A special meeting of the Board of Supervisors of Albemarle County, Virginia, was held on March 4, 2014, at 9:00 a.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. This special meeting was called by the Chair, Ms. Dittmar, for the purpose of allowing the Board to hold a previously scheduled budget work session that was cancelled due to inclement weather.

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

ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley, County Attorney, Larry W. Davis, Clerk, Ella W. Jordan, Senior Deputy Clerk, Travis Morris, Assistant County Executive, William Letteri, Assistant County Executive, Doug Walker, and Director of Budget and Performance Management, Lori S. Allshouse

Agenda Item No. 1. The meeting was called to order at 9:07 a.m., by the Chair, Ms. Dittmar.

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Agenda Item No. 2. **Work Session:** FY 2014/2015 Operating and Capital Budgets.

Ms. Dittmar asked Mr. Davis to explain the process required because of the postponement of the meeting scheduled for the previous day.

Mr. Davis said that each Board member has signed a “Special Meeting Notice Waiver,” so technically this meeting will be a special meeting of the Board, and because all Board members are present and have signed the waiver, they can discuss the entire agenda as planned.

Ms. Dittmar asked what they needed to do from a legal perspective as far as setting the tax rate. Mr. Davis recommended that the Board have a motion to add whatever unfinished business from this meeting to the agenda of the meeting the following day. The March 5 agenda will then be accommodated to address what matters are left.

Mr. Sheffield stated that he needed to disclose that he works for JAUNT, and noted that he has a disclosure statement on file with the Board Clerk and he has consulted with the County Attorney. He said that he feels he can participate fairly and objectively in the budget discussions.

Ms. Mallek suggested that the Board could always vote on JAUNT items separately.

Ms. Dittmar then introduced those present at the meeting.

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**School Division Budget.**

Albemarle County School Board Chair, Ned Galloway, addressed the Board, stating that his presentation will focus on who and where they are, the challenges they face, the School Board’s 2014-15 funding request, where they may have to go, and where they aspire to go. He noted that he would prefer that Board members save their questions until he finishes his presentation. Mr. Galloway read the School Division’s goal: “All Albemarle County public school students will graduate having actively mastered the lifelong-learning skills they need to succeed as 21st century learners, workers and citizens”. He stated that the School Board and School Division feel they are far above average. He stated that if they had slipped from above average to average, 48 fewer students would have graduated on time, 61 fewer students would have earned an advanced studies diploma, 25 more students would have dropped out, and the students’ SAT scores would have declined by 10%.

Vice-Chair, Ms. Barbara Mouly, reported that in comparing Albemarle schools with academic peer localities, staff used not only cost per pupil, but also SAT scores, graduation rates, use of specialized academies, magnet programs, class sizes, and special curriculum such as world languages. She stated that their challenge is to fund a 5.8% increase – totaling $9 million – from last year’s budget, with a funding gap of $5.8 million. Ms. Mouly presented information illustrating that compensation and health insurance benefits account for a large part of the increase, along with VRS rate increases and student enrollment growth, and growth due to certain demographic shifts which require extra attention, i.e., English as a Second Language (ESOL) and Special Education. She noted that the 5.8% increase in expenditures is comparable to the County’s general fund increase of 5%.

Ms. Mouly said that the schools’ total expected revenues for FY15 were $158.5 million, with an upward trend except for a use of fund balance of $2.5 million – which they have used in the past few years for recurring expenses. She stated that anticipated revenues were $158.5 million, with proposed expenditures of $164.3 million, leaving a funding gap of $5.8 million. Ms. Mouly said that the primary drivers of the gap are growth in enrollment, mandates including VRS, salary increases, inflation, and an ongoing decline in state aid. She presented slides showing trends from FY09 to FY15, noting an increase in 669 students just in general enrollment, with an increase of 1,069 students classified as “economically disadvantaged” which means they require some level of intervention. Ms. Mouly said that the total growth figure cost is $863,884, and $414,000 of that is growth due to general enrollment – with ESOL and special education populations comprising the remainder.

She reported that from FY12-FY15, the mandated local contribution to the Virginia Retirement System has increased by almost $8 million or 82%, and presented a graph showing how the typical required contribution has grown. Ms. Mouly then presented information on the ordinary per-pupil expenditure of just under $12,000, and the impact of the 5% mandated VRS increase as well as the state's VRS rate increase to catch up with its own gap. She noted that the per-pupil cost impact of those VRS increases will be $172 and $369, respectively. Ms. Mouly said that the second large driver of the school budget is salary increases, with the third being a cumulative 8.3% inflation rate from 2008-2013. She stated that the final driver is a cumulative decline in state aid. She explained that in FY09, their state aid was $45.8 million; anticipated FY15 state aid is $44.4 million. Ms. Mouly said that if the per-pupil state funding had not declined as it has, their anticipated state funding in FY15 would be $3.8 million greater.

Mr. Galloway stated that the responsibility for VRS mandates and declining state aid does not rest with anyone in this room, but it has been passed onto them and they have the responsibility to figure out what the solution is – as well as developing a sustainable solution. He presented the school's budget and highlighted the current funding gap, stating that of the $9 million increase over last fiscal year's proposed expenditures, 76% is comprised of mandated items such as the VRS increase, health insurance increases, and the local government/school division direction to increase compensation; 9% of the expenditures are due to growth in both overall enrollment and the types of students. Mr. Galloway said that they have restored past cuts primarily to restore professional development and to advance the strategic plan, and 8% is due to new initiatives – elementary world languages, Design 2015 work, and continuation of the Safe Schools/Healthy Students grant that is being discontinued.

He presented directed and mandated expenditures, noting salary increases and VRS impact; growth of overall student enrollment, ESOL and special education students – which are outpacing general enrollment, and budget restorations. Mr. Galloway said that the learning resources are a $150,000 addition to the current $500,000, which would get them back to $650,000; in 2002 that line item was $1 million.

Ms. Mallek asked what "learning resources" were, by definition. Mr. Galloway said that they are textbooks and other teaching resources.

Mr. Galloway reported that the schools are trying to recover past cuts made to strategic plan support and professional development. In pre-recession years, professional development per-teacher investment was about $200 per teacher; today it is about $50 per teacher. He said that if their strategic plan is to be obtained, they must invest in professional development of teachers. Mr. Galloway stated that the $50,000 for athletics is a 50% recovery of a $100,000 cut made in past years. He presented new initiatives, all driven by the School Board's strategic plan work – informed by School Board members, staff, community members, business leaders, Boards of Supervisors, through work done over the summer and culminating in their retreat, to identify what they need to do as a division to move forward. Mr. Galloway said that the Safe Schools grant has had an impact in reducing discipline issues and bullying, and they would like to see further progress with those initiatives.

Mr. Galloway said that the School Board has discussed possible cuts, and presented information on where they might have to go in the event their funding request is not fully funded. He stated that some potential reductions under consideration included increasing class size of .25 students, .50, .75 and 1.0, and for middle and high school teachers, that would increase total number of students taught from 130 to 145. Mr. Galloway said that with many classes, that would bring class sizes up to 26 students – with some classes capped and some classes increasing by three, four or five students. He stated that teachers and staff may be taking home less pay than they did in 2008-09, when adjusting for inflation. Mr. Galloway said that school discretionary funds would include things such as elimination of field trips and parent workshops, and other budget items at individual schools. He said that they could also reduce their strategic planning work, professional development work, Design 2015, and use of interpreter and translators – as well as not continuing pilot programming for world languages such as that currently at Cale Elementary, and eliminate reclassification monies. Mr. Galloway said that they could raise athletic fees from $75 to $100, and that would net $50,000 in revenue.

Mr. Galloway stated that he regrets having to present a budget that focuses on cuts and budget challenges. One of the real joys of serving on the School Board is to work on where they aspire to go. He said that the School Division holds their responsibility to provide excellent education as demanded by Albemarle residents as their highest priority. Both the Board of Supervisors and the School Board has a vision that drives the work they do, and they must figure out a sustainable solution to the budget burden placed on them if they are to progress as a County. Mr. Galloway presented slides showing community values, and what they should do to achieve them: restore professional development and learning services for both new and experienced educators, invest in maker curricula programs for career and technical education, career pathways and STEM fields, visual and performing arts pathways, and bilingual proficiency. He stated that they need to modernize school learning environments to ensure that students have access to contemporary learning opportunities; and to support strategic communication services that community members and parents expect for daily outreach, updates on school activities, information of immediate relatives, and ongoing engagement and feedback. Mr. Galloway said that they need to close digital divides that impact today's learners, as the full range of curriculum and instructional resources transition from paper-based to digital; to expand access to a range of specialty programs offered across the division unlimited by transportation availability, and continue to provide market-driven compensation, benefits, and recruitment strategies that result in hiring and retaining highly qualified employees. He stated that doing those things will fulfill the Board's vision for Albemarle County Public Schools.

