



Five-Year Financial Plan Review

Wednesday, November 9, 2011



Agenda

- Overview
- Five-Year Financial Plan Process
- Assumptions & Plan Possibilities
- Summary
- Board Discussion/Direction



Essential Components of the Plan Under Either Scenario

- Holds the line on taxes when compared to FY09
- Continues efficiencies, restructuring and repositioning
- Addresses new obligations and mandates for local government
- Addresses new financial targets to protect AAA bond rating
- Begins preparing for anticipated federal and state revenue reductions
- Continues focus on alternative revenue sources



First Scenario - Status Quo -

- Addresses essential components
- Balances the plan at the current rate of 74.2
 - Provides tax reductions for the average homeowner when compared with FY09
- Minimal increases to schools to address new mandates
- Unable to make progress in funding capital program
- Minimally addresses core public safety needs
- Continues delay in improved library services in Crozet/Ivy
- Provides modest support for our evolving workforce



The Board's Strategic Direction

VISION: A thriving county, anchored by a strong economy and excellent education system, that honors its rural heritage, scenic beauty, and natural and historic resources while fostering attractive and vibrant communities.

- Provide High Quality Educational Opportunities to all Albemarle County residents
- Provide Community Facilities that Meet Existing and Future Needs
- Encourage a Diverse and Vibrant Local Economy
- Protect the County's Natural, Scenic and Historic Resources
- Ensure the Health and Safety of the Community
- Promote Individual Responsibility and Citizen Ownership of Community Challenges
- Support Evolving Workforce



Second Scenario

- Addressing Strategic Priorities -

- Addresses essential components
- Balances the plan at the equalized rate of 76.5
 - Holds the line on taxes for the average homeowner when compared to FY09
- Assists school system in addressing new mandates
- Begins modest steps to address delayed capital needs
 - Increases transfer, dedicates ½ penny to capital
- Provides new library services to the Crozet/Ivy areas
- Assures adequate level of EMS service in Pantops area through partnership with MJH, meets other public safety priorities
- Better recognizes staff and supports our evolving workforce



Today's Discussion

- Provide a scenario at the current tax rate that
 - funds essential components
 - provides greater tax relief
 - makes minimal progress in addressing strategic priorities
- Provide a scenario at the equalized rate that
 - funds essential components
 - holds the line on taxes
 - better addresses strategic priorities
- Both scenarios continue reliance on operational efficiencies, restructuring and savings



Five-Year Financial Plan Process

- Process begins with preliminary Board direction
 - ✓ June 30, 2011 - Board Retreat
 - ✓ October 12, 2011 – Board/School Board joint work session on compensation and benefits
- Staff prepared balanced Five-Year Financial Plan scenarios for the Board's consideration
- Board reviews and approves a Balanced Five-Year Financial Plan
 - Today's work session
 - Additional work sessions:
 - November 10 - Work Session with School Board
 - December 7 – Board Work Session
 - December 14 – Board Work Session – Finalize Plan



Five-Year Financial Plan

- Not next year's budget or an adopted five-year "budget"
- Based on the best information available as of today
- Supports Board priorities and provides direction to staff
- Brings together the three major components of the County budget – schools, general government, and capital



Five-Year Financial Plan Goals

- Fund obligations and commitments
- Increase Fund Balance to 10%
- Address critical core service needs
- Continue to look for efficiencies, reallocations, and restructuring to reposition organization for future
- Move Strategic Plan forward



Review of Five Year Financial Plan Assumptions

Revenues and Expenditures

Scenario 1 – Current tax rate (74.2 cent)



Revenue Assumptions Summary for Scenario 1

In FY13, anticipate a **\$1.5 million decrease** in local, state and federal revenues when compared to FY12 Adopted budget...slowly recovering in out years

