Five Year Financial Plan

Board Work Session
November 5, 2014

Responding to a Changing Reality

FY09 – $333.7 million

FY14 - $322.5 million

FY09 – 97,696 residents

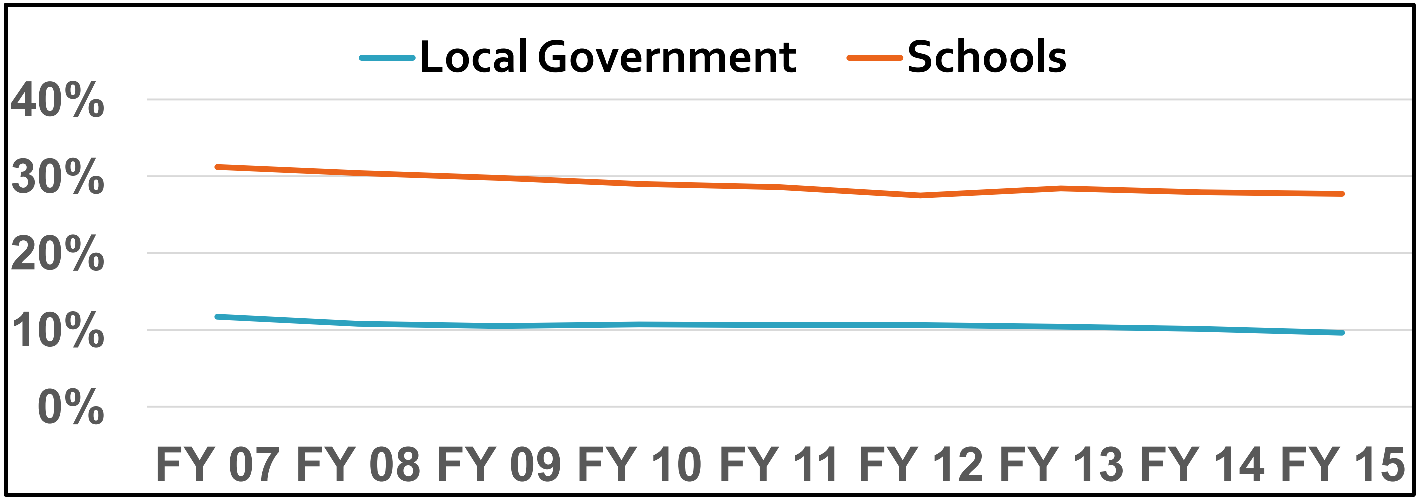
FY 14 – 104,580 residents

FY 09 – 12,531 students

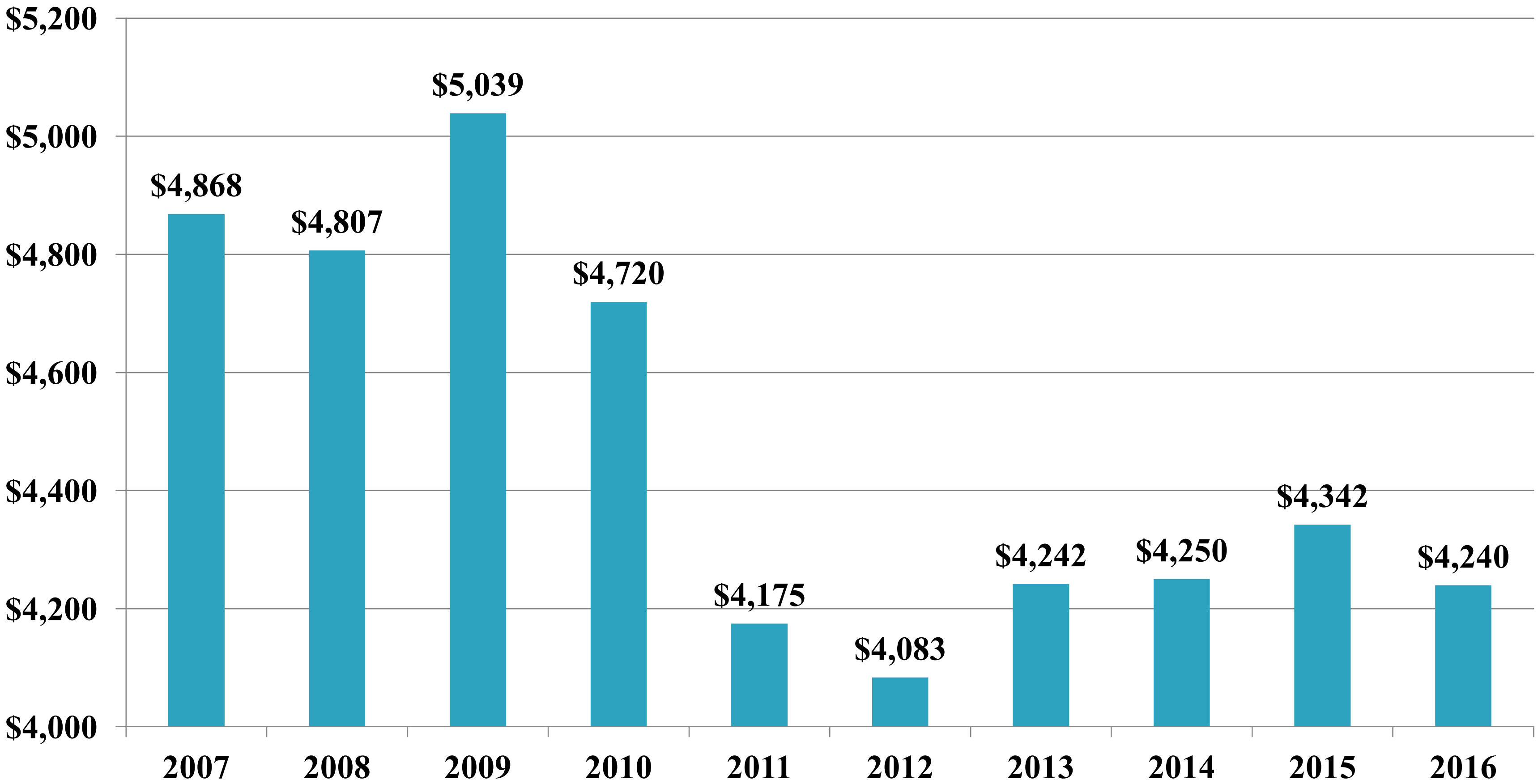
FY 14 - 13,075 students

Our Revenues – Struggling Recovery

- More sluggish local revenues than anticipated
  - Projected real estate taxable assessed values 0.5% less per year throughout the plan than projected last year
  - Projected growth in other local revenues adjusted down
- Redefinition of State funding relationship