Mr. Galloway introduced school representatives present: Superintendent , Dr. Pamela Moran, Chief Operating Officer, Mr. Dean Tistadt, Communications Director, Phil Giaramita, Chief Information Officer ,Vince Schievert, Assistant Superintendent for Student Learning, Dr. Billy Hahn, and Assistant Superintendent for Organizational and Human Resources Development, Dr. Matt Haas, School Board

Attorney, John Blair, School Board member, Steve Koleszar, and Director of Human Resources, Lorna Gerome. He offered to have them answer the Board's questions.

Ms. Palmer thanked them for the presentation, and stated that her constituents would like to have a brief explanation of the Design 2015 for contemporary learning spaces and how it is funded.

Mr. Galloway explained that the "contemporary learning spaces" is a different item from Design 2015 although they are intertwined. He said that in the past there had been $250,000 in the Capital Improvements Program (CIP) to invest in contemporary learning spaces, to renovate site-specific areas in buildings – such as converting fixed bookshelves in libraries into rolling ones so the space becomes more flexible. The circulation desk can be moved depending on how the space is used. There are other school classes that are being looked at; not just the libraries. Mr. Galloway said that Design 2015 is an investment in professional development, so that teachers and staff can meet strategic plan objectives.

Dr. Moran stated that there are things they must do in terms of infrastructure, which might include modernizing cafeterias or classrooms, or providing contemporary workspaces for career and technical education students. She said that they are also trying to get young people back to "pre-state testing days," providing more outdoor opportunities or indoor project-based learning experiences. It is redesigning schools for contemporary learners. Dr. Moran stated that teachers are also communicating with the School Division about what they need in order to teach well, using current technologies and curriculum that is for more robust than the state standards. She said that the cost of Design 2015 rests in facilities, professional development, and the instructional department – and is viewed as a more interdisciplinary approach versus work done in isolation. Dr. Moran stated that the person who directs this effort is an IT staff member in a repurposed position.

Mr. Sheffield asked how "economically disadvantaged" students were defined. Mr. Galloway said that it is established through the free and reduced lunch program.

Dr. Moran said that when looking at the total number of free and reduced lunch students at 3,800, that is more children than contiguous school divisions have enrolled in total, but because they are spread across 26 schools in Albemarle those students are not as noticeable. She stated that the County has 11 schools that range from 30% to 70% free and reduced lunch students.

Mr. Galloway added that free and reduced lunches are two populations. One of the student populations is free and the other population is the reduced. The current population is about 3,800, and for reference, the City of Charlottesville has a little more than 4,000 students in its entire division.

Mr. Boyd expressed concern that the percentage of economically disadvantaged students are growing more quickly than the regular population. He added that it might be self-defeating to raise taxes and make even more people economically disadvantaged. He emphasized that this is attributable to the weakened local economy and job losses or underemployment. Mr. Boyd said that this is another indication of why the Board needs to promote economic development, because it helps the schools and economically disadvantaged people, while keeping the tax rate lower.

Mr. Galloway mentioned that the special education student enrollment has also been growing, and those students are not always economically disadvantaged.

Ms. Dittmar asked about the County's tax relief program and how people would access it. Mr. Davis stated that the program is limited to the elderly and disabled, and is not available to people who are economically disadvantaged. The program is based on a sliding scale depending on a person's assets.

Ms. Palmer asked about the $9.165 million bond issued through the Economic Development Authority (EDA) to support "various school maintenance projects" and the "contemporary learning spaces project." Dr. Moran explained that that's the part in the CIP, with just $250,000 annually for the next four years going to the contemporary learning spaces.

Mr. Foley noted that the EDA funding allows the County to finance capital projects.

Ms. Mallek said that there is much more in the Agnor-Hurt expansion, and it seems that the goal is to create spaces to allow kids to work in groups together.

Mr. Galloway said that's a fair statement, and while the spaces allow for group work it is beyond that – allowing a learning environment in which students can learn and work in a hands-on way rather than sitting in a desk looking at a chalkboard.

Mr. Sheffield stated that it would be valuable for Board members to discuss how and why this has increased and what the School Division anticipates for the future.

Dr. Moran explained that local government employees are in a different VRS pool than school employees; local government's VRS rate has dropped while the schools' has increased. She said that the VRS rate is set annually by the VRS Commission. The General Assembly has an opportunity that they can override if they wish. Dr. Moran stated that the School Division cannot say what the specific rate increases will be each year for the next few years, but they anticipate that they will be close to where they are now because the General Assembly and VRS have set a goal by 2018 to completely close the funding gap between the current funds in the pool and what is needed to sustain it. She said that they have been told at the Superintendent level and through the Virginia School Boards association to be prepared to continue funding it until then. Dr. Moran mentioned that the 5% increase in the budget was offset by what they had to give back to the state, and the VRS increases reflect both the pool contribution and rate increase to help close their gap.

Mr. Boyd said that he sits on the VACO Compensation and Finance Committee, and in a recent meeting with localities from around the state, what Dr. Moran has said was basically confirmed – but nothing will be certain until the General Assembly weighs in.

Dr. Moran agreed, but said that the General Assembly did grant a "holiday" for VRS this year, although that will have to be paid at some point. She said that Albemarle is by no means the only school caught in this, with Fairfax County featured in the *Washington Post* because of their challenges, and a recent "sick-out" by Roanoke bus drivers in response to removal of VRS benefits for part-time workers. She noted that the 5% raise given to employees will actually end up increasing the gap.

Ms. McKeel said that both boards will need to be working on a long-term solution and sustainable funding streams for education, as this will be an ongoing challenge. Dr. Moran stated that the School Division has worked hard to keep spending down, and proportionately expenses have gone down except for VRS.

Ms. Dittmar asked how long ago the boards settled on the 60/40 split, and what comprises it.

Ms. Mouly commented that capital improvements come off the top of revenue before the 60/40 split so in that sense it is not a true split. There are also other things that come off.

Mr. Boyd commented that a large portion of capital improvements go back to schools.

Ms. McKeel said that 34% of the CIP currently is schools.

Ms. Mallek commented that that is only for this year.

Mr. Foley commented that staff can follow up with the exact calculation.

Ms. Laura Vinzant, with the County's Office of Management and Budget, said school split begins with shared revenues, which are local tax revenues – property taxes, sales tax, and the business license tax. She said that the Revenue Sharing payment to the City comes off the top before the revenues are divided, as does the transfer to the capital program, the tax relief program, and tax refunds.

Mr. Davis clarified that tax refunds are adjustments to individual payments due because of changes in assessment, usually resulting from an appeal of the assessed property value.

Ms. Vinzant said that for the last few years, that item has remained constant, but it could potentially have an impact. She reported that any shared contingencies would also come off of the top, and one year there was a "lockbox" taken off the top and shared.

Dr. Moran said that the funding was not necessarily "shared."

Ms. Mallek said that the Board's 10% comes off the top for reserves. Mr. Foley clarified that that does not come off the top; at the end of the year when they have a fund balance, they make sure they have 10% set aside. He stated that this is a formula based on growth in revenue from one year to the next, and does not necessarily mean that all revenues will be 60/40 schools. Mr. Foley said that the Revenue Sharing payment with the City is revenue they are not getting, and the capital budget is a shared commitment – so 10% goes there as well.

Ms. Vinzant noted that the personal property tax relief payment from the state comes off the top every year also, which is level. The only other random item coming off the top is a separate telecommunications tax surcharge from E-911 – and while the state changed the way they collect that tax, the County still needs that revenue and collects it as a "telecommunications tax."

Ms. Dittmar asked for clarification as to shared expenses between local government and schools.

Ms. Vinzant explained that the County Attorney's office has some shared functions, as does Human Resources, and that funding is sent separate from the 60/40 transfer.

Mr. Foley said that there is a formula that accounts for the Human Resource use between schools and local government, but the County Attorney's office and Finance Department costs are borne 100% by local government so there is no administrative burden.

Mr. Boyd said that makes a difference when comparing Albemarle to other counties.

Ms. McKeel noted that there are also shared programs such as the Comprehensive Services Act.

Ms. Vinzant said that the family support program, Bright Starts, school resource officers, and a few other items are shared between schools and local government.

Dr. Moran said that in most localities, it rests entirely in local government, but years ago they decided to share those costs.

Ms. McKeel stated that the tax revenue received in June is handled a bit differently, and asked staff to explain how that revenue increase is divided between schools and local government.

Mr. Foley said that the policies in place are guidance for the development of the budget, so it is prior to the activity that goes on during the year. When the budget is put together, they make sure that after this formula is calculated, and the things that come off the top, the money is set aside and automatically sent to the School system. He said that throughout the year, local government does not recalculate what's allocated to the schools based on actual revenues, so any additional shows up at the end of the fiscal year in the fund balance – and then it is shifted to capital, where it serves both local government and school needs. Mr. Foley stated that the fact that this is shared is the way it will be reinvested in both, and local government expenditure savings also goes to the capital program to be shared.

