The Honorable Members of the Board of Supervisors
County of Albemarle
401 McIntire Road
Charlottesville, Virginia  22902

Dear Honorable Members of the Board of Supervisors of Albemarle County:

I am pleased to present to you and the citizens of Albemarle County the Recommended Fiscal Year 2013/2014 combined capital and operating budget totaling $321,153,559. This budget is balanced on the existing tax rate of 76.2, resulting in a slight decrease in the tax bill for the average homeowner due to a continued decline in real estate values.

This budget reflects our continued strong commitment to fiscal restraint and accountability while making important investments in strategic priorities. The number of general government positions per capita in this budget is the same as it was in FY 02/03. The tax burden in this budget is less than the 2010 level for the average homeowner and provides a slight reduction from last year. The total adopted FY 13/14 budget is less than our FY 08/09 budget despite growth in population and increases in mandates and obligations since that time.

In FY 12/13 the County’s adopted budget represented a modest investment in the future while keeping tax bills relatively flat for the average homeowner. After several years of adjusting and restructuring during the downturn, last year we took small but important steps to support the quality and availability of basic government services which faced the serious threat of deterioration. We identified opportunities to create positive change and made steady advancements recovering from the economic downturn. The “unfreezing” of police officer positions, improved daytime EMS service for Pantops, construction of the new Ivy Fire Station, increased funds to the School Division and construction of the long-delayed Crozet Library are examples of this investment.

We were able to accomplish these positive steps forward because of slight improvements in several local revenue sources and a strengthened tax delinquency collections process. The Board’s decision to move towards EMS billings across the County also provided a new source of revenue that was channeled directly into core fire rescue system service needs. This combination of a stabilizing economy and alternative revenue generation paired with careful fiscal stewardship and cost reduction strategies allowed us to make positive choices for the County’s future.

The recommended FY 13/14 budget takes a much more forward thinking approach while continuing to focus on alternative revenue generation and creative solutions to resolve the challenges we face. To a much greater degree, this budget focuses on strategic investments that support our organization’s sustainability and create capacity without increasing the tax rate. The Board’s FY 13 – 17 Strategic Plan provides the framework for directing these innovation and investment strategies that represent measured optimism and assertive forward progress. We have emerged from the recession as a tested organization that is stronger, leaner, nimble and opportunistic. We understand that uncertainty is a new constant, and while it must be carefully managed we cannot let it prevent us from progressing towards the future that our community desires and deserves.

This budget moves beyond the initial cautious steps taken last year to invest in resilience and strategic advancement across the organization. For example, for the first time in four years the budget supports a performance increase to invest in retaining high achieving employees and also significantly strengthens public safety. It is important to note that even as we make advancements in operating areas of the budget, the capital program presents current and future challenges that are not being addressed. Staff worked within the following goals to provide recommendations for your consideration regarding the upcoming year:

**Build resilience and support our ability to respond to change while sustaining core operations.** We are strengthening basic services while maintaining flexibility and the ability to shift quickly to meet evolving needs and issues. For example, this budget supports a far reaching expansion of our fire and emergency medical response that dramatically improves citizen safety, and operational support is provided to protect the county’s new capital investment in parks, fire stations and libraries.

**Invest in creating organizational capacity that yields a positive return, improving our ability to perform and produce over the long term.** New investments are committed to initiatives that support organizational productivity, improve service and grow our revenues. For example, funds are allocated to establish an economic development program to grow jobs and capital investment and a new Information Technology position will boost technology capacity across the organization.
Advance strategic priorities that position the County for the future. Resources are allocated to advance identified strategic initiatives that are focused on forward progress. For example, a new School Resource Office improves community safety and increased funding to the Jefferson Madison Regional Library supports excellent educational opportunities for County citizens, both of which are goals in the Board’s FY 13 – 17 Strategic Plan.

Even as our situation improves, we remain focused on the hallmarks of a high performing organization – reducing our costs, repositioning our resources and streamlining our operations to be as efficient as possible. We work from the foundation of a unified organization committed to excellence on behalf of our citizens.

