

Long Range Fiscal Planning and Policy Discussion

Joint Meeting
Board of Supervisors and School Board
September 14, 2016

Meeting Purpose & Outcomes

- ❑ Revisit shared guiding principles for plan development
- ❑ Set the context for developing the County's Balanced Two Year Fiscal Plan/Five Year Financial Plan
- ❑ Preview the County's financial situation
- ❑ Review Funding Formula
- ❑ Increase shared understanding of School's Enrollment Growth and Demographic Changes

Today's Agenda

- Discuss Guiding Principles for the Upcoming Process
- Review FY17 Adopted Budget strategies including Priority Driven Budgeting
- Preview – long-range fiscal planning approach; revenue and expenditure drivers that will influence the upcoming budget process
- Review Funding Formula
- School Division – Enrollment Growth and Demographic Changes
- Timeline/Next Steps

Common Ground

WORKING TOGETHER DURING THE UPCOMING PROCESS

Guiding Principles - October, 2014

- **Shared understanding:** *We will have a shared understanding of basic facts, clarified assumptions, processes, and the needs of both the Local Government and the School Division.*
- **Staff Capacity:** *Our organization will have adequate staff capacity across all functional areas with a focus on both performance competencies and the number of employees required to meet service demands.*
- **Mandates and Obligations:** *We recognize the continuing challenge of meeting evolving mandates and obligations and their impacts on local resources.*
- **Compensation and Benefits:** *We will strive to maintain our salaries and compensation in accordance with our identified market and to the principles of commonality.*
- **Physical Infrastructure:** *We will invest in physical infrastructure that addresses community needs and priorities.*

Guiding Principles – October, 2014

- **Implementation of Strategic Plans:** *We will make progress towards achieving the goals in our Strategic Plans.*
- **Prevention:** *We will focus on proactive approaches and prevention strategies*
- **Changing Demographics:** *We will anticipate and position ourselves to address current and projected demographics.*
- **Public Engagement/Involvement:** *We will actively involve the public in our long-range financial planning processes.*
- **Fiscal Responsibility:** *We will strive to provide quality services within a reasonable tax obligation for county residents, aggressively pursuing additional resources through alternative revenue sources that do not rely on real estate taxes.*

FY 17 Budget Strategies

INVESTMENTS TO CREATE LONG TERM OPPORTUNITIES

A solid green horizontal bar at the bottom of the slide.

Priority Driven Budgeting – How It Works



- Focuses decisions on results and priorities - budgets resources according to how effectively a program or service achieves goals that are of greatest value to the community
- Emphasizes accountability, innovation, and partnerships
- Utilizes a program and service inventory

Priority Driven Budgeting Improves Our Ability To . . .

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

Priority Driven Budgeting is Helping Communities Across the Country

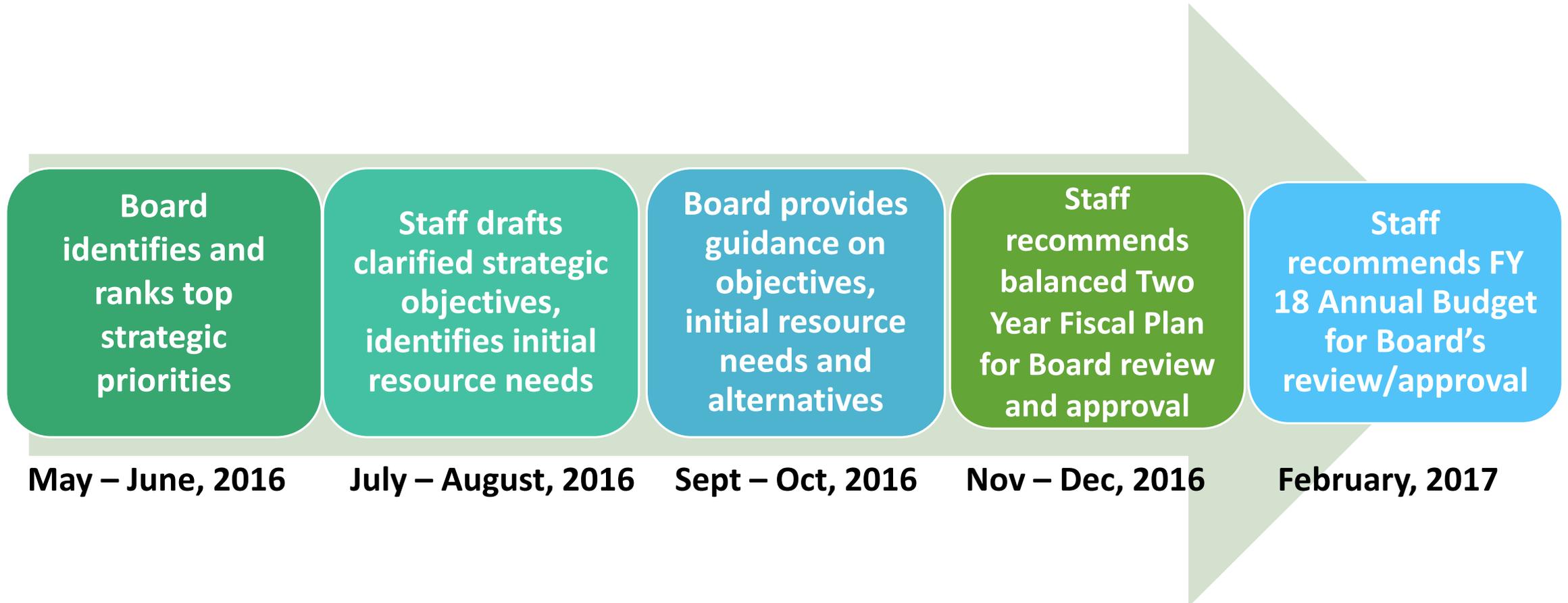


“The Fort Collins economy is changing, the times of double-digit revenue growth are over.”

“The short term approach of spending down reserves, freezing employee wages, and not filling vacant positions is not sustainable, that approach only leads to mediocrity.”

“We need to better align the services delivered by Fort Collins to the things that are most important to our community.”

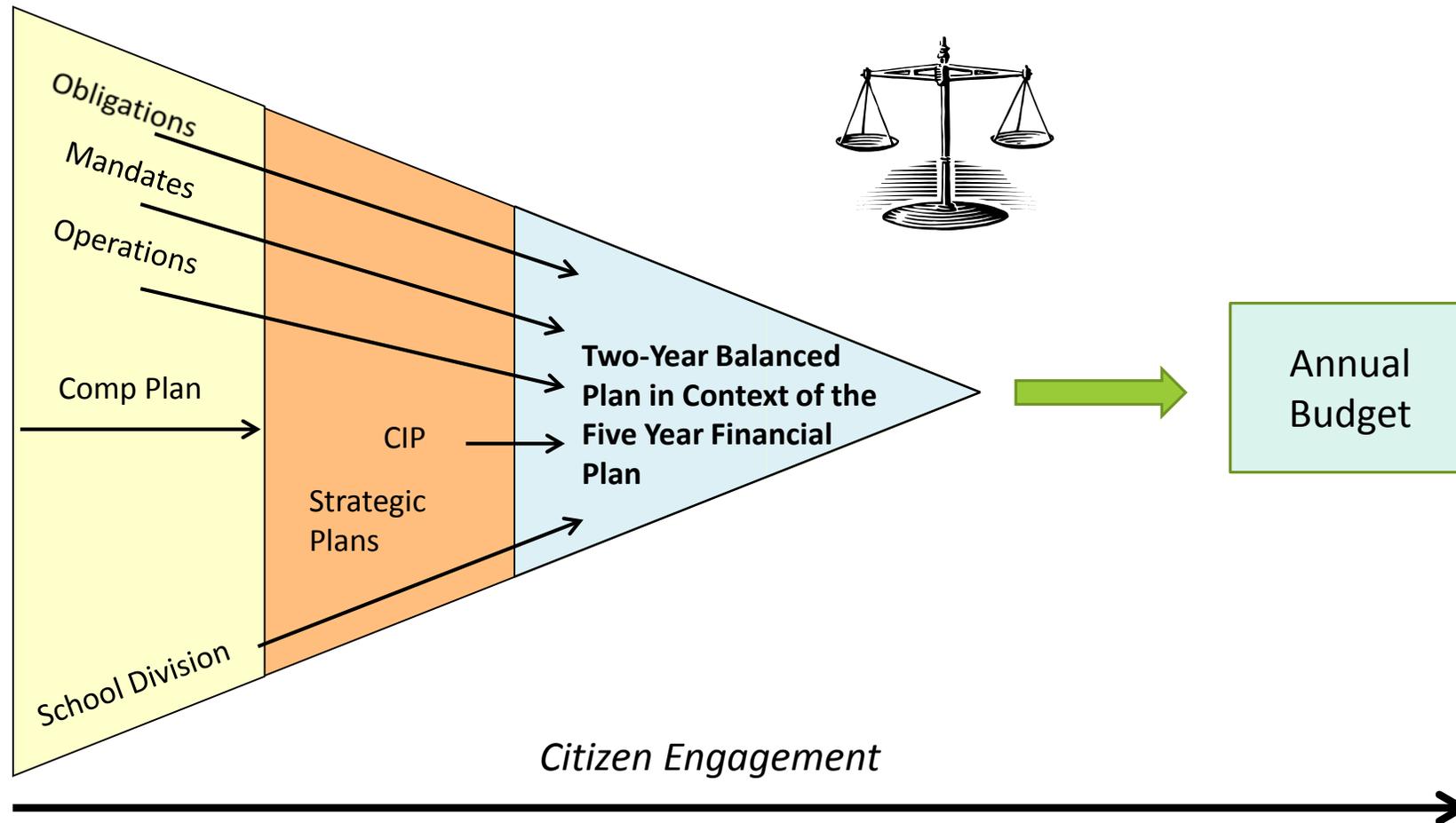
Priority Driven Budgeting - Timeline



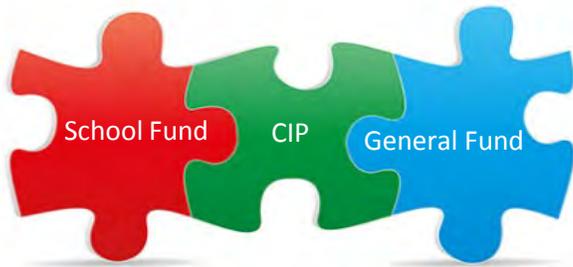
Investment in Meaningful Solutions

- Increased capacity for grant attainment
- Reallocation pool
- Technology/productivity assessment
- Outside efficiency/transformation study
- Implementation of joint internal efficiency/trans recommendations
- Increased economic development investment
- Increased transportation revenue sharing funding

Albemarle County's Budgeting Process



Long Range Financial Planning



These three funds = 90% of Total County Budget

- Critical process for our AAA bond ratings
- Assumptions are based on the best information available at the time

The County's Long Range Fiscal Planning Process has indicated...



...Focus this fall is to *balance the First Two Years of the Plan...*
Utilizing Priority Driven Budgeting Principles

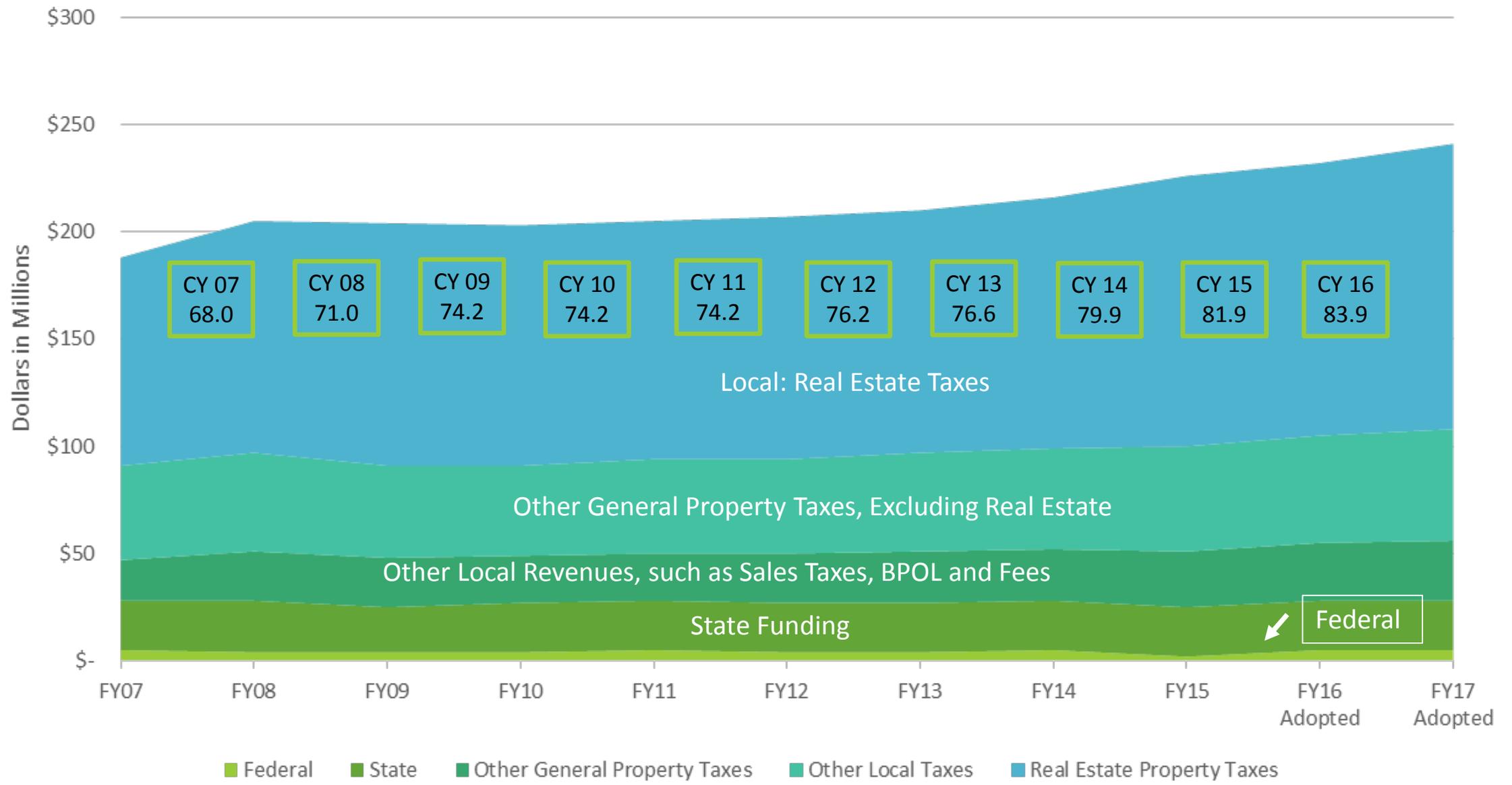
Financial Planning Process

- Long-Range Planning
 - County and Schools continue to collaborate on Five Year Financial Forecast
 - County will be developing balanced Two Year Fiscal Plan
- Annual Budget
 - Schools submit an annual needs-based budget as required by state-code and tempered by fiscal circumstances
 - County Executive required to submit a balanced annual budget