	FY13	FY14	FY15	FY16	FY17
Real Estate Taxes	-3.5%	0.2%	1.8%	2.8%	3.2%
Other Property Taxes	5.8%	2.4%	2.9%	4.1%	4.8%
Other Local Taxes	3.2%	2.4%	2.6%	2.9%	2.2%
Local Revenue, Non-Tax	5.7%	1.9%	1.7%	2.0%	1.9%
State Revenue	-0.1%	0.5%	0.6%	0.6%	0.5%
Federal Revenue	-14.4%	1.9%	1.9%	1.9%	2.1%
Total Local, State & Federal	-0.7%	1.1%	2.0%	2.7%	2.9%



Revenue Assumptions – Real Estate

Reassessment Rate

- | | | |
|--------|---|---------|
| • 2012 | – | (3.00%) |
| • 2013 | – | (1.50%) |
| • 2014 | – | 0.00% |
| • 2015 | – | 1.50% |
| • 2016 | – | 2.25% |
| • 2017 | – | 2.50% |



Revenue Assumptions

- Examples of revenue sources anticipated to increase when compared to FY 12 Adopted Budget:
 - Increase minimally
 - Personal Property Tax - \$181,250, or 0.9%
 - Business License Taxes - \$252,400, or 2.6%
 - Utility Taxes - \$157,250, or 1.7%
 - Increase more significantly
 - Food & Beverage Tax - \$500,000, or 9.3%
 - Delinquencies - \$1,337,940, or 114.8%
 - Audit Revenues - \$225,000, or 112.5%
- Assumes the state aid reductions of the past several years will not be restored throughout the 5 years in the plan



Expenditure Assumptions



Expenditure Assumptions

- Personnel
- Operations
- Agencies
- Reserves
 - Including use of excess FY 11 Fund Balance
- Transfers
 - School Division, CIP, and Revenue Sharing



Supporting an Evolving Workforce

- General Government Salaries*
 - 1.5% increase in FY13; 1% in FY 14: and 2% in FY 15
 - Establishes a \$280K one-time merit pool in FY 14 and FY 15
 - 2% market plus 0.7% merit increases in FY16 and FY17
- General Government Positions
 - Unfreezes 3 Police officer positions – 2 in FY15 and 1 in FY 16
 - Provides funding for a Business Auditor Position in FY 13
 - Offset by increase in revenue collection
 - Volunteer Coordinator position established through repositioning
- Reclassifications
 - \$350K provided in FY13 for public safety reclassifications
 - \$100K provided in FY 13 and \$75K in FY 14 - FY17 for individual and departmental reclassifications
- Training
 - Adds \$50K pool for training per year



Obligations

- In Both Scenarios:
 - VRS – Provides for anticipated rate increase of 2%
 - Dental Insurance – Assumes a 7% annual increase
- Health Insurance
 - Employer's base rate reduced in FY 13 by \$300 per employee for an annual contribution of \$6,745 per year
 - No annual Health Insurance increase for employees in FY 13
 - 4th year in a row without employee increase
 - Assumes an annual increase of 8% for both employee and employer share for FY 14 - FY 17.
 - Could be reduced - subject to potential variances in claims and future changes to Plan design



Operational Assumptions

- Prior-year programmatic reductions continue throughout the model
- Additional restructuring savings included in Plan:
 - Restructuring efforts result in savings equal to the elimination of 4 additional positions
- Provides for an operational inflationary increase of 2% in each year (e.g. for utilities, fuel)
- Budgets a modest level of salary “attrition” lapse for first time
 - Equal to 4 vacancies
- Provides for operating impact of the Capital Projects included in current Adopted CIP



Assumptions regarding Agency expenditures

- Reposition for the Future
 - Aligns agency funding approach with County's approach for Departments
 - Includes \$100K in reductions in funding for agencies to be allocated in accordance with the Board approved ABRT Steering Committee recommendations
 - Focus funding on high priority /high performing programs
 - Assumes funding for tourism and festival-related agencies will be considered within the County's established tourism allocation to the CACVB.
 - Libraries – Anticipates \$30K will be provided by 'out of area" support. County contribution would be reduced by this same amount.
 - Agency allocation would then be level-funded through FY 17.
 - Charlottesville-Albemarle Commission on Children and Families (CCF) – Assumes a change in agency's scope, \$25K savings in FY13, and that operation would be funded by other means such as grants, beginning in FY 14.

