Albemarle County

Board of Supervisors
School Board

Repositioning for FY 2010-11 and Beyond

December 2, 2009

Agenda

1) CIP Oversight Committee Recommendations
2) Proposed VERIP Amendments
3) FY 2010-11 Budget Issues
   - Financial Forecast
   - Compensation
   - Health Care Premiums

FY 11-15 CAPITAL IMPROVEMENTS PROGRAM & FY 16-20 CAPITAL NEEDS ASSESSMENT

Joint Board Meeting

December 2, 2009

Agenda

- Summary of Changes to Revenue
- Summary of Oversight Committee Recommendation
- List of Projects Not Funded
- Additional Adjustments Required to Balance at Current Tax Rate

Oversight Committee Recommendation
For the 5-year period of FY11-FY15

	Adopted	Recommended	$ Change	% Change
Total 5 Yr Transfers	$112,505,131	$95,784,905	($16,720,226)	-14.86%
Debt Service	$103,499,923	$89,317,731	($ 14,182,192)	-13.70%
Net Transfer	$9,005,208	$ 6,467,174	($ 2,538,034)	-28.18%
Balance Fwrd-prior yrs	$11,656,840	$13,480,595	$ 1,823,755	
Other Current Revenues	$17,746,923	$7,755,562	($ 9,991,361)	-56.30%
Loan Proceeds	$115,405,420	$38,585,367	($ 76,820,053)	-66.57%
Total Available Funds	$153,814,391	$66,288,697	($ 87,525,694)	-43.10%
Total Projects/Fees	$166,604,000	$64,291,780	($102,312,220)	-61.41%
Reserve Balance	$(12,789,609)	$ 1,996,917		

Oversight Committee Recommendation FY11-15 CIP & FY16-20 CNA

- Equalized Tax Rate 77.2¢
- Maintained TRT Recommended Plan and Adjustments:
  - VPSA Refund Applied to Existing Debt Service
  - Delayed 800 MHZ Project 1 year
  - Reduced County & Volunteer Apparatus Requests by 10%
  - Add Yancey Elementary School HVAC to School Maintenance in year 3 (FY13)
- Funds critical maintenance for Government facilities, Parks, Courts, libraries and Schools;
- Funds County "mandates" including Ivy and Keene landfill remediation and voting machines;
- Funds "tourism" projects (ACE, Park Enhancements and Greenways) which have revenue offsets.

Oversight Committee Recommendation
FY11-15 CIP

Projects by Functional Area	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 11-15 TOTAL
Administration	-	-	-	-	436	436
Courts	215	255	255	267	256	1,248
Public Safety	2,001	5,053	2,978	1,652	2,429	14,113
Public Works	1,689	1,545	1,749	1,765	2,126	8,874
Comm/Neighb Devel	-	-	-	-	-	-
Human Development	-	-	-	-	-	-
Parks, Recreation & Culture	440	458	470	514	533	2,415
Libraries	62	62	187	132	-	442
Technology and GIS	380	390	405	415	425	2,015
ACE	350	350	350	350	350	1,750
General Gov't Subtotal	**5,137**	**8,112**	**6,394**	**5,095**	**6,555**	**31,293**
						-
Stormwater Control Subtotal	**250**	**250**	**250**	**250**	**251**	**1,251**
						-
Schools Subtotal	**4,898**	**5,275**	**6,268**	**6,191**	**6,347**	**28,979**
						-
TOTAL	**10,285**	**13,637**	**12,912**	**11,536**	**13,153**	**61,523**

Unfunded Project Requests FY11-15

- Courts: ~ $5.9 million
  - Levy Renovations
  - Old Jail Improvements

- Pubic Safety: ~ $37.6 million
  - Jail Expansion
  - Breathing Apparatus
  - Fire & Rescue Mobile Data Computers
  - Records Technology
  - Ivy and Pantops Stations
  - Seminole Trail Station
  - Training Facility
  - Evidence/Specialty Unit Storage
  - Fire & Rescue Wellness/Fitness Equipment
  - Police Forensic Unit Upgrade

Unfunded Project Requests FY11-15

- Public Works: ~ $5.1 million
  - COB Windows
  - Recycling Centers
  - Security Improvements

- Human Services ~ $3.9 million
  - Intergenerational Center

- Libraries: ~ $8.5 million
  - Crozet Library
  - Northern Library

Unfunded Project Requests FY11-15

- Community Development: ~ $15.4 million
  - Neighborhood Plan Implementation
  - VDOT Revenue Sharing Program
  - Roadway Landscaping
  - Sidewalk/Streetlamp programs
  - Transportation Improvement
- Parks, Recreation, & Culture ~ $1.7 million
  - Crozet Growth Area Community Park Facilities
  - Indoor Swimming Partnerships
  - Northern Urban Area Community Park
  - Park System Redesign Study
  - Parks & Recreation Security Improvements
  - River and Lake Access Improvements

Unfunded Project Requests FY11-15

- Schools: ~ $34 million
  - Greer, phase II
  - Gym Floor Replacement
  - Henley Improvements
  - Southern Feeder Schools
  - Support Services Complex

Oversight Committee Recommendation Tax Rate Comparison For the 5-year period of FY11-FY15