Mr. Galloway asked if all of the excess money go into capital. Mr. Foley responded that both schools and local government can use excess to cover outstanding purchase orders, prior to the money going into the fund balance.

Ms. Vinzant said that the first priority is to shore up the 10% of the budget by policy that gets set aside for reserves.

Ms. Dittmar stated that staff included 1.7 cents in the budget to cover the VRS costs for the school system, and the 2% compensation increase.

Mr. Foley clarified that 0.7 cents went to the stormwater quality mandate, which then left 1.0 cents that went through the normal process of split.

Ms. Dittmar asked what it would take besides the 1.0 cents to fully fund the School budget. Mr. Foley said that if they followed the standard process, it would take 3.4 cents more on the tax rate to completely fill the $5.8 million gap – which would mean a total increase in the tax rate of 5.1 cents. That would also generate revenue from the 60/40 split to pay for local government needs. Mr. Foley clarified that the schools would get the $5.8 million, and local government would get $2.4 million.

Ms. Palmer asked what happens if all the additional revenue were given to the schools. Mr. Foley said that if they gave it all to schools, it would require 1.9 cents totally dedicated to schools without a split for local government – or a total tax increase of 3.6 cents.

Ms. Dittmar asked how she might explain that type of increase to constituents. Mr. Galloway stated that part of it was the VRS rate increase, because of the initial 5% mandate that schools had taken the hit on and started to address, and the additional rate increase this year on top of that mandate.

Mr. Boyd said that the biggest jump here is both VRS and compensation increases, but salary increases are not mandates. Mr. Galloway said that salaries are not mandated, but the increases were directed by the boards. Dr. Moran added that 85% of the schools budget is in personnel which are a different breakout than local government.

Ms. Palmer said that the Board has asked staff to explain what the savings would be without the 2% increase to employees that made over median, and what it would be without that increase given to employees making over $80,000. She said that the schools had their budget broken down into "classified" and "teachers," and wondered how this might impact just classified staff.

Dr. Moran said that this just came to their attention so they have not had a chance to do the math, but asked Mr. Dean Tistadt to comment.

Mr. Tistadt said that about 3.4% of school employees make more than $80,000, and 8% make more than median – but they have not translated that into savings if raises aren't given.

Ms. Dittmar said that staff had presented to the Board that one penny would cover VRS and the 2% salary increase. Mr. Foley clarified that the growth in revenue plus the one penny is roughly equivalent to the VRS amount and the 2% salary increase.

Ms. Dittmar said that the "new initiatives, restorations and growth" don't equal the $5.8 million, and asked what was in the "directive" portion. Mr. Foley said that the top two items are roughly equivalent to the total increase in local money to the school system in the recommended budget, and it is everyone else that is not covered.

Ms. Mallek pointed out that the lapse factor replenishment is not mandatory, it is the choice of the School Board. She said that it would be helpful to focus on last year versus this year so the changes in the dollars are more relatable. She would like to have information on one year increases. She said that the $2.1 million is the increased Albemarle County contribution for the VRS.

Mr. Tistadt presented information on the one-year changes in funding on the expenditure side – with $2.28 million increase for salaries, $2.27 million for VRS and group life insurance increases, and the $1.5 million increase in salary lapse covers an overestimation of realized revenue, along with nearly $1 million in increased health insurance costs. All of those are current year to next year adjustments in expenditures.

Ms. Palmer said that everything else totals about $4 million, and Mr. Foley is saying that the tax increase is covering the salary increase and the VRS.

Mr. Tistadt stated that the County's increase in the transferred amount to the schools is $4.48 million, with an increase of about $1 million from the state – but there has also been money used from the fund balance to balance the school budget, with $2.8 million used this year and $3 million used last year. He emphasized that that's a revenue deficit that must be made up.

Ms. Dittmar said that they must explain it in a different way so that the Board members can explain it to their constituents in a different way. Mr. Foley said that the changes in revenues are the reason it is not quite as simple to explain.

Mr. Tistadt explained that the $9 million in increased expenditures is about 5.8% and is consistent with the general government increase of 5% - which is the net of all of the items the Board discussed, such as the VRS increase, the compensation, the salary lapse, new initiatives, etc. He said that the net increase in revenue is only $3.5 million, because despite the County's contribution of $4.5 million and the state contribution of $1 million, there is a loss of fund balance that won't be applied to the school budget.

Ms. Dittmar said they really need to figure out how to explain this because people are not going to understand it.

Mr. Boyd said that what would help explain it would be to show the list of items that have increased over the time period and add to it the lost revenue figures – specifically the fund balance – and that will add up to the number.

Mr. Tistadt said that the fact that the schools have been struggling to present this in a way that's understood and since the Board is still not understanding it fully indicates they still need to keep working on it.

Ms. Palmer said that the way she would explain it is to consider the fund balance as a "rate stabilization fund" that the schools have used and replenished on a regular basis – and now that is not there.

Mr. Foley said that schools and local government have acknowledged that that's not a good practice going forward, so with that conversation they also must discuss a sustainable process going forward.

Ms. Palmer asked if the fund balance the schools had is now in the County's pockets and available for use.

Mr. Foley said that the schools fund balance used to accumulate to as high as they could save, but the Board put a cap of 2% on it and said that everything above that must go to the capital program – in the same way it does on the general fund side when they have savings. He said that last year the amount that went to capital went to that fund along with the new expenditure obligation of the buses – which was equivalent to the one-time capital transfer and accounted for the bus expense.

Dr. Moran said that fund balance for the schools is used for anticipated and unanticipated one-time purchases, such as funding students with significant needs. She stated that they typically build up the fund balance with lapse factor, but they have not had that due to changes in the way they are holding onto people in positions, retirees going out at a higher level, or hiring less experienced teachers. Dr. Moran said that they have not built lapse factor back into the budget, and last year had to get a reallocation of fund balance from the Board because of an insurance issue attached to VRS. She stated that they brought their fund balance down significantly over the last year.

Mr. Boyd pointed out that 2% allows for $3 million, which covers a lot of expenses.

Ms. Mallek said when they were discussing the policy change, they looked at the previous decade and found that the most that had been taken out in an emergency situation – not a planned use – was about $800,000, so she felt comfortable with the 2% figure, especially in light of the fact the buses were covered under capital. She commented that there was a rumor circulating that if the Board reduced it the schools would "spend it all," and she was disappointed that the fund balance is an issue again.

Ms. Palmer asked for clarification as to whether the operating reserves could ever go to the schools.

Mr. Foley said that it's in the County general fund, which funds all the other services, including 45% of which goes to the schools – a reserve for contingencies of $250,000 for emergency purposes, which is much smaller by best practice standards. Mr. Foley said that they also have the 10% in reserves set aside to pay bills when the revenues are not coming in, since there is six months between tax collections, and in the event of an emergency like an earthquake. He mentioned that they must keep the 10% to maintain the County's AAA bond rating, and beyond that there is an operating reserve of $250,000. Mr. Foley said that on the school side, there is capacity for 2% in reserves, but they have to generate it from savings in order to create it – and they had that much last year, but had a lot of items to use it for.

Ms. McKeel stated that this is the same principle as what schools are adhering to, as they do not want to go below their reserve level.

Mr. Boyd emphasized that the 10% or $35 million is for cash management purposes.

Mr. Foley added that it is important to make the distinction that the $35 million is to pay school and local government salaries.  The 2% that the schools keep for savings is for their use only.

Ms. Mallek added that the schools are not paying teachers out of that fund balance.

Mr. Foley said that it's important to make the distinction – because the $35 million is to pay teachers and staff in both schools and local government, and the actual "reserve" fund of $2 million for the schools is for them to use for emergency purposes, just as local government has $250,000.

Dr. Moran said that Ms. Mallek had asked about enrollment, and pointed out the projected and annual increases.

Mr. Bill Letteri addressed the Board, stating that the $35 million is the anticipated fund balance at the end of FY13; and $28 million represents the required 10% holdback.

Mr. Sheffield asked if the schools could provide projected enrollment versus capacity, as he has the concern they are not keeping up with the demand – and Agnor-Hurt additional capacity could be included in that.  Mr. Galloway said that their long-range planning committee just presented this information based on September 30 numbers, and he will provide this to the Board.

Ms. Dittmar said that the business community has been very interested in CATEC, and asked the schools to comment on the possibilities for career and technical education.

Dr. Moran stated that they see CATEC as one of the "customized options" for young people. CATEC has recently gone through a strategic planning process that has unfolded on behalf of the CATEC Board.  She said that there will likely be conversations about the impact related to programs and building facilities, so going forward the conversations will focus on the need for capital improvements and operational resources to manage CATEC in the future.  Dr. Moran said that the CATEC Board received the report from the strategic planning facilitators, and are soliciting information from the business community one last time based on that report – with decisions made as to actions that need to be undertaken by the CATEC Board between now and the next budget cycle, as well as recommendations for the School Boards, City Council and Board of Supervisors.  Dr. Moran emphasized that the schools see CATEC as a key piece of their work across the region to ensure they are developing and building a workforce, and building these technical skills will benefit the students as well as the community.

