

1 EXECUTIVE SUMMARY OF RECOMMENDATIONS

Before outlining their recommendations, Committee members wanted to make an introductory statement regarding the circumstances in which they were charged to do their work:

By many measures, Albemarle County is an urbanizing county which creates service demands and resource challenges that have been and will continue to cause budgetary pressures and impacts for citizens. The current tax rate does not accurately portray the resources that the County has at its disposal - Albemarle County has a real estate tax rate of \$0.819 / \$100 of assessed value but actually operates on a tax rate of \$0.619/\$100 of assessed value because of the financial impacts of revenue sharing with the City of Charlottesville and land use as calculated for the current year. This places us among the lowest of our peer communities.

We urge the careful consideration of the strategies detailed in this report. While none of these strategies in and of themselves will close the identified gap, taken together they represent a diversification of revenue sources and tools for the future that can have a cumulative impact over time. If alternative revenue generation strategies or expense reduction solutions aren't implemented, the County will find itself forced to reduce services or increase the tax rate in order to stay fiscally sound.

The Committee would also like to comment on the extent to which the County's revenue generating strategies are limited by the need to obtain required enabling authority from the General Assembly. A number of the group's discussions centered on the inability of Albemarle County to implement what seemed to be reasonable approaches to diversifying the County's revenue streams without requiring legislative approval from the General Assembly. It was noted that many of those tools are currently available to cities in the Commonwealth but not to counties who increasingly face the same fiscal pressures and service delivery demands. The Committee urges continued engagement with our local legislators to strongly encourage support for these legislative tools, with the priority order of the tools themselves best determined by the Board of Supervisors.

While the Committee recognizes the critical importance of cost savings/expenditure reductions strategies, we did not study the expenditure side in depth as that was not part of the charge approved for our committee by the Board of Supervisors. The Committee believes that its final report does a thorough job of responding to the charge established by the Board of Supervisors to look at alternative revenue generation. However, Committee members feel strongly that similar scrutiny and review should be applied to the expenditure side of County operations to produce a more effective and complete set of long term recommendations, preferably by a similarly appointed and structured citizen advisory committee. In addition, the Committee recommends that regular independent efficiency and effectiveness studies for both local government and the school division be conducted as part of ongoing scrutiny of opportunities for savings/cost reductions.

The Committee wishes to express its sincere gratitude for the outstanding support provided by County staff to the group during the course of the project, culminating in the completion of this final report.

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The following charts highlight the Committee's recommendations for concepts in three different tiers based upon the Committee's assessment of feasibility, readiness and revenue generation potential associated with each strategy:

Tier One – Recommended Strategies for Immediate Implementation

Strategies that should be seriously considered for implementation.

Strategy	Revenue Generation Potential	Implementation
<i>Revenue Generating Tools (general strategies)</i>		
Economic Development	Significant potential; varies based on activity.	The Economic Development Office, established in 2015, is currently developing a work plan to address.
Motor Vehicle Registrations	Statutory cap is \$40.75 for most vehicles, current rate is \$38.50 for most vehicles. Estimated to generate \$220,500 at cap rate.	Adoption of amended ordinance by Board of Supervisors.
Meals Tax	At current statutory cap. A 1% increase estimated to generate \$1.7 million per year in FY16.	Requires enabling authority from the General Assembly to exceed 4% (current rate).
Cigarettes Tax	Cap on tax rate for two counties with enabling authority is 30 cents per pack. Estimated revenue at that tax rate is approximately \$1 million per year.	Requires enabling authority from the General Assembly.
Transient Occupancy Tax	Statutory cap is 5%. A 1% increase estimated to generate \$556,260 per year.	Requires enabling authority from the General Assembly to exceed 5% (current rate). 50 Counties (including Albemarle) have authority to levy at a rate up to 5%. Cities have no cap.
Begin collecting appropriate taxes for short term rentals	Community Development staff are analyzing this strategy as part of their FY16 work plan and will estimate revenue potential as part of that work.	Implementation recommendation will be part of the report by Community Development.
Sale/Lease of Land-Banked Property	Up to \$9.76M one-time funding in the case of sale (2010 estimate of the County's land-banked properties, assessed total value).	Prepare a real estate study to identify properties appropriate for sale and/or lease. Board of Supervisors approval to sell or lease identified properties following a public hearing.
<i>Revenue Generating Tools (When a specific project or need is identified that has broad community</i>		