Comparative Report – Investments of Local Funds in Human Service Non-Profit Programs

Locality	Per Capita (based on 2010 Census)
<u>Charlottesville</u>	\$56.41
<u>Albemarle</u>	\$22.71
<u>Stafford</u>	\$5.91
<u>James City County</u>	\$5.53
<u>Fauquier</u>	\$4.79
<u>Spotsylvania</u>	\$4.78
<u>Montgomery County</u>	\$3.35
<u>Roanoke County</u>	\$1.57
<u>Hanover</u>	\$0.56

From report compiled by CCF in July 2011. Funding based on FY 12 budget

Assumptions - FY 11 Fund Balance and Reserves

- **After meeting the County's 10% Fund Balance target**, set aside/transfer FY 11 Excess fund balance as follows:

• Merit Pool (\$280K for FY 14 and FY 15)	\$ 560,000
• VRS Contingency (FY 13)*	600,000
• Federal/State Revenue Contingency	500,000
• Line of Duty Act (LODA) Contingency	500,000
• Transfer to CIP (Schools/Local Gov)	1,498,000
Total:	<u>\$3,698,000</u>

- Reserves

- Plan provides for an undesignated General Fund fund balance of 10% and maintains throughout the plan
- Plan provides an operational contingency reserve of \$250,000 in each year



Revenue Sharing - City of Charlottesville

Fiscal Year	Total	\$ Change	% Change
FY 06/07	\$10.1 M		
FY 07/08	\$13.2 M	\$3.1 M	30.4%
FY 08/09	\$13.6 M	\$0.4 M	3.2%
FY 09/10	\$18.0 M	\$4.4 M	32.3%
FY 10/11	\$18.5 M	\$0.4 M	2.3%
FY 11/12	\$18.1 M	(\$0.3) M	(1.9%)
FY 12/13	\$17.5 M	(\$0.6) M	(3.1%)
FY 13/14	\$17.4 M	(\$0.1) M	(1.0%)
FY 14/15	\$17.1 M	(\$0.3) M	(1.3%)
FY 15/16	\$17.2 M	\$0.1M	0.2%
FY 16/17	\$17.5 M	\$0.3 M	2.2%

Transfer to Schools

Allocates 60% of new local tax revenue to the school system, after certain transfers and expenditures are deducted per formula

Scenario One

Fiscal Year	Actual / Projection	% Change Actual/Proj.
FY 06/07	\$91.2 M	
FY 07/08	\$96.4 M	5.7%
FY 08/09	\$97.5 M	1.2%
FY 09/10	\$97.0 M	-0.5%
FY 10/11	\$96.1 M	-1.0%
FY 11/12	\$96.8 M	0.8%
FY12/13	\$97.0 M	0.2%
FY 13/14	\$98.1 M	1.2%
FY 14/15	\$100.3 M	2.3%
FY 15/16	\$103.3 M	2.9%
FY 16/17	\$106.4 M	3.0%