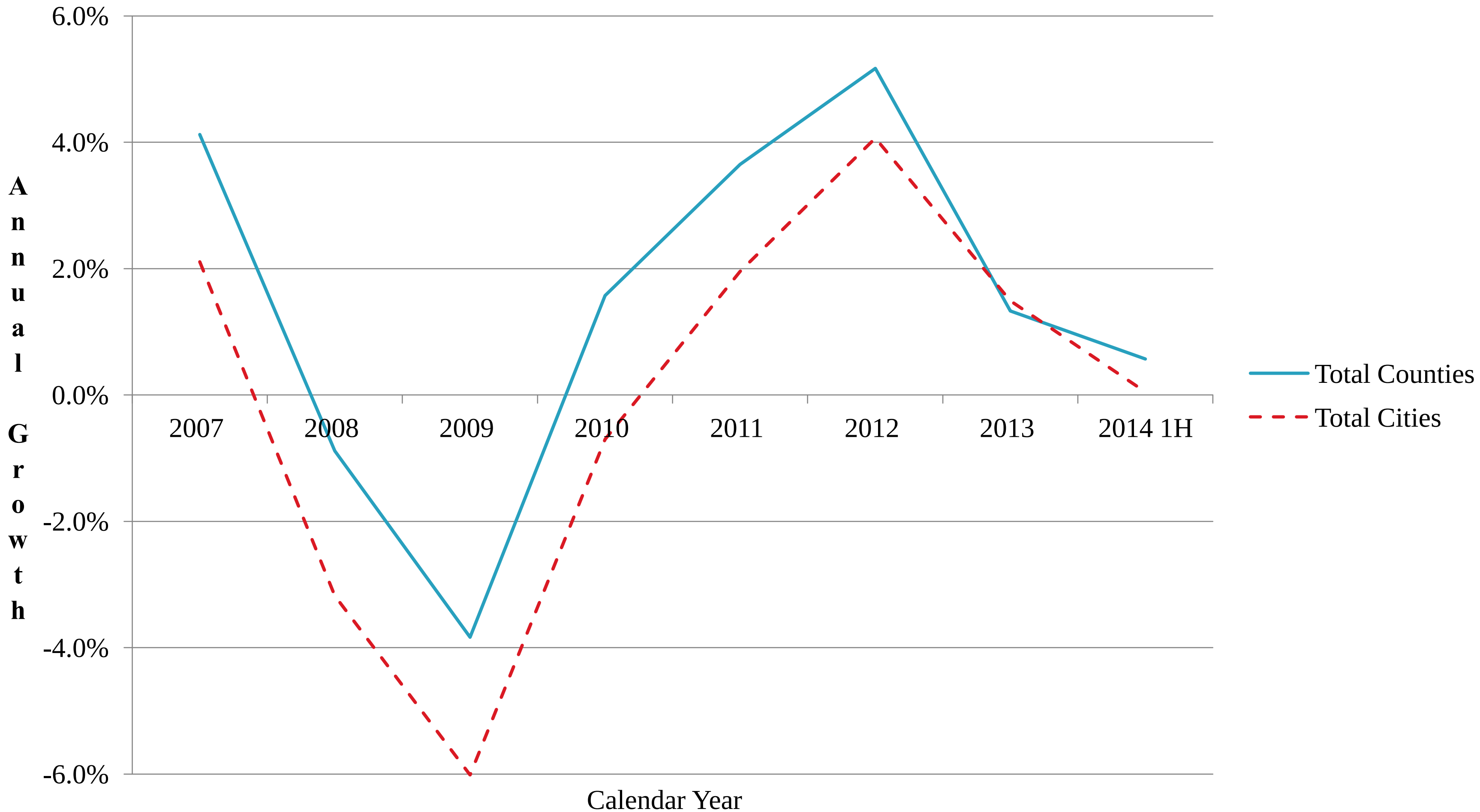
Inflation-Adjusted State Per Pupil K-12 Funding



Includes GF, lottery profits, miscellaneous NGF, and state appropriated federal stimulus funds *adjusted by the CPI*