**BUDGET OVERVIEW:**

**ALL FUNDS SUMMARY**
The County’s proposed Fiscal Year 13/14 combined capital and operating budget totals $321,153,559. The total budget shown below includes the General Fund, Special Revenue Funds, School Fund, School Self-Sustaining Funds, Capital Funds and Debt Service Funds – additional details on these funds are provided in the budget document.

- The budget is balanced on the existing tax rate of 76.2
- Revenue increase of $7.2 million, or 2.3% when compared to the FY 12/13 Adopted Budget:
  - In spite of an overall decline in existing property values of 2.3%, Property Tax revenues increase by $2.6 million or 1.9% primarily due to new construction, changes in land use rates, increases in personal property taxes, and continuation of enhanced tax collection efforts
  - Other Local Revenue sources increase by $1.4 million or 2.2% due to increases in sales tax, food and beverage taxes, transient occupancy taxes, and EMS cost recovery revenues
  - State revenues are projected to increase by $2.9 million or 4.1% primarily due to a $1.5 million increase in anticipated Comprehensive Services Act (CSA) revenue
  - Federal revenues are projected to increase by $0.5 million or 3.1%, due primarily to the addition of FEMA grant funding for firefighters
- Expenditures:
  - General Government operations increase by $3.1 million or 3.8%, primarily to meet the County's core public safety needs and to target investments in strategic priorities
  - School Division operations budget increases by $3.3 million or 2.2%.
    - The local transfer according to the 60/40 funding policy is an increase of $2.6 million or 2.6%, over last year's approved budget
    - Moves school bus replacement to capital fund, removing obligation of approximately $1.4 million from the School Division
  - While the Capital Improvement Plan (CIP) continues to be primarily a maintenance-only program, the Adopted CIP includes funding to support limited school projects including the Agnor Hurt Elementary Addition/Renovation, the Contemporary Learning Spaces for schools, the Murray High School Phases 1-2 Addition/Renovation, the Schools’ Telecommunications Network Upgrade and also transportation revenue sharing with the state.
GENERAL FUND SUMMARY
The General Fund Budget is where the majority of County revenues, including local tax revenues, are received and allocated to support all operations of the County including local government and schools.

**FY 13/14 RECOMMENDED GENERAL FUND REVENUES**
$227,836,370

<table>
<thead>
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<th>Revenue Source</th>
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<tr>
<td>Fund Balance</td>
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**GENERAL FUND BUDGET – REVENUE AND EXPENDITURE HIGHLIGHTS**

**Revenues:**
General Fund revenues increase by 2.7%, or $6.0 million. Real Estate revenues are projected to increase by 1.4% over FY 12/13. This projected overall increase in real estate tax revenues comes despite the fact that real property values of existing property declined by 2.3% between January 1, 2012 and January 1, 2013. The drop in property values is more than offset by increases in taxable value associated with new construction, land divisions, and changes in land use deferral. The stabilization or increases in local revenues, and an increased effort to improve tax collection results in an improved financial picture when compared to the last several fiscal years. Modest increases in local revenue sources are reflected in the recommended FY 13/14 budget when compared to the adopted FY 12/13 budget in the following ways:

- Real estate tax revenues are projected to increase by $1.6 million, or 1.4%
- Personal Property tax revenues are projected to increase by $2.1 million or 10.7%
- Other local tax revenues, including sales, food and beverage, are projected to increase $1.6 million or 3.5%
- State revenues are projected to increase by 0.5%
- Federal revenues are projected to increase by 9.8%
- EMS cost recovery revenues are projected to increase by $416,400, or 40.6%

**Expenditures:**
General Fund expenditures increased by 2.7%, or $6.0 million. As has been the case in the past, the largest increases in General Fund spending are focused on support for education and public safety expenditures. The spending priorities included in the adopted budget are highlighted below:

*This budget builds resilience and supports our ability to respond to change while sustaining core operations.*

**Strengthening core operations:**
- Fire Rescue services are strengthened to decrease response times and increase citizen safety – the overall increase in the Fire Rescue budget, including positions supported by new EMS billing revenues and the FEMA grant, is 23.7%
  - First full year of Pantops EMS service
  - First full year of operations for the Ivy Fire Station
  - Addition of 3 fire rescue positions for daytime coverage in the Route 29 South/Ivy area in response to CARS decision to scale back services
  - Funding for Division Chief for Volunteer Services
  - Full year of 24 hour EMS coverage on Route 29 North
- Two new police officers to keep up with population growth and gain some ground lost over the past several years
- Addition of one Bright Stars position to maintain our current level of service
- Funds one eligibility worker, one eligibility supervisor and one adult services worker to address core human service needs, partially offset by state/federal funding
- Increases maintenance funding for General Services to protect our investment in new facilities like libraries and fire stations
- Increases resources for park maintenance to keep pace with new parks acquired over the past several years
Building an agile organization:
- Establishes an Innovation Fund to support organizational initiatives that reduce costs and improve customer service and productivity
- Establishes an Intern Fund for flexible response to evolving workload needs
- Funds employee professional development including additional training funding to meet core training needs and support our evolving workforce

This budget invests in creating organizational capacity that yields a positive return, improving our ability to perform and produce over the long term.

Alternative revenue generation
- Photo Safe revenues used to fund a new traffic officer position
- One-time use of storm water capital funding to transition to a stand alone storm water program to meet growing compliance needs, anticipating implementation of a storm water utility district in 2015 to provide ongoing funding
- Half-time grants management position anticipated to be offset to a degree by recovery of grants administration costs

Investments that yield a positive return
- Investment in establishing economic development program to further stimulate new jobs and investment
- Centralized risk management position (1/2 year) projected to be more than offset through savings in insurance costs
- New Information Technology position to improve technology solutions organization wide
- Funding for bond referendum study to increase capacity of the Capital Budget

This budget advances strategic priorities and positions the County for the future.
- **Goal 1** - Provides excellent educational opportunities to all Albemarle County residents
  - Provides a transfer of $102.7 million to the School Division, an increase of $2.6 million over the amount included in the FY 12/13 Adopted Budget
  - Provides new funding for school capital projects including Agnor Hurt Elementary addition/renovation, contemporary learning spaces, Murray High School addition/renovation, telecommunications network upgrade
  - Moves school bus replacement to capital fund, removing obligation of approximately $1.4 million from School Division
  - Adds a school resource officer with funding shared 50/50 with the School Division
  - Increases support for libraries by $377,113 or 11.6% - including increasing our contribution to JMRL by $190,877 and also providing funding of $186,236 directly for the utilities and maintenance costs at the Crozet and Scottsville libraries which is provided in the General Services budget

- **Goal 2** - Provides community facilities that meet existing and future needs
  - Transfer to capital and debt increases by $493,376 or 2.7% over FY 12/13 adopted budget based on capital funding formula
  - Continues funding for ongoing capital projects including completion of Crozet Library, fire station construction and the police firing range
  - Funding for new critical needs, particularly school construction projects
  - Higher level of transportation revenue sharing funding
  - Funding for Acquisition of Conservation Easements (ACE) to match federal and state grant opportunities
  - Increases capital reserve for watch list items
  - School fund balance in excess of 2% transferred to CIP

- **Goal 3** - Encourages a diverse and vibrant economy
  - Funds membership in Chamber of Commerce and Thomas Jefferson Partnership for Economic Development (TJ PED) using Economic Development Authority (EDA) funds
  - Increases funding for TJ PED based on a new cost allocation formula and expanded regional efforts
  - Increases funding for Central Virginia Small Business Development Center based on County’s share of services
  - Funds the Economic Opportunity Fund
  - Provides funds to establish Economic Development program (*as described above*)