Preview

REVENUE AND EXPENDITURE DRIVERS

General Fund Revenues - Over Time

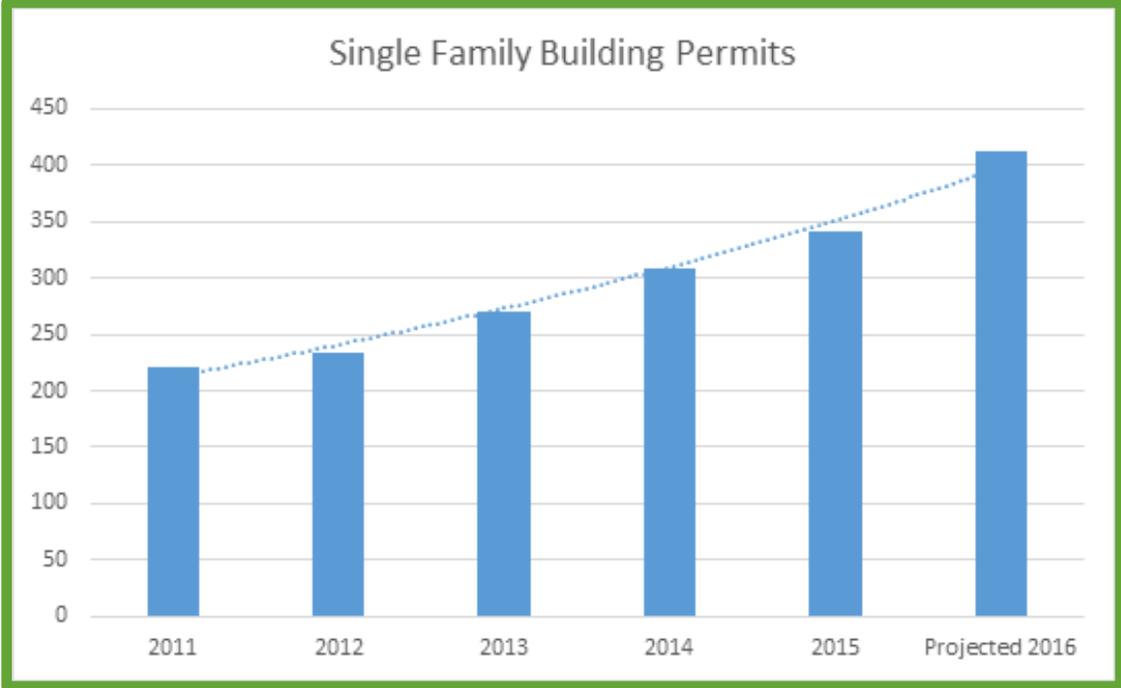


Initial revenue projection update reflects stronger economic activity

Community Development Department seeing increase in number of building permits

Revised BPOL, Sales Tax, Food and Beverage revenue projection for FY 18 expected to increase by \$1.6 M over projections this time last year

Local CAAR's indicators show more sales, less active listings, and less days on the market than the past 5 years' average



Broader Context

“Lengthy, unsteady recovery from the recession”

“Volatile stock market”

“Sluggish growth in overall U.S. GDP during the first half of CY 2016...economy appears to be gradually shifting into a lower speed”

“...an economy pulled in two directions...”

“Analysts have cautioned that job growth will probably slow as businesses fill available positions.”

"The problem is...the jobs being created are not necessarily full-time or as high-paying as those that were lost in the recent recession."

State-Related Budget Challenges on Horizon



- **Revised forecast reduces \$564M in FY17 and \$633M in FY18**
 - Reduced income tax collections and lower than expected sales taxes
- **Revenue update reduces revenue growth:**
 - From 3.2% to 1.7% in FY17
 - From 3.8% to 3.6% in FY18
- **Plan to address will become more known in next few months:**
 - Do not provide raises for state-supported workers and teachers
 - Use Revenue Stabilization (“Rainy Day”) fund
 - Cut funding for State agencies
 - Additional budget reductions – Reduction in Aid to Localities? School Impact? Other?

Expenditure Drivers

WHERE WILL THE MAJOR BUDGET PRESSURES COME FROM?

Examples of Potential Expenditure Drivers

- Revenue Sharing with the City
- Resources to support strategic plan priorities
- Maintain market-competitive salary and benefits, such as:
 - Compression
 - Health Insurance
 - VRS (Schools)
- Resources to address core capacity issues – population growth/urbanization/changing demographics
- ***Approved CIP currently includes 1.3 cent tax rate increase in FY 18 and a 2.1 cent tax rate increase in FY 19***

Funding Formula

SHARED UNDERSTANDING OF OUR BUDGETING GUIDELINE

History

- Established more than 30 years ago;
- Objective is to provide consistent, predictable allocation of revenue growth;
- Represents budgetary “guideline” and not an absolute policy (schools required to submit needs-based budget therefore formula cannot be considered final);
- Pertains to allocation of *new growth only* and not to overall budget.



What is the formula guideline?

From the Board of Supervisors' approved financial policies:

- *The County shares 60% of the increase or decrease in available shared local tax revenues with the School Board.*
- *Available shared local tax revenues are additional or reduced tax revenues that can be used for County and School Division operations after subtracting any increases and adding any decreases in debt service, capital improvement program funding, City of Charlottesville revenue sharing, tax relief for the elderly and disabled, tax refunds, and any shared reserves for contingencies.*
- *This guideline may be reviewed annually.*

How does the formula work?

WHAT ARE THE SHARED REVENUES?

- general property taxes
- sales tax
- consumer utility taxes
- business license tax
- vehicle registration
- recordation tax
- transient occupancy tax
- food and beverage tax, and other local tax revenue sources
- Personal Property Tax Relief (PPTR)

WHAT'S TAKEN OFF THE TOP?

- transfer to capital and debt service
- City revenue sharing
- tax relief for the elderly and disabled
- tax refunds
- shared contingency reserves
- an estimated portion of telecommunications taxes dedicated for E-911 operations
- **More recent: Growth associated with funding dedicated to Fire Services Fund and Water Resources Mandate**

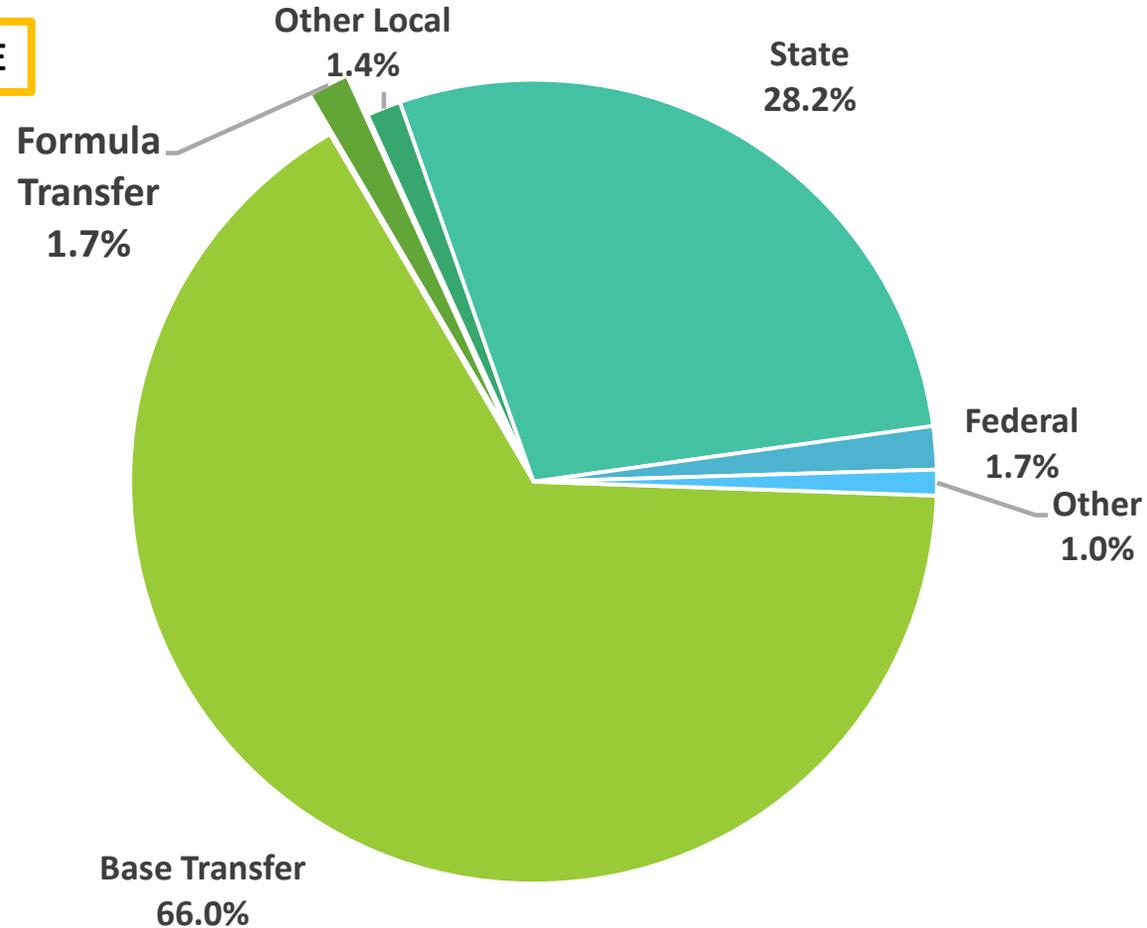
Formula Serves as a *Starting Point/Guideline*

- Formula often adjusted to address budgetary needs and requirements
- Examples of annual adjustments:
 - Dedications: Portions of the tax rate *dedicated* to school division, water resources, and fire rescue services
 - Reallocations: Funding reallocated from CIP/Debt Service to operations

Formula's Impact on School Division's FY 17 Budget

In FY17, the share of new revenue totaled \$2.9 Million, or 1.7% of the School Fund

SHARING OF NEW REVENUE



History – Sharing of the New Local Tax Revenues

Fiscal Year	Schools by Forumla	Schools - Dedicated	General Government by Formula	Gen Gov - Dedicated	Gen Gov - Water Resources	Gen Gov - Fire Rescue	% of New Shared Resources* after CIP Share Removed	CIP/Debt Service	CY Tax Rate
FY14	2,618,205	607,525	1,745,470	-	-	-	Schools: 65% Gen. Govt: 35%	493,376	2013 - 76.6¢
FY15	5,069,049	1,406,049	3,379,367	-	1,093,594	-	Schools: 59% Gen. Govt: 41%	956,106	2014 - 79.9¢
FY16	3,976,375	250,000	3,048,025	-	38,534	1,980,645	Schools: 45% Gen. Govt: 55%	(335,246)	2015 - 81.9¢
FY17	2,646,233	212,778	1,764,156	1,518,570	24,315	148,015	Schools: 45% Gen. Govt: 55%	2,286,804	2016 - 83.9¢



Enrollment Growth + Demographics Changes

JOINT BOARD MEETING – SEPTEMBER 14, 2016

Milestones

WHAT TO EXPECT/NEXT STEPS

A solid green horizontal bar at the bottom of the slide.

Next Steps Leading to Adoption of Balanced Two Year Fiscal Plan

- ❑ **September 29** – Board of Supervisors Work Session
- ❑ **October 11** – Board of Supervisors Work Session
- ❑ **October 12** – Joint Board of Supervisors/ School Board Work Session on Compensation and Benefits
- ❑ **November 9** - Draft Balanced Two Year Plan presented to the Board of Supervisors
- ❑ **November 10 – December 7** – Work sessions, public hearing
- ❑ **December 14** - Adoption of Plan



Enrollment Growth + Demographics Changes

Joint Board Meeting – September 14, 2016

Overview

1

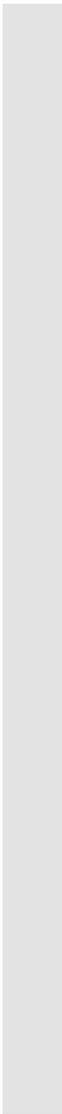
Enrollment Growth

2

Demographics:
Financial & Facility Impact

3

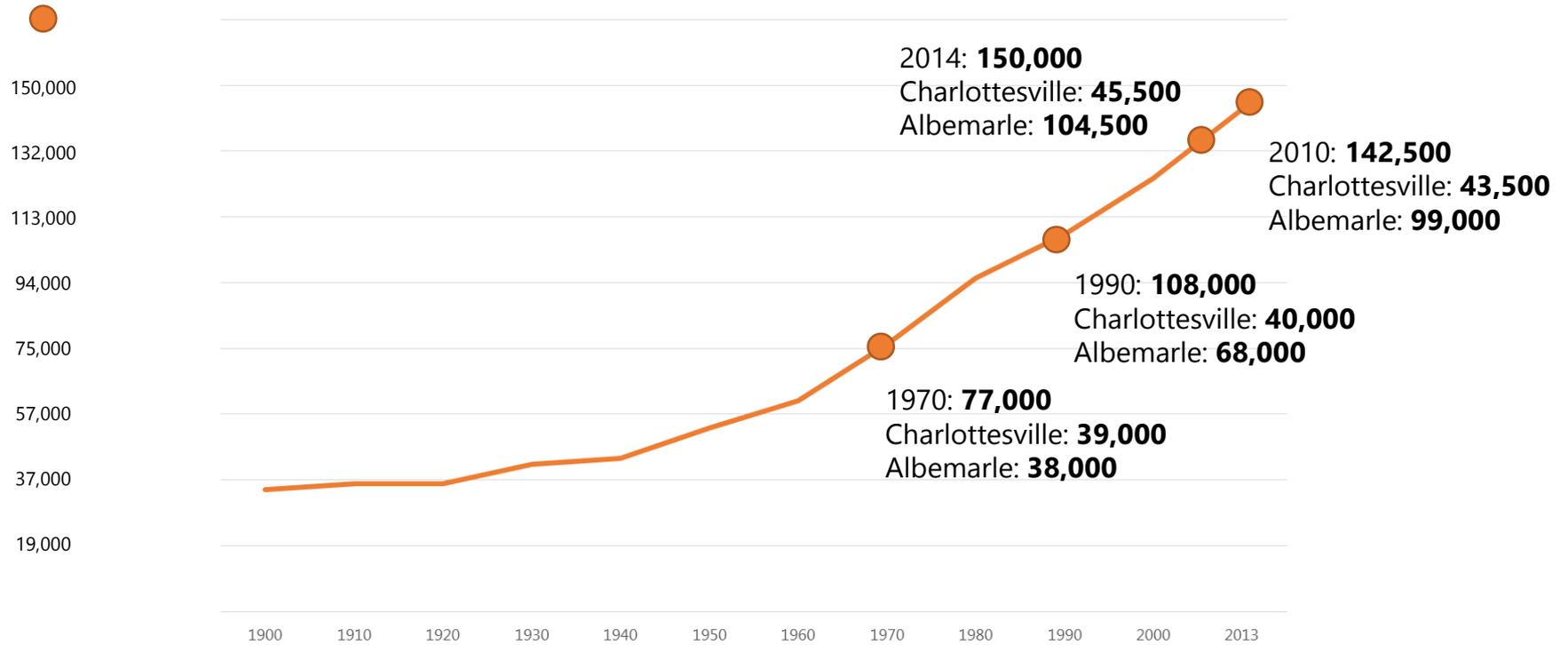
Demographics:
School by School Comparison