Source: Fiscal Analytics, Ltd.'s Presentation to TJPDC October 2014

Taxable Sales Growth (Virginia) Approached Zero in FY 2014



Source: Fiscal Analytics, Ltd.'s Presentation to TJPDC October 2014

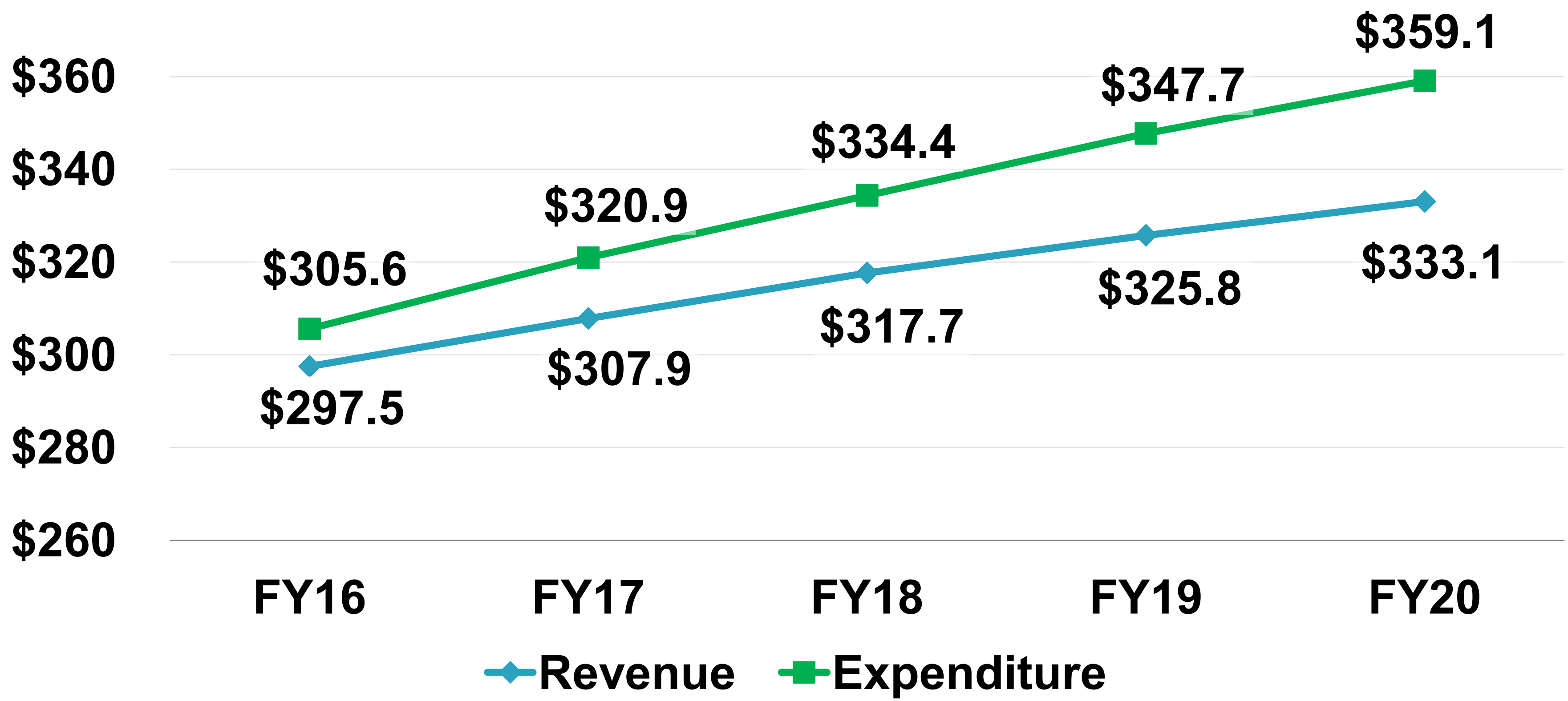
Our Community – Growing and Urbanizing

- Between 2009 – 2020, 18,698 new County residents projected
- 35 square miles of urban environment
- 4,624 new dwelling units from 2005-2012: 72% are in the development area

Our Schools – Projected Enrollment Growth and Changing Demographics

- Between 2009 and 2020, over 2,000 new students projected
- Increase of 1,069 economically disadvantaged students between FY 09 and FY 14
- Growing need for special education, literacy intervention, non-English speaking services, etc.

Reality of Available Revenue vs. Unmet Needs



	FY 16	FY 17	FY 18	FY 19	FY 20
Funding Gap	$8.1M	$13M	$16.7M	$21.9M	$26M

How We Responded in the Past

- Staffing remains at the FY06 per capita level
- Net staffing losses in all functional areas except public safety and human services
- 4% total increase in salaries over the past five years along with 15% increase in employee premiums
- Significant efficiencies, adaptation, innovation and partnership
- Tax bill for average homeowner declined for four years, still below the 2009 level

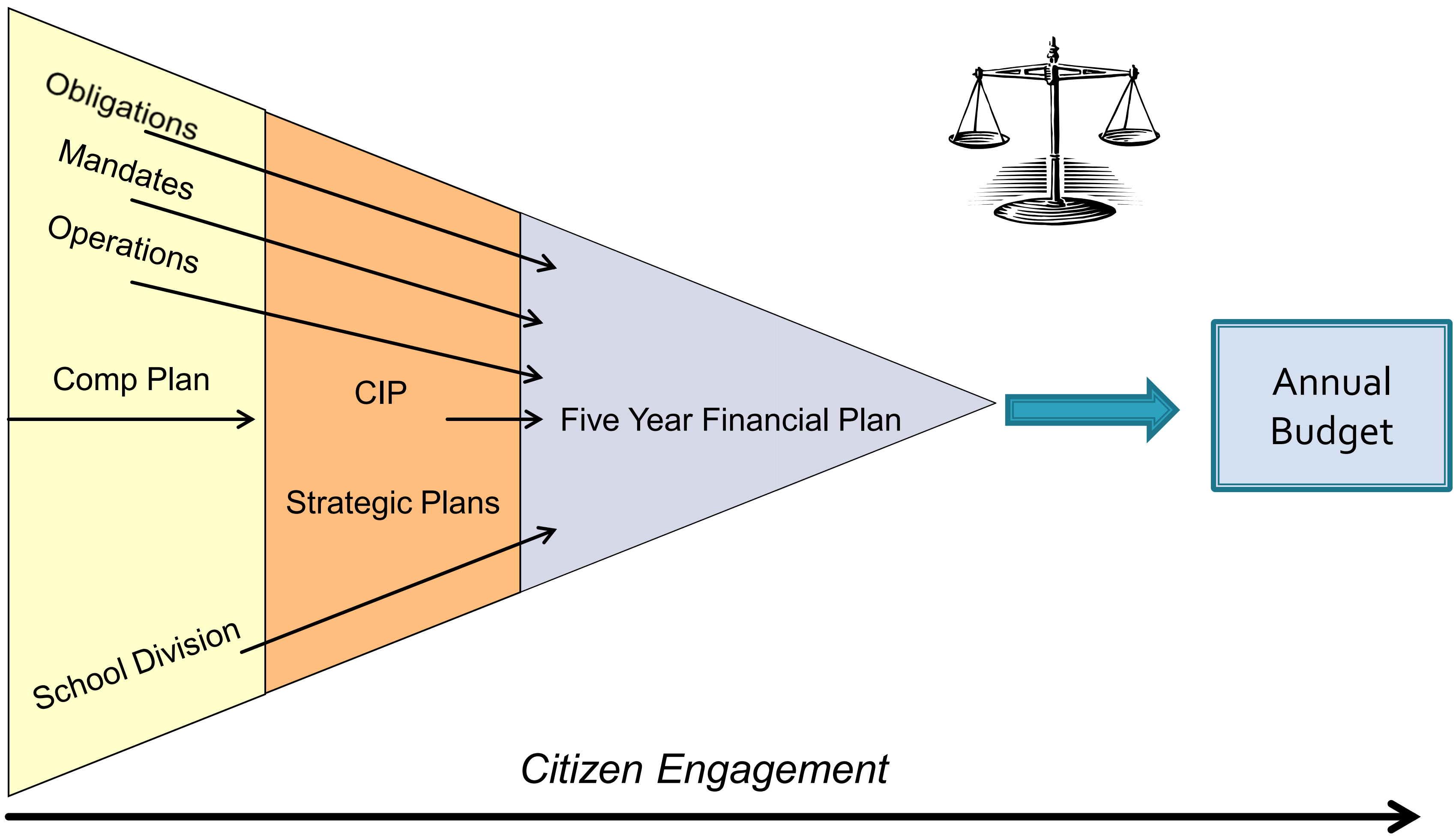
Approaches to Addressing the Gap

- Legislative action to diversify revenue sources
- Reduction of services
- Scaling back of expectations
- Economic Development Investments
- Bond Referendum
- Increased tax rate
- Consolidation
- Partnership

Five Year Financial Plan

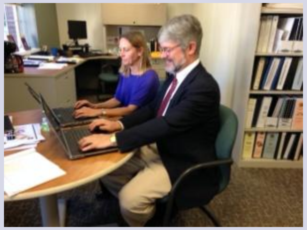
- **Not next year's budget** or a five-year budget
- Brings together the three major components of the County budget – schools, general government, and capital
- Critical process for our AAA Bond-ratings
- Assumptions are based on the best information available *as of today*
- There will be 4 Five Year Financial Plan Work Sessions this fall (one with the School Division) and a Joint Work Session on the Five Year Capital Improvement Plan
- Creates a framework for the annual budget development process

Five Year Financial Plan



What's Different?