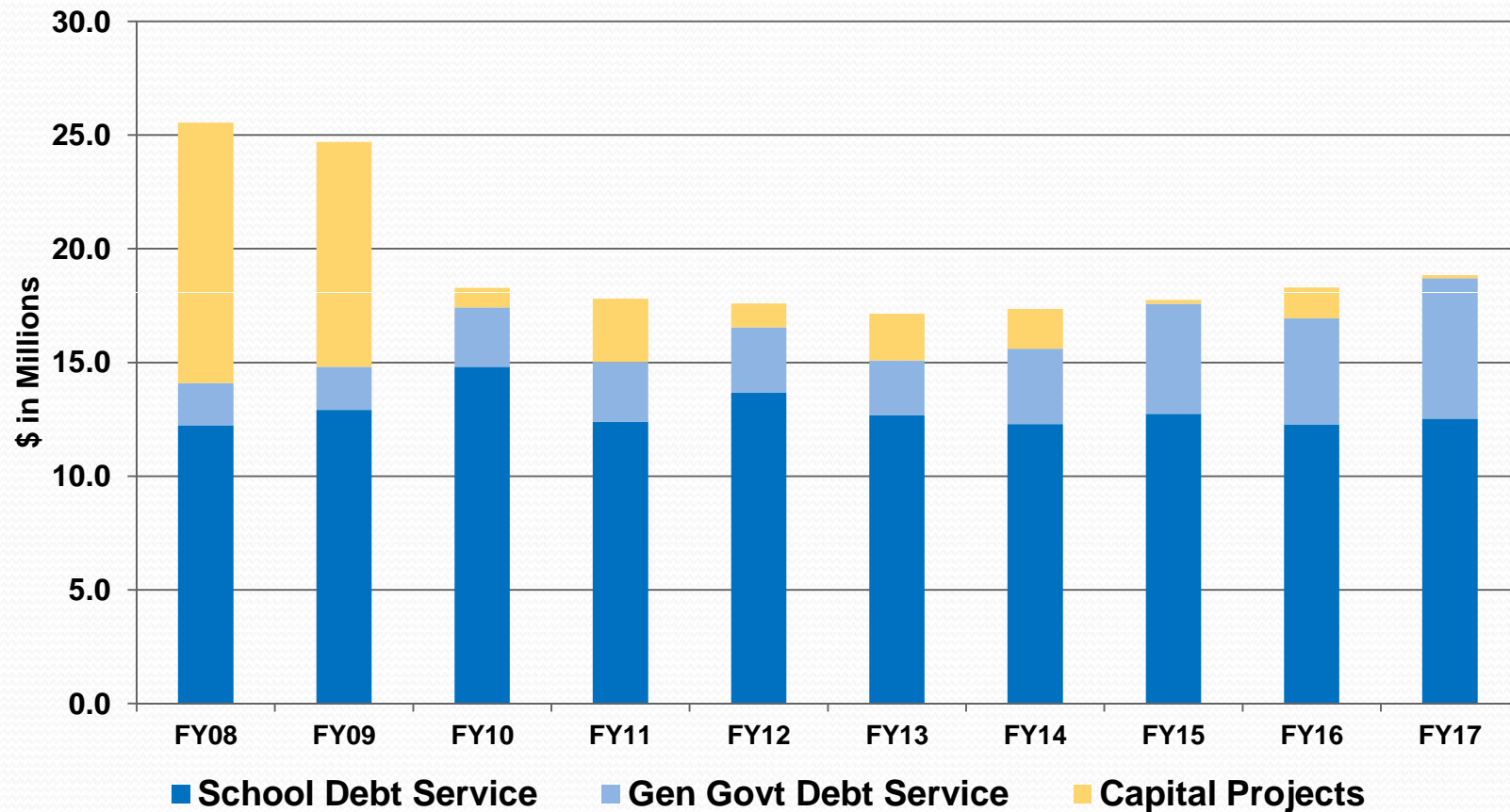
Transfer to CIP/Debt Scenario One

Fiscal Year	Actual/Projected Transfer	% Change
F Y07/08 Actual	\$25.5 M	-18.5%
FY 08/09 Actual	\$24.7 M	-3.3%
FY 09/10 Actual	\$18.3 M	-26.0%
FY 10/11 Actual	\$17.8M	-2.6%
FY 11/12 Projected	\$18.8 M*	6.2%
FY12/13 Projected	\$17.1 M	-2.6%
FY 13/14 Projected	\$17.4 M	1.2%
FY 14/15 Projected	\$17.8 M	2.3%
FY 15/16 Projected	\$18.3 M	3.0%
FY 16/17 Projected	\$18.8 M	3.0%

*Note: FY 11/12 Number includes one-time funding for revenue sharing road program and projected FY 10/11 fund balance transfer due to delayed debt issuance