	Equalized Tax Rate	Current Tax Rate
Total 5 Yr Transfers	$95,784,905	$92,309,829
Debt Service	$89,317,731	$89,409,788
Net Transfer	$ 6,467,174	$ 2,900,041
Balance Fwrd-prior yrs	$13,480,595	$13,086,595
Other Current Revenues	$ 7,755,562	$7,755,562
Loan Proceeds	$38,585,367	$39,369,967
Total Available Funds	$66,288,697	$63,112,165
Total Projects/Fees	$64,291,780	$64,291,780
Reserve Balance	$ 1,996,917	($ 1,179,615)

Balanced Current Tax Rate Potential Adjustments
For the 5-year period of FY11-FY15

- Using TRT Ranked Project List
- Proposed Adjustments are in Need of Further Review & Discussion with Affected Departments

Project	**Funding Adjustment**	
Keene Landfill Closure	FY12-15	Remove $232,000
ECC Emergency Telephone System	FY13	Remove $551,000
Stormwater Management Program	FY12-15	Reduce $600,000
ECC CAD	FY12	Remove $568,000
Police Patrol Video Cameras	FY11-15	Remove $531,000
ACRJ Security System	FY11-15	Remove $175,000
Police Mobile Data Computers	FY11	Reduce
Apparatus – Career and Volunteer	FY11-15	Reduce 10%

- Additional adjustments are needed in order to balance the five-year plan with the $2 Million reserve

Requested Joint Board Action

- No action is requested at this time.
- These recommendations will be forwarded to the County Executive for consideration during development of the FY2010/11 Budget.
- The Five-Year CIP (FY2011-15) will also be considered by the Board of Supervisors during the budget process.

Questions/Discussion

Agenda

1) CIP Oversight Committee Recommendations
2) **Proposed VERIP Amendments**
3) FY 2010-11 Budget Issues

   - Financial Forecast
   - Compensation
   - Health Care Premiums

VERIP

Eligibility:

Employees between 50-65 years old, and have worked for Albemarle for ten years

Receive:

medical contribution

and cash stipend

for five years, or until age 65,

How do these benefits measure to our market?


FY15/16:VERIP stipend at 20%
FY14/15:VERIP stipend at 40%
FY13/14:VERIP stipend at 60%
FY12/13:VERIP stipend at 80%
FY10/11& FY11/12:VERIP stipend at 100% (no change)

Requested Joint Board Action Regarding VERIP Amendments

- Approve amended Local Government Personnel Policy P-63 and School Policy GCPC, to phase-out the VERIP stipend and to revise the service requirements for retirees to remain on group medical and dental plans.

Questions/Discussion

Agenda

1) CIP Oversight Committee Recommendations
2) Proposed VERIP Amendments
3) **FY 2010-11 Budget Issues**

- Financial Forecast

- **Budget changes since FY2007/08**
- **Current budget year – FY2009/10**
- **Outlook for FY2010/11**

- Compensation

- Health Care Premiums

Budget Changes Since FY2007/08

General Fund Revenues

- Total General Fund revenues down $6.1 million
- Local Revenue
  - Reassessments down 6.3% since January 2008
  - Sales Tax down $3.1 million
  - Personal Property Tax down $1.4 million
  - Clerk Fees Down $1.0 million
- State revenue has decreased $0.6 million
- Federal revenue had decreased $1.1 million

General Fund Expenditures

- 60 positions or 9% of workforce eliminated, frozen or offset with alternative revenues equating to approximately $3.6 million (County needs to reach a total of 65 positions by Dec 2010)
- Departmental operating costs reduced by 11% or $1.5 million
- New obligations
  - City revenue sharing costs have increased $4.8 million
  - Tax Relief for the Elderly and Disabled increased $0.3 million
  - Debt Service costs have increased $3.6 million
  - Jail costs increased $0.4 million
  - Creation of Revenue Contingency Reserve
- School Transfer down $1,700,922 or 1.73%
- Capital Transfer down $7,595,164 or 29.45%

Current Fiscal Year
FY2009/10 – Revenue Shortfall

Estimated Revenues

	Budget	Estimate	Variance
Real Estate Tax	$113.9	$112.5	($1.4)
State Revenue	23.5	23.1	(0.4)
Personal Property Tax	21.1	19.8	(1.4)
Sales Tax	12.5	11.5	(1.0)
Business License	10.1	9.5	(0.6)
Consumer Utility Tax	9.4	8.6	(0.8)
Food & Beverage Tax	5.8	5.4	(0.4)
Federal Revenue	4.1	4.3	0.2
Other	16.7	16.6	0.1
TOTAL (w/out transfers)	$217.1	$211.4	($5.7)

Current Fiscal Year
Impact on Schools and Capital

	FY2009/10 Adopted	FY2009/10 Estimate	Change
Schools	$100.15	$96.73	($3.42)
Capital/Debt	$19.71	*$18.20	($1.51)

* Estimate includes actions taken by the Board at the October 7 Board meeting

$ in millions

Local Government Funding Gap Strategy – FY2009/10

Revenue Shortfall Contingency	$0.540
Salary Contingency Reserve	$0.100
BOS Contingency Reserve	$0.080
EMS Cost Recovery	$0.075
Salary Savings (Additional 10 Positions)	$0.376
Housing Down Payment Assistance	$0.130
ACE Program	$0.470
Additional savings	$0.206
Total	$1.977m

