

Strategic Investment and Transformation That Reshape our Future

Balanced Two Year Fiscal Plan
Work Session #2
November 17, 2016

The Two Year Fiscal Plan

Board Work Sessions – Desired Outcomes



Today's desired outcome: After overview, the Board considers the following:

How well does this plan implement the Board's direction?



Are there adjustments the Board would like to see?

Today's agenda

- ❑ Review Plan highlights
- ❑ Review how Plan addresses:
 - Strategic Plan
 - Transformation
 - Quality Organization
- ❑ Consider what it does not address
- ❑ Board discussion – How well does the plan implement the Board's direction?

- Building blocks established by long range planning and FY 17 budget
- Shaped by strategic plan and priority driven budgeting
- Opportunities provided by stronger than previously projected revenues and one-time year end funds
- Utilizes funding formulas for Schools and CIP
- No tax rate increases for operating costs and CIP tax rate increase delayed
- Strategic use of new revenue and one-time money
- Incorporates transformation concepts that reduce costs and improve productivity
- Enhances use of dedicated revenue for specific services
- Continue to face unmet needs

Plan Highlights

Guiding Principles

1

Prioritize Services

- Evaluate relative importance of individual programs/services

2

Do The Important Things Well

- Cut back on the rest

3

Question Past Patterns of Spending

- Put all the money on the table

4

Know the True Cost of Doing Business

- Focus on full costs of programs

5

Provide Transparency

- Base budget decisions on well understood priorities and results

Plan Highlights - Revenues

Cautious Optimism

- Positive housing market
 - Reassessment projections - 1.8% increase CY 2017 and 2% increases for each year going forward
 - FY 17 - 1.8% for each calendar year
 - New construction/land divisions estimated to add \$137M in taxable real property values as of Jan 2017
 - FY 17 - \$100M
- Local economy better overall
- Fund balance provides one-time money for strategic investment
- Shifts burden of stormwater mandates from real estate tax rate to stormwater fees
- Delays previously projected real estate tax rate increase for CIP from FY 18 to FY 19
- Economic uncertainty remains

Summary

General Fund and Fire Fund Revenue – Estimated increases per year

FISCAL YEAR	FY 18	FY 19
Revenue increases - <i>state, local and federal</i>	4.0% \$10.3M	3.3% \$8.8M
Increase ...after <i>including planned use of fund balance and transfers</i>	4.5% \$12.2M	2.6% \$7.4M*