Ms. Dittmar asked if Board members had additional questions.

Ms. Palmer said that Ms. Mallek had asked for figures on salary, and said she would like to see those also.

Ms. McKeel asked if they could talk about the 2% for salary and how they got to that point.

Ms. Mallek said that it is not just the compensation discussion for budgeting purposes, but whether they can afford to do the entire salary range or make the decision to provide the increase only to those below a certain salary level.

Ms. McKeel said that the strategy was part of that discussion, and perhaps they need to talk about that now.

Mr. Foley suggested that Ms. Lorna Gerome explain to them how they arrived at the recommended salary increase.

Ms. Lorna Gerome addressed the Board, stating that in 2000, both the Board of Supervisors and the School Board adopted a strategy and process around total compensation – and that strategy is to target classified salaries at the median of the market, with teachers targeted to be at the bottom of the top quartile, with benefits for all employees to be slightly above market.  Ms. Gerome explained that the way they follow this strategy is to survey an adopted market every year, with the boards having selected this market of 26 school divisions and 27 local governments as well as several private employers.  She said that they asked what they did for their general increase, what kind of merit increase they offer, and other questions regarding their structure.  Ms. Gerome said that they also look at certain benchmark positions, which helps them target for classification purposes which areas they might need to evaluate.

She stated that in their October meeting each year, staff shares that data with both boards that shows what they did related to compensation and the movement of the market, as well as using projection data from a compensation association – WorldatWork – that does an early survey in April and May.  Ms. Gerome noted that the County specifically uses a public sector and educational organization comparison, so that WorldatWork can project that number.  The information brought forward to the Boards for the compensation recommendation include what the County did, what the market did and the projection.  Ms. Gerome said that the recommendations for the coming year were right about at market for both classified and teachers, with WorldatWork projecting a 2.8% benchmark increase and the boards agreed that 2% would be an appropriate budget on which to build the budget.  She stated that many localities are looking at 2% for teachers and classified staffs, so that number will allow the boards to adhere to their total compensation strategy.

Dr. Moran asked Ms. Gerome to address the issue of compression, which can occur when they change raises based on where employees fall in the scale. Ms. Gerome stated that they went from 2008-13 without any increase, so what has happened is that employees have not moved along the scale – and in trying to hire new people with equivalent experience from outside organizations, they would leapfrog current County employees by offering a higher rate of pay. She said that there have been times when those candidates have not accepted positions because of salary.

Ms. Dittmar asked if that was reflected in the proposed budget. Mr. Foley explained that the 2% market increase based upon the joint review is in this budget, so that staff doesn't fall behind the market as they move ahead. He said that staff has been working on some analysis on the compression issue, because this situation has been created over the past several years – and isn't addressed in this budget.

Ms. Palmer said that her concern is that the rest of the public is being asked to absorb into their budgets an unprecedented tax increase, and that may require that they as boards make some changes in the way they've been doing things. She emphasized that if the boards are asking the public to swallow this, the boards must think about what they too have to swallow.

Mr. Foley said that that's absolutely a choice that they have, but based on some good analysis and best practices review done over the years regarding keeping up with market, staff feels that this is an important policy. He stated that employees must be paid fairly, or the County will have trouble recruiting and retaining personnel to provide services to the community.

**(Note:** This concluded the School Board's presentation.)

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**Continuing Issues From Prior Work Sessions**

Mr. Doug Walker addressed the Board, stating that the **Parks, Recreation and Cultural** assets budget for FY15 was $7,121,604, is comprised primarily of the Department of Parks and Recreation budget (33%) and the County's contribution to the Jefferson-Madison Regional Library (53%). He said that within the Parks budget, there is an overall increase of less than $120,000 – or 5.3% - reflecting an increase of $26,000 for buildings, equipment and vehicle repairs, a $12,600 increase in utility costs, an $8,862 cost for a pending agreement with the Boys and Girls Club for their use of the Scottsville Community Center, and funding for trail maps. He noted that no agreement has been approved with the Board and the Boys and Girls Club. Mr. Walker stated that there is a decrease in payment to the City of Charlottesville in some therapeutic programs based on participation of County residents, and a decrease of over $7,000 reflecting cost savings for a new contract with rescue services. He said that the Darden Towe Park fund reflects a decrease of almost $38,000, primarily due to one-time costs from last year's budget. This budget reflects an overall general fund decrease of approximately $26,000 or 13.3%.

Mr. Walker reported that the County's contribution to the Jefferson-Madison Regional Library increases $343,544 (10%) in FY15, including their share of the Northside Library at $259,000 for rent and operating costs for this facility, which is doubling in size. He said that there is an increase of 2.5 FTE employees and a corresponding increase in the City's share of support for the library facility also.

Ms. Mallek asked why there was a rent cost reflected in this budget for Northside, as there hadn't been in the past. Mr. Walker said that the Northside Library is a joint facility with the City and County, so the rent is reflected in what both entities pay to JMRL, which comes back to the County in the rent paid. He said that the Crozet Library is a County-only facility, so there isn't rent paid.

Mr. Walker also reported that there is also an increase of approximately $85,000 for the County's share of the existing library system costs, and this includes phase one of a three-year salary study implementation previously recommended to them in prior years. He stated that this recognizes increased operating costs for both the Crozet Library and the opening of the Northside Library.

Ms. Mallek said that she would like to put the $32,000 for extra hours at the Crozet Library on the list for Board discussion.

Ms. McKeel asked if the furniture and amenities for the Crozet Library comes through the CIP. Mr. Walker stated that those things do come through the CIP, and there was some negotiation with Crozet that allowed for funding through contributions outside of the capital fund.

Ms. Mallek said that the goal was to raise $1.6 million, and they are within $300,000 of finishing it – which paid for all the furniture and the new books – with the County budget paying for the bricks and mortar, and the site development.

Ms. McKeel said that furnishings and amenities for Northside Library will be included in the CIP, unless there were private contributions. Mr. Walker replied, "yes".

Mr. Walker said that the next item to discuss is Parks, Recreation and Cultural agencies, and Ms. Catlin will address the Charlottesville Albemarle Convention and Visitors Bureau aspect of this funding.

Ms. Lee Catlin, Assistant to the County for Community and Business Partnerships, and County liaison to the Charlottesville Albemarle Convention and Visitors Bureau (CACVB), said that currently CACVB receives 30% of transit occupancy tax (TOT) revenue from the City and County per a funding agreement outlined in the joint operations agreement between the two localities as they formed the CACVB in 2004. Ms. Catlin said that it is anticipated that the CACVB will receive increases in funding due to increases in hotel rooms over the next several years. She referenced a spreadsheet comparing the organization to that in other communities. She stated that in looking at per-capita tourism expenditure, the CACVB is in the mid-range of comparable communities such as Asheville, Chapel Hill or Roanoke. In looking at the percentage of TOT dedicated to tourism it ranges significantly, with the local figure at about 30%. Ms. Catlin said that there are other statistics available in the report as well.

Ms. Catlin said that the CACVB is asked to provide an annual report that provides return on investment (ROI) for each fiscal year, based on a formula outlined in the joint operations agreement. She stated that the formula compares investment by the City and County to the revenues generated in a number of categories, including meeting expenditures, group tour expenditures, and leisure travel expenditures. She said that the FY13 annual report demonstrated an ROI of 6.8:1, which is very close to the goal of 7:1 established in the agreement, and they expect to see that the investment pays off at a pretty significant ROI return. Ms. Catlin stated that in FY13, this translates into $8.4 million in direct expenditures generated, compared to $1.2 million invested by the City and County – as based on a formula derived from revenues received and calculated.

Ms. Dittmar stated that she served on the Visitors Bureau Management Board for nine years, and what they evaluated was what a basic dollar did to the economy versus a dollar already here – and it is a much more powerful accelerator in the economy to have outside money spent here versus local. She said that the measurement is based on what a dollar circulating can do for retail purchases, fuel, etc.

Ms. Catlin reported that in comparing 2013 to 2012, there has been a significant increase in website unique visitors, earned media directly attributable to CACVB, media familiarization tours, and supplier and lodger referrals, which are other types of success indicators. She reported that there will be four new hotel properties added in the area over the next several years, and based on this increase they expect and hope that the TOT revenues will increase along with the CACVB contribution increases beyond what's expected through natural growth. Ms. Catlin presented projections as to what they could reasonably expect to see in different fiscal years based upon new rooms coming into the lodging inventory.

Ms. Catlin said that in looking at the expenditures that CACVB would like to make, one big driver is the Crozet adventure outpost lease and development cost. They are in the final planning phases of getting it up and running. Ms. Catlin said there will be a lease that the CACVB will pay to the County for rental of their facility, which is located in the first floor of the Crozet Library. She noted that there is also a private tenant – the Crozet Running Shop, on the opposite side of that floor. Ms. Catlin stated that there will also be development costs and materials for the center that will come out of CACVB funding. She said that the second major category is agency and festival funding. Beginning in FY13, CACVB assumed funding responsibility for providing marketing support for tourism-related agencies and festivals, with a total of $73,000 in FY13, $58,000 in FY14, with that responsibility expected to continue.