School Funding Gap Strategy – FY2009/10

School Fund Balance (Unaudited 6.30.09)	$6,448,790
Budgeted Use of Fund Balance for FY 09/10	($1,800,000)
Reappropriated Fund Balance for Bus GPS	($212,809)
Projected Local Shortfall for FY09/10	($3,000,000)
Projected State Shortfall for FY09/10	($1,500,000)
10% Operational Holdback	$900,000
Hiring 'Chill' Estimate	$500,000
Potential Savings from Retirees	$1,100,000
Capital Purchases Delay (Technology, Learning Resources)	$500,000
Fund Balance for Use in FY10/11	($1,800,000)
Projected Available Fund Balance for Contingency FY10/11	$1,135,981

FY2010/11 Budget Outlook

General Fund Revenues

- Local revenues flat assuming 77.2 cent "equalized" rate – based on 5-Yr Financial Plan
- Reassessment – 3.75% decrease in 2010/0.5% decrease in 2011
- State revenue has decreased 2.2% - additional reductions expected

General Fund Expenditures

- 0% increase in **salaries** and **departmental operating costs** – 2nd year
- New obligations
    - City revenue sharing costs have increased $0.4 million
    - Increased VRS contribution rate expected
- School Transfer down $1.1 million, or 1.1%
- Capital Transfer down $2.0 million, or 8.2%

Capital Program

- Currently Adopted 5 Yr CIP was reduced by $100 million
    - Additional $103 million currently proposed for reduction

Undesignated General Fund Balance

- Planned to be increased by one-time revalidation roll-back tax collections

FY 2010/11 Budget Outlook
School System State Revenue Issues

- SOQ re-benchmarking unlikely to yield additional funds

- Significant revenue shortfalls at the overall state level may result in cuts in SOQ funding.

- Composite index (ability to pay) increased significantly

Composite Index

Composite Index (local comparative ability to pay) is calculated each biennium and is based upon weighted comparative statewide data.

- 50% - True Value of Real Estate
- 40% - Adjusted Gross Income
- 10% - Taxable Retail Sales

Changes in Inputs of Composite Index

	(50%) Real Estate	(40%) Income	(10%) Sales
Albemarle	**22.90%**	**30.40%**	**14.40%**
State Average	**12%**	**14.40%**	**18.40%**

Data above is based upon changes from 2005 base data to 2007 base data.

Top Quartile of Our Comparative Market

	2008-10 Index	2010-12 Index	Index Change	Percent Change
ALBEMARLE	0.6232	0.6872	0.064	10.27%
VIRGINIA BEACH	0.3704	0.406	0.0356	9.61%
CHARLOTTESVILLE	0.6091	0.656	0.0469	7.70%
FLUVANNA	0.3685	0.3867	0.0182	4.94%
CHESTERFIELD	0.3447	0.3551	0.0104	3.02%
HANOVER	0.4118	0.4195	0.0077	1.87%
LOUISA	0.5396	0.5393	-0.0003	-0.06%
SPOTSYLVANIA	0.3695	0.3594	-0.0101	-2.73%
PRINCE WILLIAM	0.4437	0.4036	-0.0401	-9.04%
FAUQUIER	0.6711	0.6098	-0.0613	-9.13%
LOUDOUN	0.6708	0.5854	-0.0854	-12.73%

Preliminary Fiscal Considerations

State Revenue Reduction (Projected at 0.6872)	**-$6,000,000**
Health Care Increase	**-$950,000**
Local Revenue Shortfall (@ 0.772)	**-$1,100,000**
	-$8,050,000
Local Revenue Shortfall (@0.742)	**-$2,400,000**
	-$10,450,000

School Division
Approximate Cost Considerations

Teacher Scale (1 Step)	$0.96M
Teacher Compensation (Per 1% Increase)	$0.70M
Avg Teacher Comp + Benefits	$71,463
Avg Starting Teacher Comp + Benefits	$65,476
10% Operational Reduction	$0.91M
Class Size Increase (Per 1 student)	$1.59M
Bus Replacement (Annual Funding)	$0.50M
Learning Resources (Annual Funding)	$1.00M

Other Budget Issues

- Use of Stimulus Funding
- “Fund Balances”
  - County
  - Local Government
  - Schools

ARRA Principles

1. Spend funds quickly to save and create jobs;
2. Improve student achievement through school improvement and reform;
3. Ensure transparency, reporting and accountability;
4. Invest one-time ARRA funds thoughtfully to minimize the “funding cliff”; Funds are available for only two to three years and should be invested in ways that do not result in unsustainable continuing commitments after the funding expires.