enrollment &
population growth

Cville-Alb

Population Growth in Charlottesville and Albemarle

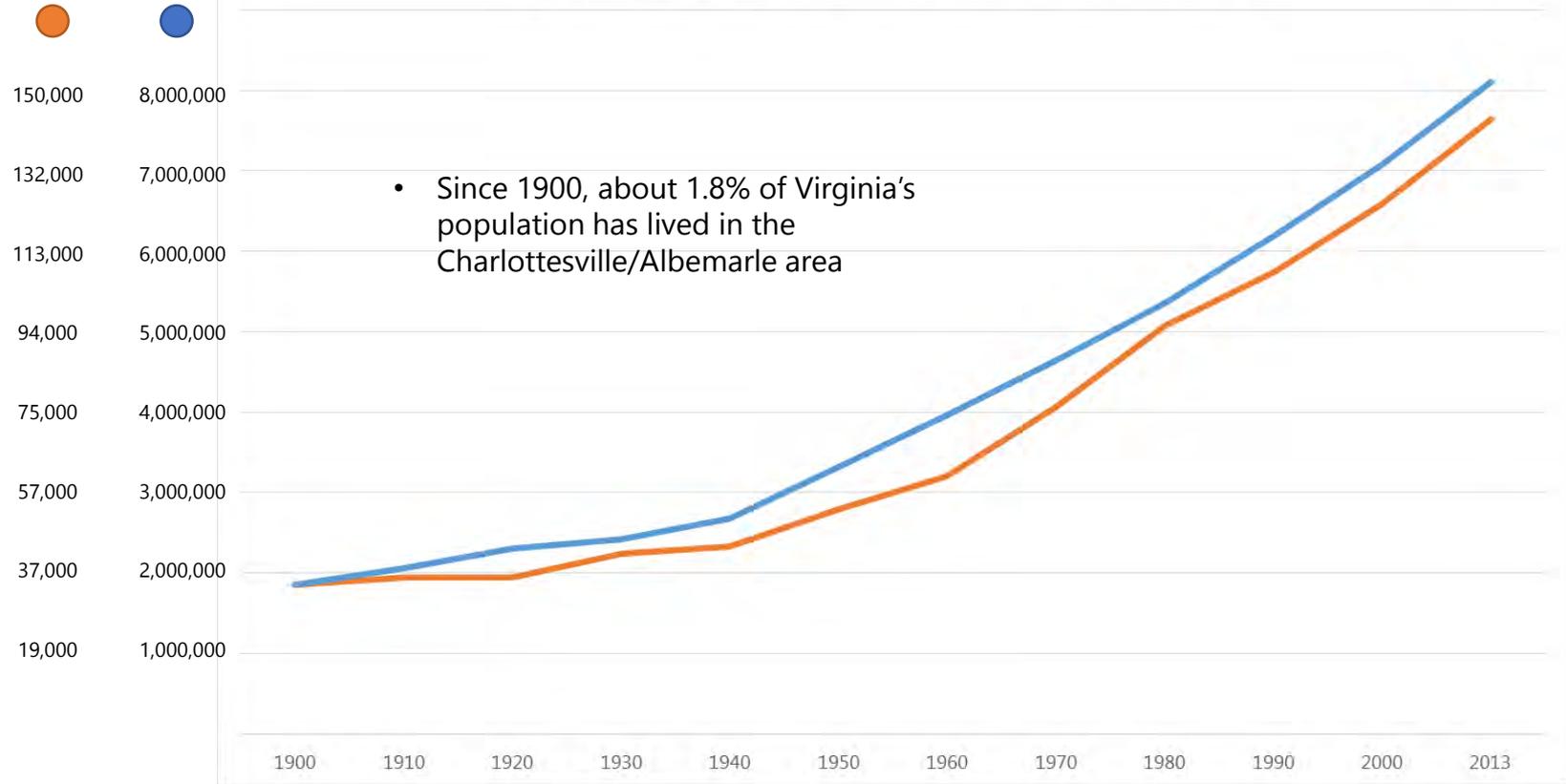


Source: U.S. decennial census and 2014 population estimates

Cville-Alb

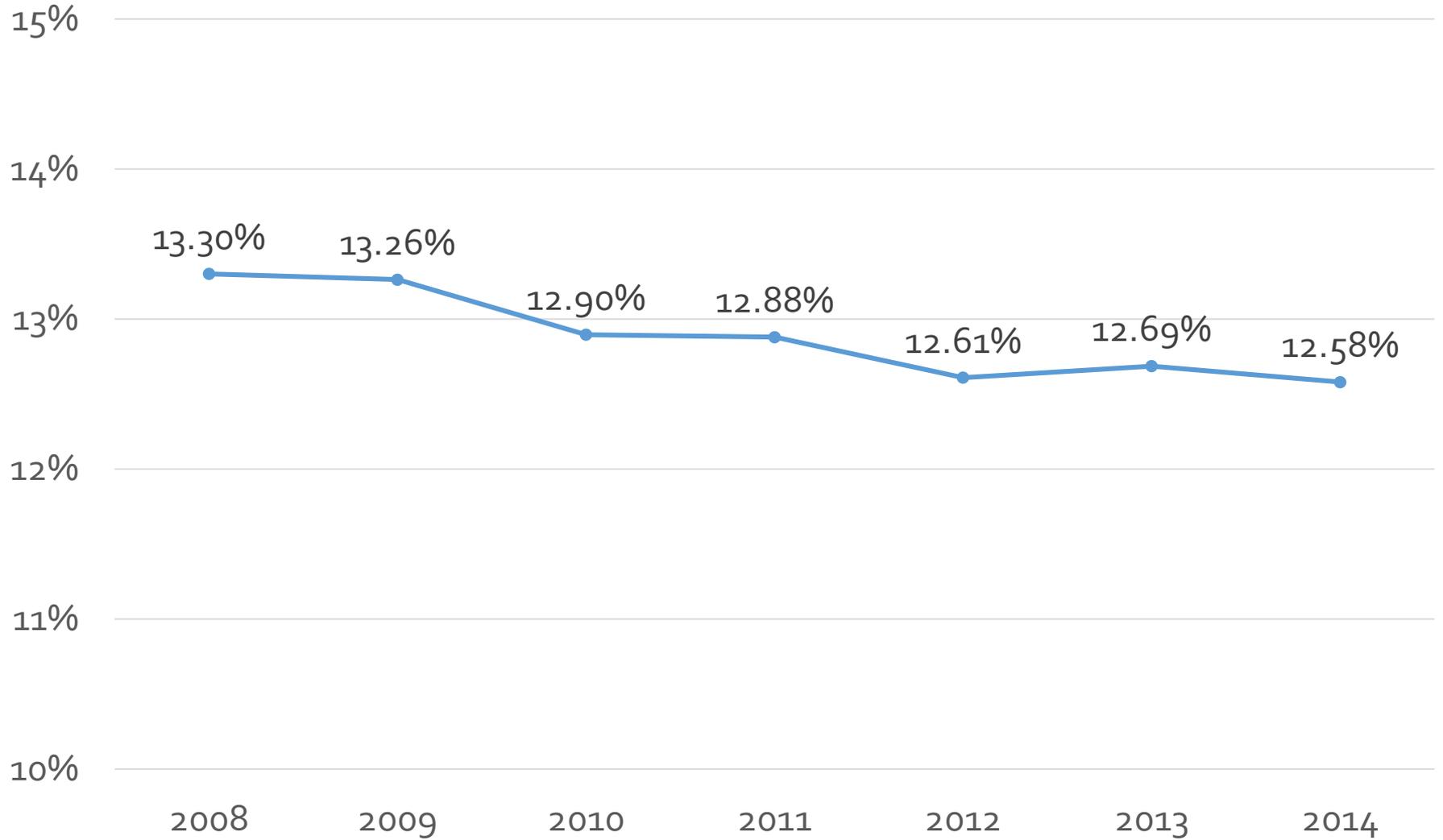
Virginia

Population Growth in Charlottesville and Albemarle

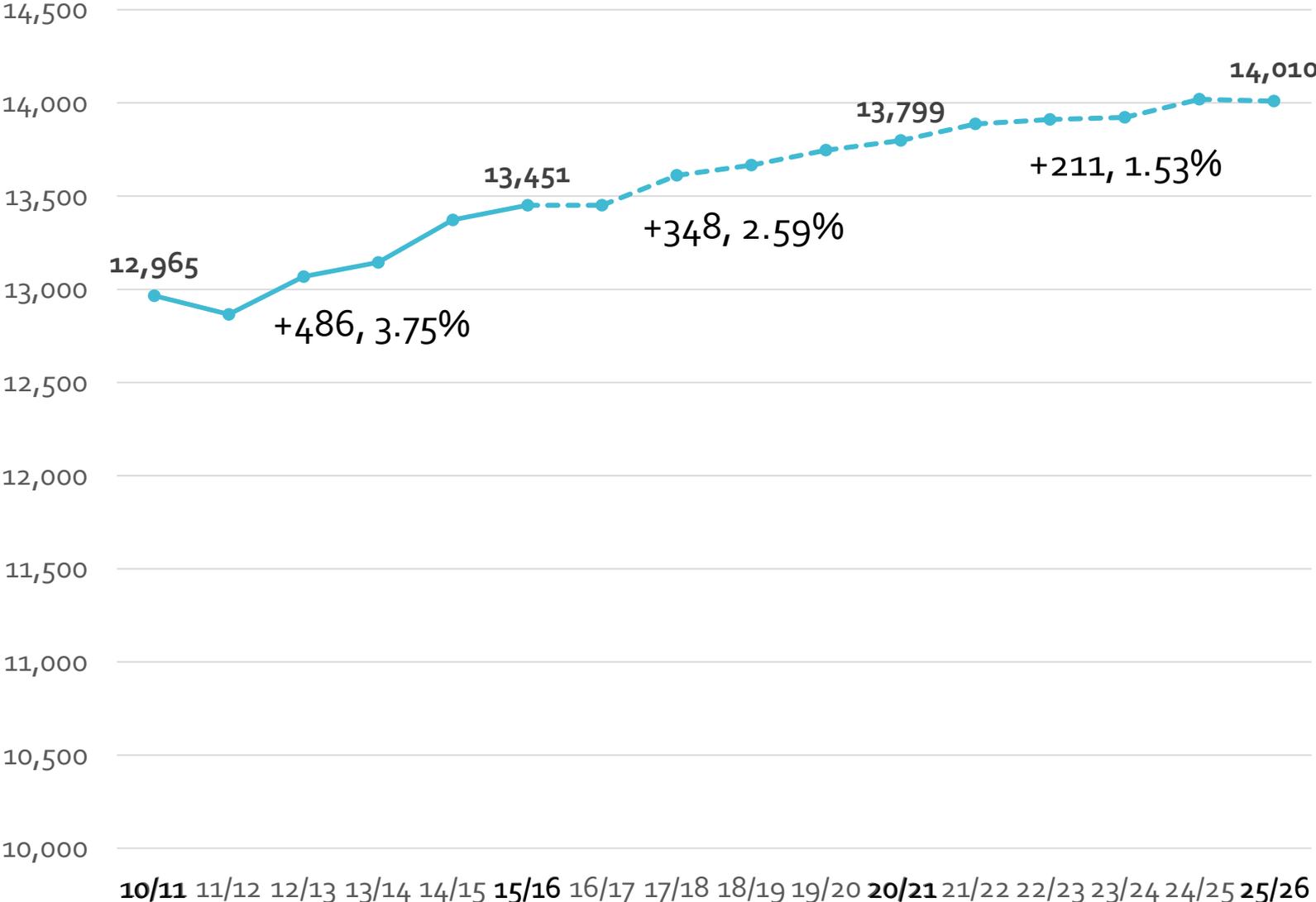


Source: U.S. decennial census and 2014 population estimates

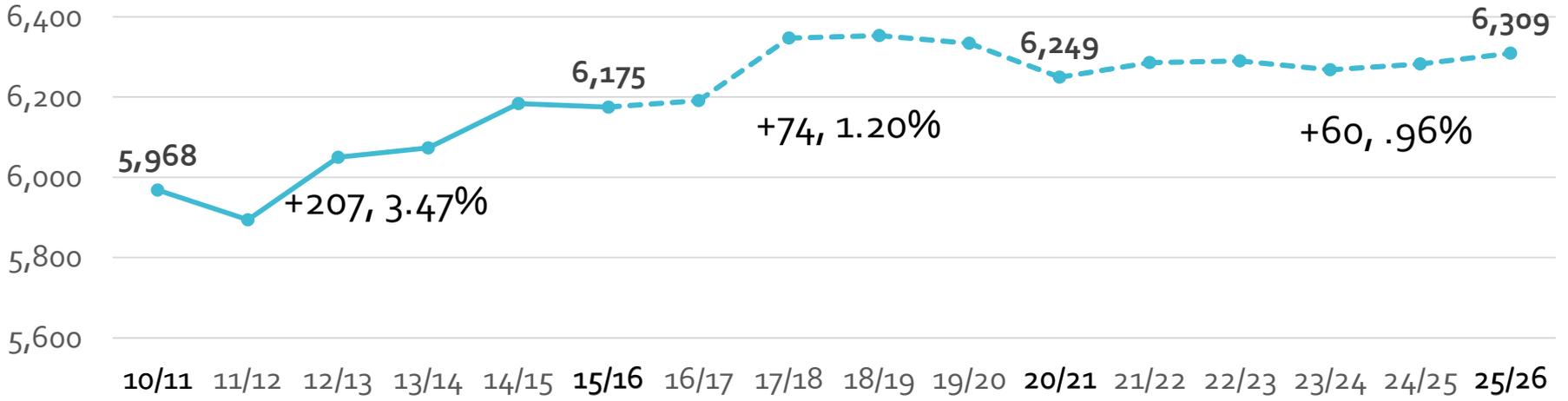
ACPS Enrollment as a Percentage of Albemarle County's Population



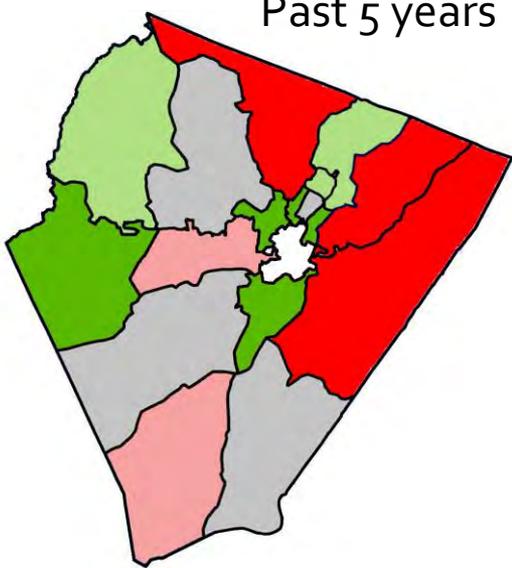
Enrollment Projections (K-12)



