

An afternoon adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on March 12, 2014, 4:00 p.m., Lane Auditorium, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from March 5, 2014.

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, and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. The meeting was called to order at 4:08 p.m., by the Chair, Ms. Dittmar.

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Agenda Item No. 2. **Work Session:** FY 2014/2015 Operating and Capital Budgets: Proposed Budget for Public Hearing.

Ms. Lori Allshouse, Director of the Office of Management and Budget, said she will be presenting information on the budget and will ask the Board to approve its' proposed budget for public hearing, to be held April 8, 2014. She stated that as well as discussing additional budget information needed from staff prior to final adoption on April 15, 2014, the Board will consider whether an additional work session should be held after the public hearing on April 8.

Ms. Allshouse said that the Board had a discussion on March 5, then she and Mr. Foley worked on a spreadsheet to bring back some information on possible scenarios with the proposed tax rate and information regarding what the Board might want to add over and above the County Executive's proposed budget. She stated that they advertised a tax rate of 80.8 cents that was plugged into the spreadsheet, with 0.7 cents added and shared by the formula – which provides funding for local government, the capital program and schools. Ms. Allshouse said that the Board also dedicated 1.8 cents to the School Division. She noted that there was an outstanding balance of \$70,714 that the Board did not finalize its conversation about.

Ms. Allshouse stated that in addition to the County Executive's recommended budget, the Board had several items as proposed adjustments: a combination of the dedicated and the formula funding provided an additional \$3.4 million to the School Division, for a total of \$7.9 million over the current FY14 budget; two additional police officers for a total of five additional officers over the current FY14 budget; a foster care/adoption family services specialist and FAMIS position in the Department of Social Services; a public defender's salary supplement; a natural resources intern at \$20,000 for the Community Development Department; and an increase to Charlottesville Area Transit (CAT). She said that there will be matching funds from the State for some items such as the Social Services positions. Ms. Allshouse said that staff recommends that the \$70,714 additional funding from the formula for General Government be added to the reserve for contingencies account, which would raise the current amount from \$250,000 to \$320,714. She stated that the Board also discussed providing funding for Saturday classroom rental and associated custodial services at Yancey Elementary; but it is not in the budget and the Board seemed to indicate that they would like to wait for the forthcoming, more comprehensive report from the community.

Ms. Allshouse presented a slide from an earlier meeting which showed how the funded categories are structured in the County Executive's budget, and said that the next slide shows what changed based on the Board's discussion on March 5. The General Government operations administration line was reduced slightly to 5.8%. She said that public safety increased by 5.1% over the FY14 budget, reflecting the addition of two police officers. The DSS positions and public defender funding also resulted in departmental increases. The Community Development department budget increased to \$6.87 million – or an 8.9% increase, reflecting CAT funding and the intern. Ms. Allshouse said that the transfer to the schools increased \$7.88 million over FY14, with a slight increase to capital based on their formula; other fund changes would include the \$70,714 being moved into the reserve for contingencies.

Ms. Allshouse said that if the Board chooses to go to public hearing with this proposed budget, it would set the hearing for April 8 with advertisement by March 23. The motion before the Board would be to move that the Board advertise (1) the Board's FY15 Recommended Operating and Capital Budget consisting of the County Executive's recommended budget and the Board's proposed adjustments and (2) the proposed maximum tax rates for Calendar Year 2014 of \$.808/\$100 of assessed value for real estate, public service property, and manufactured homes and \$4.28/\$100 of assessed value for personal property, including machinery and tools.

Ms. Palmer stated that at the end of the last meeting she had asked about MACAA and how this would affect Head Start. Mr. Doug Walker, Assistant County Executive, explained that the two programs recommended for reduction were the Head Start and CARES programs. He said that the Head Start program was rated as "fair" through the Agency Budget Review Team (ABRT) process, with concerns about the agency's financial stability, failure to meet all projected outcomes, and lack of description of meaningful collaborations. Mr. Walker noted that their application included informal collaborations with two programs that no longer exist. He said that Head Start exceeded its projections of serving 83 children in Albemarle in FY13. The program projects 83 students to be served in FY14 and FY15,

although MACAA reported 105 enrolled as of November 2013. Mr. Walker stated that the Office of Management and Budget took this into consideration, recommending a 10% reduction – not the 25% recommendation of the ABRT. He said that Albemarle would still be providing \$536 per student, which is almost \$75.00 per student more than the current year – and the in-kind contribution would also be increased, as well. Mr. Walker added that the cost per student would be increased even with the reduction in the County's contribution, and there would be a shift in the number of students served from the County to the City, with more City students served.