ARRA – Title Funds

ARRA-Title Funds (FY 09-10)	
Revenues	
Title I	$ 994,557.02
Title II	$ 35,760.70
IDEA	$1,533,976.00
Preschool	$ 72,900.00
Revenue Transfer In-From School Fund	$ 755,398.00
	$3,392,591.72

NCLB and ARRA Funds

<u>Areas (FTEs)</u>

- Management Analyst (.5)
- Migrant Coordinator (.15)
- Homeless Coordinator (.25)
- Teachers (10)
- Paraprofessionals (1)
- Homeless tutors
- Substitutes
- Bus Drivers
- SES/ Public School Choice Transportation
- Parental Involvement
- Administrative Materials

<u>Areas (FTEs)</u>

- Coordinator (1)
- Teachers (1.75)
- Pre-K Teacher (1)
- Pre-K Paraprofessionals (1)
- Substitutes
- Bus Drivers
- SES/ Public School Choice Transportation
- Parental Involvement
- Instructional Materials
- Technology

State Stabilization Funding

Revenue

- $2,450,960 for Year 1 (status unclear regarding Year 2 availability)

Expenditures

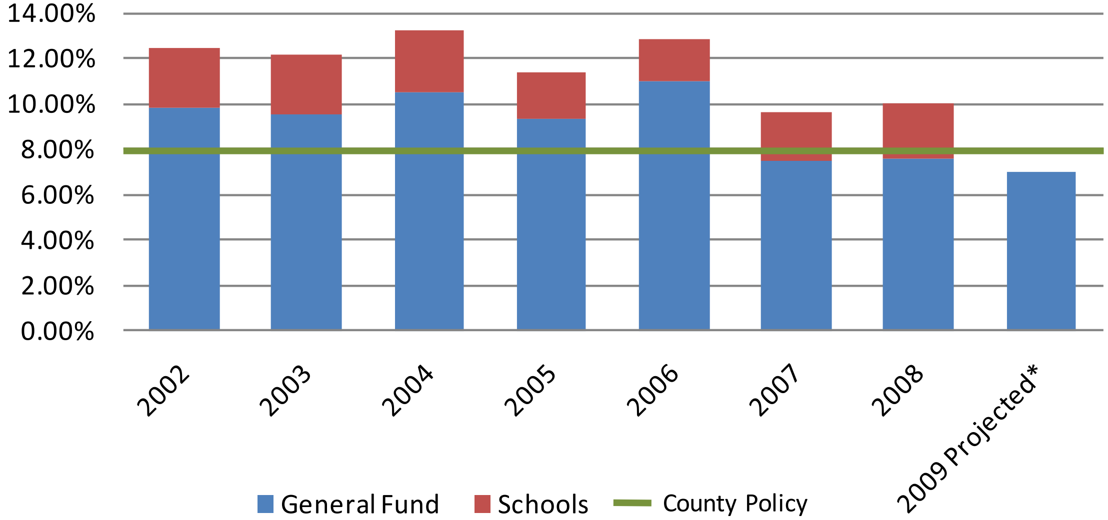
- Instructional technology/CIP ($550,000)*
- Classroom technology (interactive whiteboards, student response systems)
- Laptop/netbook computers
- Infrastructure upgrades
- Learning resources (restore cuts)
- Replacement student information system
- Technology staffing (5.5 FTEs, two-year contracts only)

*Allocating $550,000 to Instructional Technology (CIP), a fund typically funded completely by local government, provides local government with flexibility to build a reserve or rainy day fund.

Undesignated General Fund Balance

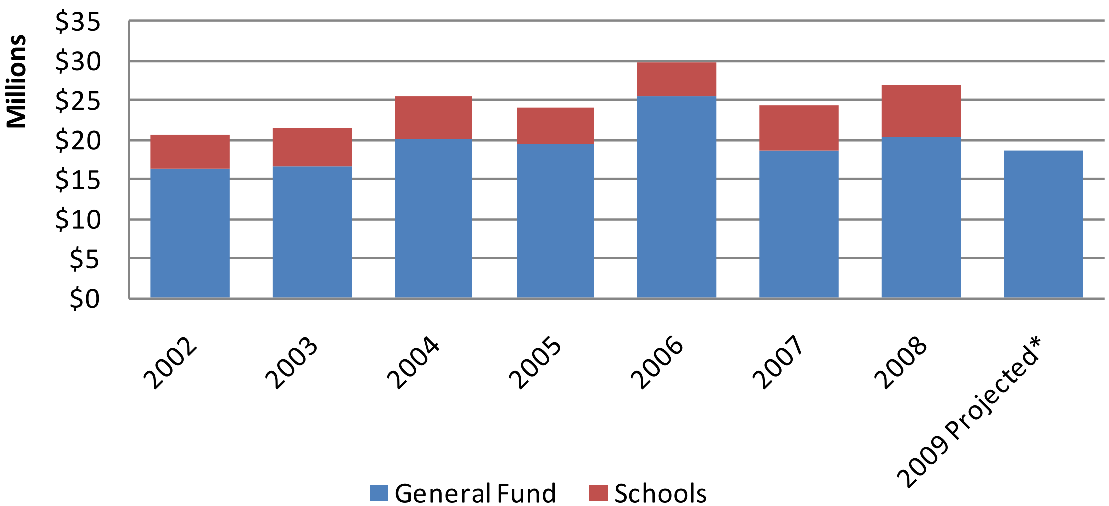
- Benefits Local Government and Schools
- Not intended to fund current operations
- Maintained for cash liquidity purposes to provide sufficient cash flow to avoid short-term tax anticipation borrowing
  - Assures adequate cash flow to meet Local Government and School payroll and operating expenses on a month to month basis
- Important measure of financial strength
- Provides an added layer of protection that is critical to achieving higher bond ratings
- By policy, should be equal to no less than 8% of the County's total operating budget, which includes the General Fund plus the School Fund