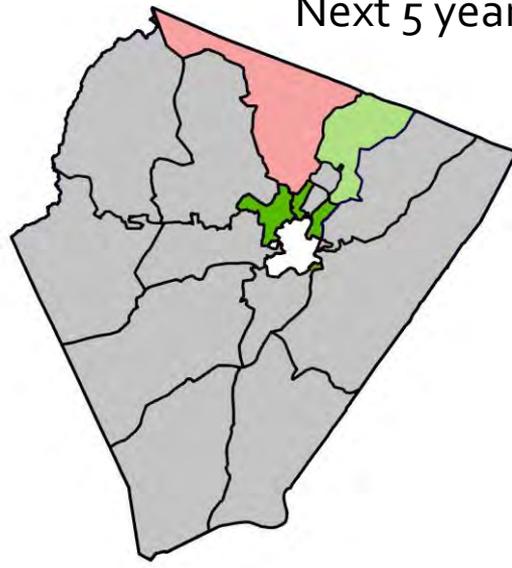
Elementary School Enrollment Growth



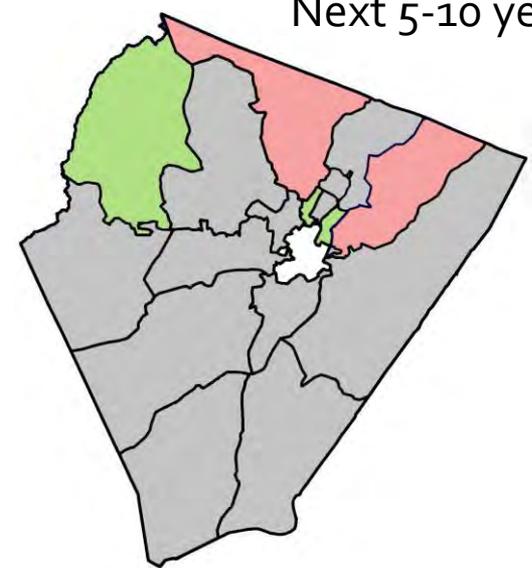
Past 5 years



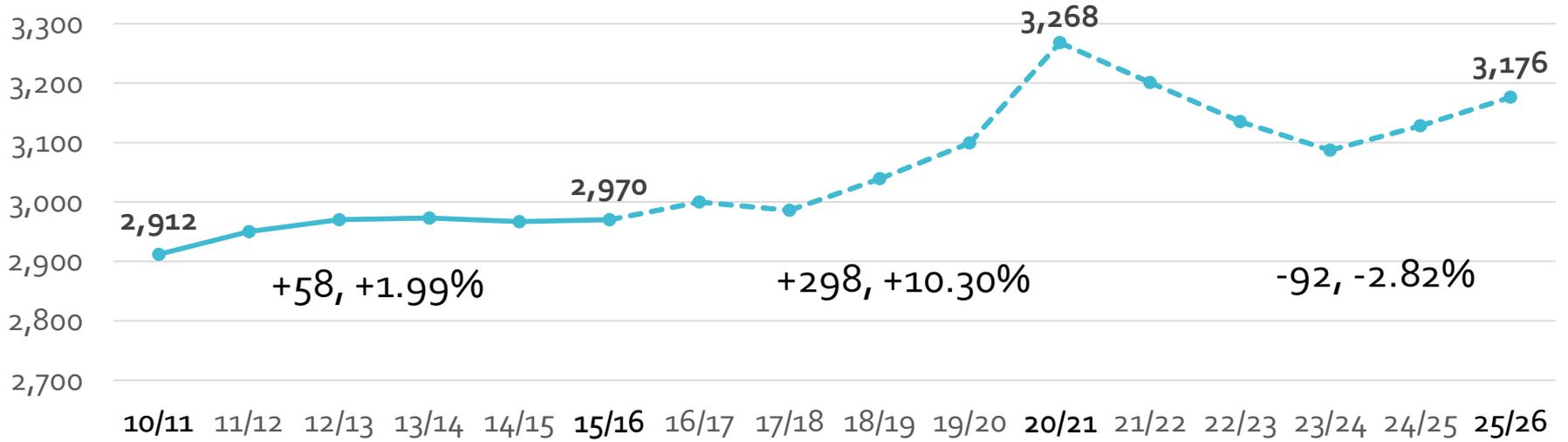
Next 5 years



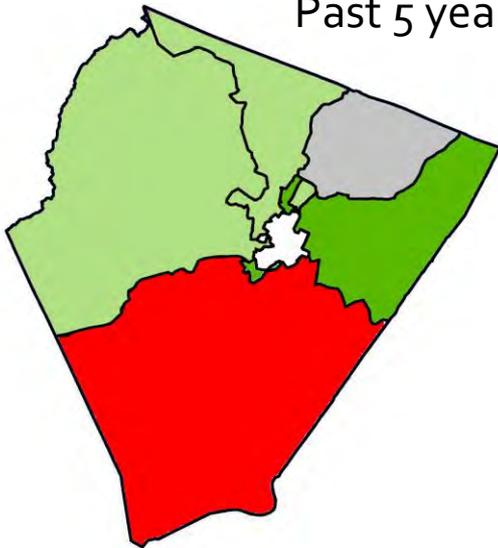
Next 5-10 years



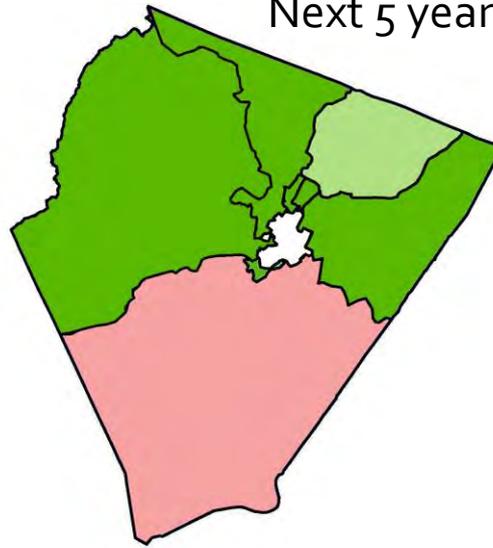
Middle School Enrollment Projections



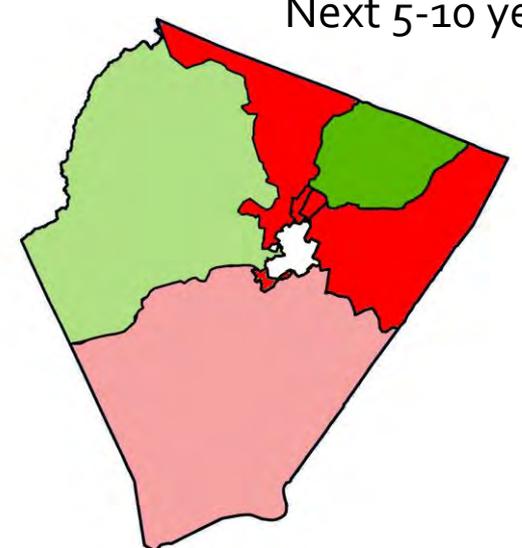
Past 5 years



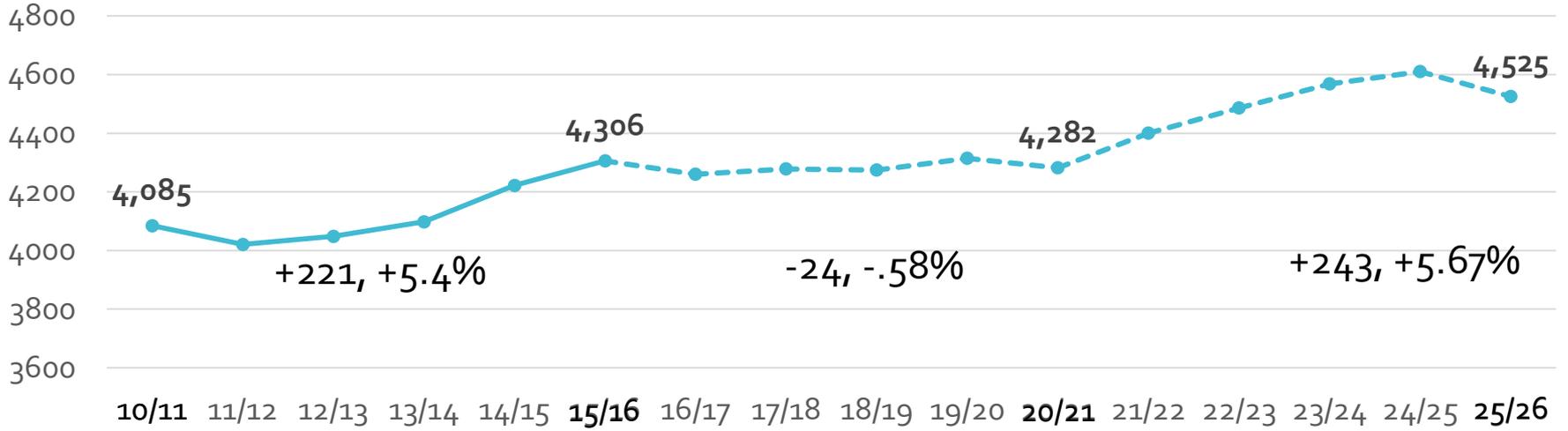
Next 5 years



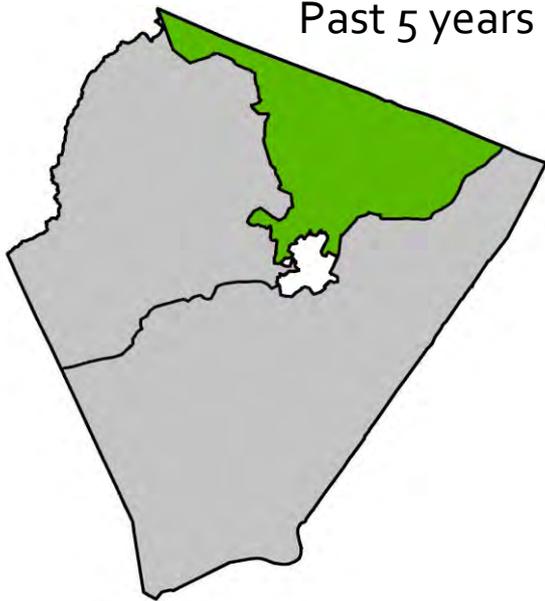
Next 5-10 years



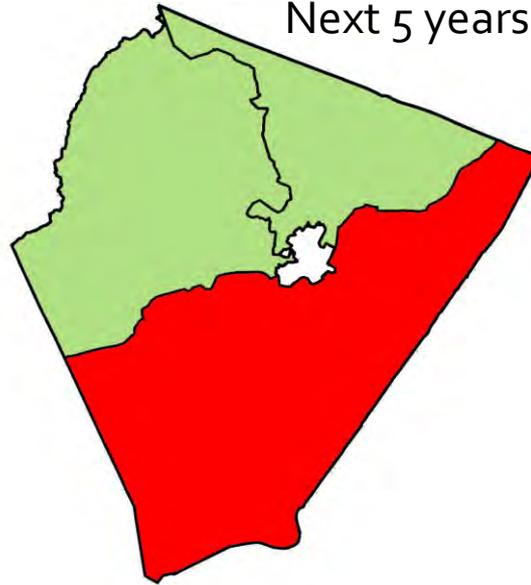
High School Enrollment Projections



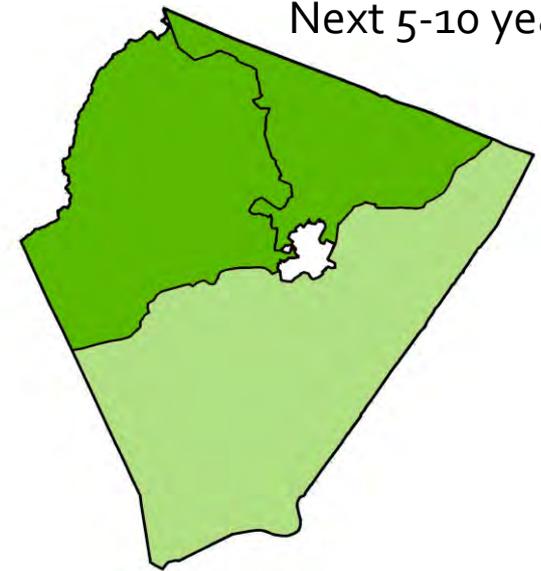
Past 5 years



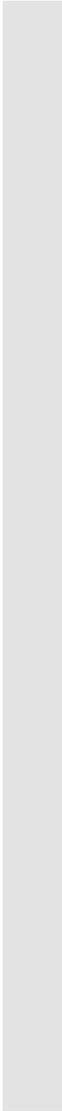
Next 5 years



Next 5-10 years



- Add 50+ students
- Add 10-50 students
- +/- 10 students
- Lose 10-50 students
- Lose 50+ students



impact of demographics

demographic \,de-mə-'gra-fik, ,dē-mə-\

adjective : of or relating to the study of changes that occur in large groups of people over a period of time : of or relating to demography

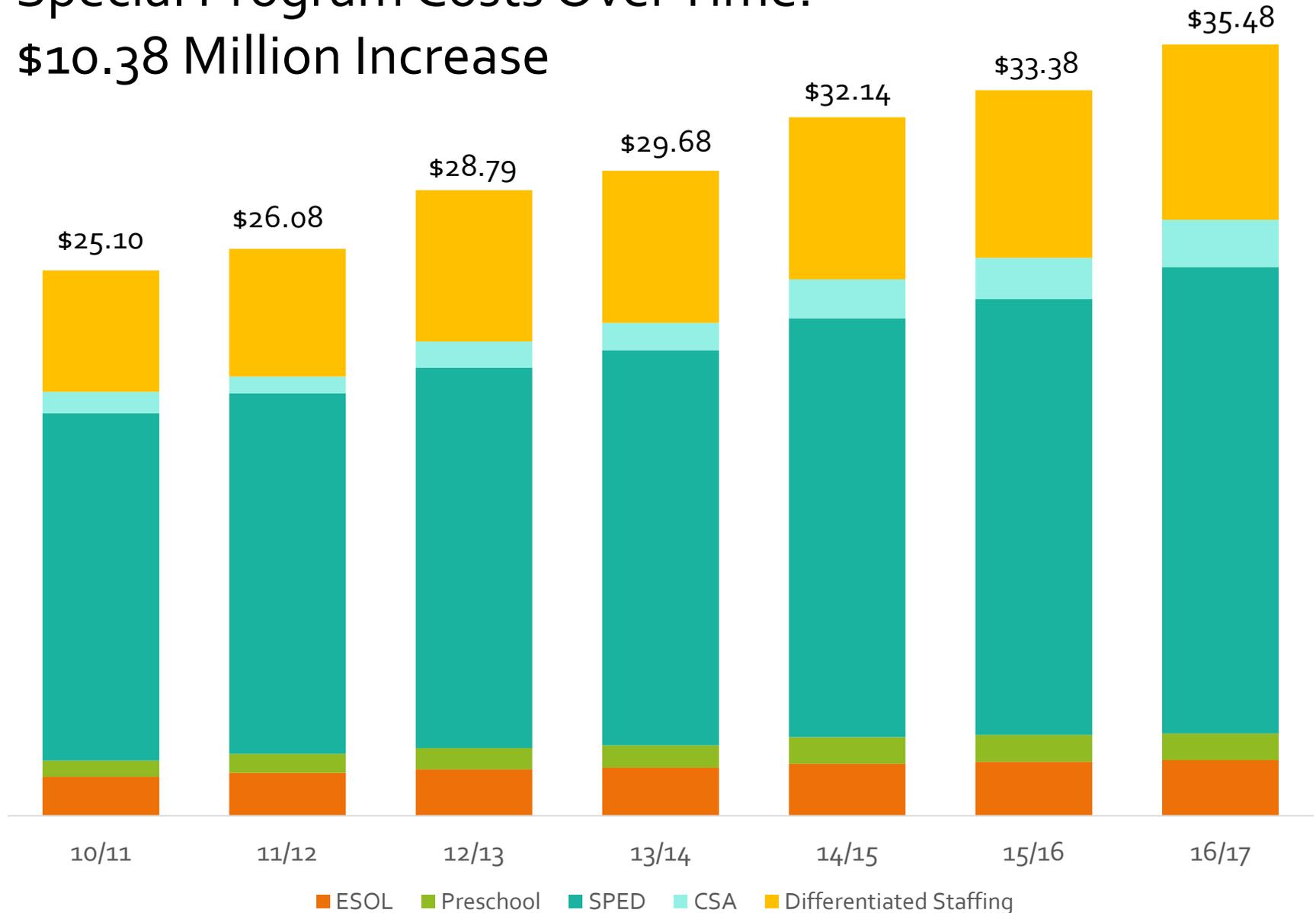
noun : a group of people that has a particular set of qualities

Categories



Special Program Costs Over Time:

\$10.38 Million Increase

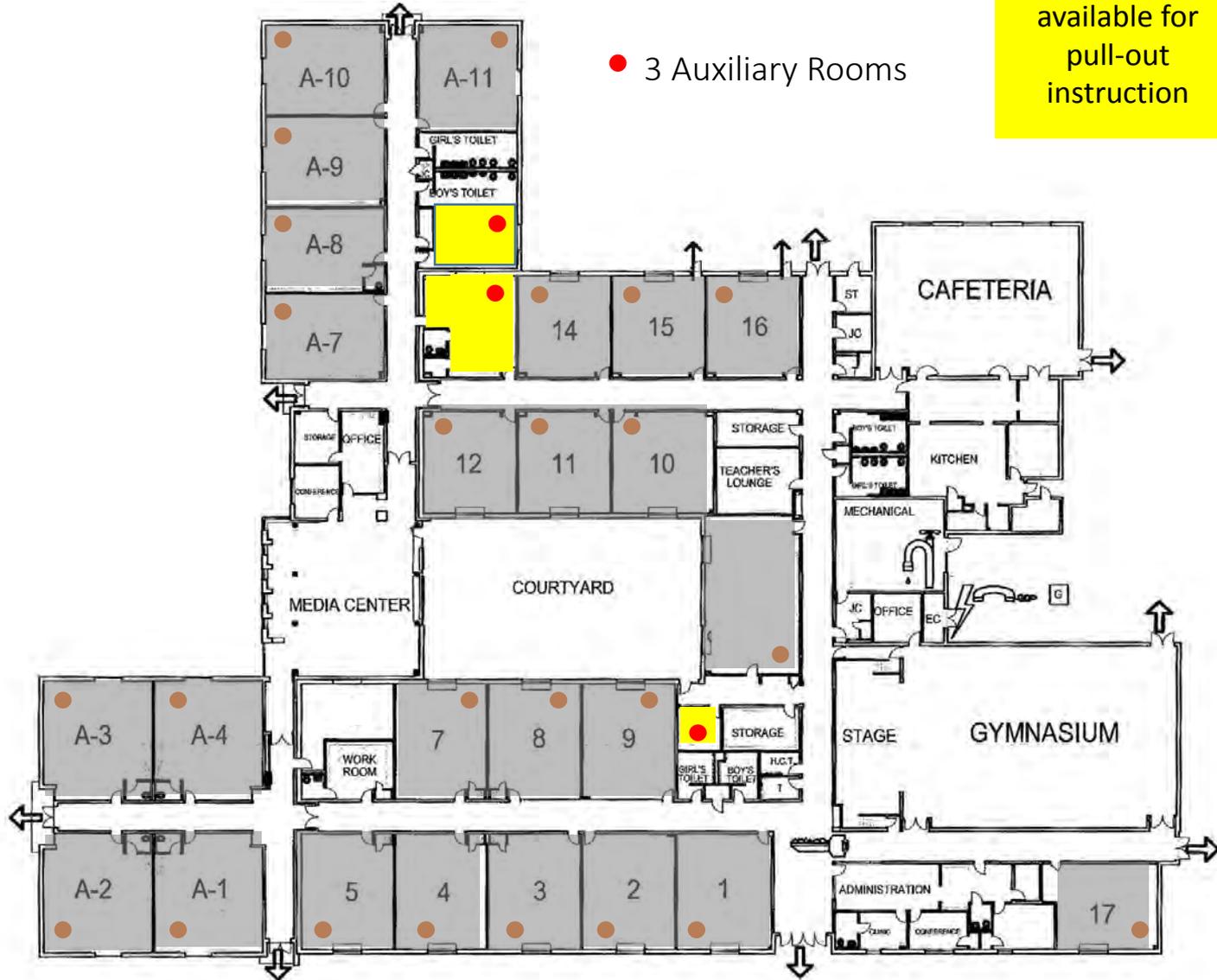


Facility Impact

Example: Woodbrook Elementary

- 25 classrooms
- 3 Auxiliary Rooms

Only space available for pull-out instruction



Facility Impact (cont.)

Example: Woodbrook Elementary

DEFICITS

Occupational Therapist
Physical Therapist
Speech Pathologist



Currently sharing converted storage closet

ESOL
ESS x 2
Family Support Specialists x 2
Psychologist
Math Intervention
Reading Intervention
Instructional Coaches
EDEP Site Coordinator

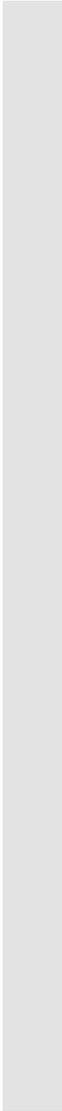


Currently located in 4 trailers

SPED Program



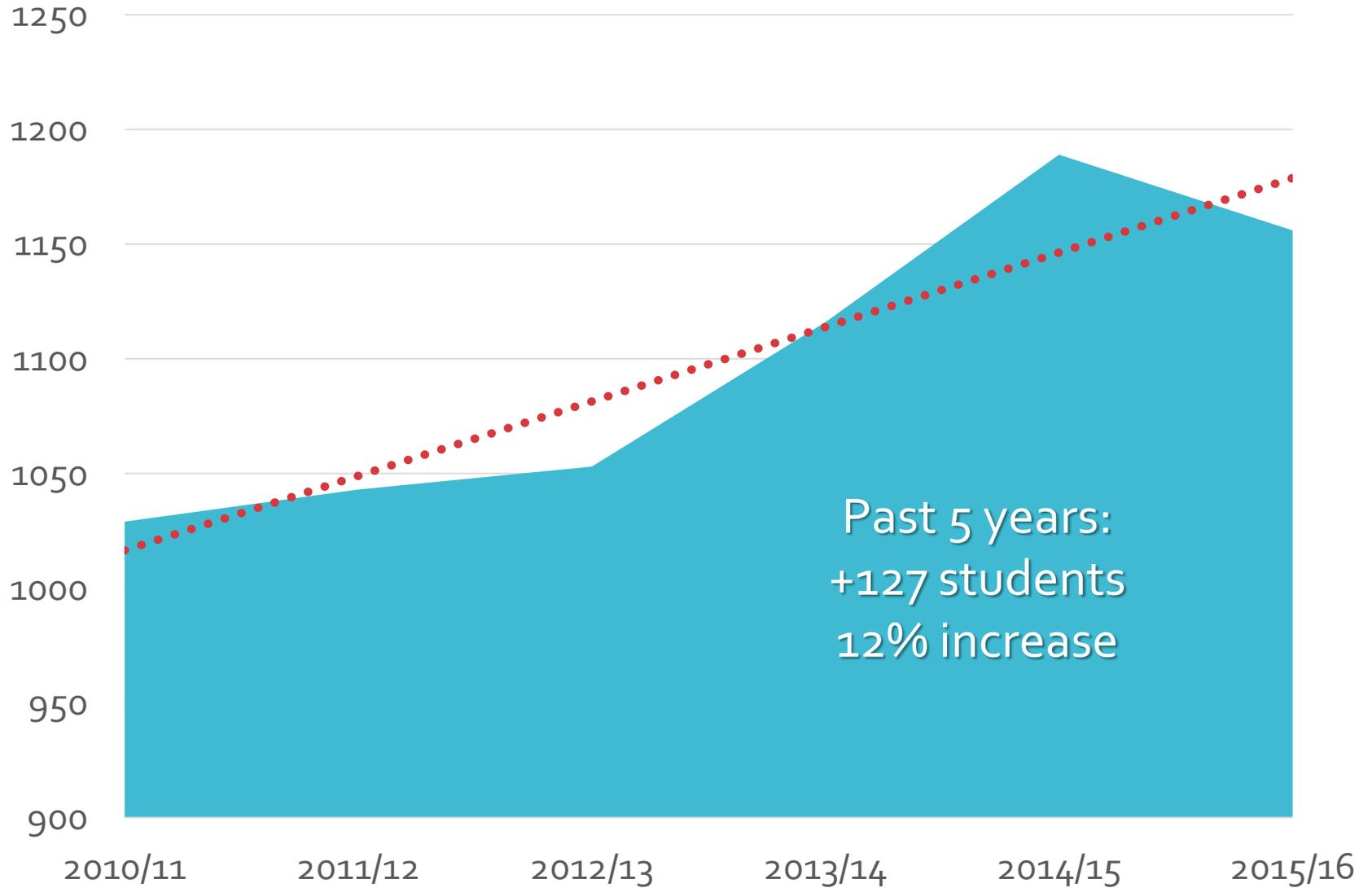
SPED Pre-K is housed at Broadus Wood this year to make room for Base-B Classroom



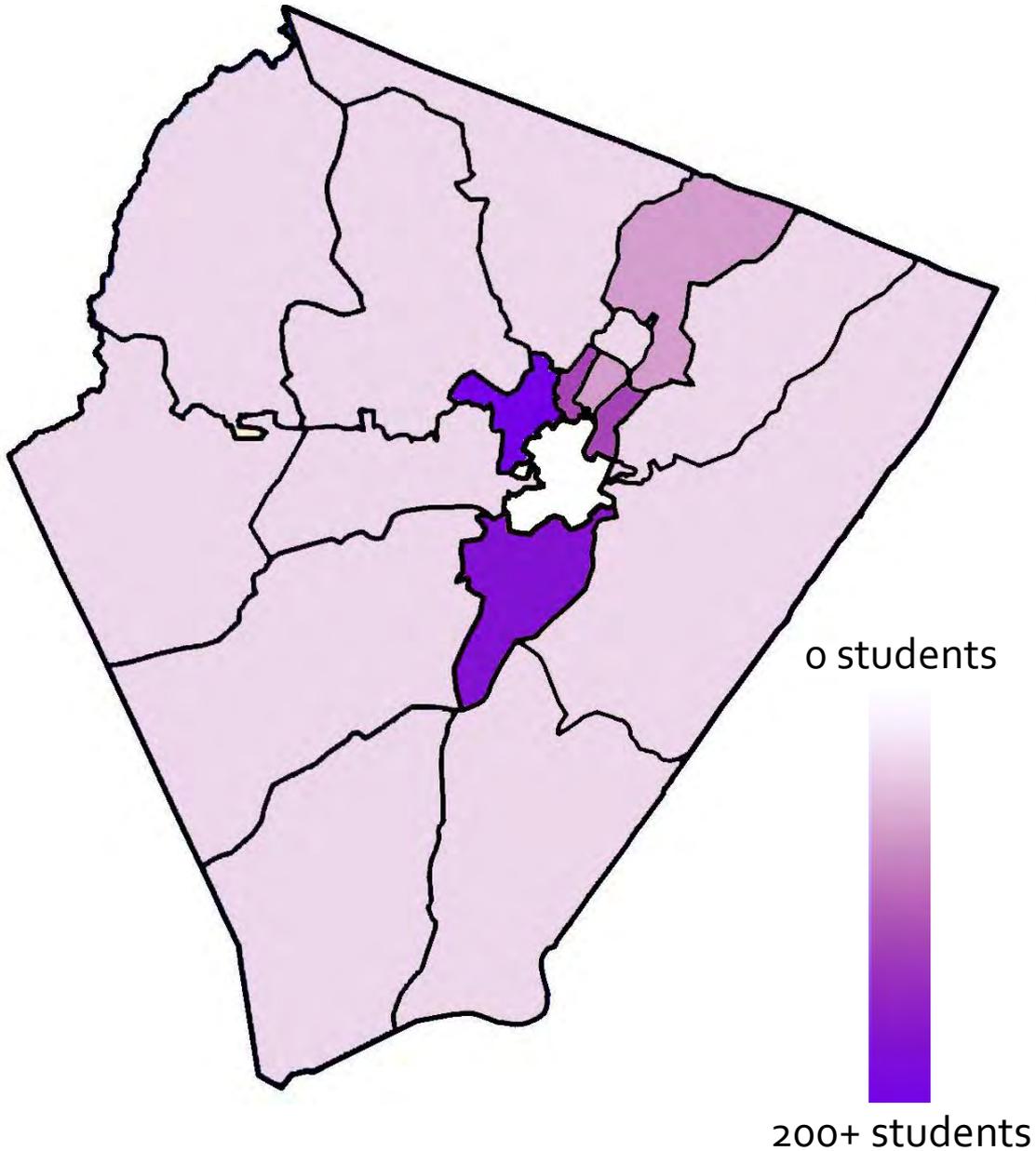
school by school comparisons

English Learners (EL)

English Learner Students - History

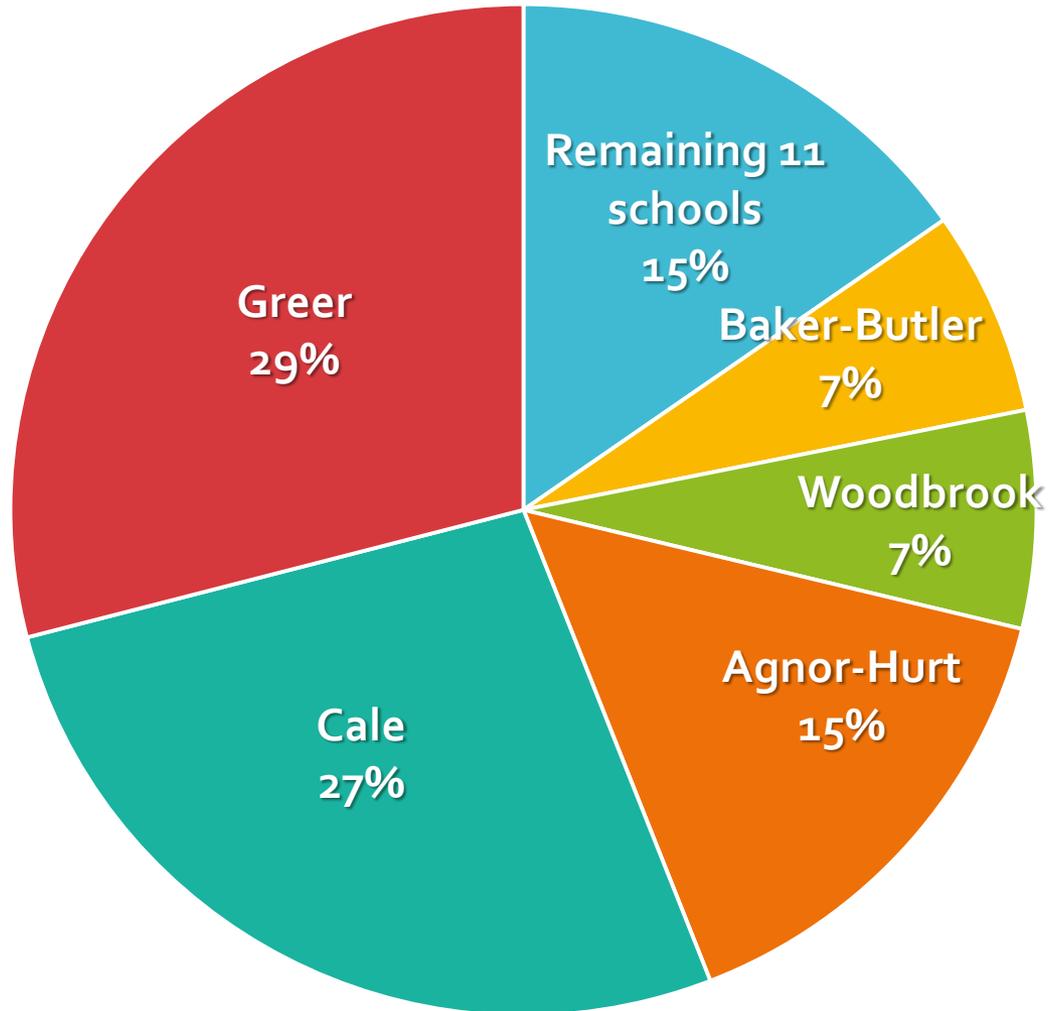


English Learner Students by Elementary School 2015/16



School	EL	Total	%
Scottsville	2	181	1%
Meriwether	5	435	1%
Red Hill	6	147	4%
Murray	7	250	3%
Broadus Wood	8	275	3%
Yancey	10	119	8%
Brownsville	10	707	1%
Crozet	13	335	4%
Stony Point	15	249	6%
Stone-Robinson	16	385	4%
Hollymead	22	454	5%
Baker Butler	48	590	8%
Woodbrook	51	329	16%
Agnor-Hurt	112	503	22%
Cale	197	663	30%
Greer	213	553	39%
Total	735	6,175	12%