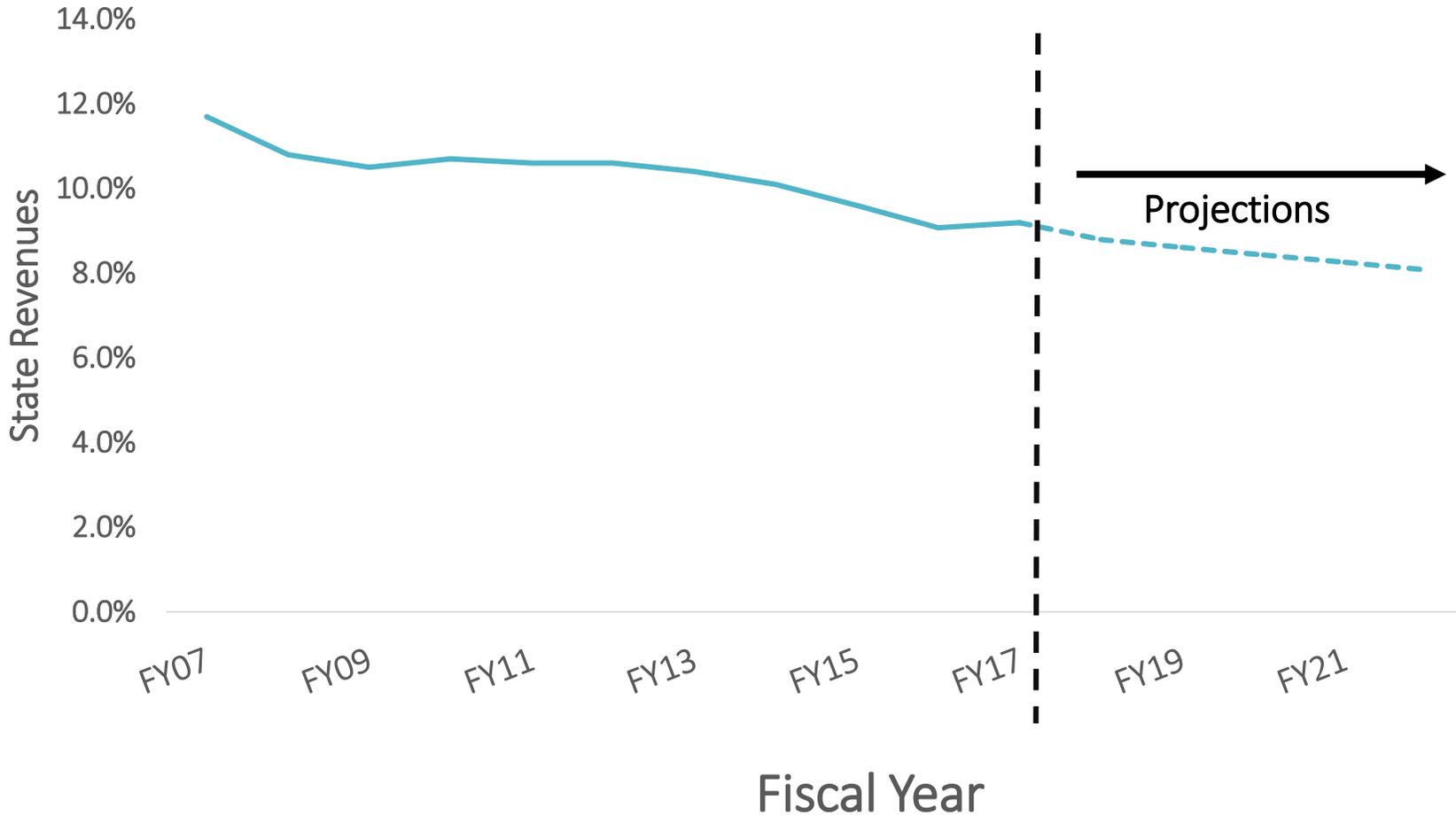
*Reduction in \$ amount due to anticipated decrease in use of fund balance, when compared to FY 18

Projected Percent Revenue Growth By Category General Fund and Fire Fund

	FY18 Projected	FY19 Projected
Real Estate Taxes*	3.3% \$4.5M	3.6% \$5.0M
Real Estate Tax Rate	83.9	84.5*
Other General Property Taxes	9.5% \$3.0M	2.3% \$0.8M
Other Local Taxes	3.8% \$2.0M	2.3% \$1.2M
Other Local Revenues	8.4% \$0.7M	16.8% \$1.4M
State Revenues	(0.2%) (\$44K)	0.3% \$67K
Federal Revenues	5.6% \$0.3M	4.7% \$0.3M

*Real Estate revenues reflect anticipated real estate tax rate change of 0.6 cents in FY 19. This is the result of the anticipated increase of 1.3 cents for capital projects and a decrease of 0.7 cents associated with the replacement of the Water Resources dedicated tax rate with Stormwater Fees.

State Revenues as Percent of General Fund Budget



State Budget Challenges - Potential Issues for Counties

- Increased funding pressures on School Division
- Shifting of more CSA expenditures to localities
- Reduced Sales Tax Revenues
 - K-12
 - Regional transportation
- Public Safety funding not adequate

*Fiscal Analytics, Ltd.
Nov. 14, 2016*

Strategic Use of One-Time Money

General Fund *estimated* FY 16 End-of-Year Fund Balance
Preliminary End-of-Year FY16 Financial Report
presented to the Board of Supervisors on October 5, 2016

Audited Fund Balance as of June 30, 2015			\$39,855,507
	<i>Total FY 16 estimated Revenues (1.03% above budgeted amount.)</i>	\$255,007,275	
	<i>If the Board <u>did not</u> raise the tax rate during the FY 16 year, the FY 16 revenues would have come in at 0.4% over the budgeted amount.</i>		
	<i>Total FY 16 estimated expenditures (1.4% under budgeted amount)</i>	(\$248,798,020)	
FY 16 Estimated Revenues Over Expenditures			\$6,209,255
Projected, un-audited Fund Balance as of June 30, 2016			\$46,064,762
Policy Use of Fund Balance (includes 10% Reserve, School's Reserve Fund, CAFR required inventory and pre-pays.)			(\$33,738,188)
Board of Supervisor's currently approved uses of Fund Balance (<i>*includes a \$1,788,455 rainy day fund</i>)			(\$3,690,873)
Balance anticipated to be available for one-time uses in current year/2 year fiscal plan			\$8,635,700