Undesignated Fund Balance v. General Fund & School Revenues



*Includes General Fund balance only, Schools balance currently under review

Undesignated Fund Balance ($)



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Revenue Shortfall Contingency or "Reserve for Contingencies"

- Specifically designed to offset current operating budget shortfalls due to revenue shortfall or unanticipated emergency expenditure
- First established in County Budget in FY 2009
- No specific target established annually
- Typically funded as an operating reserve in the General Fund operating budget
- Functions similar to School "Fund Balance"
- Revenue Shortfall Contingency in Current Fiscal Year (FY2010)
  - Funded from ongoing VDOT revenue sharing funds in the CIP
  - Originally established for School/Local Government use on 60/40 basis
  - Local government plans to utilize 40% to meet a portion of projected revenue shortfall
    - No add'l contingency set aside for further State cuts to local government in FY10
  - ***Question remains regarding school use of the remaining 60% of this contingency verses use of School "Fund Balance***"

Use of School "Fund Balance"

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Questions/Discussion

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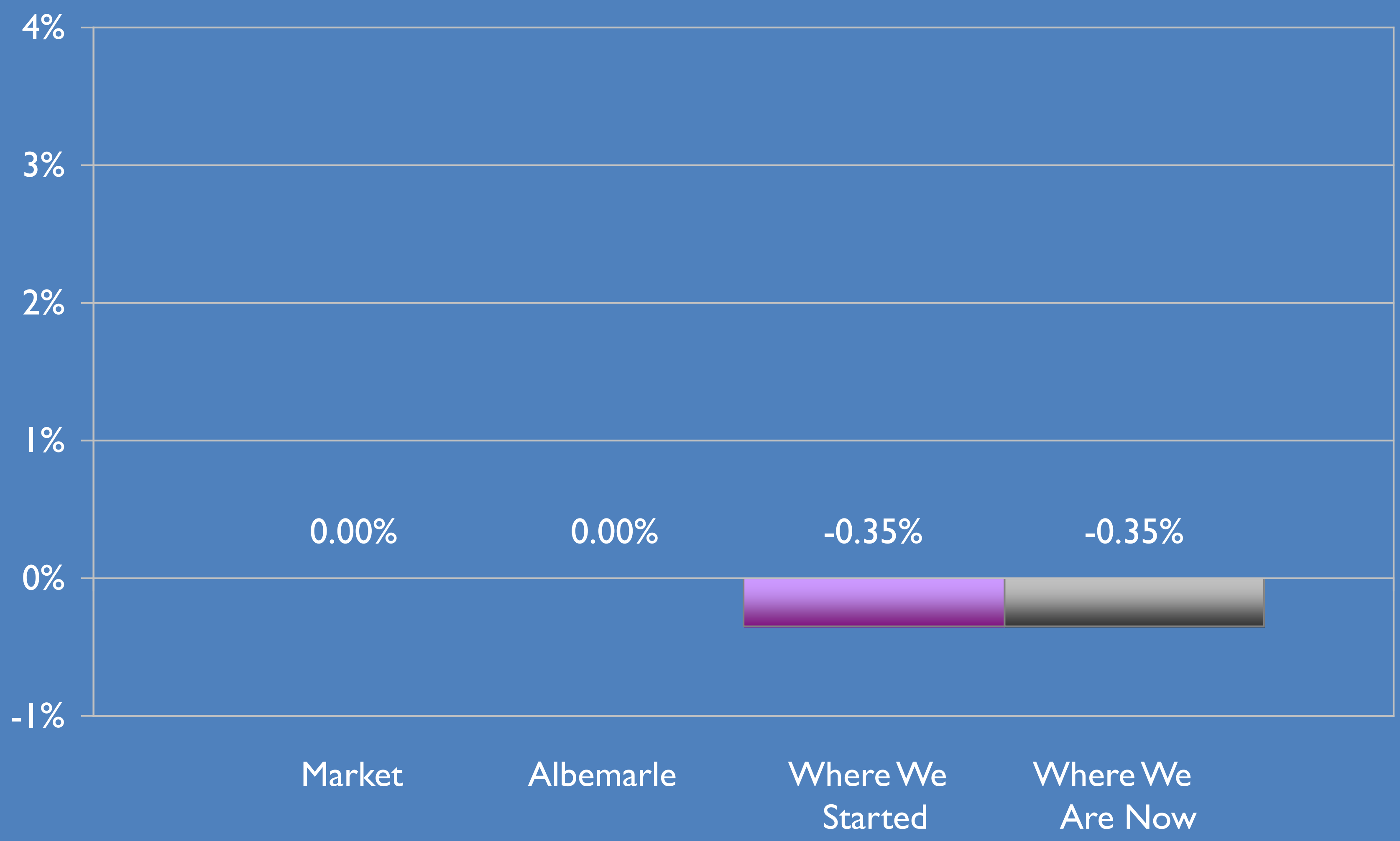
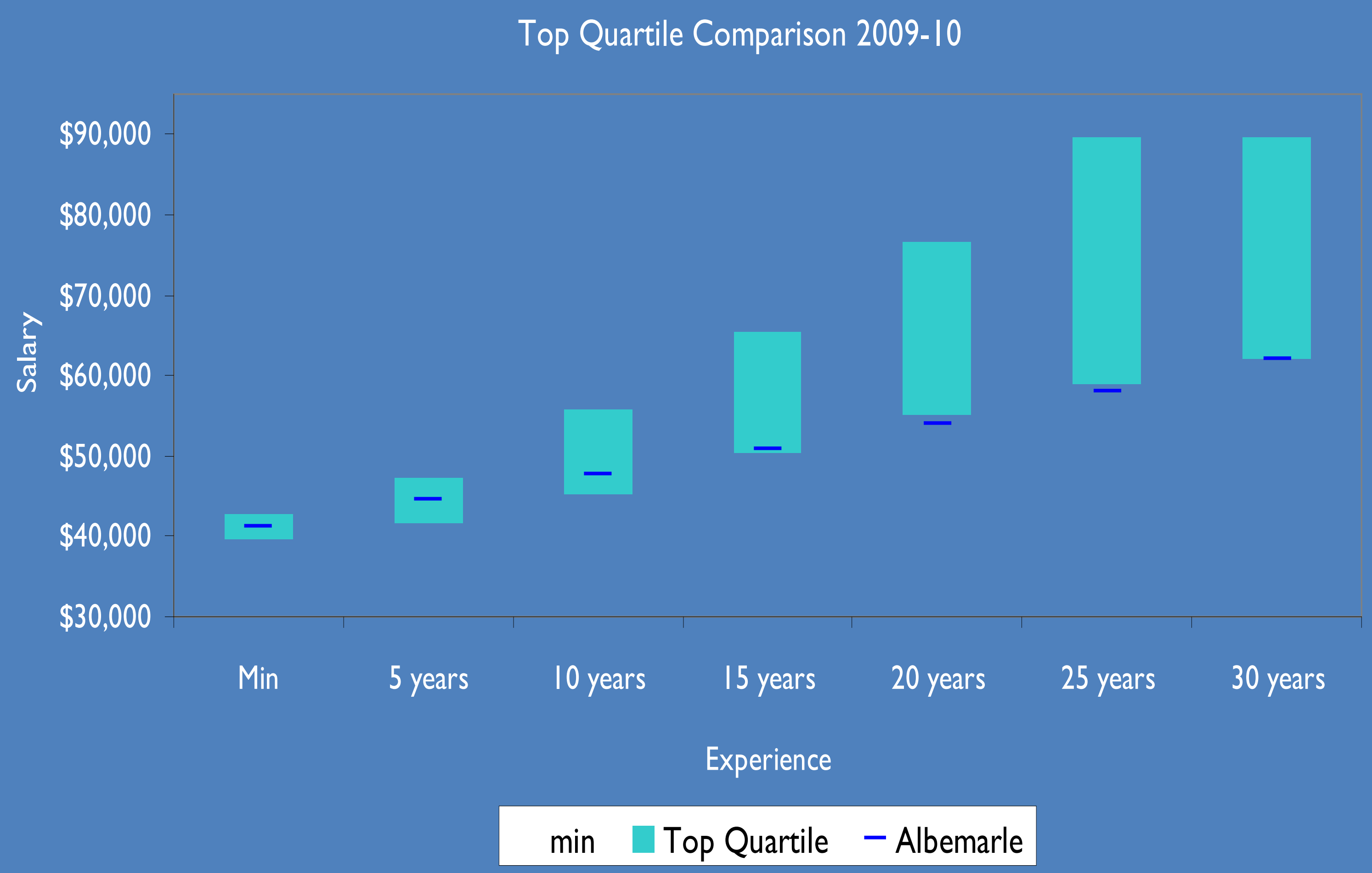
Compensation Targets