Total Elementary School English Learners by School - 2015/16

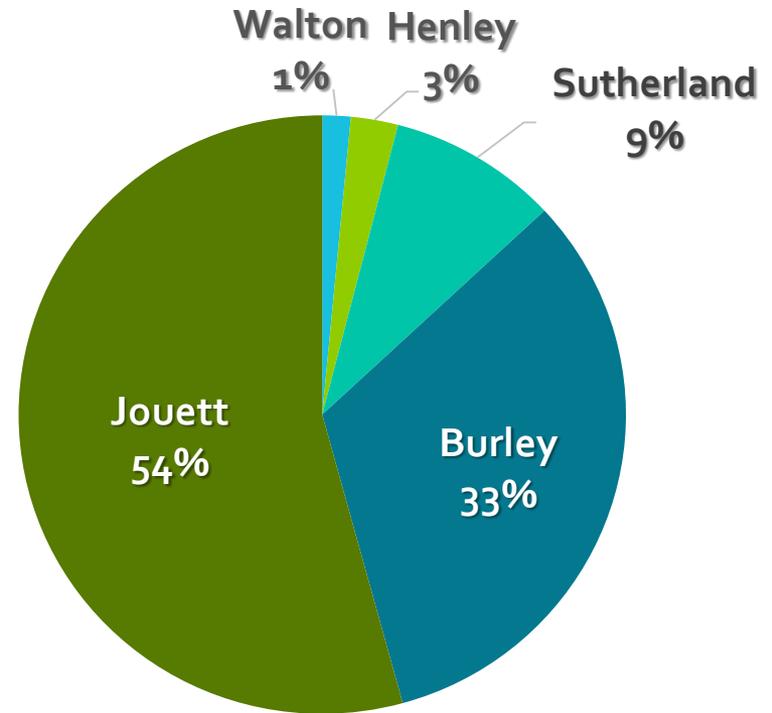


English Learner Students

by Middle School

2015/16

Middle School	EL	Total	% of School
Walton	3	335	1%
Henley	5	823	1%
Sutherland	18	607	3%
Burley	65	555	12%
Jouett	108	602	18%
Total	199	2922	7%



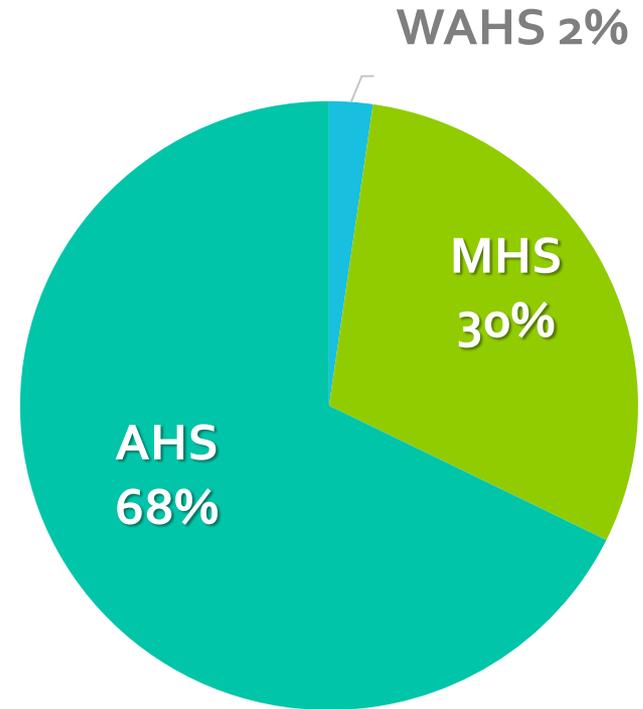
Total E.L. Middle School Students

English Learner Students

by High School

2015/16

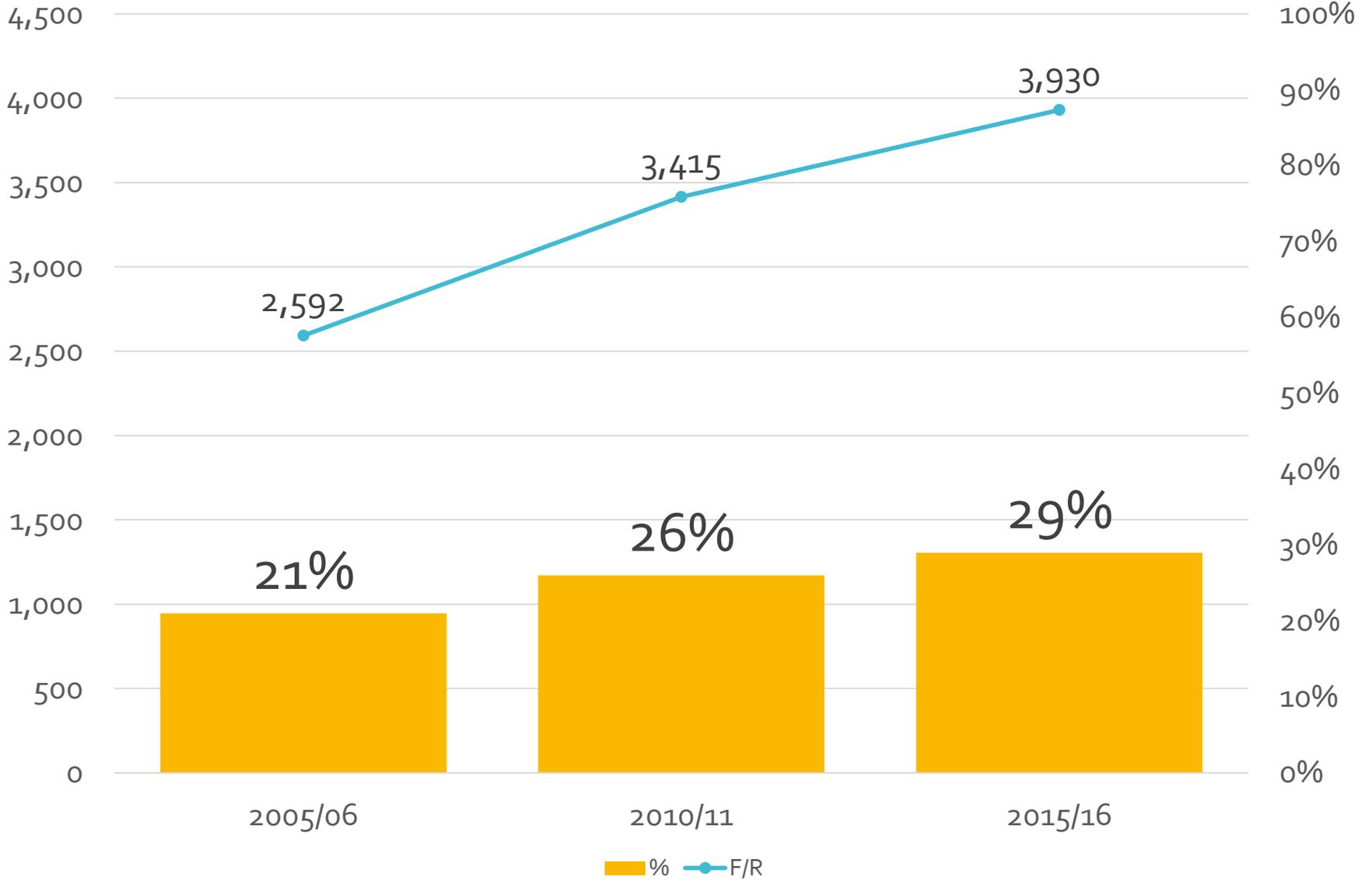
High School	EL	Total	% of School
Western Albemarle	5	1073	0%
Monticello	66	1151	6%
Albemarle	149	1973	8%
Total	220	4197	5%



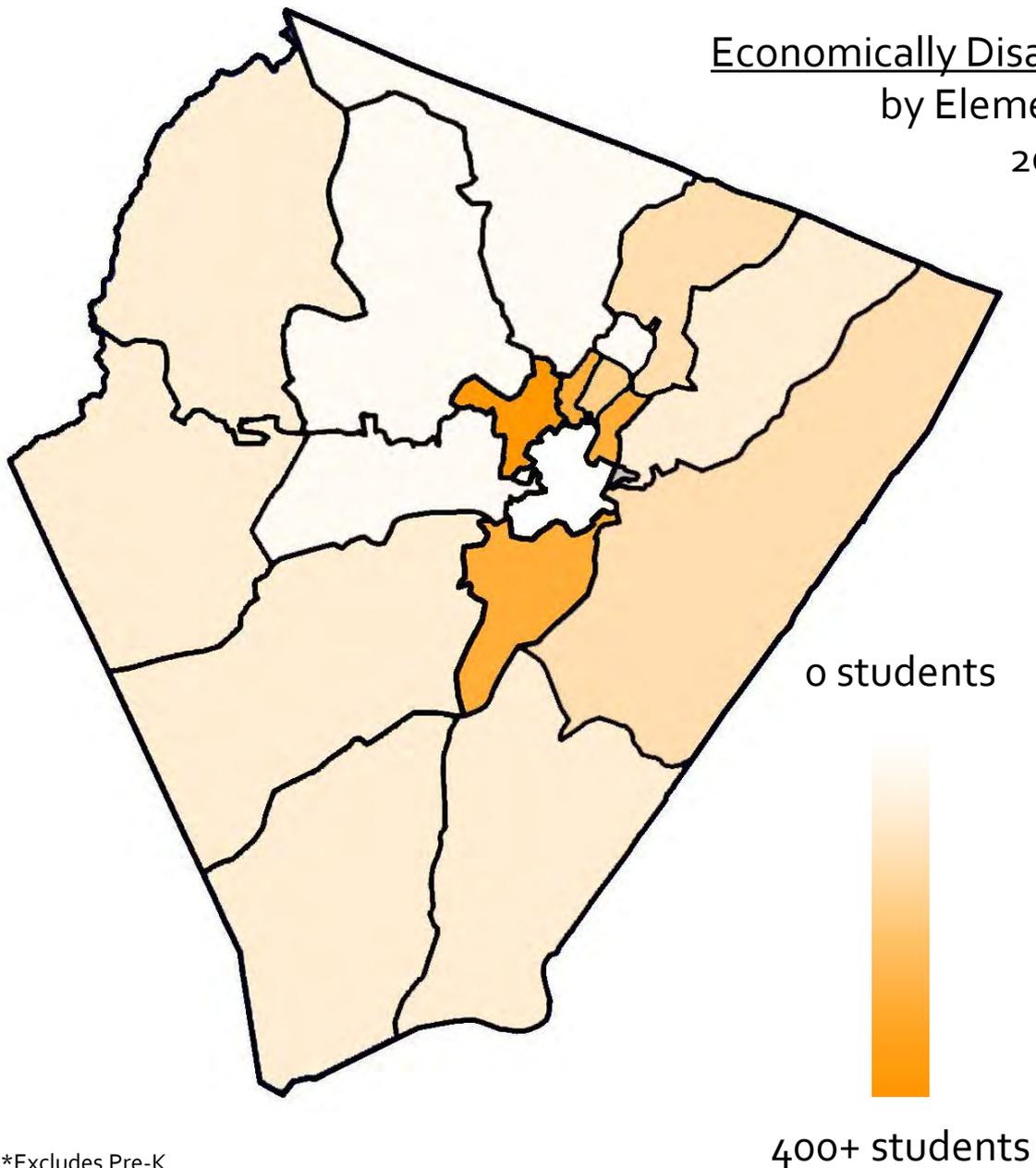
Total E.L. High School Students

Economically Disadvantaged

Economically Disadvantaged Students - Division



Economically Disadvantaged Students* by Elementary School 2015/16



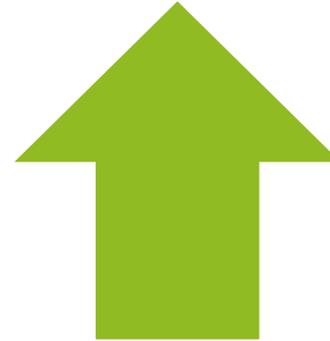
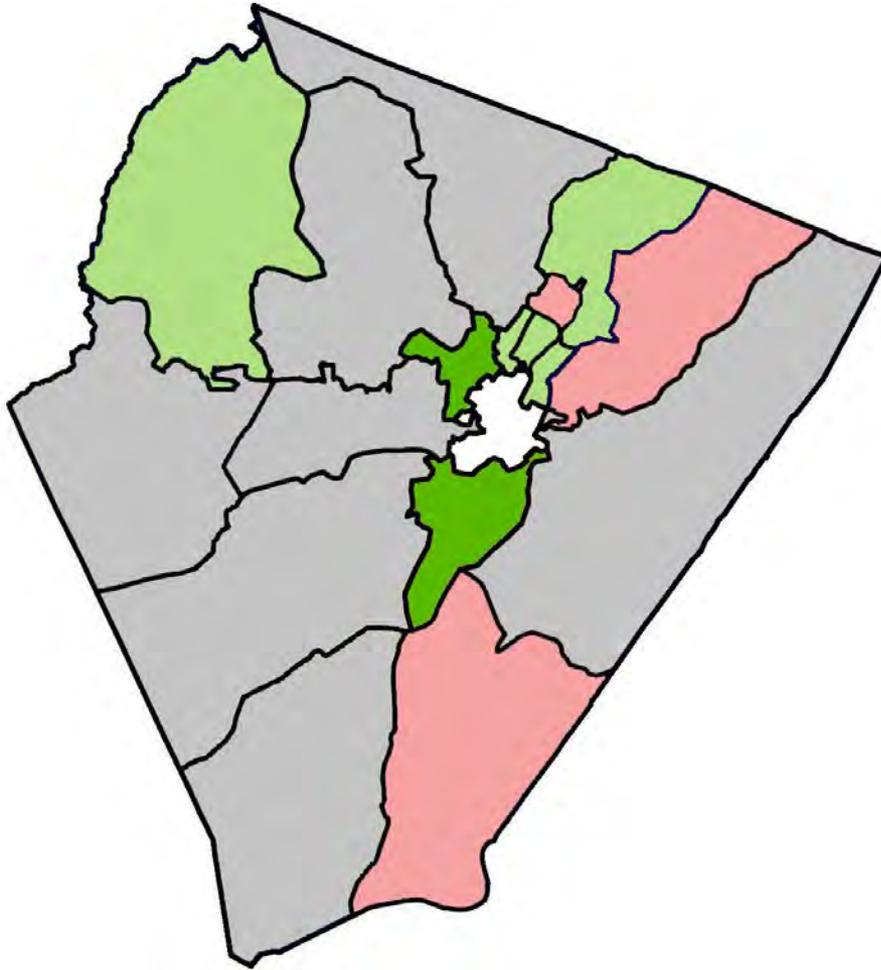
School	E/D	Total	%
Murray	25	250	10%
Meriwether	37	435	9%
Hollymead	38	454	8%
Broadus Wood	45	275	16%
Stony Point	63	249	25%
Scottsville	69	181	38%
Red Hill	75	147	51%
Brownsville	88	707	12%
Yancey	89	119	75%
Crozet	94	335	28%
Stone-Robinson	102	385	26%
Baker-Butler	116	590	20%
Woodbrook	156	329	47%
Agnor-Hurt	263	503	52%
Cale	298	663	45%
Greer	405	553	73%
Total	1,963	6,175	32%