- **Goal 4** - Protects the County’s parks and its natural, scenic and historic resources
  - Provides Chesapeake Bay TMDL study funding in the capital budget
  - Recreational and cultural agency contributions increase 4.3% based primarily on increases to JMRL described above and the Charlottesville Albemarle Convention and Visitors Bureau (CACVB) by formula
• Goal 5 - Ensures the Health and Safety of the Community
  o Funds 100% of Volunteer Fire Operations according to the funding policy
  o Increase for core public safety training needs
  o Health and welfare agency contributions increase 1% on average
  o Increase of 13.5%, or $136,000, to JAUNT for transportation for the elderly and disabled
  o Strengthens fire and EMS services (as described above)
  o Four new police officers – two patrol offices along with a new traffic safety officer and a new SRO (as described above)
  o Addition of one Bright Stars position and three DSS positions (as described above)

• Goal 6 - Promotes individual responsibility and citizen ownership of community challenges
  o Stresses reallocation to create a volunteer coordinator position

• Goal 7 - Promotes a valued and responsive County workforce that ensures excellent customer service
  o Provides 2% performance salary increase for employees, first performance increase in four years
  o Provides reclassification contingency
  o Provides full year of funding for Police and Fire recruitment and retention initiatives
  o Anticipates increase for both employer and employee contributions to health insurance
  o Increases funding for professional development including core and enhanced training and tuition reimbursement (as described above)
  o Innovation and intern funds (as described above)
  o IT position to support technology initiatives county wide (as described above)

SCHOOL DIVISION BUDGET OVERVIEW
The School Division’s operating budget included in this budget totals $154.1 million, which includes $102.7 million in the local transfer to the School Division in accordance with the County’s 60/40 funding policy, the use of $2.2 million from the School Division’s fund balance, $2.1 million in other local funding, and transfers of $875 thousand from other funds. The budget also includes $43.3 million in anticipated funding from the state and $2.9 million in anticipated federal funding. The local transfer according to the 60/40 funding policy is an increase of $2.6 million or 2.6%, from last year’s approved budget. The total school budget, including “self-sustaining” and debt service funds (net of transfers), is $179.7 million.

CAPITAL BUDGET OVERVIEW
The County’s Capital Improvement Program has been severely impacted by the economic downturn over the last several years. While revenues are gradually increasing, the Capital Improvement Plan continues to be focused on maintaining our existing infrastructure while investing in, to the greatest extent possible, only those efforts that allow us to accommodate core and necessary services without substantial increase in operational costs.

The Recommended Budget for the Five-Year CIP totals $107.3 million of which $53.5 million is allocated for General Government projects, $53.2 million for School Division projects, and $611 thousand for Stormwater projects. While the Recommended Plan provides additional reserve funds at the end of the five year CIP period, those funds are not sufficient to begin to adequately address existing and future CIP needs.

The General Fund transfer to CIP and Debt for FY 13/14 totals $19.0 million, which is an increase of $493 thousand or 2.7% over last year’s transfer. The prior fiscal year transfer to the CIP from year end fund balance from the General Fund totals $8.0 million and from the School Fund totals $2.1 million. This total increase of $10.1 million supports the Agnor Hurt Elementary Addition/Renovation, the Contemporary Learning Spaces for schools, the Murray High School Phases 1-2 Addition/Renovation, the Schools’ Telecommunications Network Upgrade and state transportation revenue sharing.

We will continue to explore funding strategies for addressing our capital needs as we move forward. We are hopeful that in the upcoming years we will be able to restore funding levels that are more consistent with our stated goals and the community’s broader priorities and demands.

FINANCIAL PLANNING AND ACCOUNTABILITY
The County’s long term financial and strategic planning incorporates guidance from a variety of sources in development of the Five-Year Financial Plan. This Plan establishes a long term look at county priorities and financial realities and provides guidance for the development of the annual budget. Critical issues identified in the Five-Year Plan are incorporated in this budget. Other “watch list” items will be closely monitored as the year progresses.