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<i>support, these strategies may be appropriate)</i>		
Voluntary contributions	Revenues generated to match the anticipated expenditure for a specific project or resource need.	Identify small, discrete project or resources that could generate support through contributions. Identify methods for soliciting contributions. Staff would prepare recommendations for approval by the Board of Supervisors.
Civic crowdfunding	Revenues generated to match the anticipated expenditure for a specific project or resource need.	Identify the best platform for crowdfunding. Identify distinct, discretionary projects to pitch to crowdfunding. Staff would prepare recommendations for approval by the Board of Supervisors.
Increase efforts to obtain grants	Revenues generated to match the anticipated expenditure for a specific project or resource need.	Identify current in-house capacity, external support options and additional resource needs to support an increased effort. Staff would prepare recommendations for approval by the Board of Supervisors.
Corporate Sponsorships	Revenues generated to match the anticipated expenditure for a specific project or resource need.	The County would need to identify both corporate entities that could be interested in providing sponsorships <i>and</i> identify specific projects and/or programs for sponsorship. Staff would prepare recommendations for approval by the Board of Supervisors. Staff would work directly with organizations to negotiate sponsorships.
Market-based revenue for County properties	Revenues would be driven by leasable space and market demand.	Identify facilities and property of the County that could be leased for advertising. Staff would prepare recommendations for approval by the Board of Supervisors.
<i>Process Tools</i>		
Service District	No statutory cap on tax rate. Amount would depend on service(s) provided and geographical area(s) served.	Adoption of ordinance by the Board of Supervisors.

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General Obligation Bond	No statutory cap on amount of bonds issued. Amount would be based on projected cost of items included in the referendum.	Voter referendum questions are requested by the Board of Supervisors in petition to the Circuit Court requesting order for referendum.
Complete a third-party "efficiency study" of local government operations	The amount of revenue and/or cost savings generated from an efficiency study would be dependent upon its findings.	The study itself would occur over the course of one year and implementation of the findings would occur over several years thereafter.
Complete a third-party "efficiency study" of public school operations	The amount of revenue and/or cost savings generated from an efficiency study would be dependent upon its findings.	The study itself would occur over the course of one year and implementation of the findings would occur over several years thereafter.
Joint Purchasing/ Contract Agreements between the University of Virginia and the School Division where there is strong functional alignment	Revenues generated from cost savings achieved.	Staff would prepare recommendations for consideration by the Board of Supervisors where opportunities exist to enter joint purchasing and/or contract agreements.
Citizen Advisory Committee on Expenditure Review	Revenues generated from expenditure reduction/cost savings achieved.	Staff would prepare charge, membership and timeline documents similar to those for the Citizens Resource Advisory Committee for Board approval.

Tier Two – Recommended Strategies for Further Study

Strategies identified as having potential but need significant further evaluation and/or have relatively less revenue impact potential than Tier 1.

Strategy	Revenue Generation Potential	Implementation
Land Use Policy	A range estimated to be between \$64,000 and \$15,500,000, depending on how policy might be amended (2015 data).	Board of Supervisors amends existing land use tax ordinance.
Increasing sales	Dependent upon the opportunities identified by staff.	Identify opportunities to increase public awareness of existing revenue streams, e.g. park passes. Identify opportunities to expand points of sale using mobile technologies. Identify marketable expertise/capacity,

