds	Amount varies based on interest rates and idle dollar value.	The Finance Department strategy is to leverage, to the extent legally and practically available, the investment opportunities available to localities.
Motor Vehicle Registrations	Statutory cap is \$40.75 for most vehicles, current rate is \$38.50 for most vehicles. Estimated to generate \$220,500 at cap rate.	Adoption of amended ordinance by Board of Supervisors.
Meals Tax	At current statutory cap. A 1% increase estimated to generate \$1.7 million per year in FY16.	Requires enabling authority from the General Assembly to exceed 4% (current rate).
Transient Occupancy Tax	Statutory cap is 5%. A 1% increase estimated to generate \$556,260 per year.	Requires enabling authority from the General Assembly to exceed 5% (current rate). 50 Counties (including Albemarle) have authority to levy at a rate up to 5%. Cities have no cap.

Admissions Tax	Statutory cap for tax is generally 10% for localities granted enabling authority. More research would be required, amount would vary based on what tax is applied to.	Requires enabling authority from the General Assembly. Staff to identify and Board of Supervisors to approve venues/event types to apply tax to.
Cigarettes Tax	Cap on tax rate for two counties with enabling authority is 30 cents per pack. Estimated revenue at that tax rate is approximately \$1 million per year.	Requires enabling authority from the General Assembly.
Begin Collecting Occupancy Tax for Short Term Rentals	Community Development staff are analyzing this strategy as part of their FY16 work plan and will estimate revenue potential as part of that work.	Implementation recommendation will be part of the report by Community Development.
<i>Revenue Generating Tools (When a specific project or need is identified that has broad community support, these strategies may be appropriate)</i>		
Voluntary contributions	Revenues generated to match the anticipated expenditure for a specific project or resource need.	Identify small, discrete project or resources that could generate support through contributions. Identify methods for soliciting contributions (e.g., line on the biannual tax bill). Staff would prepare recommendations for approval by the Board of Supervisors.
Civic crowdfunding	Revenues generated to match the anticipated expenditure for a specific project or resource need.	Identify the best platform for crowdfunding. Identify distinct, discretionary projects to pitch for crowdfunding. Staff would prepare recommendations for approval by the Board of Supervisors.
Increase efforts to obtain grants	Revenues generated to match the anticipated expenditure for a specific project or resource need.	Identify current in-house capacity and additional resource needs to support an increased effort. Staff would prepare recommendations for approval by the Board of Supervisors.
Corporate Sponsorships	Revenues generated to match the anticipated expenditure for a specific project or resource need.	The County would need to identify both corporate entities that could be interested in providing sponsorships <i>and</i> identify specific projects and/or

		programs for sponsorship. Staff would prepare recommendations for approval by the Board of Supervisors.
Market-based revenue for County properties	Revenues would be driven by leasable space and market demand.	Identify facilities and property of the County that could be leased for advertising. Staff would prepare recommendations for approval by the Board of Supervisors.
Process Tools		
Service District	No statutory cap on tax rate. Amount would depend on service(s) provided and geographical area(s) served.	Adoption of ordinance by the Board of Supervisors.
General Obligation Bond	No statutory cap on amount of bonds issued. Amount would be based on projected cost of items included in the referendum.	Voter referendum questions are requested by the Board of Supervisors in petition to the Circuit Court requesting order for referendum.
Complete a third-party "efficiency study" of local government operations	The amount of revenue and/or cost savings generated from an efficiency study would be dependent upon its findings.	The study itself would occur over the course of one year and implementation of the findings would occur over several years thereafter.
Complete a third-party "efficiency study" of public school operations	The amount of revenue and/or cost savings generated from an efficiency study would be dependent upon its findings.	The study itself would occur over the course of one year and implementation of the findings would occur over several years thereafter.

Tier Two – Recommended Strategies for Further Study

Strategies identified as having potential but need significant further evaluation and/or have relatively less revenue impact potential than Tier 1.