Mr. Walker said that the ABRT evaluated the CARES program as “weak,” based in part on the lack of evidence-based strategies and program evaluation matrix. There was an understanding and appreciation of the value of that program. The ABRT recommended a reduction in the funding but also that the reduced amount be set aside pending a larger conversation about the use of that money – which is emergency assistance for those families. He stated that OMB has looked at that again, and has talked with the City as well.

Ms. Allshouse said that ABRT does ranking by scoring, similar to how the CIP Technical Review Team ranks proposed items. She stated that they have a Board-approved process that if things rank in certain categories there will be different levels of reduction, so the scoring for CARES indicated a reduction. Ms. Allshouse said that even though the scoring came in lower, the ABRT in their narrative felt that the program was so important that it should not be cut at all. She stated that the timing of when the ABRT did the narrative document to the County was a little behind the timing of when staff put the recommended budget together for the Board. Ms. Allshouse said that staff adheres to the scoring because that's what they have been instructed to do, but sometimes they make adjustments based on other considerations.

Mr. Walker stated that the other issue brought to the Board's attention in a March 2 email was MACAA's ability to work with their clients and consistence with AIM at the same time they are being provided services through MACAA. He said that the Board can set aside the full amount previously provided to MACAA and allow them to work with the City and County to find the best way to provide those services. Mr. Walker stated that this would be a reinstatement of \$37,300, an addition of \$18,650.

Ms. Palmer asked if one way to handle this would be for the Board to put \$70,000 into reserves. Ms. Allshouse said they could handle it that way and put it in their reserves and make a change later as they go into their final adopted budget, or they could make a change today to reinstate the \$18,650 to the CARES program.

Mr. Walker said that staff is suggesting that the Board put it in contingency to allow staff time to find the best way to administer the program.

Ms. Mallek stated that one of the concerns was that the overhead/operating expense was consuming so much of the money compared to what was going out to families.

Mr. Walker said that based on the information provided by MACAA, it was apparent to the ABRT that the amount of money to administer the program far exceeded the amount of the benefit the program was providing.

Mr. Foley stated that the \$70,000 recommended to go to reserve for contingencies could easily be moved back over after the Board goes through the public hearing process if they want to add some money back in.

Ms. Mallek asked if what was going on at Yancey with Head Start was a separate issue. Ms. Palmer said it is her understanding that they are not completely sure if it would affect schools, but it is not perceived to have that impact. Ms. Allshouse stated that there was nothing in the written materials that would indicate that.

Ms. Dittmar said that this would be a good time to determine whether the Board wants to make adjustments at this meeting, or approve this budget and move onto all the things they want to put on the table for further research and discussion in an additional work session.

Ms. McKeel stated that voting to take this particular budget to public hearing does not lock the Board in. The Board can make changes at a later time and asked for confirmation on the process.

Mr. Foley said that everything the Board decided at its last work session, which is the basis upon which they set an advertised tax rate, is what staff suggests they take to public hearing – because they had a full discussion and some town hall meetings that covered some of these items. He stated that none of that precludes the Board from making final adjustments after the public hearing. In fact, the Board may hear some things from the public that may impact what they want to do. Mr. Foley said that the discussion of Head Start and CARES will come back to the Board again, and nothing they approve now is the final decision. It gives the public something to react to. He stated that to avoid any confusion, staff recommends that the Board finish where it ended with the March 5 work session.

Ms. Mallek said that the three things she will bring up after the public hearing are reinstating the cut to the Municipal Band, extension of Crozet Library hours, and the Journey Through Hallowed Ground funding – which she hopes could be funded out of Economic Development Authority money because it falls under that umbrella.

Ms. McKeel stated that she would have to have more information on the outcomes of the MACAA programs as part of that decision, not just the monies.

Mr. Sheffield said that he supports the Board having a work session after the public hearing.

Board members concurred.

Ms. McKeel then **moved** that the Board advertise (1) the Board's FY15 recommended operating and capital budget consisting of the County Executive's recommended budget and the Board's proposed adjustments, and (2) the proposed maximum tax rates for Calendar Year 2014 of \$.808/\$100 of assessed value for real estate, public service property, and manufactured homes and \$4.28/\$100 of assessed value for personal property, including machinery and tools. Ms. Mallek **seconded** the motion.

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

AYES: Ms. Mallek, Ms. McKeel, Ms. Palmer and Mr. Sheffield.

NAYS: Mr. Boyd and Ms. Dittmar.