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		e.g. GIS data. Staff would prepare recommendations for approval by the Board of Supervisors.
Joint Purchasing/ Contract Agreements regionally with partners like other local governments, state agencies and the University of Virginia	Revenues generated from cost savings achieved.	Staff would prepare recommendations for consideration by the Board of Supervisors where opportunities to enter joint purchasing and/or contract agreements between local and regional entities.
Payment in Lieu of Taxes (PILOT)	Revenues dependent upon tax-exempt property owners subject to PILOT and for the service charges assessed.	The County could identify tax-exempt organizations that may be subject to pay service charges in lieu of taxation. Virginia law allows localities to assess service charges on some (but not all) tax-exempt property owners to cover the cost of police and fire protection, refuse disposal, and, in some cases, public school education. Staff would analyze which classes of owners may be subject to these service charges that are not currently being assessed and would prepare any recommended ordinance amendments for the Board of Supervisors' consideration.
Repurposing government buildings	Revenues dependent upon marketable space and market demand.	Identify opportunities to increase marketable space in buildings not used year-round - including schools. Identify opportunities to create long-term leased spaces in government buildings. Staff would prepare recommendations for approval by the Board of Supervisors or School Board.
EMS Cost Recovery	No statutory cap, but typically set in relation to Medicare Allowable Rates. Amount of revenue is dependent upon the amount approved by Medicare and insurance companies for	Revise existing fee schedule and/or Resident Program policy; drafted by Staff and approved by the Board of Supervisors.

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	payment.	
Charges for Services	Some fees subject to statutory cap, others are not, but cannot exceed the cost to provide the service. Amount depends on fees and current recovery rates.	Adoption of ordinances or resolutions by the Board of Supervisors.
Leveraging private real estate for public facilities	Revenues dependent upon leasable space and market demand.	Identify County-owned properties that may be desirable to private real estate developers for potential public-private partnership to co-develop a site with a school or other public facility and other private buildings. Staff would prepare recommendations for approval by the Board of Supervisors.
Admissions Tax	Statutory cap for tax is generally 10% for localities granted enabling authority. More research would be required, amount would vary based on what tax is applied to.	Requires enabling authority from the General Assembly. Staff to identify and Board of Supervisors to approve venues/event types to apply tax to.
Rental of County Facilities	Typically in-line with market rates. Amount varies based on facility and rental fees.	Leases approved by the Board of Supervisors following a public hearing.
Personal Property Tax	No statutory cap, current rate is \$4.28 per \$100. One penny increase in this tax estimated to generate \$90,580 per year.	Rate approved annually by resolution of the Board of Supervisors.
Utility Tax	Statutory caps vary by energy source and user type. County is not at maximum cap rate for residential gas and commercial/industrial electricity and gas. Amount difficult to estimate without more research.	Adoption of ordinance by the Board of Supervisors.

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Gasoline Tax	The source and amount of funds that could be generated from a local tax is unknown and dependent upon the authority granted by the General Assembly. As of 2013, no jurisdiction in Virginia has enabling authority for this tax.	Requires enabling authority from the General Assembly to implement. Northern Virginia and Hampton Roads localities have an additional 0.7% general sales tax component dedicated for transportation along with a 2.1% wholesale gasoline tax dedicated for transportation, along with a few other dedicated taxes.
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Tier Three – Strategies Not Recommended

The Committee discussed some strategies that were not recommended for any further study or action.

Strategy	Revenue Generation Potential	Implementation
BPOL tax for Direct Retail Sales to Remote Buyers	Statutory cap is 0.2%, current rate is \$0.1%. Estimated to generate \$206,500 per year at cap rate.	Adoption of amended ordinance by Board of Supervisors.
Machinery and Tools Tax	Statutory cap cannot exceed Personal Property Tax rate. One penny increase in this tax estimated to generate \$1,320 per year.	Rate approved annually by resolution of the Board of Supervisors.
Investment of Funds	Amount varies based on interest rates and idle dollar value.	The Finance Department strategy is to leverage, to the extent legally and practically available, the investment opportunities available to localities.