Strategy	Revenue Generation Potential	Implementation
Land Use Policy	Range up to \$15.95 million, depending on how policy might be amended (2015 data).	Board of Supervisors amends existing land use tax ordinance or Agricultural and Forestal District (AFD) ordinance.
Repurposing government buildings	Revenues dependent upon marketable space and market demand.	Identify opportunities to increase marketable space in buildings not used year-round - including schools. Identify opportunities to create long-

		term leased spaces in government buildings. Staff would prepare recommendations for approval by the Board of Supervisors or School Board.
EMS Cost Recovery	No statutory cap, but typically set in relation to Medicare Allowable Rates. Amount of revenue is dependent upon the amount approved by Medicare and insurance companies for payment.	Revise existing fee schedule and/or Resident Program policy; drafted by Staff and approved by the Board of Supervisors.
Payment in Lieu of Taxes (PILOT)	Revenues dependent upon tax-exempt property owners subject to PILOT and for the service charges assessed.	The County could identify tax-exempt organizations that may be subject to pay service charges in lieu of taxation. Virginia law allows localities to assess service charges on some (but not all) tax-exempt property owners to cover the cost of police and fire protection, refuse disposal, and, in some cases, public school education. Staff would analyze which classes of owners may be subject to these service charges that are not currently being assessed and would prepare any recommended ordinance amendments for the Board of Supervisors' consideration.
Leveraging private real estate for public facilities	Revenues dependent upon leasable space and market demand.	Identify County-owned properties that may be desirable to private real estate developers for potential public-private partnership to co-develop a site with a school or other public facility and other private buildings. Staff would prepare recommendations for approval by the Board of Supervisors.
Charges for Services	Some fees subject to statutory cap, others are not, but cannot exceed the cost to provide the service. Amount depends on fees and current recovery rates.	Adoption of ordinances or resolutions by the Board of Supervisors.

Utility Tax	Statutory caps vary by energy source and user type. County is not at maximum cap rate for residential gas and commercial/industrial electricity and gas. Amount difficult to estimate without more research.	Adoption of ordinance by the Board of Supervisors.
Gasoline Tax	The source and amount of funds that could be generated from a local tax is unknown and dependent upon the authority granted by the General Assembly. As of 2013, no jurisdiction in Virginia has enabling authority for this tax.	Requires enabling authority from the General Assembly to implement. Northern Virginia and Hampton Roads localities have an additional 0.7% general sales tax component dedicated for transportation along with a 2.1% wholesale gasoline tax dedicated for transportation, along with a few other dedicated taxes.
Sale of Land-Banked Property	Up to \$9.76M (2010 estimate of the County's land-banked properties, assessed total value). Funds generated would be one-time funds.	Prepare a real estate study to identify properties for sale. Board of Supervisors approval to sell identified properties following a public hearing.
Personal Property Tax	No statutory cap, current rate is \$4.28 per \$100. One penny increase in this tax estimated to generate \$90,580 per year.	Rate approved annually by resolution of the Board of Supervisors.
Rental of County Facilities	Typically in-line with market rates. Amount varies based on facility and rental fees.	Leases approved by the Board of Supervisors following a public hearing.
Joint Purchasing/ Contract Agreements	Revenues generated from cost savings achieved.	Staff would prepare recommendations for consideration by the Board of Supervisors where opportunities to enter joint purchasing and/or contract agreements either between Local Government and Public Schools or with local and regional entities.

Tier Three – Strategies Not Recommended

The Committee discussed some strategies that they did not recommend for any further review or action.

Strategy	Revenue Generation Potential	Implementation
BPOL tax for Direct Retail Sales to Remote Buyers	Statutory cap is 0.2%, current rate is \$0.1%. Estimated to generate \$206,500 per year at cap rate.	Adoption of amended ordinance by Board of Supervisors.
Machinery and Tools Tax	Statutory cap cannot exceed Personal Property Tax rate. One penny increase in this tax estimated to generate \$1,320 per year.	Rate approved annually by resolution of the Board of Supervisors.

4 RECOMMENDED STRATEGIES FOR SERIOUS CONSIDERATION/IMPLEMENTATION – TIER 1

4.1.1 Revenue Generating Tools (general use)

Economic Development

Overview of Strategy: An Economic Development Strategy is a tool Albemarle County can use to diversify the tax base and provide another steady revenue stream beyond the real property tax base. As new businesses are created here and existing businesses expand, real property, sales tax, machinery and tools tax, and BPOL revenues all increase.

The Economic Development Office, established in 2015, is currently developing a work plan to access these new sources of revenue.

Committee Recommendation: The County should pursue economic development strategies that promote business growth to provide jobs well-suited to Albemarle County's workforce, so as to not create a strain on residential housing, in an effort to balance new revenues against costs of growth. In addition, the County should engage directly with UVa to attract target industries to the UVA Research Park, the largest "product-ready" light-industrial site in the County.