Ms. Catlin said that the third major category is marketing support. Several years ago there was discussion about fund balance that had accumulated over several years and the need to disburse it – which was ultimately done through the endorsement of a marketing plan from the Board and City Council that has been in place for the last year and one-half. She stated that some of the elements within that plan that haven't yet been spent need to be shifted into ongoing and operational expenses so they can continue marketing plan objectives when the fund balance is spent down. Ms. Catlin said that the new hotels will bring a total of 104,000 room nights annually – but the challenge is that they must be filled in order to reap the benefits. She stated that in looking over marketing plan expenses that will need to transition from fund balance to the operating balance, there will need to be videos refreshed on a regular basis, the website must be done on a regular basis, the visitors guide need to be refreshed and reprinted, as well as ongoing advertising and marketing costs.

Ms. Catlin said that the fourth and final category of expenditure drivers is product development. The CACVB will play a role in the possibility of a wine center coming forward, the possibility of an enhanced tourism presence at the Airport, and opportunities such as the Richmond 2015 World Road Cycling Championship. She said that the event will bring 450,000 national and international visitors to the greater Richmond area in September 2015, and the CACVB certainly wants a robust program that would lure them in the Charlottesville/Albemarle direction.

Mr. Foley said that a question that has arisen recently is whether there will be enough money generated through the hotel revenues to come back to the County instead of going back to the CACVB. He and City Manager, Maurice Jones, then sat down together to look at projected needs to support the marketing plan going forward. He stated that they believe that the growth in revenues and expenditures are about equivalent, so there will not be a lot of revenue available to shift back toward other County functions. Mr. Foley said that based on per-capita expenditures in comparison with peer localities, Charlottesville/Albemarle is well in line with those for the level of marketing and visitor promotion desired for the community.

Ms. Mallek noted that some of the peer localities have these departments within local government, and thus have a lot more flexibility as to how to use the money – such as Nelson County, which has their economic development and tourism person rolled into one, but the County cannot do that with the CACVB because it is separate.

Ms. McKeel asked if it is the fact it is a City/County venture that limits them. Ms. Mallek said that the money is allocated, and another board deals with how it is spent, with some oversight – but it is not a County department.

Mr. Foley clarified that it is a regional effort rather than a Board of Supervisors deciding, so it all goes by formula over to the CACVB to decide how it is spent.

Ms. Catlin noted that the Board of Supervisors and City Council both appoint members to the CACVB by agreement, and that's done by category – and those members make decisions about the budget and the expenditures.

Ms. McKeel asked if there are legal stipulations from the State Tourism Division as to how you can spend the money. Ms. Catlin said that there are.

Mr. Davis explained that the County is enabled to have up to a 5% tax for transient occupancy, and out of that 2% is unrestricted – but the other 3% must be spent on tourism or tourism-related matters. He said that of the 3%, 1.5% of it by formula is designated by the agreement to go to the CACVB, and the other 1.5% is used in the budget to fund Parks & Rec programs with tourism value, the ACE program, etc.

Ms. Dittmar said that the governance issue of the CACVB can always be changed, but the leveraging of dollars with the City is a vital component given the juxtaposition of the two localities – and she wouldn't want them to consider doing this on their own.

Ms. Mallek stated that at one point, $400,000 of the County's 1.5% tax went to the ACE program, but only for properties which were being considered that would qualify for scenic value and along scenic byways. She said that this greatly enhanced their conservation easement acreage over those years, and once the recession began that money was taken out of ACE and put into operations for the Parks & Recreation Department.

Ms. Palmer noted that it also helps relieve some of the tax burden for people who will be challenged by the new rate increases.

Ms. Mallek said that the ball is in the Board's court to explain what their needs are to the representatives on the CACVB Board and have them act on the County's behalf. Ms. Catlin agreed, stating that Albemarle County is now part of the CACVB logo, which they had not been before.

Mr. Walker reported that the other recreational and cultural agencies had been funded in the past through the ABRT process first, and the Board's direction was to have them funded through the CACVB. Last year, he said, the Board expressed an interest in looking at these agencies differently – and in August approved a proposal to pull those back into the Office of Management and Budget and to use an OMB team/staff to evaluate them using criteria that would be relevant to cultural agencies. Mr. Walker stated that the group piloted a tiered-funding model, which assigned a relative value of contributions of events such as the Festival of the Book and Virginia Film Festival versus something like the Municipal Band. The tiers are in $5,000 increments. He said that these agencies are also eligible to pursue CACVB funding for marketing dollars, with the local government dollars intended to be used more for operations. He asked the Board if they had any input on the funding of cultural agencies at this point.

Ms. Mallek said that she would like to put the Journey Through Hallowed Ground funding on the table for future discussion, as it is another organization that has a huge multiplier effect.

Ms. Palmer asked if the Municipal Band was already on the list.

Ms. Mallek said it would be to restore the $3,000 for full funding.

Mr. Walker confirmed that it was on their list for discussion, and it's a good example of the use of the tiered system whereby there is a relative consideration that's more than actual dollars.

Ms. Mallek said that the Municipal Band does have a regional draw, and she is hoping that the band will consider using venues such as the high schools – rather than the Paramount, which costs $4,000 to rent.

Mr. Walker stated that compelling needs going forward include the greenway/blueway program, which is mainly just the maintenance of the current system – identified as something to be aware of moving forward, apart from this particular budget.

Ms. Mallek said that the Board needs to consider adding a Parks and Recreation staff position to deal with Arrowhead, Hedgerow and Buck Island – as the department has lost staff in recent years – and perhaps this employee could help out in other areas.

Consensus of Board was to include that position on the list of items for future discussion.

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Mr. Walker reported that the **Community Development Department** has on overall budget of $6.8 million, the majority of which supports inspections, zoning and planning – with the other component now being the Office of Economic Development. He stated that they are proposing to add a combination Building Inspector in order to accommodate an increased workload in that area. The other 3.5 new positions are tied to the Virginia Stormwater Management Program, one of the two state mandates, with new costs offset by a change in the fee schedule. Mr. Walker noted that this proposal will be submitted to the State, and will be considered by the Board in April or May. He said that there is also $175,000 in existing departmental operations costs related to the mandates through water resources funding. These will be program costs in Community Development tied specifically to the other TMDL (Total Maximum

Daily Load) mandates. Mr. Walker stated that part of the 0.7-cent proposed tax rate increase, in addition to supporting costs in General Services, will also support some of the costs in Community Development that are tied specifically to that mandate. He said that reflected in this part of the budget, there is also an increase in compensation for some board members who meet regularly – specifically the Planning Commission, the Board of Zoning Appeals, and the Architectural Review Board – as it has been nine or ten years since these salaries were increased.

Mr. Boyd said that he has talked before about the need to project what they will get in terms of increased inspections and additional costs associated with stormwater management. He added that he would like to see that itemized so they are not overcompensating or under-compensating.

Mr. Walker said that the basis for the fee schedule was discussed with the Board during the five-year plan, and in any given year there may not be a dollar for dollar revenue for cost impact – and that is to avoid having to change fee structures on an annual basis. Tracking that information will be very important.

Ms. Mallek asked if these fees are part of the ones coming up for review this year, or if that is a different department. Mr. Walker said that it is the same department but a different review process. There is an overall review of Community Development fees apart from the VSMP fees. He presented information on the mandates and where the money is coming to support them, noting that there is a portion of support for the Thomas Jefferson Soil & Water Conservation District that is tied directly to support for the Chesapeake Bay mandate, so part of the 0.7-cent increase will be offset by this general support.

Ms. Mallek asked if that was why the County's funding to the District had been reduced by $11,000. Mr. Walker said that there is also some changes in personnel that he is trying to get clarification on.

Ms. Allshouse noted that there was also some information on changes in Community Development staffing over time.

Mr. Foley reported that staff had provided a breakdown on all of the positions that were eliminated in Community Development; they are still down 18 positions – administration, information services, planning, zoning and engineering. He said that staff wanted to make it very clear that these positions have not been put back in this budget, and there are some committees that have not been able to be served because of it.

Ms. Dittmar said that in speaking with some of her constituents, she felt it would be helpful to have data that corresponded to the staffing needs at the time – such as the number of building permits – starting with 2009.

Mr. Foley said that Mr. Mark Graham, Director of Community Development, tracked a lot of information for the Community Development work plan, such as the numbers of inspectors and inspections – and the number of inspections per inspector is now approaching a level of exceeding that, and the number of plan reviews has also increased.

Ms. Dittmar stated that building permits are a good indicator of how many people are needed to look at plans coming forward or site reviews, and using just three criteria would be helpful.