This budget incorporates principles of zero-based budgeting by systematically reviewing, reprioritizing and shifting funding support from activities that no longer align properly with our objectives to build organizational resilience, create capacity and support strategic priorities. Services have been assessed, evaluated and reprioritized as opposed to simply basing budgeting decisions on
previous year’s funding levels. As part of an ongoing process Supervisors examined two departmental budgets, Finance and the Office of Facilities Development, in detail last fall as a demonstration of how zero-based budgeting principles guide our processes.

It is important to note that this year’s Five-Year Financial Plan process continued closer coordination and communication with the School Board and School Division staff. The Board of Supervisors and School Board committed to a more integrated process that allowed for earlier and more detailed discussions between the two boards, resulting in a Five-Year Plan process that includes a fuller range of financial considerations for local government and schools.

ORGANIZATIONAL EXCELLENCE AND CITIZEN ENGAGEMENT
We strive to involve employees in our efforts to create one unified organization committed to excellence. Through quarterly employee town hall meetings held at both McIntire and Fifth Street, employees hear about current issues and events and engage in peer networking. Employees from every level of the organization are active on all seven Strategic Plan goal teams and are leading efforts to achieve the individual objectives and actions included in this budget plan. The two graduating classes of our Innovative Leaders Institute (ILI) have assumed responsibility for supporting important county initiatives like the Performance Management System and continue to meet and interact as alumni to maintain their cross departmental connections. We are improving operational efficiency by implementing technology solutions like the revenue and tax system and restructuring departments like Finance and Information Technology to streamline operations and increase productivity.

Our citizen surveys continue to tell us that meaningful public engagement is one of the community’s most important priorities. Our partnership with citizens will be critical as we continue to transform our local government and to understand the evolving needs and expectations of residents and businesses. This budget supports our commitment to government transparency and engagement:

- The County continues its active involvement with four appointed Community Advisory Councils
- Both the Local Government and the School Division have performance management websites that display a dashboard of select key performance metrics so citizens can track progress on important services
- The County website continues to add new features and functionality that promote accessibility and convenience for citizens
- Live audiostreaming is available for all Board of Supervisors meetings and work sessions
- Our County Facebook page, Flickr site and Youtube channel provide access via social media

ANTICIPATING AND MEETING TOMORROW’S CHALLENGES
Because of improving revenues, careful fiscal stewardship and strategic investments, this proposed budget makes positive progress, building on the modest steps taken in last year’s budget. While we see things moving in a better direction, we also recognize that challenges exist that are not addressed, and that significant unmet needs remain to be solved.

Items in this budget will begin important conversations about how to address some of these challenges as we work towards inventing a positive future for Albemarle County. Implementation of a storm water utility district and study of a bond referendum are both tools to help increase the capacity of our capital program which is still severely underfunded especially considering the courts project and increasing school needs identified over the past year. We are faced with challenges in mandated programs such as the Chesapeake Bay TMDL, as well as making progress on important initiatives like geopolicing to improve our community’s safety, that will create major budget impacts in the future. Establishing an economic development program that will meet our mission of increased quality job opportunities and capital investment is a new direction that will also take energy and focus and create new challenges for the future.

The effects of our growing population and improving economy have already begun to place additional workload demands on staff that have been reduced to very lean levels. Funding for programs that contribute to our quality of life as a community has been severely reduced and in some cases eliminated as we have concentrated on core service protection. As we envision our future, our definition of “quality of place” and how that is achieved will be an important consideration.

In the year ahead we will focus on this continuing conversation with the Board of Supervisors to help us keep a strategic and intentional focus on future needs and how they should be accommodated in the County’s financial and operation planning. The Board’s annual Strategic Planning Retreat will be an important opportunity to have meaningful dialogue on these issues as Board members articulate how we achieve their vision of being a “thriving county.”

Respectfully submitted,

Thomas C. Foley,
County Executive