Responsible Department(s):

Increasing Sales

Overview of Strategy: Albemarle County currently charges fees to access parks where lifeguard protection is provided. The County could expand sales by increasing public awareness of these facilities and exploring implementation of opportunities to expand points of sale using mobile technology.

Another approach under this strategy is to identify marketable expertise and/or capacity. For example, GIS data could be a valuable for a number of private sector entities. A study to identify such opportunities could result in increased sales.

Committee Recommendation:

Responsible Department(s):

Investment of Funds

Overview of Strategy: Albemarle County has enabling authority to invest its idle dollars in investment products that could return interest income. The Virginia Security for Public Deposits Act and accompanying regulations proscribe the types of investments that localities can make.

In this low interest rate environment, the opportunity to increase the investment income the County is able to generate on its idle dollars is very limited. However, Department of Finance will shortly finalize its plan to position the County's idle dollars to capture additional investment earnings when there is an upturn in the economic environment, as appropriate and remaining true to the investment principles of safety, liquidity, and yield.

Committee Recommendation: The Committee supports opportunities to position the County's idle dollars to maximize return on investment earnings, particularly in anticipation of an economic upturn, while remaining true to sound investment principles.

Responsible Department(s):

Motor Vehicle Registrations

Overview of Strategy: The Motor Vehicle Registration tax is levied on each vehicle housed in the County. Raising the tax to the statutory cap of \$40.75 is estimated to generate an additional \$220,500 per year. While Albemarle County's rate of \$38.50 is below the statutory cap, the rate is an outlier among its peer localities, which range between \$20 and \$28.50 per vehicle.

Committee Recommendation:

Responsible Department(s):

Meals Tax

Overview of Strategy: The meals tax is levied on any prepared food or drink sold for the purpose of immediate consumption. In Virginia, counties have enabling authority to levy a meals tax on top of the sales tax rate, up to 4%; cities and towns may levy a meal tax with no rate limitation. Increasing Albemarle's meals tax rate from 4% to 5% is estimated to generate \$1.7 million per year. This number was estimated using FY16 revenues and assuming an increased rate would not change consumer behavior. To proceed with this strategy, Albemarle County would need to obtain enabling authority from the General Assembly.

Committee Recommendation:

Responsible Department(s):

Transient Occupancy Tax

Overview of Strategy: The transient occupancy tax is levied on hotel, motel, boarding houses, and travel campgrounds rates. This tax would have limited impact on residents, as short-term rentals typically serve out-of-area tourists and business travelers. Albemarle County is currently at the statutory 5% cap for Counties; cities do not have a statutory cap in Virginia. A 1% increase is estimated to generate \$556,260 per year using FY16 revenues and assuming an increased rate would not change consumer behavior. Since revenues above a 2% tax rate must be dedicated to tourism, the County would have to designate any increase to tourism. To proceed with this strategy, Albemarle County would need to obtain enabling authority from the General Assembly.

Committee Recommendation:

Responsible Department(s):

Admissions Tax

Overview of Strategy: Albemarle County lacks enabling authority to levy an Admissions Tax, which is a tax on the price of admissions to events, including cinemas, concerts, sporting events. Admissions Tax cannot be applied to state operated events. To levy this tax on events at UVA facilities, the Three Party Agreement requires mutual agreement by UVA. The statutory cap for the Admissions Tax is generally 10% for localities granted enabling authority. Estimated revenues from levying an Admissions Tax would depend on which events were taxed. To proceed with this strategy, Albemarle County would need to obtain enabling authority from the General Assembly.

Committee Recommendation:

Responsible Department(s):

Cigarettes Tax

Overview of Strategy: The cigarettes tax is levied on the purchase of cigarettes and “roll your own” tobacco. In Virginia, only cities and two counties have enabling authority to levy a cigarettes tax, with a cap of 30 cents per pack for the two counties. It is estimated that Albemarle County could generate \$1 million in revenues if given enabling authority to levy a cigarette tax of 30 cents per pack. To proceed with this strategy, Albemarle County would need to obtain enabling authority from the General Assembly.