Last Year	*This Year*
General Government and Schools provided separate Five Year Plans	General Government and Schools providing joint scenarios
Previous strategic plan	New strategic plan
Departments did not develop full Five Year Departmental Resource Plans	Departments developed Five Year Resource Plans - informs Scenario 2
Board "adopted" a Balanced Five Year Financial Plan and provided guidance for the FY 15 annual budget development	Board will be asked to come to a general consensus on a preferred scenario in context of your priorities and economic conditions, and to help inform the FY 16 annual budget development
Goals for Plan developed by staff	*Guiding Principles* developed by the Board and School Board



Guiding Principles

- **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.*
- **Mandates and Obligations**: *We recognize the continuing challenge of meeting evolving mandates and obligations and their impacts on local resources.*
- **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.*
- **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

- **Implementation of Strategic Plans**: *We will make progress towards achieving the goals in our Strategic Plans.*

- **Changing Demographics***: We will anticipate and position ourselves to address current and projected demographics.*

- **Prevention:** *We will identify demographic and community trends and implement proactive strategies to address these trends.*

- **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.*

Today's Agenda

- Review Revenue Assumptions
- Review Expenditure Assumptions, with a focus on General Government (School Division focus on Nov. 12)
  - *Scenario 1*
  - *Scenario 2*
  - *What Scenarios do not address*
- Next Steps

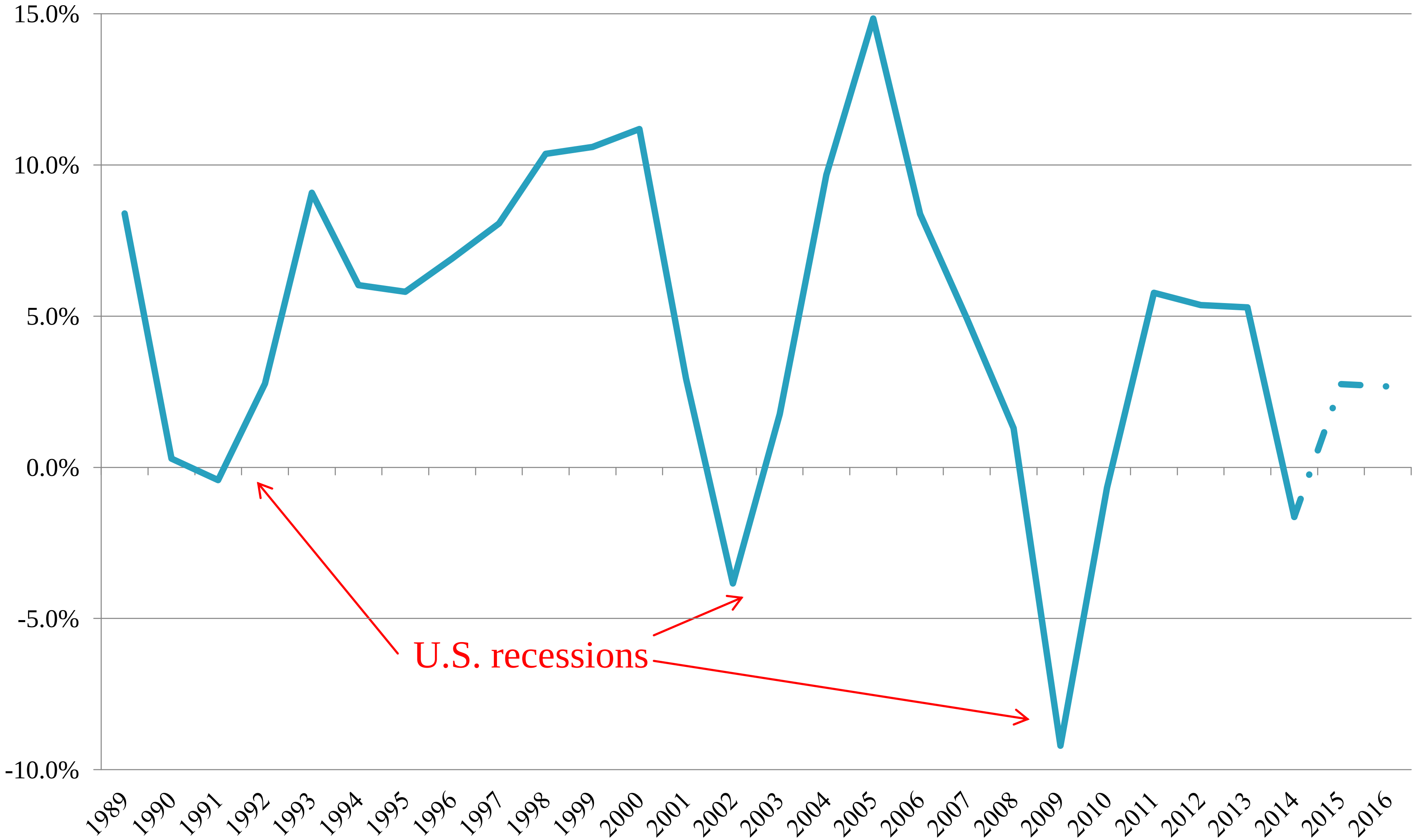
Revenue Assumptions
Process and Methodologies

- Cross-Departmental Revenue Team
- Proven Track Record
- Forecasting methodologies consistent with best practices, including:
  - Qualitative:
    - Assumption-based analysis
  - Quantitative:
    - Multi-year trend analysis
    - Regression analysis

Why is revenue growth assumed to be less than anticipated this time last year?

- Five years out from Great Recession
  - Last year, we expected growth to be equal or greater than 3.5% to 4%, but this level of growth did not occur
- Based on historic trends, unusually long recoveries often lead to slowdowns or downturns
- State reducing funding to County
- The assumed rates of growth appear consistent with Fiscal Analytic, Ltd.'s projections as well as with recent, post-Great Recession, multiyear trends.

Virginia's General Fund Revenue Declined 1.6% in FY 2014
2.9% Growth/Yr Now Projected in 2014-16