Ms. Allshouse explained that on March 23, staff will be taking the advertisement to print in the newspaper, and it includes information about the proposed tax rate. She said that there was a conversation held after they advertised the tax rate cap, in which they discussed whether any other information can be included in a legal ad – and the conversation was that if the Board desired to have this, they could add some information for additional transparency or clarification.

Mr. Foley stated that what the Board sees before them is what must be advertised legally, and the question is whether they want an additional block of information that might put the budget as proposed in some perspective they feel is important to the public. He said that Ms. Allshouse has drafted a few statements for this purpose.

Ms. Allshouse said that the first option would be to address the tax bill on the average home in 2009 at a value of \$275,000, and how it changes in assessments over time. She said that the information included would clarify that a home valued at \$275,000 in 2009, in applying the average reassessment for each year, the 2014 real estate tax bill would be \$2,028 at the advertised rate of \$.808/\$100 assessed value. This is an increase of \$152.00 over the 2013 tax bill, and would be a decrease of \$12 from the 2009 tax bill. Ms. Allshouse noted that this is not adjusted for inflation. She said that a second option would be to state that for a home assessed at the 2014 average value of \$282,002, the real estate tax bill would be \$2,160 at the current tax rate of \$.766/\$100 assessed value and \$2,279 at the advertised rate of \$.808/\$100 assessed value. The rate change increase would represent a total increase of \$119 or \$9.92 per month.

Mr. Boyd said that he feels this is a bit misleading, because he has had a lot of constituents tell him what their increases would be – with some of them under and some over – and it is not quite appropriate to advertise that this is a realistic depiction of what would happen in someone's actual tax bill.

Ms. McKeel stated that this does say "average." It is the same as saying an average two percent raise for employees; not everyone will get two percent.

Ms. Palmer said that it actually prompts citizens to go back and figure out how it would impact their bill. She asked whether a bar graph could be included or if the ad space was too small.

Mr. Davis stated that this ad is typically about one-quarter of a page, which is a fairly large ad, but in the past the information has filled that quarter page, so including additional text beyond what is being suggested by staff would require buying more space.

Mr. Foley said that staff always tries to be very careful about what is included in the ad, with lots of review of the text prior to going to advertisement. He stated that picking up some of the text, the simplest explanation would be, "The average home of \$282,000 with the rate change would see an increase of \$119 or \$9.92 per month."

Ms. McKeel stated that they should keep it as simple as possible, and does not feel that they need to purchase another size in the paper. It should also include a separate box. She said that her only concern is that it be made clear that this is a yearly amount.

Ms. Dittmar said that she likes the simple sentence. She pulled a line out of the spreadsheet for her town hall meeting the previous night – and constituents felt it was easy to understand. She then asked if the last \$2.00 needed to be added.

Mr. Sheffield asked where the numbers actually came from. Ms. Allshouse stated that the figures came from the Real Estate Assessor's office for this particular time period.

Mr. Boyd asked if they were not able to calculate the median home cost instead of average. Ms. Allshouse said that the Assessor is working on that, and staff has requested that information. The system is not currently set up for that.

Mr. Foley noted that in the past, they have used the term "average" as a general term for the public, but it is up to the Board how they want to include it.

Ms. McKeel said that she likes the simple approach for this.

Mr. Foley stated that if there is Board consensus, staff will go with the simplified version and add a box that includes the clarifying information as discussed.

Ms. Dittmar asked if there are other items that the Board wants to address.

Mr. Sheffield said that he had asked for more information about the transportation revenue-sharing funds, and asked if Trevor Henry or someone could provide information on the impacts if that has to be reduced.

Ms. McKeel stated that she would like to discuss the possibility of using one-time money to help the School Division reduce their remaining \$2.4 million gap.

Ms. Allshouse noted that at the Board's advertised rate of \$0.808, it would generate \$3.2 million in the current year – and under current policies, this would move to capital.

Ms. McKeel said that this obviously hinges on the tax rate, but as it stands they would have an additional \$3.2 million because of the June tax payments.

Mr. Foley agreed that this would be money coming in for the current fiscal year, and not a part of what they were trying to do next year. The Board could use any of the one-time money to either go to schools or capital, which is where it typically would go.

Ms. McKeel asked Mr. Foley to explain how this money would not be part of the 60/40 split. Mr. Foley said that the 60/40 split is a budget planning tool for the growth in revenue from one year to the next, with 60% planning to go to the schools by policy – but what they are discussing is money that is a result of the end of the year's operations, which typically rolls to the capital fund instead of getting split. He stated that the capital applies to both schools and local government.