Committee Recommendation:

Responsible Department(s):

Begin Collecting Occupancy Tax for Short Term Rentals

Overview of Strategy: Short term rentals of private homes are not currently a permitted use under the County’s zoning ordinance. Revenues from properties rented for short-term stays, like those found on

websites like AirBnB or VRBO, are therefore not subject to the transient occupancy tax. This tax would have limited impact on residents, as short-term rentals typically serve out-of-area tourists and business travelers. The Community Development Department has been directed by the Board of Supervisors to study the scope of impacts that short-term stay rentals could have on revenues, land use, and other areas; this study is included in the Department's current work plan.

Committee Recommendation:

Responsible Department(s): Community Development, Board of Supervisors

4.1.2 Revenue Generating Tools (specific need)

Voluntary Contributions

Overview of Strategy: This can be also be called a "capital campaign", in which Albemarle County identifies a specific, discrete material needs or capital projects and solicits monetary donations from residents and businesses. Examples include new equipment for public safety personnel or a park facility. Staff could undertake an effort to identify budget requests that would be good candidates for community support and identify the appropriate method to solicit donations (for example, as a line item on the tax bill). All funds generated would be earmarked for the proposed item/project. Consideration will need to be given to ongoing operational and maintenance costs associated with the item.

Committee Recommendation: The Committee recommends strong consideration of this strategy in specific circumstances where a discrete project or program has particular appeal to citizens or businesses who would feel motivated to provide resource support.

Responsible Department(s):

Civic Crowdfunding

Overview of Strategy: Civic crowdfunding is an emerging strategy that local governments have started using to fund discretionary projects that may have popular support from a segment of the population using online platforms like Kickstarter. For example, civic crowdfunding has been used to fund playgrounds, athletic field improvements, etc. Due to the nature of crowdfunding, projects would need to be limited to those <\$50,000. "Backers" of crowdfunded projects typically expect incentives, which will require County resources, including time and service, to provide.

Committee Recommendation: The Committee recommends strong consideration of this strategy in specific circumstances where a discrete project or program has particular appeal to citizens or businesses who would feel motivated to provide resource support.

Responsible Department(s):

Increase Efforts to Obtain Grants

Overview of Strategy: Grant funding for local government projects is available through federal, state, and private funders. The County has traditionally approached grants on an ad-hoc basis, with individual

departments identifying, writing, and submitting grants. The addition of the Grant Coordinator in 2014 has provided support through coordination of internal approvals/reviews, oversight, and data collection in support of the County's grant efforts. The Board of Supervisors could direct departments to prioritize identifying and applying for grant opportunities.

While grants can provide funds for capital projects, programs, and staff positions, individual grants have specific guidelines for use of funds, may require additional local resources/investment through, for example, a local match, and can have long-term budgetary impacts such as a temporary staff position requiring a full budgetary support beyond the grant period.

Committee Recommendation: The Committee recommends strong consideration of this strategy in specific circumstances where a grant would help the County achieve identified strategic goals/objectives and would provide meaningful resource support. The Committee noted that while grants can be a positive source of revenue, the County should carefully consider the costs associated with a grant before pursuing a grant opportunity. Grants require resources to prepare the applications, may accrue administrative costs if awarded, and often require a financial match by the County. Further, long-term impacts of a grant must also be considered - including ongoing costs for operation and maintenance of assets and salary impacts where grant funds support staff positions.

Responsible Department(s):

Corporate Sponsorships

Overview of Strategy: It is not uncommon for corporate entities to sponsor public facilities or programs in exchange for naming rights and/or advertising space, particularly where there is alignment between the corporation's and facility or program's mission. For example, a healthcare provider may be interested in sponsoring athletic facilities to promote community wellness. The County would need to identify both corporate entities that could be interested in providing sponsorships and identify specific projects and/or programs for sponsorship. Staff would prepare recommendations for approval by the Board of Supervisors. Staff would work directly with organizations to negotiate sponsorships.

Committee Recommendation: The Committee recommends strong consideration of this strategy in specific circumstances where a corporate sponsorship would be appropriate and could provide meaningful resource support.

Responsible Department(s):

Market-based Revenue for County Properties

Overview of Strategy: The County owns and operates a number of facilities and properties throughout the county that have high traffic. Leveraging this visibility by leasing space for advertising could generate revenues. Examples of possible advertising spaces could include county vehicles and county recreational and athletic facilities. Staff could undertake an effort to identify assets appropriate for advertising. Strict guidelines would need to be developed to address appropriate categories of advertising and to address constitutional issues.