Ms. Allshouse said that they do measure key performance indicators. Mr. Graham has excelled in establishing and measuring these for Community Development – including building permits.

Ms. Dittmar asked what two or three criteria would be recommended for benchmarks. Ms. Allshouse said that Mr. Graham should address this, as he is very good at measurement and has seven or eight different criteria for performance.

Mr. Graham stated that the building permits are a great indicator of current development activity, but not as good an indicator of what is starting in the pipeline such as rezonings, special use permits and site plans. He said that from the recession, there was still inventory of the approved plans sitting out there, which they are now burning through – so that would be considered a "lagging indicator." Mr. Graham stated that building permits should be viewed as a leading indicator, which indicates where things have gone recently. When looking at history, they will see that Community Development is currently back to pre-recession levels.

Mr. Boyd said that they cannot compare what was going on in 2008 and what is going on now and just decide to restore to those levels, because they have worked on efficiencies in both the school and local government sides that need to be taken into account.

Mr. Graham stated that Mr. Boyd is correct. The data provided to the Board in February tried to account for that – not just the total number of applications, but applications per reviewer, planner or inspector. He said that a lot of those services are things they are just no longer providing; they no longer have a groundwater manager, natural resources manager, a road inspection program, etc. – and they are no longer providing enhanced services, just core services.

Ms. Dittmar asked if that information could be pulled out of the data. It would be helpful to know what services the County is not providing.

Ms. McKeel noted that there are ramifications for not filling some of those positions, such as not having an engineer or a road inspector when a road collapses, that may come back on the County in a greater expense than what they would have spent up front to begin with.

Mr. Graham said that it would probably take more than just a few minutes to adequately address that point.

Ms. McKeel stated that she is very concerned about some of the reductions in safety inspections.

Mr. Foley said that it is not as though road inspections are not being done, but each of those positions has a story behind it in terms of levels of service. He stated that if there are particular positions that the Board feels are high priority, it would be helpful for staff to know those now – such as the natural resources planner.

Ms. Palmer said that she would like that position on the list.

Mr. Foley reported that the recommended budget reallocates the Economic Development Facilitator position from the County Executive's office to the new cost center. Economic Development falls under the functional area of Community Development. He said that this includes a Director of Economic Development and a part-time administrative position, so it is 1.5 positions. Mr. Foley said that what they have proposed is a team approach to the Economic Development Office with three prongs, joining the Community Development Department in strategic partnerships – where Ms. Catlin would retain some of the things she does now, particularly the relationship with tourism and promoting the County. He said that all three of those pieces are designed to encourage quality development in the community. The Comp Plan dictates those things they are most willing to accept here, as well as the kinds of industries they would pursue with this new office. Mr. Foley said that those would be ones that fit their targets, meeting the objectives established in the Target Industry Study while having the least environmental impact. He stated that they are trying to accomplish quality jobs, capital investment and expanded tax base. They are not going to sacrifice quality development in order to get those other things.

Mr. Foley said that Community Development is responsible for the Comp Plan, land use, development review and resource protection; the Economic Development office is responsible for business retention and expansion, startups, target industry attraction, and workforce development. He stated that the final piece, strategic partnerships, would include marketing and communications, website and social media – including their business site, overall community partnerships, and tourism.

Mr. Foley presented information on what staff envisions for the new Economic Development Director position, with a significant focus on the ability to articulate a clear vision for economic development that's compatible with the County's character and priorities as established in the Comp Plan. He said that what they do not have the skill set to do now is the real estate development and redevelopment experience, and when an industry comes here they are looking for properties that are available, either owned by the County or otherwise. Mr. Foley said that the Director will need to have a strong familiarity with the Comp Plan, and financial expertise including construction financing, loans, business pro-formas and incentive packages – similar skills to what Chris Lloyd and Mr. Brian Shull, Director of Economic Development for the City of Harrisonburg, talked about when they met with the Board about economic development initiatives. He stated that another qualification of the new Director would be knowledge of and sensitivity to environmental considerations, and successful formation of public/private partnerships. Mr. Foley said that the top priority for the Director job would be to work within the context of the County's land use and Comprehensive Plan. They need a skill set that includes experienced in forming public/private partnerships, real estate development experience, and an understanding of financial packages that must be assembled in order to attract industries here.

Mr. Foley said that the Board had also discussed the need to have measurements of success. Based on staff's research of other programs, they would need to see capital investment that generate revenue, the percentage of tax base shifting to commercial and industrial from residential, new business licenses, jobs created per capita, jobs created by targeted industry cluster, average wages, the number of existing companies contacted to establish their future needs and actually expand, and new target industry prospect successfully located.

Mr. Sheffield asked if the $263,000 for the Economic Development office was for a full year. Mr. Foley said that $50,000 is already in this year, so it is technically carrying over, but the net difference is about $160,000.

Mr. Sheffield asked if the critical annual measures are already being collected. Mr. Foley said they were collecting most of it, and staff has determined that they can get the data for anything they are not currently tracking.

Mr. Sheffield asked if it would be possible to get that data for the last five years, so they can get an accurate measurement of growth. Mr. Foley said that staff could provide that, but cautioned that the economy over the last few years would be a factor.

Ms. Palmer asked how many years staff thought it would take to measure the success of the position. Mr. Foley said that there would definitely need to be a start-up time needed to get efforts underway, but three years seem fairly reasonable to him.

Ms. Dittmar said that it would also be an important skill for the new director to know how to navigate State economic development functions. She added that tourism is very much a function of economic development and it needs to be kept in mind. She also said that there is nothing in the criteria that focuses on agri-business, which is a valuable part of the County's economy and stimulates other growth. Mr. Foley said that it is intended to be part of this office, and a part of the skill set needed for the new director.

Ms. Mallek said that is more of a rural side, whereas most of the function of this position is focused on the growth area, as it should be.

Mr. Foley noted that Ms. Susan Stimart has been working extremely well in the rural area and agribusiness efforts, but clearly the director would need to have that skill set.

Ms. Palmer said that she would like to get some information on duplication of effort, because CVPED is charging the County on a per-person basis, and she would like to know what services they will be providing. The state also has a large economic development effort so she wants to make sure that is being fully utilized and not being duplicated. She stated that it is concerning to her that they would offer "incentives" to new businesses, and she wondered what kind of budget this department would require in future years. Ms. Palmer asked if there were benchmarks given to Micro-Air as part of their incentives, and how those played out. She also asked how many redevelopment areas are actually owned by real estate trusts now, as that is another area of concern for duplication of effort, and the County would not be able to interface with those trusts.

Ms. Dittmar said that the County can interface directly with those companies.

Ms. Mallek said that the concern that Mr. Sheffield and Ms. Palmer – as well as citizens – have had, is whether the Economic Development Office is going to be doing what would happen anyway.

Ms. Palmer said that the Pantops area, for example, has had a lot of development without economic development efforts by the County.

Ms. Mallek said that times have changed since 2009, as far as competition for the very best sites.

Ms. Palmer said that she does not really want to get in a race to the bottom.

Ms. Mallek said that she doesn't either, because that would kill the goose that laid the golden egg – which is her go-to phrase in these discussions.

Mr. Foley stated that there is a whole world of development out there that could occur, and the question is what are the types of jobs and the types of return on investment that would generate revenues for the County. He said that this office would be bringing in a new industry to help create career ladder jobs and high return on investment jobs.

Ms. Palmer said that those companies are coming here for education and other amenities.

Ms. Mallek agreed with Mr. Foley that this is not a focus on retail and that level of commercial, but the whole other side of economic development.

Mr. Foley said that this is what's considered "basic employment," which generates revenue rather than just service types of jobs. The strategy is not to go after retail but those companies defined through target industries – which would have the highest return on investment, or produce jobs for people who are working two part-time jobs and need one quality job. Mr. Foley said that Chris Lloyd had described this as having someone available to talk to, to run the numbers, to show available sites – and that is what is currently missing in the County.

Ms. Palmer said that Mr. Lloyd also said that "cash is king," and she cannot envision that the County would ever be the low bidder.

Ms. Dittmar said that they have something other than cash, and that is UVA, but there are also other communities with universities. She stated that they are competing by using UVA and the military intelligence centers.

Mr. Foley said that the "cash is king" approach is a strategy the Board would have to decide, as to whether that is a way they wish to go after industries. He stated that they have $250,000 that is in the budget right now that is incentive money, and that could match the Governor's Opportunity Fund for job credits, training credits, etc. Mr. Foley said that Albemarle has a lot of things to offer that other communities do not, so putting cash on the table may not be as appropriate here. The big decision for the Board is whether they are comfortable moving forward with the Economic Development Office.

Mr. Boyd said that his philosophy of the Economic Development Office is not to create jobs – because that is best left for the private sector to do, not government – and what they need to do is make sure they have someone who understands the process in this community and how to navigate it, and help new and existing businesses do that. He supports moving forward with funding this office in the budget.

Ms. Mallek noted that that is why Susan Stimart's job was in Community Development, but she does many other things now as part of the overall economic development effort.