*Excludes Pre-K

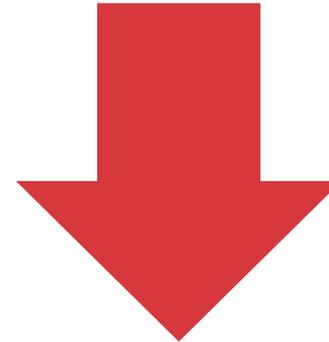
Economically Disadvantaged - Elementary

Past 5 years

Between 2011/12 -2015/16



- Greer (+105)
- Cale (+81)
- Baker Butler (+43)
- Agnor-Hurt (+28)
- Crozet (+26)
- Woodbrook (+15)



- Scottsville (-22)
- Hollymead (-29)
- Stony Point (-30)

 Added 50+ students  +/- 10 students

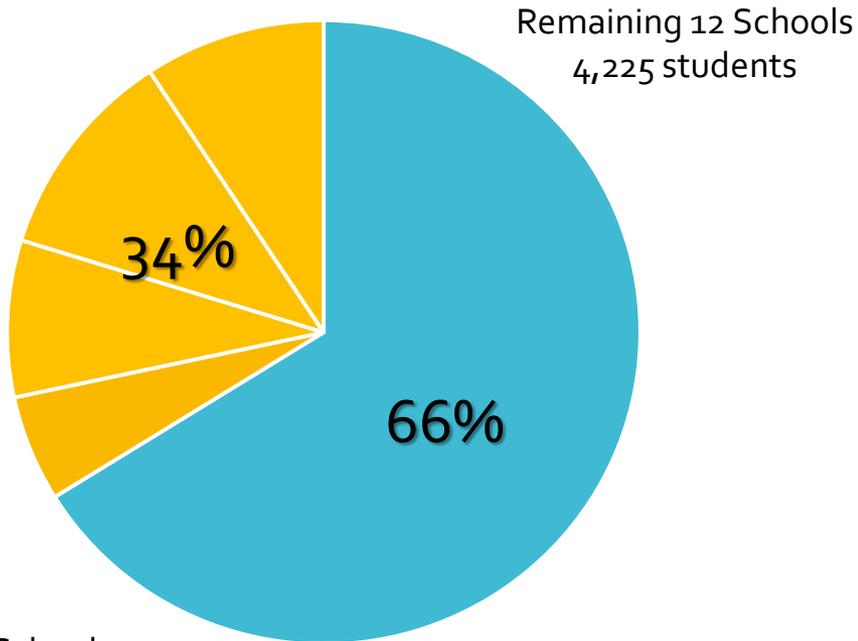
 Added 10-50 students

 Lost 10-50 students

 Lost 50+ students

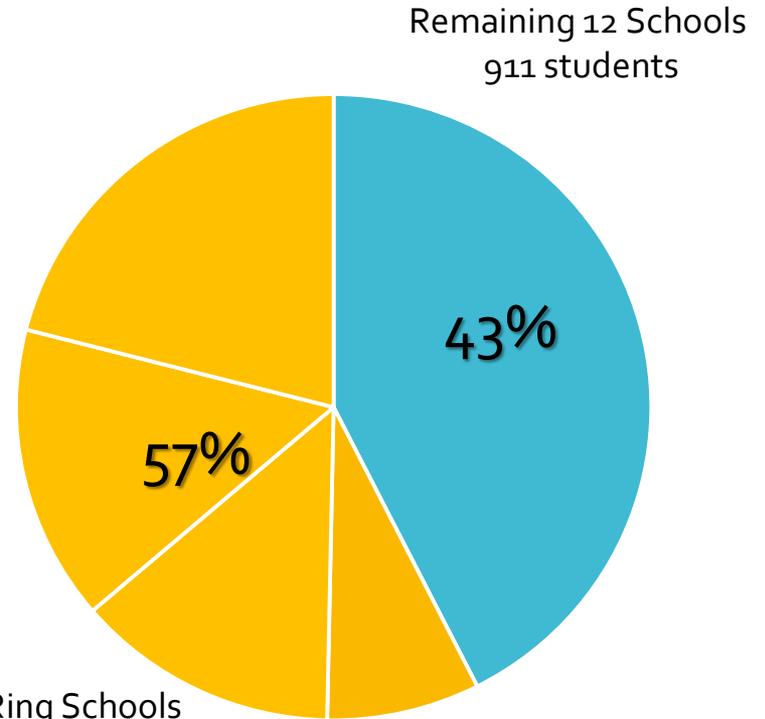
Urban Ring Elementary Schools

Total Elementary Students



Urban Ring Schools
2,162 students

Economically Disadvantaged Students



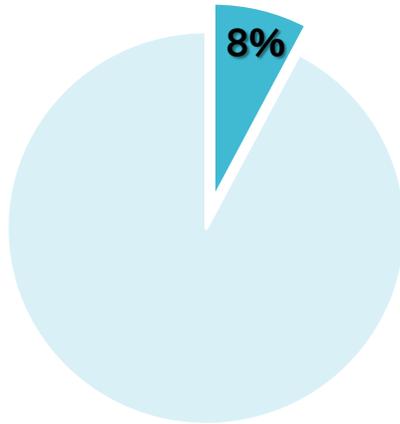
Urban Ring Schools
1,231 students

Growing Gap – 10 year change

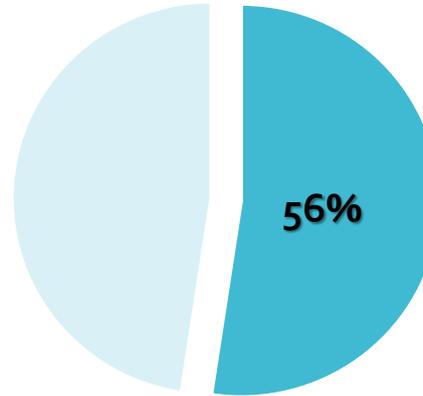
Lowest (%) 3 Schools

Highest (%) 3 Schools

2005

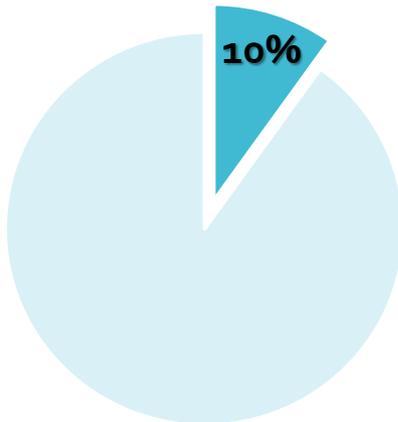


vs.

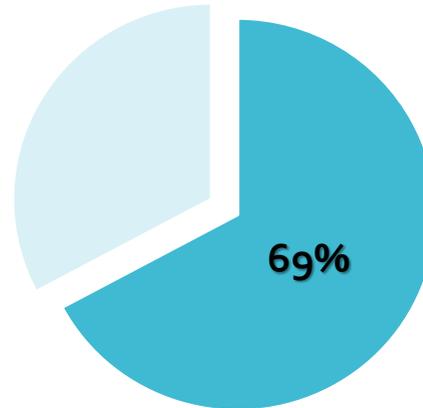


2005
Difference:
48% pts.

2015

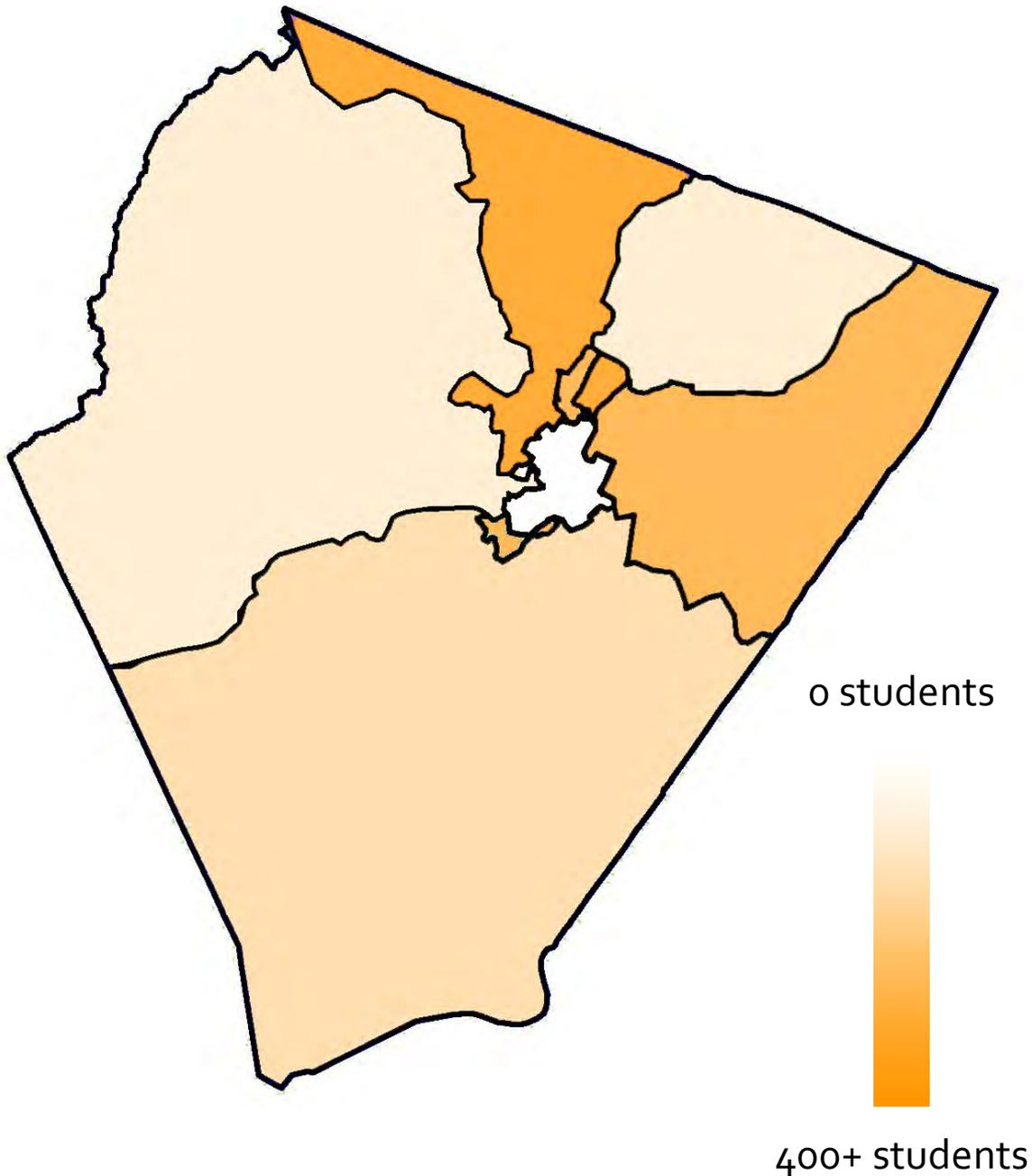


vs.



2015
Difference:
59% pts.

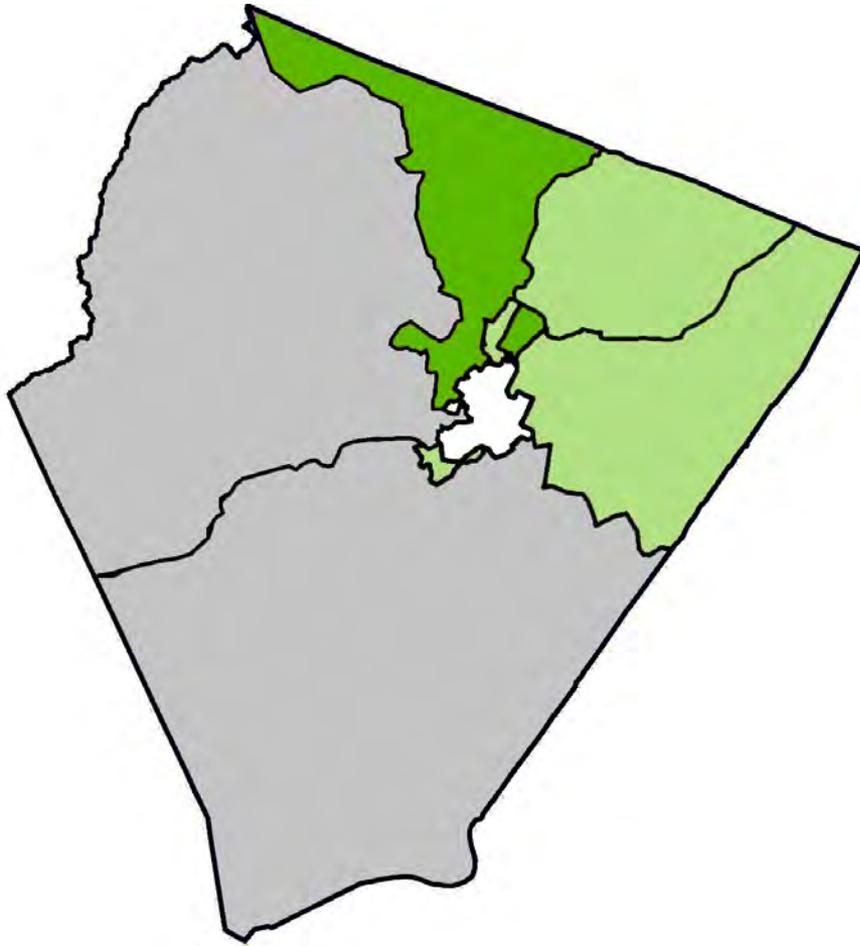
Economically Disadvantaged Students
by Middle School
2015/16



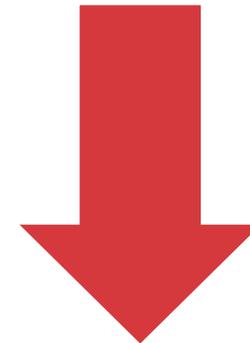
School	E/D	Total	%
Henley	94	823	11%
Sutherland	97	607	16%
Walton	139	335	41%
Burley	210	555	38%
Jouett	281	602	47%
Total	821	2,922	28%

Economically Disadvantaged – Middle Schools

Past 5 years
Between 2011/12 -2015/16



Jouett (+51)
Burley (+36)
Sutherland (+17)



Added 50+ students +/- 10 students

Added 10-50 students

Lost 10-50 students

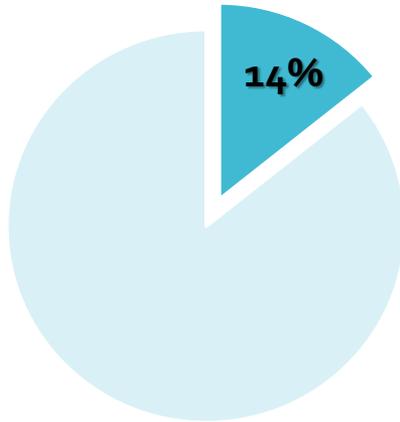
Lost 50+ students

Growing Gap – 10 year change

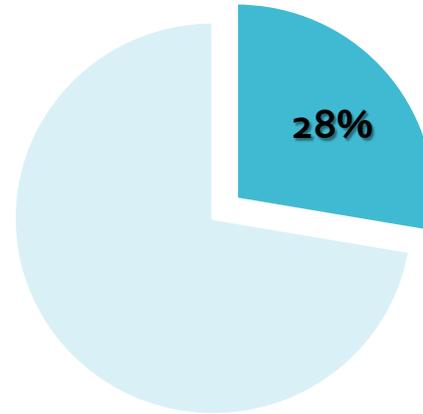
Henley & Sutherland

Jouett, Burley, & Walton

2005

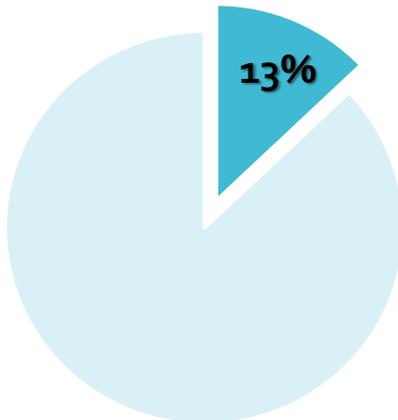


vs.