Committee Recommendation: The Committee recommends strong consideration of this strategy in specific circumstances where an advertising opportunity would be appropriate and could provide meaningful resource support.

Responsible Department(s):

4.1.3 Process Tools

Service District

Overview of Strategy: Service districts are specific geographic areas, created through an ordinance process, where additional, more complete, or more timely government services are provided. A fixed tax or a tax on real property within the district can be levied to pay for those government services outlined in the ordinance. Revenues generated through the service district tax must be used within the service district area. There is no statutory cap on the tax rate for a service district. Service districts can be used to finance streetscapes, infrastructure, recycling, broadband, and other services. They cannot be used for schools, police, or general government services. Albemarle County has the enabling authority to create and use service districts. Projects funded using service districts must be limited to those that truly serve residents in distinct areas.

Committee Recommendation: Service Districts provide a way to fund urban-style services for development area residents. The Committee recommended consideration of park facilities, sidewalks, transit services, enhanced landscaping, focused economic development efforts, and business improvement districts as potential areas where a service district would be an appropriate way to meet the growing demand for urban amenities in the County.

Responsible Department(s):

General Obligation Bond Referendum

Overview of Strategy: This is not a strategy that will create or enhance the revenue stream, but rather a means to engage residents directly on support for expenditures on capital projects. General Obligation Bond Referendums require that a bond issue be subject to the outcome of a voter referendum in which voters are asked if they support the bond issue. The referendum must specify how funds will be used and can be general ("school expansions") or specific to a project ("Albemarle High School expansion"). Albemarle County regularly issues bonds in order to fund capital projects through the general obligation bond process without putting the issue up for a referendum. This proposed process will provide a public engagement process whereby residents can extend or deny support for additional expenditures and, in a higher interest rate environment, can reduce the cost of borrowing on large debt issues. There is no statutory cap on the amount of bonds issued.

Committee Recommendation: The Committee recommends using general obligation bonds as one of several processes to fund specific projects where it is believed there is widespread community support, evaluated on a case-by-case basis. The Committee cautions that there are times where critical community needs may not receive strong support but are nevertheless necessary to complete. A general

obligation bond also requires resources in order to establish the process, advertise the issue, and engage the public, and these should be balanced against the potential cost savings in receiving a lower interest rate.

Responsible Department(s):

Complete a third-party Efficiency Study of local government operations

Overview of Strategy: An efficiency study of local government operations conducted by a third-party auditor to identify cost savings opportunities and strategies could alleviate pressure on the revenue/expenditure gap. An independent review of resource management was undertaken from 2008-2009 for local government operations, at a cost of \$89,000. Cost savings as a result of that study were not formally tracked, as the focus of this effort was on enhancing efficiency of operations and service delivery. However, a future study could be designed to focus specifically on cost savings.

Committee Recommendation: While the Committee did not focus on specific cost savings/expenditure reduction strategies because of its charge to focus on revenue generation, Committee members strongly endorsed a regularly scheduled practice of independent efficiency review.

Responsible Department(s):

Complete a third-party "efficiency study" of public school operations

Overview of Strategy: An efficiency study of public school operations conducted by a third-party auditor to identify cost savings opportunities and strategies could alleviate pressure on the revenue/expenditure gap. An independent review of resource management was undertaken from 2007-2008 for public school operations. Cost savings as a result of that study were not formally tracked, as the focus of this effort was on enhancing efficiency of operations and service delivery, although the report did identify cost-savings strategies. However, a future study could be designed to focus specifically on cost savings.

Committee Recommendation: While the Committee did not focus on specific cost savings/expenditure reduction strategies because of its charge to focus on revenue generation, Committee members strongly endorsed a regularly scheduled practice of independent efficiency review.

Responsible Department(s):

5 RECOMMENDED STRATEGIES FOR FURTHER STUDY – TIER 2

Overview of Strategy: Under the provisions of Title 58.1-3230 of the Code of Virginia, a county, city, or town may adopt an ordinance that provides for use-value assessment under four categories: real estate devoted to agricultural use, horticultural use, forest use and open space use. Land used in agricultural and forestal production in an agricultural district, a forestal district, or an agricultural/forestal district is eligible for use value assessment in the absence of a local ordinance. The County adopted all four categories of land use in 1975. In FY2015, the land use program is estimated to have reduced real property tax revenues to the County by \$15.95 million.