Ms. Palmer said that in looking at the budget and how to best deploy their limited resources in light of raising taxes, this does not rise to the top for her without serious information on return on investment, how these services might be duplicated elsewhere, and how this might be done within the context of the Community Development Department.

Mr. Boyd asked what the return on investment is for the natural resources position that she wants to reinstate.

Ms. Palmer said that is a quality of life issue.

Mr. Boyd asked if she didn’t think good jobs were a quality of life of issue.

Ms. Palmer said that to his point, government doesn’t create jobs – they are going to come here regardless of these efforts.

Ms. Mallek said that they need to also consider retaining existing businesses; two major businesses just moved across the line into the City.

Mr. Boyd said, as an example, Faulconer Construction is moving to Louisa County, and asked how much is the County losing in tax revenues and property taxes.

Ms. McKeel said that there would be a role for this office in dealing with businesses that are considering leaving.

Mr. Foley stated that that’s more important than the other pieces, as they must establish and maintain good relationships with existing businesses.

Ms. Palmer said the County needs to find out why those businesses are leaving. Mr. Foley said that’s exactly the kind of work they need to do, but there isn’t a staff person available to do it.

Ms. Mallek said that it has been underway to some degree, with “Business First” contacting about 100 businesses per year.

Ms. McKeel stated that perhaps that needs to be emphasized more as part of what this office would do.

Ms. Palmer said that they should also find out why companies have left, if that kind of outreach had already been done. She has not found one that has left because of something going on in the County that they wanted to get away from.

Ms. Dittmar stated that one business left because the City’s Economic Development Director put together a great deal for them to leave the County and come there.

Mr. Foley said that another business left to go to an adjoining County because of a deal made for their expansion on a piece of property in that locality.

Ms. Palmer asked if the County is planning to get into a bidding war with the City.

Ms. Dittmar responded, “no”. The City Economic Development Director worked with the private owner of the facility and put together a package. She emphasized that these directors are ombudsmen, portals for information that gather resources and do outreach. She added that she is in favor of setting this office up, with the Board staying on top of its mission and priorities. She said that she doesn’t view cash incentives as favorably, because the County has other assets to offer.

Ms. Palmer stated again that she would like to know exactly why the business left the County.

**(Note:** Ms. Dittmar left the meeting at 12:01 p.m. Ms. McKeel assumed the role of Chair.)

Ms. McKeel said that she agrees with Ms. Dittmar’s perspective on this, but she would like to know what the cost breakout would be if they were to hire just the Director, and take a look at what he or she needs and then come back to the Board with recommendations.

Mr. Foley said that what is being proposed is just the most basic office support.

Mr. Boyd said that if you hire a director with the highest expectations but do not give them any administrative support that is not going to be a good situation for them.

Ms. McKeel said that there’s some administrative support already in the office, and she believes there are lots of high energy people out there who would be excited about starting the office from the ground up.

Mr. Foley said that there is one administrative person supporting the entire County Executive’s office, including the current economic development effort – and while the new director would need to select their support person, it would need to be funded in the budget.

Ms. Mallek asked if the person would also be a part of the team and be able to provide more than just basic administrative support, such as what Ms. Stimart does. Mr. Foley said that would definitely be the case, and explained that currently staff scrambles around to coordinate partnership and company meetings – so an administrative person would take on some of the effort that is now being patched together.

Mr. Foley said staff has the remainder of the Community Development budget to cover. The remaining items for review are those items Board members added to the list. He suggested that the Board confirm the list of items so that staff is prepared to address them at the March 5th Board member.

Board members concurred with Mr. Foley's suggestion.

Mr. Walker reported that the **Office of Housing** is a fixed County office, with much conversation recently regarding its relationship with HUD (Department of Housing and Urban Development) and support of housing-based vouchers at The Crossings. He said that on the agenda for the Board's meeting the next day, there will be a request for additional mainstream housing vouchers to be administered by existing staff within the Housing Office. Mr. Walker stated that Director Ron White feels this will be feasible because of the experience of his office and recent upgrades to software. The transfer of vouchers does include some administrative revenue to accompany the direct service revenue.

Mr. Walker said that **CAT** contributions for FY15 are level-funded, but do reflect some changes in the services provided to the County. It replaces and expands evening service for Route 10 in the Pantops area.

Mr. Sheffield asked Mr. John Jones, of CAT, to explain these changes. He said he would like this item added to the list but is not sure about the impact of the reduced $53,000.

Mr. John Jones, Charlottesville Area Transit Manager, said that CAT proposes to the County a total of $168,988 to fund 50% of Route 1 – which serves PVCC; 50% of Route 3 – which subsumed the old Route 2B, the late night service down to Southwood. He said that the budget includes continuation of Route 5, which they have funded at 100% for a number of years, serving the north portions of the County between Barracks Road and Hilton Heights Road, west of Route 29 and the areas in there – and over to Fashion Square Mall where it connects with Route 7. Mr. Jones stated that the budget continues 100% funding of Route 10 through the Pantops area that runs from 6:00 to 6:30 p.m., and with the change of service on January 4 through the transit study process, it was agreed they would add some of the services to the south end of Route 3 to go a little bit later into the Southwood area and to the County Office Building on 5th Street. He noted that they eliminated old Route 24, which served the Pantops area but did not go all the way to Martha Jefferson Hospital. Part of this funding proposal is an additional amount to add back the Route 10 service – the entire route from 6:30 p.m. to 10:00 p.m., including Martha Jefferson Hospital and the Pantops area, that had not previously been served with Route 24.

Mr. Jones reported that the other portion would be continuing the funding on Route 11, and asking the County to fund the portions that CAT funded in the beginning. He said that the consultant who evaluated the system had proposed that the route from 6:30 a.m. to 6:30 p.m. Monday through Friday, but staff felt the route would not be very successful if it did not run in the evening from Downtown to Fashion Square, and without Saturday service. Mr. Jones said that CAT asked City Council about it, and decided on its own budget to fund three hours in the evening – from 6:30-9:30 p.m. – and also 12 hours Saturday service from 6:30 a.m. to 6:30 p.m. on Route 11. He noted that the route has been successful, and CAT believes that is the case because of the addition. Mr. Jones said that the County pays 46% of that route, and CAT has asked for an addition from the County in terms of assuming 46% of the night and Saturday service that CAT added on is own initiative as a portion of the County's contribution to the route.

Mr. Sheffield asked if the County would be losing anything by not providing the additional requested $53,000. Mr. Jones said that they wouldn't, as that is a new request to help offset service down to PVCC, and recognizing the collaboration between CATEC and PVCC with both the City and the County. He stated that there are a lot of County residents that use the routes from the north end to access Route1 that takes them to PVCC. Currently CAT does not run the route as late as they should – so the $53,000 would fund the late night route to the College.

Ms. Mallek said that it would basically allow people to get home after night classes. Mr. Jones confirmed that was the case, noting that PVCC has indicated that classes end at 9:45 p.m., with a 10:00 p.m. route getting people back to Downtown and to other routes throughout the City. He said that without the $53,000, the route would not run that late.

Mr. Foley said that Route 10 and Route 11 are already running later, and it is only Route 1 that has the evening service issue.

Board members agreed to add the $53,000 to the list for further consideration.

Mr. Jones presented a list of future CAT projects, stating that these are not being requested for funding but are just for the Board's information – specifically related to addressing Places 29 transit issues.

Referring to a question raised earlier by Ms. Mallek about the personnel reduction for the Soil and Water Conservation District, Mr. Walker said this is the change in an individual. The individual who left had a higher salary than the replacement.

Mr. Walker reported that Ms. Gretchen Ellis was available at the meeting to talk about other agency contributions through the Agency Budget Review Team (ABRT) process. There is a change for MACAA as identified at the Board's public hearing. The CARES (Coalition for Assisting Residents in

Emergency Situations) Program has been set aside as a contingency with some expectations that the County and the City would work together to find the best way to provide that service. The ABRT was concerned about the cost to administer the program versus the actual money spent to provide the services to those receiving services.

Mr. Sheffield asked Mr. Walker to email him an explanation as to why MACAA funding was decreasing so significantly. Mr. Walker said that he would do that, and mentioned that the book provided to the Board on all ABRT recommendations included those details.

Mr. Walker reported that other compelling needs for the FY15 budget include zoning enforcement, which has been discussed for increased departmental capacity, and other capacity issues have been identified for natural resources, historic resources, rural planning, master planning, and transportation. Mr. Mark Graham will be providing to the Board information as to where those resources have been reduced over the last several years. Mr. Walker said that there is a position suggested for records management and imaging, as the conversion from paper to digital will require a technician.