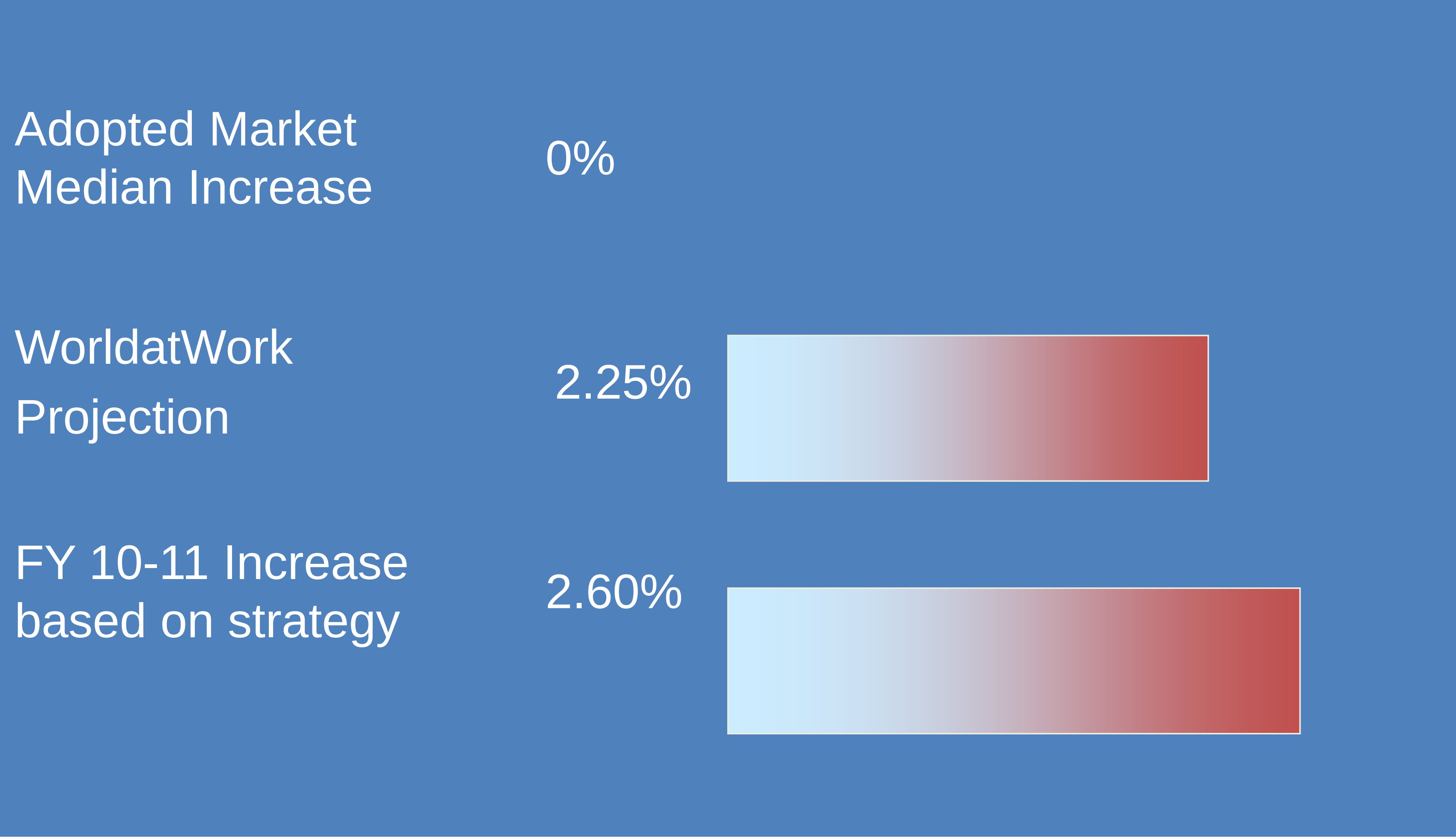
Market Analysis

Classified Salary Increases
FY 09-10



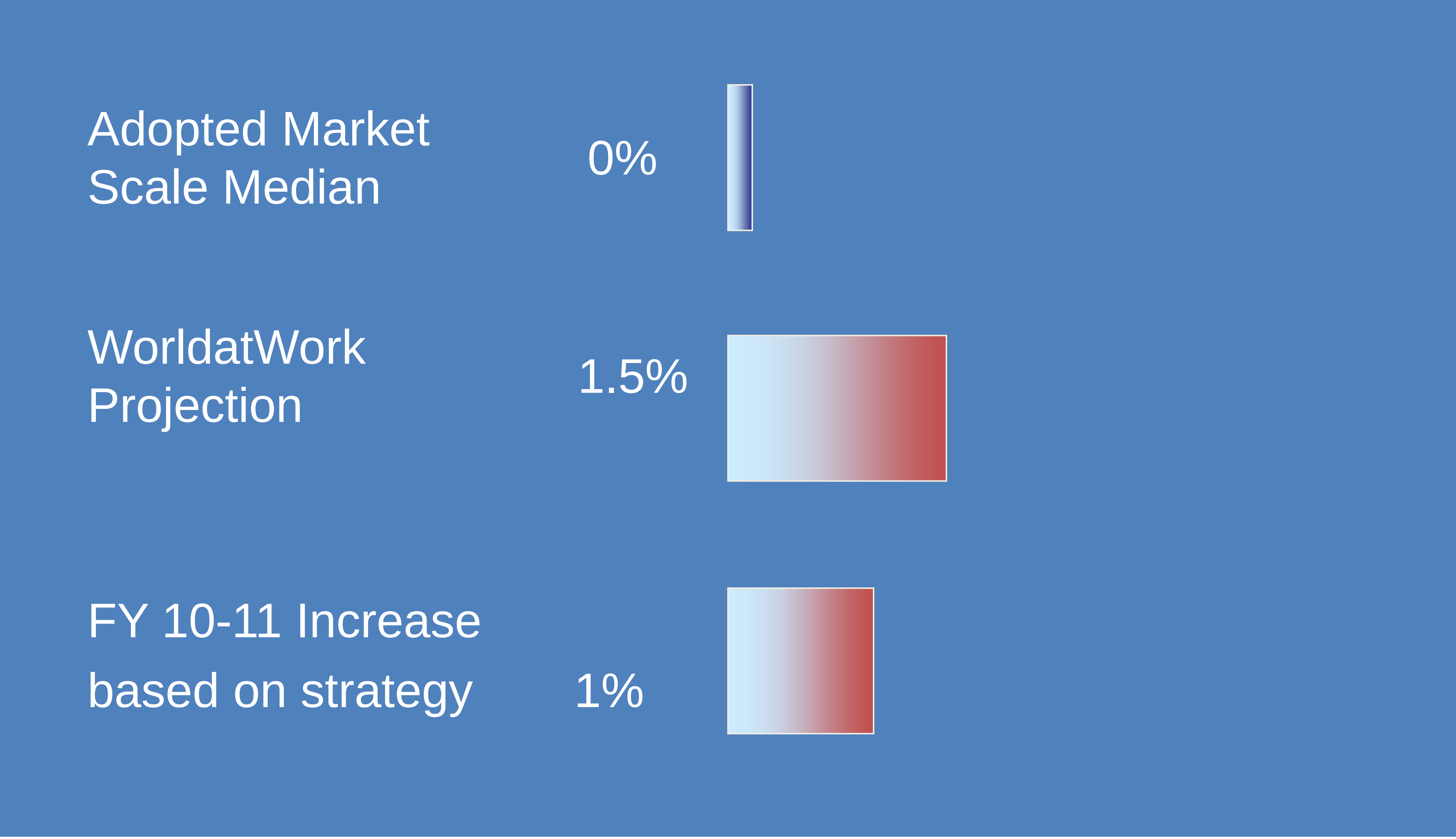
Market Analysis

Teacher Scale FY 09-10



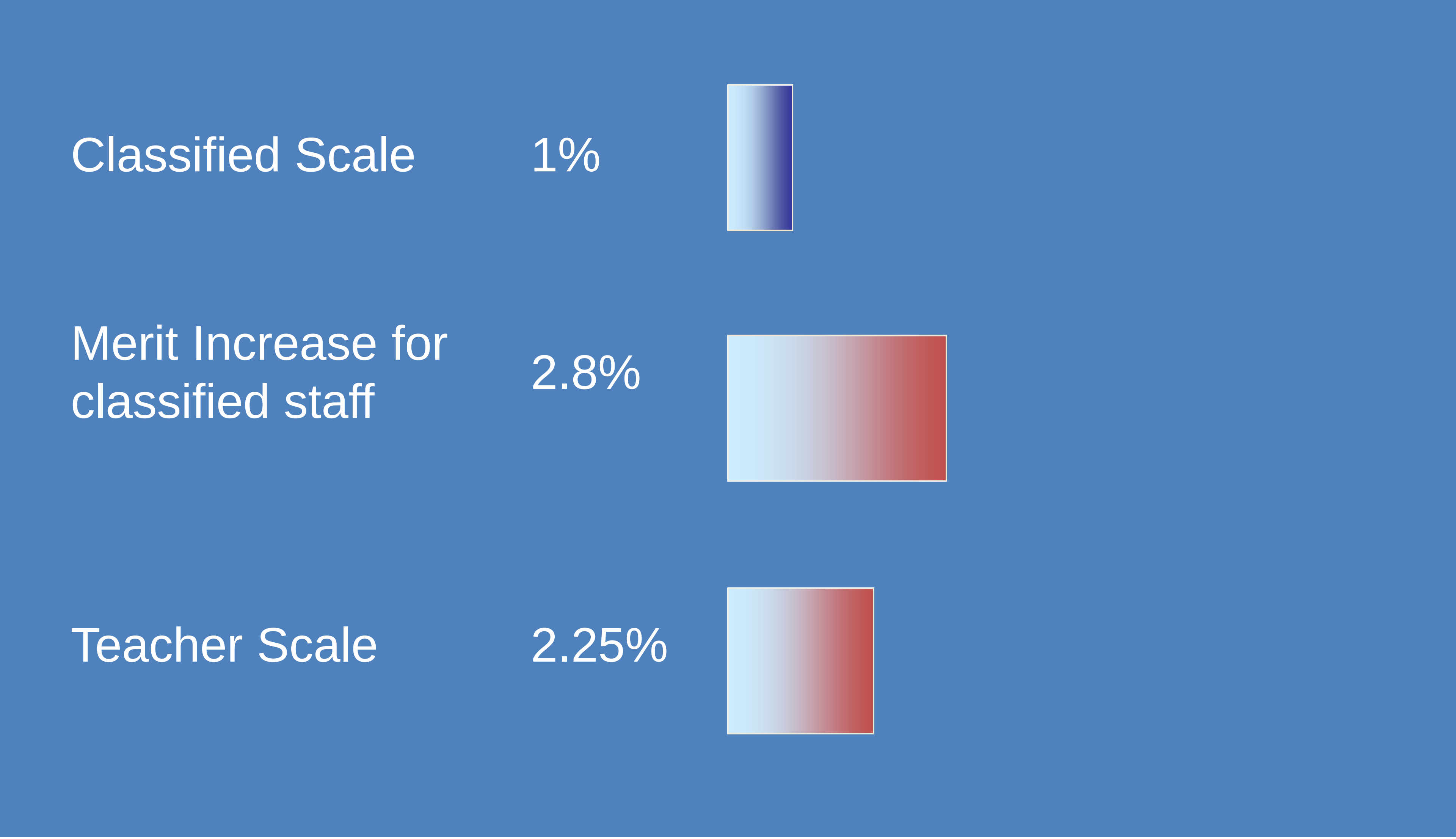
Salary Projections

Classified Salary Increase



Salary Projections

Classified Scale Adjustments



Salary Projections

Based on Joint Board process

Benefits

Requested Joint Board Action

1) Approve no scale adjustment, merit increase or teacher increase due to the current economic and market conditions and the projected revenue shortfalls;
2) Approve applying a portion of the Health Care Reserve Fund to offset some of the increase in medical plan costs (the projected cost increase in medical is anticipated at 8%)

Questions/Discussion