Recommended Uses of One-Time Money

FY17 – Approved and Recommended Uses	
FY 17 Appropriations (carry over and other one-time uses of departmental savings)	\$363,155
Acquisition of Conservation Easements (ACE) matching funds for grants	250,000
Subtotal, FY17 Uses	\$613,155
Continue Contingencies/Reserves	
Net change to continue Rainy Day/Stabilization Fund Reserve, however, reduce amount from \$1,788,455 (current amount) to \$1,750,000	(\$38,455)
Continue contingency reserve for Fuel & Utilities	256,000
Subtotal, Contingencies	\$217,545
Strategic Use of One-time Monies - Recommended 2 Year Fiscal Plan Uses	
Additional cash to CIP for capital projects	\$3,500,000
Additional cash for CIP -targeted for Transportation Revenue Sharing to support neighborhood revitalization	2,000,000
Board’s Strategic Priority Support –neighborhood revitalization initiatives, i.e. small scale planning and improvements	320,000
Economic Development Fund – Economic Development Investment Opportunities Support	480,000
Economic Development Fund – Economic Opportunities Fund	150,000
Board’s Strategic Priority Support – support for at-risk four year olds, Pantops Master Plan/Rivanna River, and Family Support initiatives	100,000
Transformational Initiatives – i.e. records management, fleet management, fundraising efforts, OA pool	275,000
Grants Matching Fund	100,000
Innovation Fund	150,000
Departmental Workload Capacity - Contractual/Temp Support	500,000
Staffing Plan – One-time costs Buyer position, Asst. Co. Attorney one-time costs, Police Officer positions – one-time costs	230,000
Subtotal, Recommended 2 Year Fiscal Plan Uses	\$7,805,000
Total	\$8,635,700

- ▲ Advancing strategic priorities
- ▲ Maximizing transformation
- ▲ Sustaining a quality organization

Three Focus Areas

First...funding shared by formula/funding guidelines

	FY 18	FY 19
School Division	\$4.6M	\$2.8M
CIP/Debt	\$896K	\$550K
Fire Rescue	\$546K	\$360K
Water Resources	\$47K	\$33K* *Funded by Stormwater Fee

Note: General Government also will continue to provide ~\$2M annually in support to the School Division (primarily thru Finance and County Attorney's Departments) Source: April 2016 cost allocation study

Revenue Sharing
with the City of
Charlottesville
increases in
each year of the
plan

Fiscal Year	Total	\$ Change	% Change
FY 11	\$18.5M	\$0.4M	2.3%
FY 12	\$18.1M	(\$0.3M)	(1.9%)
FY 13	\$17.5M	(\$0.6M)	(3.1%)
FY 14	\$16.9M	(\$0.6M)	(3.4%)
FY 15	\$16.5M	(\$0.5M)	(2.7%)
FY 16	\$16.1M	(\$0.4M)	(2.5%)
FY 17	\$15.8M	(\$0.3M)	(1.8%)
FY 18	\$16.1M	\$0.3M	1.9%
FY 19	\$16.4M	\$0.3M	1.8%



Advancing strategic priorities

Focus Area 1

1) Plan supports Strategic Priorities

- Redevelopment and Revitalization
- Economic Development
- Salary compression remedy
- School Facility Needs
- Educational Opportunities for at-risk four year olds
- Family Support program
- General District Court expansion
- Water Resources/Stormwater Funding
- Pantops Master Plan including Rivanna River Corridor

Strategic Priorities

❑ Redevelopment/Revitalization

- One-time funding for strategic initiatives (previous chart)
- Increase of \$2M for transportation revenue sharing (CIP) to support neighborhood revitalization
- Staffing resources – beginning in FY 17
- Service district concept to be discussed during December 7th work session

Strategic Priorities

- ❑ Economic Development Fund – Three Objectives:
 1. Match specific state grant opportunities
 2. Encourage economic investment in development areas to support neighborhood revitalization
 3. Implement Priority Economic Development Initiatives

Economic Development Fund	FY 18	FY 19
Economic Investment Pool/Development Areas/Urbanization Initiative - supported with <i>on-going funding</i>	\$250,000	\$250,000
Economic Opportunities Fund -supported with one-time end-of-year GF fund balance	\$150,000	\$150,000
Economic Development Investment Opportunities Support - New in FY 18 Supported with one-time end-of-year GF fund balance in FY 18	\$480,000	
Totals:	\$880,000	\$400,000