The Land Use Policy could be eliminated or amended to reduce the number of eligible properties. In 2008, the Board of Supervisors considered eliminating all categories of use value taxation, eliminating all categories with the exception of open space, or eliminating use value on forest land only. The Board ultimately determined to tighten land use value taxation eligibility requirements through the revalidation process and expanded inspections.

The Board of Supervisors could amend the existing land use tax ordinance or Agricultural and Forestal District (AFD) ordinance. A policy change could be enacted as quickly as 2016. It is expected that an amendment to either ordinance would have impacts on the County's growth management policy and on property values in the Rural Area. It is important to note that land in AFDs will continue to qualify for land use taxation until AFDs expire or land is removed.

Committee Recommendation: The Committee identified Open Space parcels where no habitat, agricultural, or forestry activities onsite to be one area where the Land Use Policy could be improved. It has been found that the number and value of land falling into the Open Space category is limited from a revenue perspective (between \$64,000 and \$552,000 per year, depending on the size of parcel considered). The Land Use Policy provides a benefit to Albemarle County by providing landowners with a financial incentive to keep rural lands in rural uses – it alleviates development pressure to subdivide land, provides a break to landowners engaged in agricultural or forestry activities, and helps keep critical habitat intact.

The Committee supports the intent of the existing Land Use Policy, but recommends a revision to the Land Use Policy to ensure that parcels that do not have any subdivision rights due to parcel size cannot participate in the program, as the program is intended to provide incentives to prevent fragmentation of rural parcels. The Committee affirms support for the revalidation program to prevent possible abuses.

Responsible Department(s):

Repurposing Government Buildings

Overview of Strategy: Albemarle County owns building properties throughout the county. A space management study to identify marketable space in buildings could result in increased rent opportunities, particularly in buildings not used year-round, like school properties. The County has begun to do this with the Community Use of School Facilities policy, which provides school spaces for community groups at fees ranging from \$0 (for local government use) to cost-recovery for custodial and building operations.

Committee Recommendation: The Committee felt that a comprehensive space management/utilization study could identify reasonable opportunities for additional revenue on either a part time or full time basis.

Responsible Department(s):

EMS Cost Recovery

Overview of Strategy: In Albemarle County, EMS service is billed to a resident's insurance. Residents with no insurance are not billed for service; this segment of the County's population accounts for roughly 10-12% of calls for service. In addition, non-County resident users are billed for any amount not paid by insurance companies. The rates charged for service are in-line with the Medicare Allowable Rate. There is no statutory cap for EMS cost recovery. A change to this policy could increase revenues but it is uncertain by how much.

Committee Recommendation:

Responsible Department(s):

Payment in Lieu of Taxes (PILOT)

Overview of Strategy: Nonprofit organizations are tax-exempt and are therefore not subject to real property tax. In over 200 localities throughout the US, local governments request that area nonprofits make payments in lieu of taxes (PILOT) to the locality to supplement local revenue to cover the cost of essential services. Virginia law allows localities to assess service charges on some (but not all) tax-exempt property owners to cover the cost of including police and fire protection, municipal waste, among others. Staff would analyze which classes of owners may be subject to these service charges that are not currently being assessed and would prepare any recommended ordinance amendments for the Board of Supervisors' consideration. Revenues are dependent upon tax-exempt property owners subject to PILOT and for the service charges assessed.

Committee Recommendation:

Responsible Department(s):

Leveraging Private Real Estate for Public Facilities

Overview of Strategy: The co-development of public lands and/or public facilities in a public-private partnership could provide more competitive financing of capital projects, offset costs through long-term leasing or sale of private property, and/or generate real property tax revenue from taxable portions of the site. A real estate study would identify County-owned properties that may be desirable to private real estate developers for public-private partnership.

Committee Recommendation:

Responsible Department(s):

Charges for Services

Overview of Strategy: Local government provide a number of services to residents. In Albemarle County, some services are provided free of charge while others carry a fee that represents anywhere from a small percentage of the cost to provide the service (particularly where there is a strong community benefit, such as fire prevention), up to full-cost recovery. Increasing fees in-line with full cost recovery could generate additional revenues, although it is not clear how much.

This tax would have limited impact on residents, as only those using a specific service would pay an additional fee. Some fees are subject to statutory cap and others are not, although fees cannot exceed the cost to provide the service. Revenues generated would be designated to support the specific function or activity.