Ms. Palmer stated that the \$1.3 million planned for in the recommended budget with the increase, was going to be put in the capital fund. Mr. Foley clarified that staff did not "plan" it, but they did identify that there would be this money, and by policy it would typically go to capital. He emphasized that it is not built into the beginning balance of the capital fund.

Ms. Allshouse said it is a little confusing, because basically local government will have a fund balance at the end of a year. After the audit they move money over to capital – and right now that has \$2.5 million moving in through the model, but that did not include the County Executive's recommended change in FY14, because that audit has not occurred yet.

Ms. McKeel stated that she looks at this as unencumbered money.

Ms. Mallek said that the money does not really exist, because they won't know until after the audit whether they will have the \$2.5 million.

Mr. Foley said that was correct, and this is based on projections after all policy objectives are addressed before anything is sent to capital.

Ms. McKeel stated that she wants to have the discussion about using one-time money for the schools' gap, based on some work that the School Division would have to do.

Ms. Mallek asked if she was planning to talk about this on April 12, because that is before the audit.

Mr. Foley said that because the amount is \$3.2 million, it is not inappropriate to talk about it at that time. This is a different situation than they have been in with previous years where it did not make sense to calculate it before the audit was done.

Mr. Boyd asked how much is projected in surplus at the end of the year and the amount of additional funds based on the increased tax rate. He added that he is interested in the net amount of income over expenses. Mr. Foley said that it is in the quarterly report, and staff can bring it back and clarify it in the context of this budget.

Ms. Allshouse said that what's in the budget that will be part of this ad includes a certain amount going to capital, based on the FY13 audit and how that year ended up. She stated that in addition, Mr. Boyd is addressing the current year – which is a projection – and staff does those quarterly, with updating done based on different tax scenarios.

Mr. Boyd said that is exactly what he was looking for, and he would like to have that number for the School Division also.

Ms. Palmer stated that 40% of CIP requests were not funded. There were several school and general government projects, so she would like to talk about the impacts if they were to put that additional money into the CIP. She said that she would like to understand what they are giving up on the other side, just to have a full view of whether it should be given to the schools as one-time money or put it into the CIP for projects that cover both General Government and schools.

Ms. Mallek mentioned that every year they postpone the capital projects the cost goes up, as they found out with the Crozet Library. There is often a long-term savings in doing projects sooner.

Ms. McKeel said she would be interested in identifying things that could be accomplished.

Mr. Foley stated that there is a priority list that is ranked, and the Board can provide a directive to get further down the list. He added that the other important thing to note is that there are some things on the horizon beyond FY15 – including a two-cent tax increase in the following year because of CIP projects. He said that any extra funding going into the CIP would lessen the pressure to raise taxes for projects like the court expansion. The Board would have a little more flexibility if the \$3.2 million rolls into the CIP.

Ms. McKeel said she thought Mr. Foley had said that with the current proposed tax rate, the additional two cents might not be necessary. Mr. Foley said that since all of the extra revenue they are raising is dedicated to the schools or the list, none of it is dedicated to the CIP to make a difference in that two-cent increase, but the \$3.2 million could lessen the impact on the CIP.

Ms. Mallek asked if the \$1.8 million increase proposed for the school would become part of their normal operating base, which essentially contributes to an exponentially growing budget. Mr. Foley stated that any additional money the Board gives to the schools based on the increase in the tax rate is money that will be provided every year from this year on, which in essence increases their base because they are increasing their expenditures. Under Ms. McKeel's proposal, the Board would only be giving the schools one-time money that they would not have the following year, so it would not increase the base.

Ms. McKeel said that the schools would need to recognize that fact and choose one-time items. Mr. Foley stated that the schools have already been looking into those one-time items.

Ms. Dittmar asked if the Board could add some items for discussion if things arise from their town hall meetings before the final work session. Mr. Foley said that they could do that. He added that some answers are more difficult for staff because of some assumptions, but they will do their best.

Ms. Dittmar said that at her first town hall meeting, people were asking if there were other tax rate increases that could be considered besides real estate – such as food and beverage or sales. Mr. Foley stated that staff can bring that information back to the Board for their work session and in advance of it, but some things – such as meals tax – are at their maximum level.

Ms. Mallek said that every time she has asked, Mr. Davis has said they are maxed out.

Mr. Davis said that for most things the County is maxed out. The two major sources are the real property tax and the personal property tax. He stated that if the Board has any interest in raising personal property, they would have to decide that before the advertisement runs – but other taxes could be raised as long as they are in effect prior to July 1.