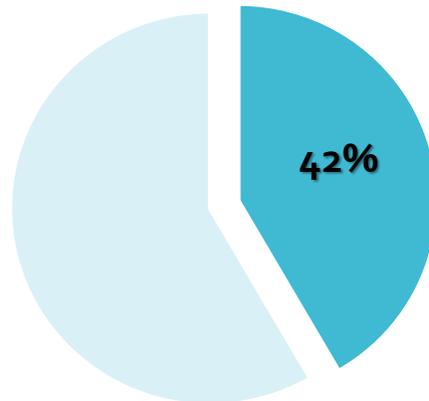


2005
Difference:
14% pts

2015

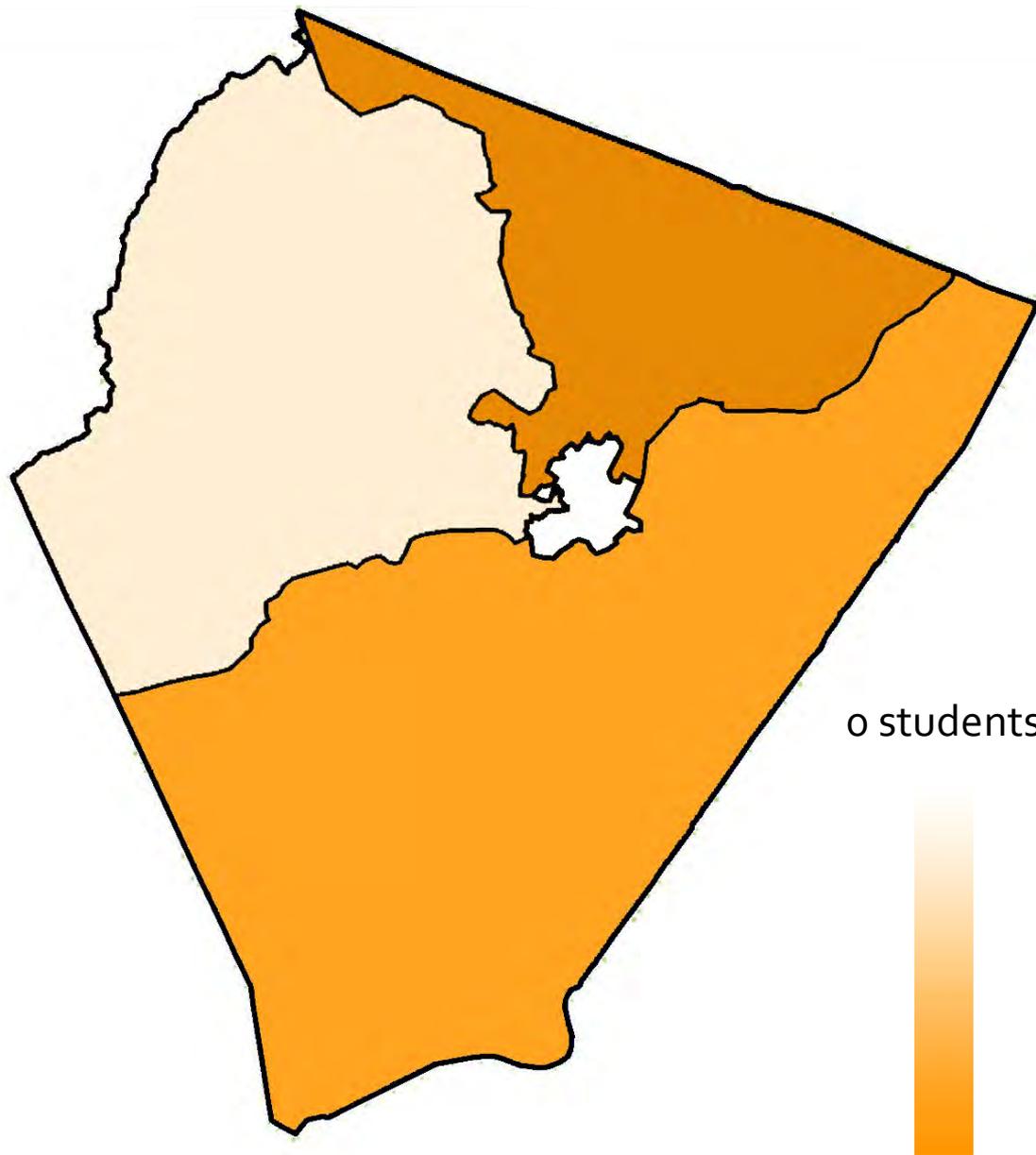


vs.



2015
Difference:
29% pts

Economically
Disadvantaged Students
by High School
2015/16



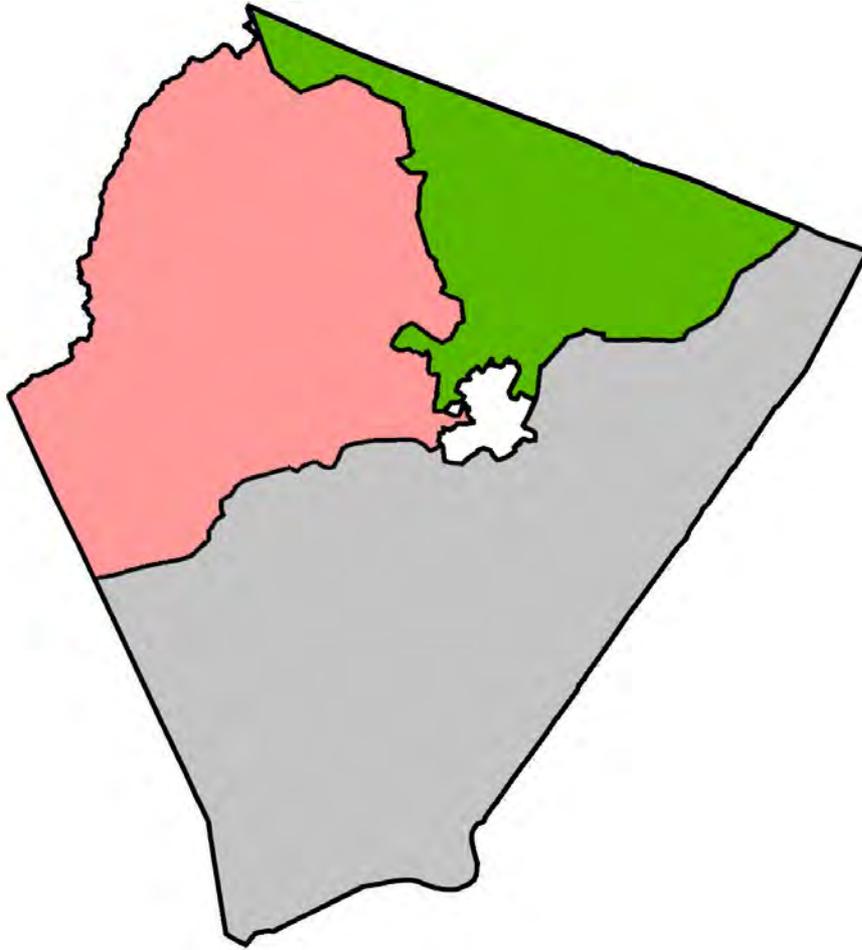
0 students

400+ students

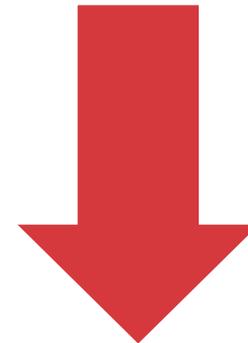
School	E/D	Total	%
Western	97	1,073	9%
Monticello	366	1,151	32%
Albemarle	468	1,973	24%
Total	931	4,197	22%

Economically Disadvantaged – High Schools

Past 5 years
Between 2011/12 -2015/16



Albemarle (+93)



Western (-23)

Added 50+ students +/- 10 students

Added 10-50 students

Lost 10-50 students

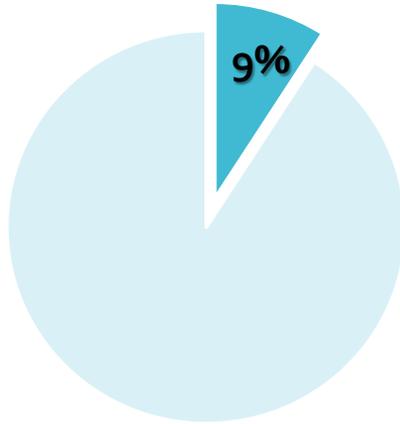
Lost 50+ students

Growing Gap – 10 year change

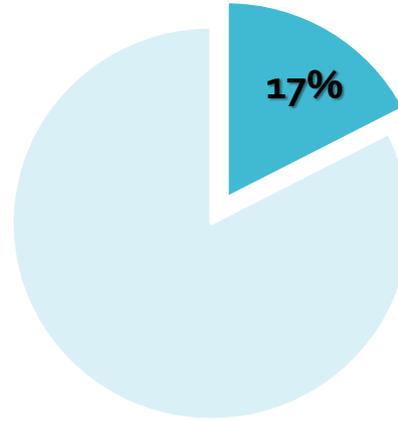
Western Albemarle

Albemarle & Monticello

2005

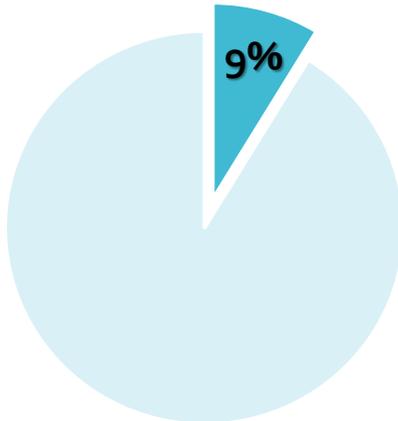


vs.

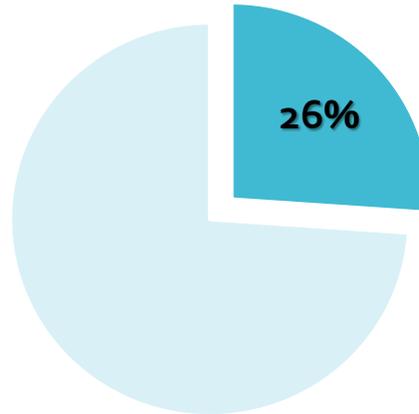


2005
Difference:
8% pts

2015



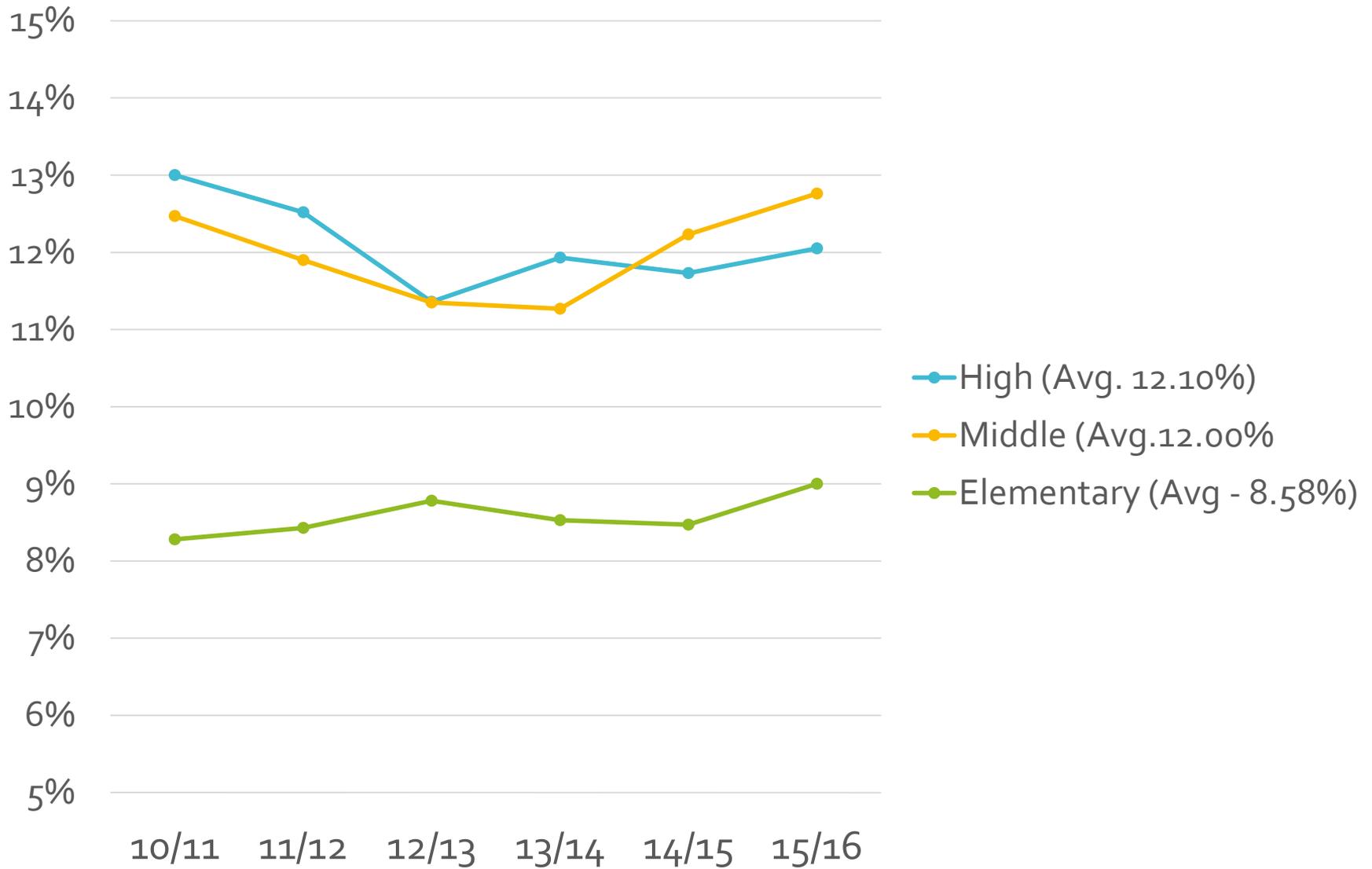
vs.



2015
Difference:
15% pts

Special Education (SPED)

SPED Students as % of Overall Population



SPED Program & Space Increase

SPED Pre-k

ECSE	ECSE	ECSE	ECSE
ECSE	ECSE	ECSE	ECSE

2010/11 + 2016/17 additions

Self-Contained SPED Classroom

Elem. VAAP	Middle VAAP	Elem. VAAP	Elem. VAAP	Elem. VAAP	Elem. VAAP
Middle VAAP	Middle VAAP	Middle VAAP	Elem. VAAP	Elem. VAAP	Elem. VAAP
High VAAP	High VAAP	High VAAP	High VAAP	High VAAP	Elem. VAAP

Autism/Behavior Programs (Resource/Pull-out)

Elem. A-Base	Elem. A-Base	Middle A-Base	Middle A-Base	High A-Base	High A-Base						
Elem. B-Base	Middle B-Base	Middle B-Base	Middle B-Base	High B-Base	High B-Base	High A-Base					

Conclusion

Key Takeaways:

- Overall enrollment and these demographic groups are increasing
- These increases have significant operating and capital budget implications
- Growth is not evenly distributed
- Demographic changes are not equally impacting all schools. The gap between schools is increasing.

Questions

- Are we willing to accept the growing demographic differences between schools?
- If not, what might be considered to more equally balance demographics?
- Regardless, what actions might be considered to ensure all students have access to equitable resources, experiences, facilities, etc.?