Committee Recommendation:

Responsible Department(s):

Utility Tax

Overview of Strategy: A tax on electricity and gas consumption for residential and commercial/industrial energy consumption. In Virginia, statutory caps vary by energy source and user type. Albemarle County is not at maximum cap rate for residential gas and commercial/industrial electricity and gas, but it is difficult to estimate the revenue potential for raising rates to the cap due to the complicated billing methodology and data limitations.

Committee Recommendation:

Responsible Department(s):

Gasoline Tax

Overview of Strategy: A gasoline tax could potentially be levied on wholesale or retail gasoline sales. As of 2013, no locality in Virginia has enabling authority for this tax. Prior to 2013, localities with a gasoline tax were required to dedicate funds generated to transportation projects. The source and amount of funds that could be generated from a local tax is unknown and dependent upon the authority granted by the General Assembly.

Committee Recommendation:

Responsible Department(s):

Sale of Land-Banked Property

Overview of Strategy: Albemarle County owns seven properties that are currently not in use and are considered land banked for future public uses. These include lands in or adjacent to Earlysville Village, Agnor-Hurt, Polo Grounds Road, Forest Lakes, Monticello High School, Monticello Fire Station, and Keene and range from 4.75 acres to 32.86 acres. Some of this land may be desirable for private development. A consultant could prepare a real estate study to identify properties for sale. Board of

Supervisors approval to sell identified properties following a public hearing. Based on a 2010 study of the County's properties, sales of properties could generate up to \$9.76M in one-time funds.

Committee Recommendation: The sale of land-banked property primarily provides one-time funds, which are not a sustainable revenue source for the County. Rather than selling land-banked properties as a strategy, it is recommended that the County establish a formal review process whereby County needs for the land-banked properties are assessed.

Responsible Department(s):

Personal Property Tax

Overview of Strategy: Personal Property Tax is a tax levied on the value of residents' vehicles and other taxable tangible non-real property. There are two ways in which this tax could be leveraged to enhance revenues. The first is to raise the tax rate. While there is no statutory cap for this tax, Albemarle County's current rate of \$4.28 per \$100 of trade-in value is above the average of its peer localities (\$4.13 per \$100). A one-penny increase is estimated to generate \$90,580 an additional per year. The second is to assess the tax based on retail value, which is estimated to raise revenues by 17.6% while maintaining the same tax rate. Very few localities in Virginia use retail value as the assessment basis.

Committee Recommendation:

Responsible Department(s):

Rental of County Facilities

Overview of Strategy: Albemarle County owns and operates a number of facilities throughout the county, including park shelters, old school sites, and other miscellaneous buildings. Where buildings are not being used, the County should evaluate opportunities to lease and/or rent facilities at market rates.

The County has leased space at the Old Crozet Elementary School for several years on a cost-recovery model and has also recently executed multi-year leases for flex space at the Crozet Library and the Crozet Train Depot market-rate space. Some tenants in below-market space currently leased by the County are community agencies funded, in full or in part, by the County.

Committee Recommendation:

Responsible Department(s):

Joint Purchasing/Contract Agreements

Overview of Strategy: The Joint Purchasing Program between Local Government and Public Schools has been a successful way to have organizational purchase contracts. These contracts are coordinated in order to achieve both administrative efficiencies and economies of scale. At present, joint purchasing activities are typically coordinated internet services, paper, office supplies, painting and plumbing service contracts, and fuel. The Efficiency Team is currently evaluating additional opportunities between the two organizations and will provide recommendations to the Board of Supervisors on November 11,

2015. Other opportunities with neighboring jurisdictions have been examined in the past and could be further explored.

Local Government and Public Schools have also achieved administrative efficiencies through shared departments, including human resources, County Attorney, Finance, Parks & Recreation, and Facility Development functions. Participation in the County's self-insurance health plan has been extended to regional authorities, the ECC, jail, and juvenile detention personnel. Albemarle services provided by regional authorities or boards are provided at the end of this document.

Further examination of County purchases of office supplies, furnishings, and certain contractual services could be expected to result in a net cost-savings to the County.