Ms. Allshouse stated that staff wanted to include CIP funding as part of the discussion. Next year's CIP has a two cent tax rate increase built into the model to make it work with existing projects. Mr. Trevor Henry identified the top priority project as acceleration of the Pantops Fire Station, with the next highest ranking projects being the Henley Middle School media center renovation, the Crozet Elementary School addition renovation, Stony Point Elementary School addition renovation, Red Hill Elementary School modernization, and the Yancey Elementary School addition. Ms. Allshouse emphasized that while these all received high scores, they are not on the CIP project list for anytime in the next five years. Ms. Allshouse noted that there is also a recommendation to achieve a better equity balance in the CIP, in relation to the "pay as you go" ratio. She said that other jurisdictions put more in their transportation revenue-sharing fund to pull down State money, so that is something the Board may want to consider.

Mr. Boyd asked if staff could provide more information about the demand for fire service in the Pantops area relative to other areas. He asked what advantage there would be to accelerating that station. Mr. Foley explained that the County has a lease with Martha Jefferson Hospital to run the temporary service out of there, but the lease expires on a certain date. While staff would like for Martha Jefferson to extend the lease for another year because it expires a year sooner than the project comes online in the CIP. He said that staff isn't sure if MJH will be willing to make that extension, so they have included it in the CIP. Mr. Foley added that they will also bring data forward to the Board regarding the number of calls in that area and response times.

Mr. Foley said that he will present a list of items for discussion at the Board's March 5th meeting: the cost of the Community Engagement person is known, the use of Yancey for four hours on Saturday can be calculated; the foster care worker, the Municipal Band, the FAMIS position, and the public defender can also be calculated. Staff is not sure what the Board's direction is on geo-policing, inspections, and transportation revenue-sharing – although Mr. Boyd asked about the cost of putting it in the operating budget instead.

Mr. Boyd asked if staff could just include the cost of adding a police officer for the geo-policing item.

Ms. McKeel said that they had looked at partial funding for those positions.

Mr. Foley said that the Chief of Police had proposed having five officers to get to the 10-hour shifts, which would take a step toward geo-policing.

Colonel Steve Sellers, Chief of Police, explained that getting to five additional patrol officer positions would take "a pretty large leap" into geo-policing by allowing their officers to go to permanent 10-hour shifts, which they are currently piloting. He has been paying for that pilot through lapsed funding but can no longer cover because he is fully staffed. Chief Sellers said that this approach allows for much greater visibility. Initial figures indicate that urban response times have improved by 72%, with rural response times improving by 31%, for the month of January. He stated that they have also seen an increase in proactive policing from 165 to 175 during that time period, which covers the three hours of discretionary time available over a 24-hour period. Chief Sellers said that this allows them greater time in the overlap to participate in problem-solving and community outreach, with area officers come by homeowners' association meetings and other events. He said that under this scenario, there is more coverage during peak hours and better opportunity to assign patrol officers to the communities for which they are responsible. Chief Sellers stated that this has also allowed for better training on dealing with people with mental health issues and to pursue cross-departmental work.

Mr. Foley said that the budget requests two additional officers to move the department to the next level of geo-policing, and staff can calculate that.

Mr. Walker said that from a budget standpoint, the cost is $150,000 per officer, $60,000 of which is one-time costs.

Mr. Foley said that staff will reflect those costs in their discussion the following day.

Mr. Foley also reported that there was a discussion related to fire inspections, and a bigger question about where those are not getting done. He added that he did not realize those were items the Board wanted on the list at this point.

Ms. McKeel said that she would like to discuss it, but not as an immediate item.

Mr. Foley said that other items included Crozet Library hours, Journey Through Hallowed Ground request, a planner to address natural resource protection issues, and a Parks maintenance person.

Ms. Mallek said that it is possible that the Parks person could be combined with the natural resources planner, but she would need for staff to assess whether that's reasonable.

Mr. Foley said that a full-time natural resources planner is probably the best way to address the concerns that have been raised, and the Parks maintenance issue is really a separate item.

Ms. Mallek said that her thought was that the Parks person would have a higher understanding of the ecological side, because of Arrowhead and other initiatives that are not within the expertise of current staff.

Ms. Palmer said that if they could get more hours from staff to help leverage the hours of volunteers, and hopefully get the Natural Heritage Committee back up and running again.

Mr. Foley commented that the impact of the new properties the County has taken on is related, but a separate need for a planner. He added that this may be a good topic for next year's budget.

Mr. Foley said that the $53,000 for CAT would also be on the list.

Ms. Mallek asked where they stand with the transportation revenue-sharing funds. Mr. Foley explained that the funds for that and ACE are in the CIP as proposed at a level of $1 million for both. It is not a dedicated penny for those two services. The CIP Oversight Committee had initially proposed it that way. He said that after restructuring some debt, staff was able to get it in under the normal formula for CIP transfer without an additional penny. Mr. Foley said that if they do not fund the two programs as funded within the formula, the Board would have to change the formula and send less to the capital program.

Mr. Boyd said that he was viewing it as a sustainable amount of money because it is projected for five years, and it could be moved over to the operating budget to fill some of these holes.

Mr. Foley clarified that by the second year, they will need a dedicated penny to continue it – but in the proposed year, it is funded out of the normal formula.

Ms. Mallek noted that the revenue-sharing is a dollar for dollar match from the state, and some localities put in the entire $10 million possible. She said that the ACE match is listed incorrectly in the Board packet; it is $149,920 from the State through the grant. Mr. Foley said that staff would get that corrected.

Ms. Mallek asked if anyone had mentioned the Bright Stars funding.

Ms. McKeel said there is no change with Bright Stars, and what they had received was an impact statement – a "what if" – as a response from a School Board member.

Ms. Palmer said that this memo really led people to believe Bright Stars was going to get cut, and an article in the Charlottesville Tomorrow further promoted that notion. Ms. McKeel said that was inaccurate.

Mr. Walker clarified that staff was simply responding to a request from a School Board member as to the impact.

Mr. Foley asked if Board members had input on any other budget items prior to staff making some recalculations.

Ms. Palmer said that the Board spent a lot of time in the meeting with the Schools in which County staff had said the 1.7-cent tax rate would cover the 2% increase in salary and the VRS mandate, but the Schools said that wasn't the case because they no longer had their reserve fund to which they would normally use for transfer. She said that it seems disingenuous to her to suggest to the public that the 1.7 cents is covering their increase in salary and VRS.

Ms. Mallek said that the rest of the budget that would be paid for out of the fund balance has nothing to do with those two items.

Ms. Palmer said that is not what the Schools were saying, and it sounds as if the County was assuming they would have that money when in reality they did not.

Mr. Foley emphasized that it is important to get this very clear. The statement that was made was that the amount of additional revenue going to the school system from local government is equivalent to the cost of the 2% pay raise and the VRS mandate. He said that the $4.5 million is equivalent to the impact in the schools' budget of those two items, and that is a clear factual statement about additional revenue going to meet some of their needs. Mr. Foley said that the schools' stated needs reflect many other things, including the fact that the fund balance can no longer be used to pay for operating expenses, and they have many other challenges too but the 1.7 cents does cover the two priority items.

Ms. Palmer asked how much money comes from one cents on the tax rate. Mr. Foley explained that there is growth in the revenues as a result of the reassessment of property as well as the economy growing, so that growth plus the one penny – of which the schools get $850,000 – equal $4.5 million total. Mr. Foley said that it is not just the 1.7-cent tax rate that's paying for the raises and VRS increase; it is also economic growth and their portion of the one penny.

Mr. Sheffield asked for confirmation that one penny is equivalent to $1.56 million. Mr. Foley responded "yes" and added that they take the capital off first and then split the revenue 60/40, and that equals $850,000.

Ms. Palmer asked staff to break out the growth figure and how it equates to revenue.

Mr. Sheffield said that information was in staff's first presentation. Mr. Foley agreed to follow up with the Board on those specifics.

Ms. McKeel asked to discuss the process for the Board meeting on March 5th.

Mr. Foley said that staff will take another look at the proposed agenda, but believes that there is enough time in the evening to have a work session to finalize the discussion.

Mr. Davis recommended that the Board have a motion to add this meeting's unfinished work session business to the agenda for their meeting the following day.

Ms. Mallek **moved** that the Board move all of its unfinished work session business to the agenda of their meeting on March 5, 2014. Mr. Sheffield **seconded** the motion. Roll was called and the motion carried by the following recorded vote:

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

Mr. Davis noted that this additional business will simply be added to the end of the regular meeting agenda.

Ms. Mallek commented that there is a long list of public hearings on the March 5 meeting.

Mr. Davis said that there will be an agenda available that reflects the additions. Mr. Foley indicated that it would be available to the public.

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Agenda Item No. 3. From the Board: Matters Not Listed on the Agenda.

Ms. Palmer commented that earlier this morning she received a call from her son, who lives in Vermont, who told her that they were going to town hall to vote whether or not to increase taxes to pay for the schools.

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Agenda Item No. 4. Adjourn.

At 12:45 p.m., with no further business to come before the Board, the meeting was adjourned.

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Chairman

| Approved by Board |
|---|
| Date: 09/03/2014 |
| Initials: EWJ |