Strategic Priorities

☐ Remedy for Salary Compression

- Fully implements across the organization including police

FY 18	FY 19
\$383,000	7,660

☐ Support for other strategic initiatives

- Expansion of the General District Court included in CIP (moved out one year based on current timing)
- Stormwater fee replaces water resources dedicated tax rate funding in FY 19
- School Facility improvements - Bond Referendum passed November 8
- Strategic use of one-time monies:
 - Educational opportunities for at-risk four year olds
 - Increased resources for Family Support Program
 - Pantops Master Plan/Rivanna River Corridor

Maximizing Transformation

Focus Area 2

Reduces costs for ongoing obligations = Reduced increases

	FY 18	FY 19
Health Insurance Fund	7% Increase \$404K	8% Increase \$493K
Children's Services Act (CSA)	-\$190K	continues at level funding

Boosts Productivity/Efficiency

- Purchase card program – projected to save \$60,000
- Increasing amount of “budgeted salary lapse” from 1.25% to 1.5% - supports an additional \$98K in operating costs
- Reduction in overtime costs estimated at \$55K beginning in FY 18
- Finance process improvements – surplus management, paperless paychecks, automation, exterior kiosk, insurance savings. Collectively projected to save \$116K

Transformation

Reinventing Business Processes

- **Consolidation**
 - Implement OA pool – projected to save \$45,000 in FY 19
 - Office of Housing Transformation:
 - Federally-funded Housing Choice Voucher Program/ABRT = DSS
 - Housing policy development - CD
 - Grant development and management (primarily CDBG) – OMB/CD
 - Centralize our approach to fleet management procurement, maintenance schedules
- **Technology**
 - Transition Copy Center to Imaging Center
 - Kiosk for Finance Dept. customers in advance of June billing
 - Advancing records management effort
- **Growing Innovation**
 - Innovation Fund expanded

Sustain Quality Organization

Focus Area 3

Plan sustains quality organization

Supports Existing Workforce

- Market adjustment for employee compensation
- Health care premiums
- Classification reviews
- Compression Remedy

Plan sustains quality organization

Building Workforce of the Future

Staffing Plan	3 FTE positions in FY 17	6.5 positions in FY 18	4.5 FTE positions FY 19
New Positions	<p>2 FTE Planner positions</p> <p>1 FTE Permit Intake support position (temp.)</p>	<p>1 FTE Asst. County Attorney position</p> <p>1 FTE Fleet Mgmt. Supervisor – Fire/Rescue</p> <p>0.5 FTE Mgmt. Analyst position - OMB</p> <p>2 FTE Police Officer positions beginning mid-year</p> <p>1 FTE Crime Analyst – previously partially grant funded</p> <p>1 FTE Buyer position – Finance (temp.)</p>	<p>0.5 FTE Assistant Commonwealth Attorney position</p> <p>1 FTE Mgmt. Analyst position – Finance</p> <p>2 FTE Police Officer positions</p> <p>1 Diversity Inclusion Generalist position – HR (temp.)</p>

Additionally, \$500,000 placed in contractual/temp pool –to support workload/capacity across organization (one-time funding)

Capital Improvement Plan

- Based on currently Adopted CIP
- Adjusts five-year time-span from FY 17 - FY 21 to FY 18 -FY 22
- Updates Revenue Projections
 - Growth in GF revenues transferred to CIP per formula
 - Use of additional one-time funds
 - Delays capital tax rate increase to second year of the plan
- Updates Expenditure Projections
 - Slight adjustments made by Technical Review Committee
 - Courts moved out one year based on current timing
 - Transportation revenue sharing increased by \$2M to address strategic priorities
- CIP Oversight Committee beginning review - Amendment year process

What the Two Year Fiscal Plan does not address/Continued Challenges

- Constrained CIP
- Staff capacity challenges
- Continued threat of uncertain economy
- School Division's needs-based forecast
- Aspirations not fully met

How well does this plan implement the Board's direction?



Are there changes you would like to see?

Next Steps

Wednesday, December 7 –

- BOS Work Session — A focus on Service Districts
- Public Comment on 2 Year Balanced Fiscal Plan

Wednesday, December 14 – 3:00pm-5:00pm - BOS Work Session –
Approve Balanced Two Year Fiscal Plan/Guidance for Annual Budget