Committee Recommendation:

Responsible Department(s):

6 STRATEGIES NOT RECOMMENDED FOR FURTHER DISCUSSION – TIER 3

BPOL Tax for Direct Retail Sales to Remote Buyers and Machinery & Tools Tax are not recommended by the Committee because these taxes create a financial burden on companies in the County, particularly to small businesses and light industrial companies. Pursuit of these strategies would present a conflict with the recommendation for Economic Development.

7 METHODOLOGY

The Citizens Resource Advisory Committee held seven meetings between June and November to review and discuss strategies that could be implemented by Albemarle County to provide additional revenue to the County.

The Committee began its work by gaining an understanding of the County's budget and financial policies and current challenges as well as revenue enhancement possibilities and ideas. Presentations were provided and as ideas and concepts were discussed, staff provided additional research at the request of the Committee. Full copies of all meeting materials and background information are posted at the project website – www.albemarle.org/resourcecommittee.

Citizens Resource Advisory Committee Meeting Agenda and Presenters		
Date	Agenda	Presenters
July 16 th	<ol style="list-style-type: none">1. Overview/Orientation2. Welcome, Expected Outcomes3. Committee Orientation	<ul style="list-style-type: none">• Tom Foley, County Executive• Lee Catlin, Assistant County Executive

	<ol style="list-style-type: none"> 4. Understanding the Long Term Funding Situation <ol style="list-style-type: none"> a. Revenue and expenditure trends, projections and assumptions b. Unfunded needs and initiatives 5. Group reaction/feedback/requests for additional information 	<ul style="list-style-type: none"> • Lori Allshouse, Director of Management and Budget • Bill Letteri, Deputy County Executive; Doug Walker, Deputy County Executive; and Dean Tisdadt, Chief Operating Office/Albemarle County Public Schools
July 29 th	<ol style="list-style-type: none"> 1. Meeting Overview/Update on Last Meeting's Information Requests 2. Benchmark Comparisons 3. Begin Alternatives Discussion 4. Existing revenue sources including additional revenue opportunities 5. Financial Policies and Debt Financing 6. Group discussion 7. Summary, Look Ahead at Next Meeting 	<ul style="list-style-type: none"> • Doug Walker, Deputy County Executive • Bill Letteri, Deputy County Executive and Betty Burrell, Finance Director • Courtney Rogers, Davenport and Co.
August 12 th	<ol style="list-style-type: none"> 1. Welcome and Review of Agenda 2. Continued Review of Alternatives previously identified by the Board 3. Bond Referendum 4. Service Districts 5. Other Revenue-related Efforts under Review <ol style="list-style-type: none"> a. Proffer policy, Stormwater Fees b. Legislative options, including excise tax authority c. An overview of strategies being pursued by other localities 6. Revisit Committee Charge <ol style="list-style-type: none"> a. Review Committee charge and work products, challenges 7. Committee Discussion and Direction 	<ul style="list-style-type: none"> • Tom Foley, County Executive • Bill Letteri, Deputy County Executive • Larry Davis, County Attorney • Lee Catlin, Assistant County Executive • Doug Walker, Deputy County Executive • David Blount, Legislative Liaison (TJPDC)
September 8 th	<ol style="list-style-type: none"> 1. Welcome and Review of Agenda 2. Draft Alternatives Matrix for the Committee's Initial Review and Discussion <ol style="list-style-type: none"> a. Does the matrix capture all alternatives previously discussed? b. Are there other alternatives beyond what has been discussed? c. How should the alternatives be evaluated for their viability/desirability as future strategies? 3. Other Information Needed/Items for Next Agenda 	<ul style="list-style-type: none"> • Tom Foley, County Executive

September 24 th	<ol style="list-style-type: none"> 1. Welcome and Review of Agenda 2. Overview of County's Economic Development Program 3. Other Background information including assessment of Fiscal First Aid Document 4. Continued Assessment of Draft Alternatives Matrix 	<p>Tom Foley, County Executive Faith McClintic, Economic Development Director Betty Burrell, Director of Finance</p>
October 6 th	<ol style="list-style-type: none"> 1. Welcome and Review of Agenda 2. Review of Outstanding Topics <ul style="list-style-type: none"> • Comparative Revenues • Service Districts • Land Use 3. Preliminary Assignment of Draft Alternatives to Tiers <ul style="list-style-type: none"> • Discussion of potential alternatives by tier based on consensus of individual rankings 	<ul style="list-style-type: none"> • Tom Foley, County Executive • Larry Davis, County Attorney
October 21 th		

8 APPENDIX