Source: Fiscal Analytics, Ltd.'s Presentation to TJPDC October 2014

Revenue Assumptions

Revenue growth assumed to be more moderate than previously anticipated

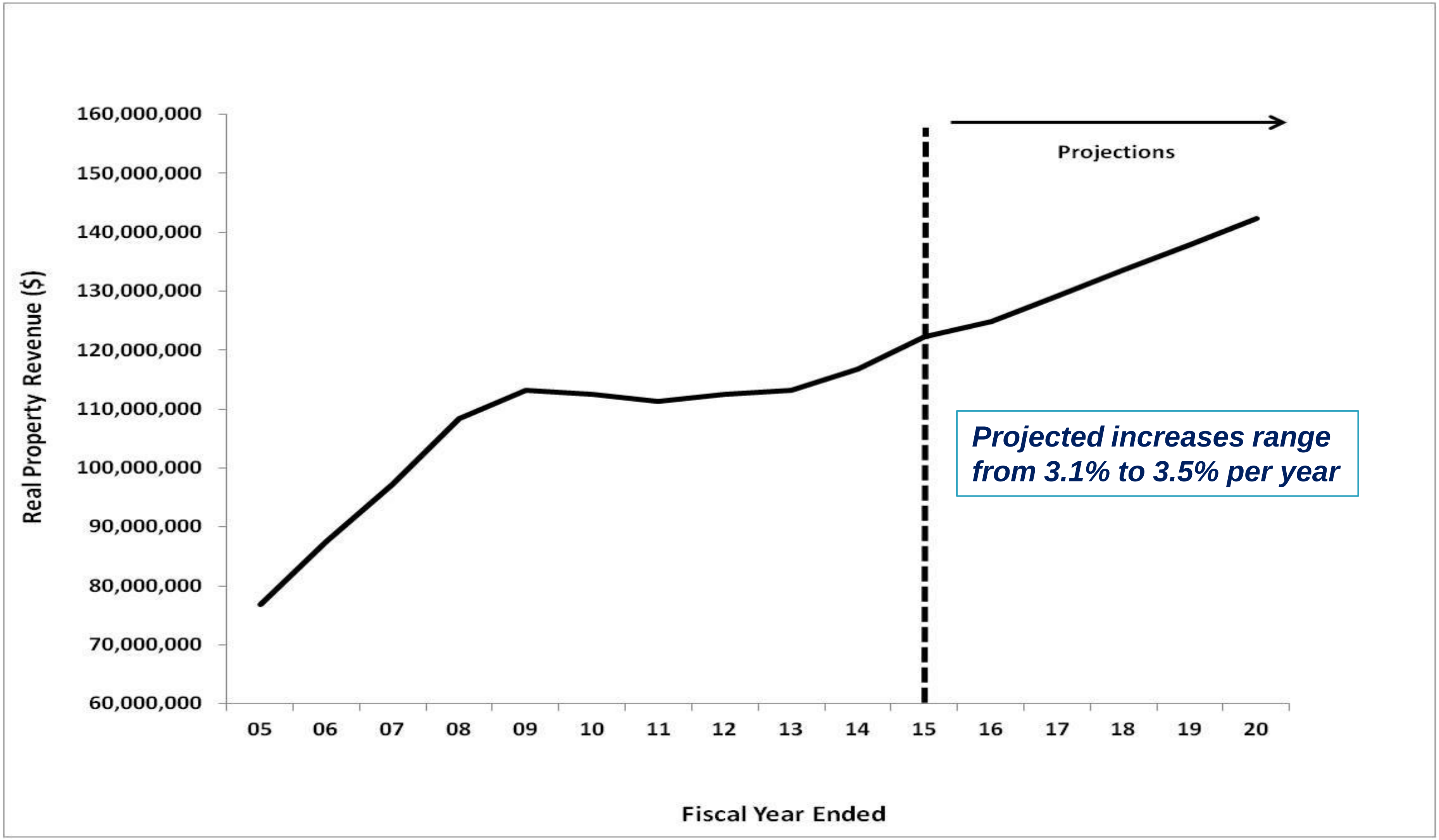
FISCAL YEAR	FY 16	FY 17	FY 18	FY 19	FY 20
General Fund Increases	2.1% $5.1 M	2.6% $6.5M	2.5% $6.5M	2.6% $6.8M	2.6% $6.6M

Revenue % Growth By Category

	FY 16	FY 17	FY 18	FY 19	FY 20
Real Estate Taxes (assumes 79.9 tax rate)	3.2%	3.5%	3.4%	3.3%	3.1%
Other Property Taxes	1.7%	1.6%	1.6%	1.6%	1.7%
Other Local Taxes	1.2%	2.3%	2.3%	2.3%	2.3%
Other Local Revenue	3.4%	1.1%	1.7%	4.7%	1.7%
State Revenues	(1.2%)	0.3%	0.3%	0.3%	0.3%
Federal Revenues	3.9%	4.0%	0.8%	2.9%	2.6%

Inflation projected to range between roughly 2% annually. FY 16 change reflects difference between FY 16 forecasted amount and FY 15 adopted amount.

Real estate revenues to increase at a more moderate pace than previously anticipated