Transfer to CIP/Debt Scenario One

TRT's recommendation to Oversight Committee



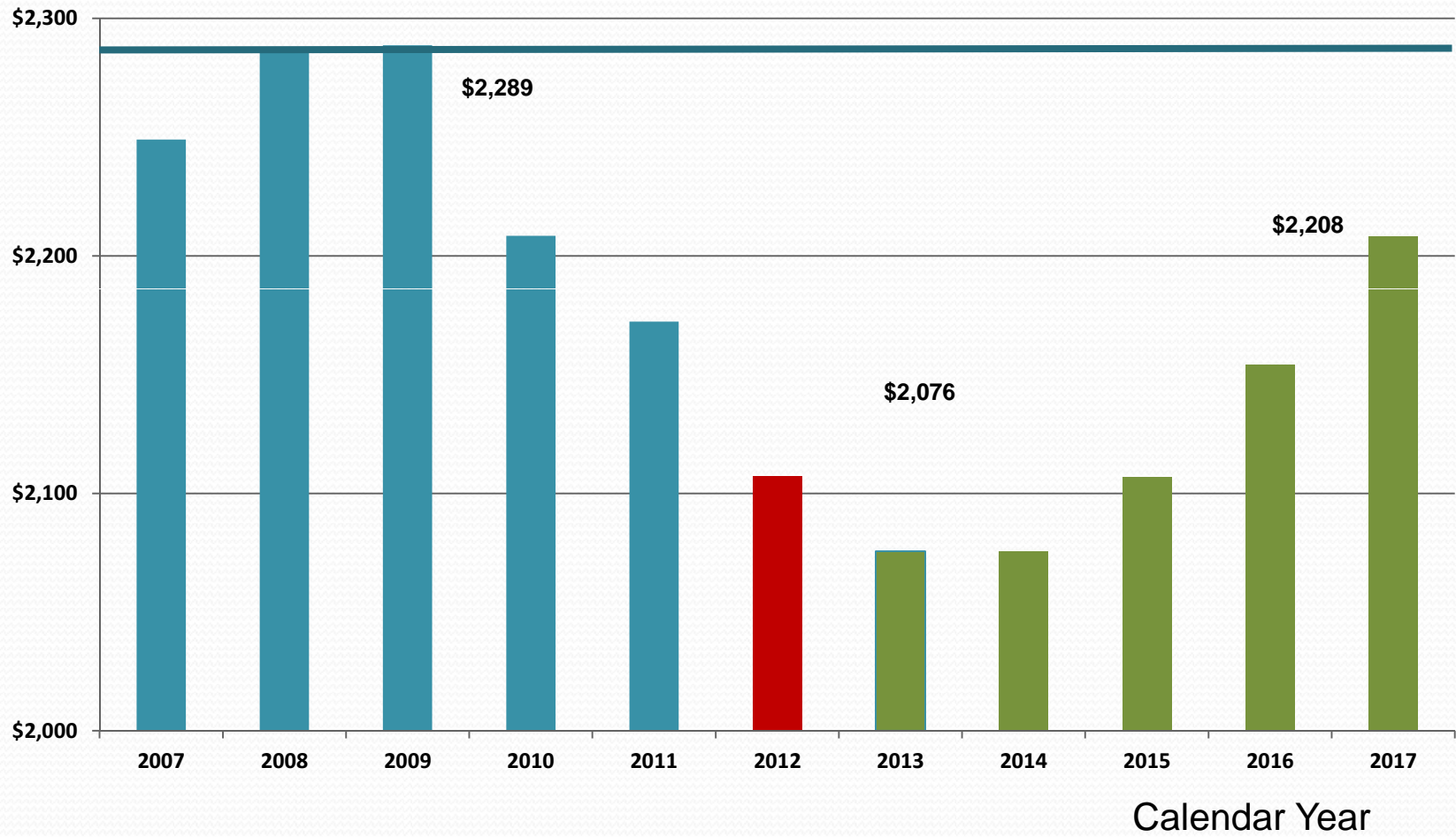


What Scenario One does towards meeting Five-Year Financial Plan Goals

- ✓ Funds County's basic obligations & commitments, including increase in General Government's VRS rate
- ✓ Continues the 60-40 allocation with School Division and transfer to Capital according to policies
- ✓ Increases General Fund fund balance from 8% to 10% to ensure continued strong financial position
- ✓ Minimally addresses support for evolving workforce
- ✓ Minimally addresses core public safety goals:
 - ✓ Provides funding to support results of public safety classification study
 - ✓ Unfreezes 3 Police Officer positions by FY 16
 - ✓ Achieves opening of Ivy Fire Station