Ms. Dittmar asked if the City had enacted a cigarette tax this year to help fund the schools. Mr. Davis said that they did, but the County does not have authority to do that.

Ms. Dittmar commented that if the Board wanted to increase the meals tax and/or lodging, or enact a cigarette tax, it would have to ask the legislators for permission. Mr. Davis said that the County is at the max for meals tax and lodging tax. The County does not have authority for cigarette or admissions taxes. He also thinks that the County is maxed out for the decal tax.

Mr. Foley stated that they have tried to relieve the burden on real estate tax by raising other tax rates, so they may be near the maximum in most other categories but staff will certainly check.

Mr. Boyd said that part of the County's legislative agenda for some time has been to be put on equal level with cities, but it has never happened.

Mr. Foley added that cities, for example, can raise their meals tax and lodging tax higher than counties.

Ms. McKeel stated that, as a new Board member, she would be interested in looking at this as part of their legislative agenda, and perhaps they could choose a few specific taxes rather than having a broad statement. Mr. Davis said that this has been part of VACO's legislative agenda for many years and has been a very hot topic.

Ms. Mallek stated that this came up at Delegate Steve Landes' town hall meeting in January in Crozet, and his response was that "county government is an agency of state government, and they do not have any right at all" besides what the state gives them. She said that the only area that might have some leeway is the admissions tax for events.

Mr. Boyd said that in previous discussions, they were told that it also has to apply to schools' athletic events.

Ms. Mallek stated that most counties do that. When she attends football games she still has to buy an admissions' ticket.

Ms. Dittmar asked if now would be the right time to ask the state to take another look at the VRS requirements, as school systems throughout the state are really hurting over this decision. The state made a mistake in being so aggressive about their payback methods. She stated that the state also needs to understand that localities need more flexibility in their means of taxation.

Ms. Mallek said that the legislators are all home now, so this would be a good time to have face-to-face discussions with them.

Ms. McKeel said she would be interested in having a conversation with the legislators before they go back to Richmond.

Mr. Boyd stated that giving localities a reduction in VRS increases now is just deferring liability to another year, which is how the County got into this situation in the first place.

Ms. Dittmar said that they're not talking about deferring, but the step up was so high it is causing massive problems for schools across the state.

Mr. Boyd agreed, but said that the state is trying to get ready for all the retirees who are coming down the pike because the retirement system is underfunded.

Ms. Palmer commented that the problem she has with this approach is that real estate tax is a lousy proxy for income, whereas income tax is a wonderful proxy for income.

Ms. McKeel agreed, stating that they need a General Assembly that works with them and can recognize when they are in a bind. Localities need some relief, as the state has pulled away from funding education while putting other burdens on localities. She said that despite previous history, they need to keep trying.

Mr. Foley asked if this was a proposal to invite legislators to a meeting between now and March 24, to show that the Board is serious about these issues.

Ms. McKeel said that the meeting also needs to include the School Board – and possibly the City – because the more people at the table, the stronger the message will be. She added that she would also be interested in having Dr. Moran let them know how the Virginia School Board Association, the Superintendent's Association and VACO feel about this. Mr. Foley said staff can work on trying to schedule a meeting.

Mr. Davis stated that procedurally this will be difficult to coordinate. The Board will need to call a special meeting once the meeting date is determined.

Ms. Mallek said that the Ash Lawn meeting is scheduled to be held on March 18, and at that point they could announce the meeting date.

Mr. Foley stated that they will have to have the date by the March 18 meeting, and that will provide some limitations.

Mr. Davis said that he is not certain that the March 18 meeting is intended to be open to the public, so that would not constitute a Board meeting.

Mr. Foley said that it might be better for the Board to call a special meeting that includes meeting with legislators, and they could try to coordinate that with the School Board – with a minimum agenda being the presentation of information about the stance of other organizations on these issues.

Ms. McKeel stated that it is most important to have the legislators there, and the meeting date needs to meet the most of their schedules.

Ms. Dittmar asked about an additional date for a budget work session.

Board members then discussed potential dates and times for such a meeting, and agreed upon April.

Ms. Palmer expressed concern about having a meeting without time to process information from the meeting the previous evening.

Mr. Davis said that there are no public hearings scheduled for the evening of April 9, but there is an afternoon work session on the courts project.

Mr. Foley reiterated that they have an afternoon work session scheduled for 4:00, so the Board could have the meeting after that. Board members concurred.

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Agenda Item No. 3. Adjourn.

At 5:15 p.m., the meeting was adjourned.

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Chairman

Approved by Board
Date: 10/01/2014
Initials: EWJ