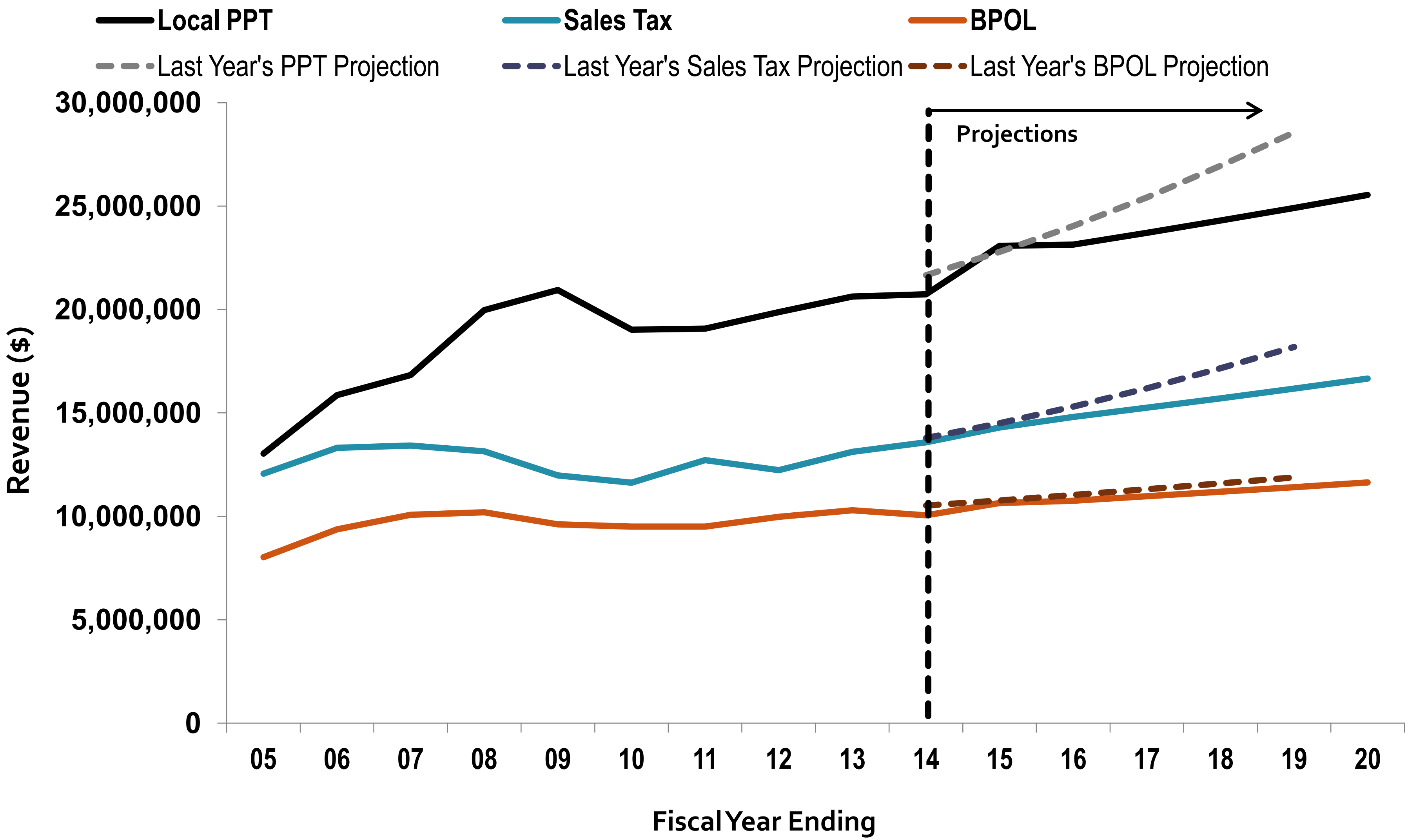


Plan assumes *Real Estate Taxable Assessed Values* will be less than previously assumed

Calendar Year	Last Year's Assumption	Current Assumptions
2015	2.3%	1.9%
2016	2.5%	2.0%
2017	2.5%	2.0%
2018	2.5%	2.0%
2019	2.5%	2.0%
2020		2.0%

Real Estate Tax Revenues ≈ 51% of County GF Local, State, and Federal Revenue.

Plan assumes more moderate revenue growth than anticipated this time last year



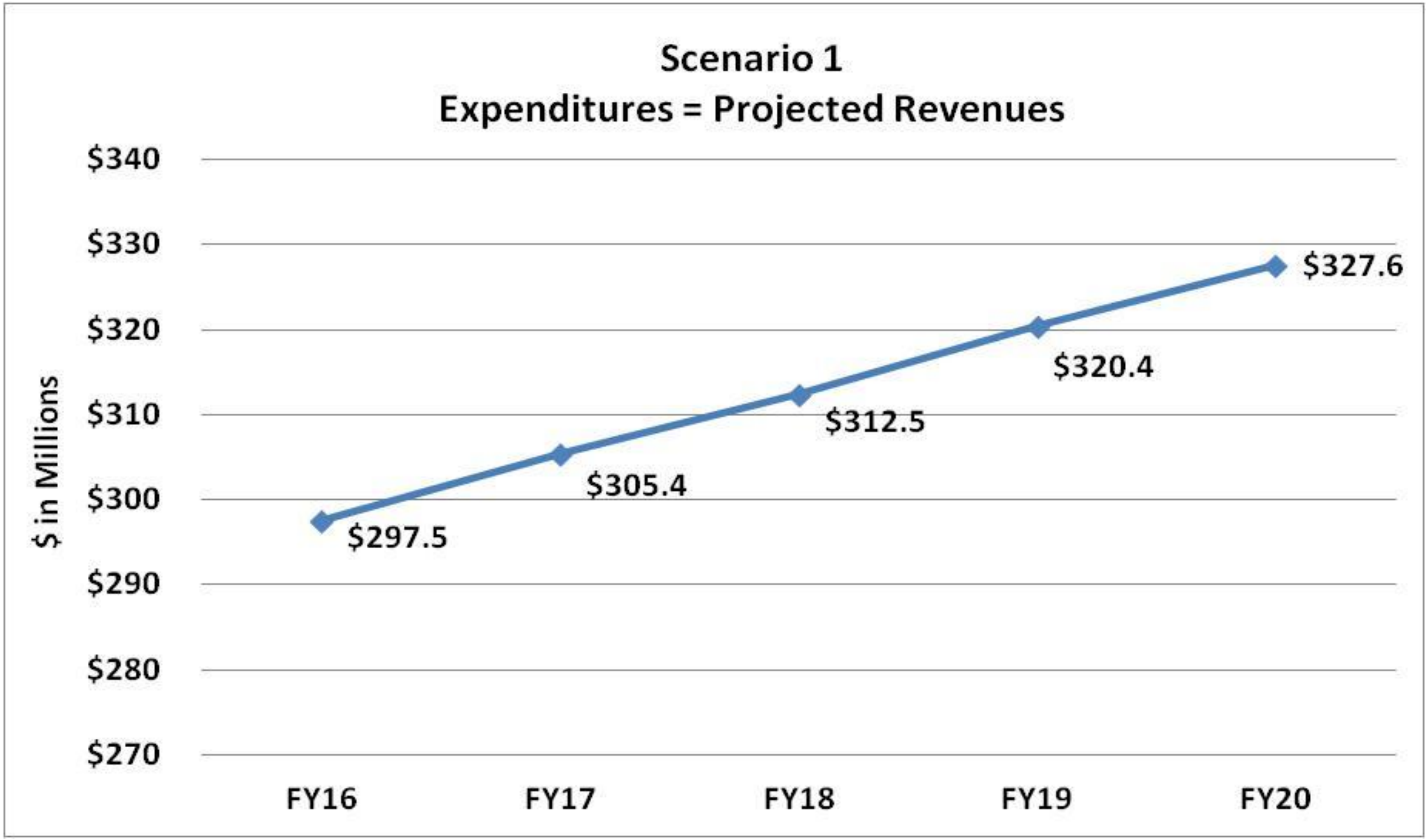
In Summary

General Fund Revenue growth assumed to be more moderate than previously anticipated

FISCAL YEAR	FY 16	FY 17	FY 18	FY 19	FY 20
General Fund Increases	2.1% $5.1 M	2.6% $6.5M	2.5% $6.5M	2.6% $6.8M	2.6% $6.6M

Staff prepared two scenarios for consideration

Scenario 1


Scenario 1
Expenditures = Projected Revenues
$340
$330
$320
$310
$300
$290
$280
$270
$ in Millions
$297.5
$305.4
$312.5
$320.4
$327.6
FY16
FY17
FY18
FY19
FY20

Scenario 1

- What it does:
  - Provides funding for mandates/obligations
  - Provides for increased costs associated with Health Care
  - Provides full year of funding for those positions funded in FY 15
  - Provides for operational increases associated with Capital Program

- However, it …
  - Fails to provide market salary increases for existing staff over the five year period
  - Fails to provide any additional staffing to meet current needs nor those associated with population/enrollment growth
  - At current tax rate, does not support our capital program, as currently adopted
  - Does not adequately support core agencies nor provide any increases to ABRT or Cultural Agency funding categories