Scenario One

"Average Residential Parcel" Assessment at Tax Rate of 74.2 cents





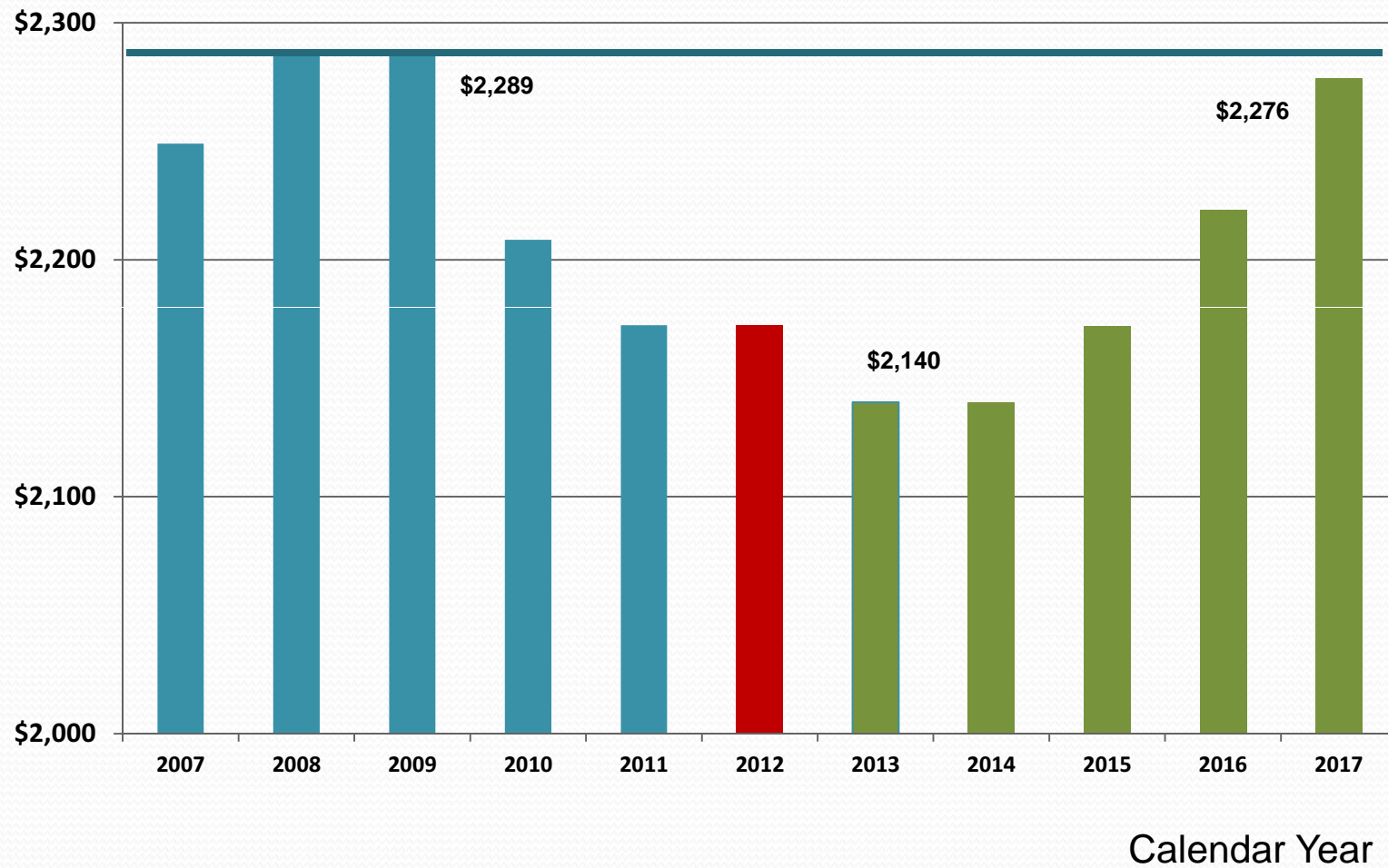
Scenario Two Highlights

Five Year Financial Plan based on Equalized (76.5) tax rate

- Education
 - Would provide an **additional \$7.2 million** over 5 years
 - Additional **\$1.4 million** in funding for School Division in the first year
- Community Facilities
 - Overall, this would provide an additional **\$5.4 million** over 5 years
 - Includes an additional \$313K in formula funding for CIP in first year
 - Includes an additional dedicated 0.5 cents in tax rate or \$736K for CIP each year of the plan
 - Would provide for opening Crozet Library
- Public Safety
 - In addition to adding 3 police officers and staffing for Ivy Fire Station, would provide for:
 - Needed apparatus for Ivy Fire Station
 - EMS Service in Pantops area, at a net cost of \$85K, and
 - Public Safety Firing Range
- Workforce
 - Would provide additional support for evolving work force

Scenario Two

"Average Residential Parcel" Assessment at Tax Rate of 76.5 cents





Neither scenario fully addresses...

Meeting all core-service needs, such as:

- Police staffing at level identified in Comp Plan
- Funding for long-term Capital Needs

Potential emerging needs (“watch list”) such as:

- Unfunded Mandates – i.e. TMDL
- Devolution of responsibility for secondary roads
- Funding for long-term solid waste solution
- Health Care Reform - Potential for Medicaid Expansion
- Potential on-going reductions in state and federal funds
 - Recommendation includes one-time funding set aside

Long-term Quality of Life items, such as:

- Community policing, water protection efforts, court facilities, school renovations and expansions, library facility upgrades, ACE, greenways, Master Plan implementation...

	Scenario One – Current Rate of 74.2	Scenario Two – Equalized Rate of 76.5
Tax Bill Impact	Provides tax reductions for the average homeowner when compared to FY 09	Holds the line on taxes for the average homeowner when compared to FY 09
Essential Five Year Plan Components	Included in scenario	Included in scenario
Strategic Priority - Education		Provides additional \$7.2 million
Strategic Priority – Capital Program		Provides additional \$5.4 million
Strategic Priority – Public Safety	Funds reclassification study Unfreezes 3 officer positions Opens Ivy Fire Station	Ivy Station apparatus EMS Service in Pantops Public Safety Firing Range
Strategic Priority – Supporting Evolving Workforce	Salary Increases: FY 13 - 1.5% FY 14 – 1.0% FY 15 - 2.0% FY 16 – 2.7% FY17 – 2.7% \$560K set aside for merit pool for FY 14 and FY 15	Salary Increases: FY13 - 2.0% FY14 - 2.0% FY15 - 2.0% FY 16 – 2.7% FY 17 – 2.7% \$560K set aside for merit pool for FY 14 and FY 15.
Crozet Library	Not funded	Would provide for opening library



Board Discussion/Direction

- General response to staff's proposal to balance the Five-Year Financial Plan?
- Specific areas where the Board believes changes should be made?
- Additional information or analysis needed from staff for future work sessions?



Next Steps

- November 10 – Board/ School Board Work Session
 - School Division's 5 Year Plan Presentation
- December 7 – Five Year Plan Board Work Session
- December 14 – Five Year Plan Board Work Session, and Joint Board CIP Work Session