Scenario 1
Allocation of Growth in General Fund Revenues

	FY 16	FY 17	FY 18	FY 19	FY 20
Assumptions: **Available Funding Increases**	**$5.1 M**	**$6.5 M**	**$6.5 M**	**$6.8 M**	**$6.6M**
Obligations: Revenue Sharing, School Transfer, CIP Transfer, CSA	$3.7 M	$4.6 M	$4.5 M	$4.4 M	$4.4 M
Personnel: Salary & Benefits includes full year costs of FY 15 positions	0.9	0.9	1.0	0.9	1.1
Operations/CIP Operating Impact	0.4	0.4	0.4	0.9	0.5
Core **Agencies** Support/Contracts and Regional Partnerships	0.5	0.6	0.6	0.6	0.6
Reserves & Contingencies	-0.4	0.0	0.0	0.0	0.0
Assumptions: **Total Expenditure Increases**	**$5.1 M**	**$6.5 M**	**$6.5 M**	**$6.8 M**	**$6.6M**

Scenario 1
Revenue Sharing - City of Charlottesville

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	$16.3M	($0.2M)	(1.0%)
FY 17	$16.8M	$0.5M	3.0%
FY 18	$17.3M	$0.5M	3.0%
FY 19	$17.9M	$0.6M	3.5%
FY 20	$18.5M	$0.6M	3.5%

Scenario 1

General Government VRS and Health Insurance Obligations

Fiscal Year	VRS-Related Changes	Health Insurance Increases
FY 16	--	$370k
FY 17	($350k)	$337k
FY 18	--	$249k
FY 19	$365k	$172k
FY 20	--	$281k

VRS Retirement Rate %s

- FY16 - 13.49%
- FY17- 12.51%
- FY18 - 12.51%
- FY19 - 13.51%
- FY20 - 13.51%

Health Insurance Rate Increases

- FY16 – 9.6%
- FY17 – 6.7%
- FY18 – 4.7%
- FY19 – 3.1%
- FY20 – 4.9%

Scenario 1

Transfer to School Division provided generally based on formula guidelines

Fiscal Year	Actual/Proj	$ Change	% Change
FY 11	$96.1M	($0.9M)	-1.0%
FY 12	$97.2M	$1.2M	1.2%
FY 13	$100.1M	$2.9M	2.9%
FY 14	$103.3M	$3.2M	3.2%
FY 15	$109.8M	$6.5M	6.3%
FY 16	$112.3M	$2.5M	2.3%
FY 17	$115.1M	$2.8M	2.5%
FY 18	$118.0M	$2.8M	2.5%
FY 19	$120.8M	$2.8M	2.4%
FY20	$123.6M	$2.8M	2.3%

Scenario 1
CSA Mandate Increases

- Comprehensive Services Act (CSA) Program: Provides for mandated child-centered, family-focused and community-based services for at-risk youth and families.

36% increase

CSA Shared Funding	FY 15	FY 16	Increase
State share	$4.8M	$7.4M	2.6M
School Fund*	$1.4M	$2.1M	$677K
General Fund*	$2.7M	$2.8M	$99K
Total	**$8.9M**	**$12.3M**	**$3.4M**

General Fund and School Fund annual increase in FY 16 anticipated to be = $776K

*CSA funding formula changes under consideration

Scenario 1 Summary

- Balanced
- Provides for:
  - mandates/obligations
  - increased costs associated with Health Care
  - full year of funding for those positions funded in FY 15
  - operational increases associated with Capital Program
- Fails to:
  - Provide market salary increases for existing staff over the five year period
  - Provide any additional new positions to address staffing shortages nor address population/enrollment growth.
  - support capital program, as currently adopted.
  - adequately support agencies

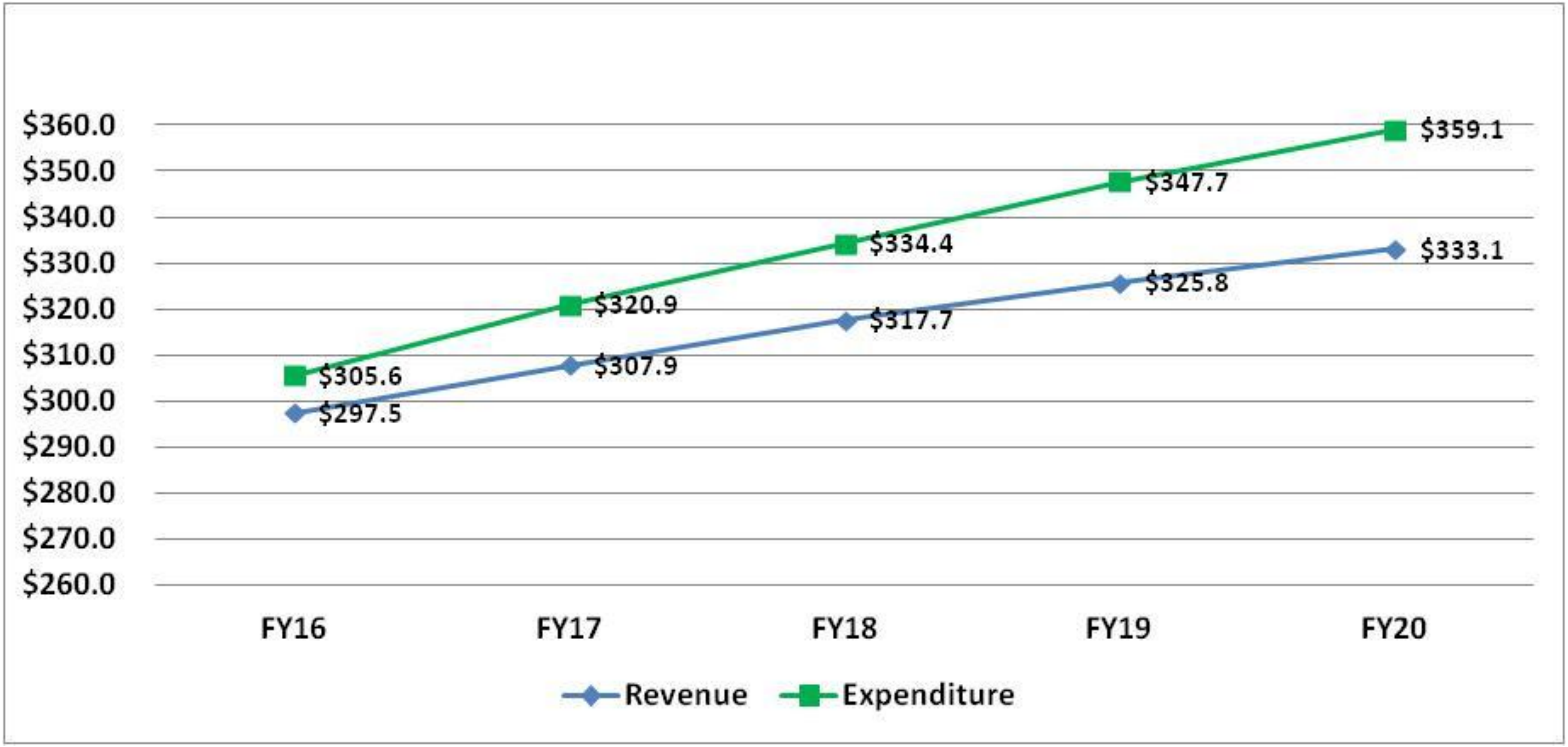
Scenario 2

- Aligns with Board and School Board Guiding Principles

- Funds all mandates and obligations outlined in Scenario 1
- Provides salary increases for employees within HR's recommended range to keep up with Market
- Assumes dedicated 3 penny tax rate increases in out years to support CIP
- Provides more adequate funding levels for agencies

- Provides funding to begin to address current service level needs and staffing shortages
- Provides staffing to keep pace with anticipated enrollment growth and population growth over the five year period.

Scenario 2



	FY 16	FY 17	FY 18	FY 19	FY 20
Funding Gap	$8.1M	$13M	$16.7M	$21.9M	$26M

Scenario 2

- Provides for salary increases within recommended range

Beginning	Salary Increases
January 2016	2.3% and pay for performance
January 2017	2%
January 2018	2%
January 2019	2%
January 2020	2%

- Supports employee training throughout the plan

Scenario 2 begins to address the Board of Supervisors' Organizational Capacity Goal

"CATCH UP"
Address staffing shortages and pressing community needs

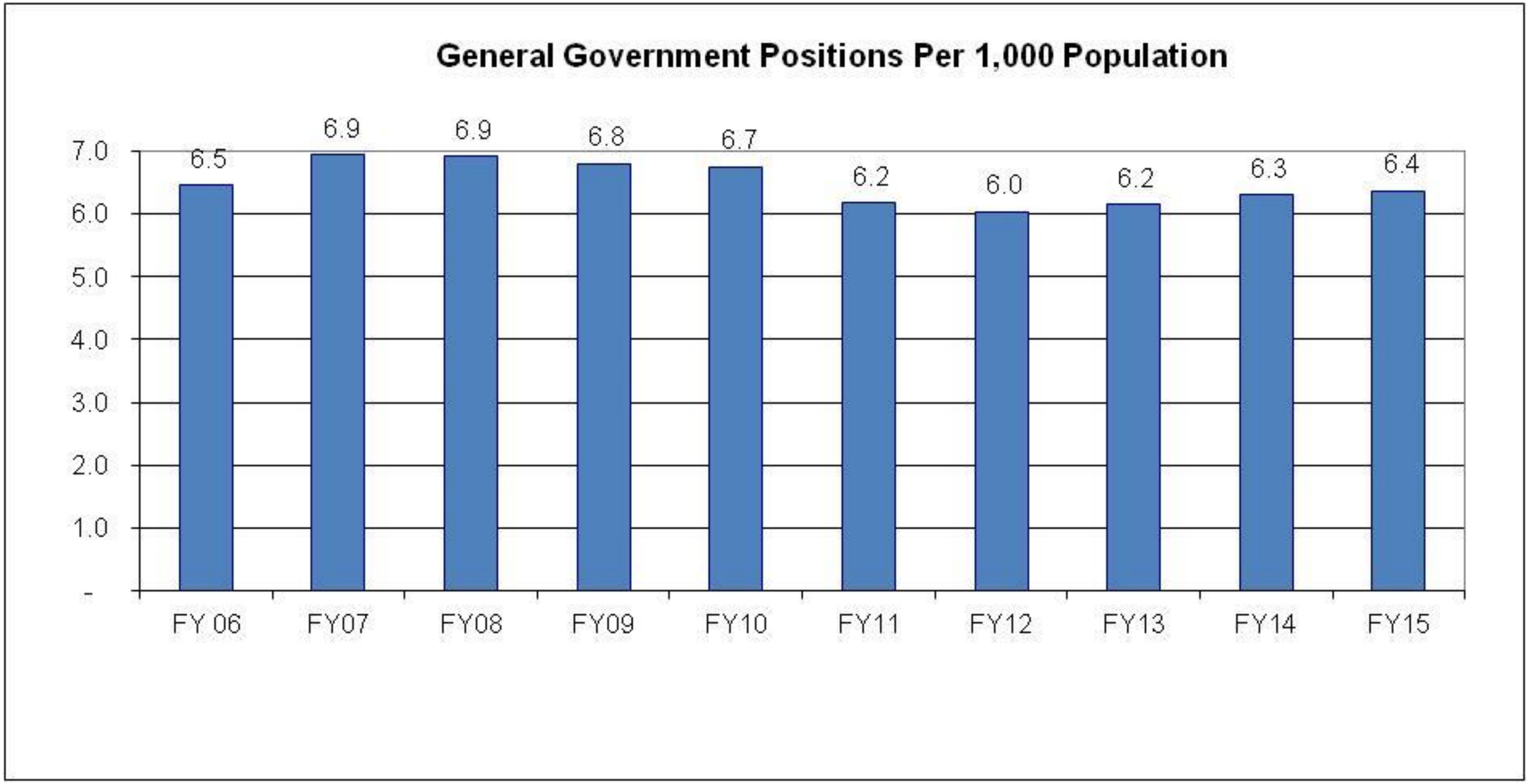
Pantops
Busiest Area
27% Pop. Over 65

Albemarle County police staffing ranks 127th out of 134 VA Localities

"KEEP UP"
Maintain service level and caseload ratios

DSS understaffed to meet workload standards for mandated programs

General Government staffing ratios FY 06 – FY 15



Scenario 2
Addressing Organizational Capacity

FY09: 655 positions

FY15: 668 positions

FY 20: "Catch Up" 709 postions

FY 20 "Keep Up" 761 postions

Functional Area	Staff in FY09	Staff in FY15	Staff by FY 20 "Catch Up"	Staff by FY 20 "keep Up"
Health & Welfare	118	128	137	150
Public Safety	233	265	288	316
Judicial	44	45	45	46
Administration	107	104	107	112
Public Works	39	33	35	39
Parks, Recreation and Culture	22	20	21	21
Community Development	92	73	76	77

Scenario 2 Summary

- Aligns with Board and School Board's Guiding Principles

- Funds all mandates and obligations
- Provides salary increases for employees within recommended range to keep up with Market
- Provides more adequate funding levels for agencies
- Assumes dedicated 3 penny tax rate increases in out years to support CIP

- Addresses Organizational Capacity Issues:
  - Provides funding to address staffing shortages
  - Provides staffing to keep pace with anticipated enrollment growth and population growth over the five year period

Neither Scenario provides for aspirations identified in Strategic Plan:

Long-term Quality of Life items, such as:

- Parks, greenways, Master Plan implementation, regional transit increases, eco-system protection, solid waste recycling services, rural area planners, School Division initiatives

Other Capital Needs such as:

- Learning Space Modernization for all schools, Western Albemarle High School Environmental Science Academy, Renovation of the Berkmar Rescue Squad Building

Unfunded Mandates

Next Steps
Five Year Financial Plan Schedule