

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on March 13, 2023 at 3:00 p.m. in Room 241 on the Second Floor of the Albemarle County Office Building, 401 McIntire Road, Charlottesville, VA 22902.

BOARD MEMBERS PRESENT: Mr. Jim Andrews, Mr. Ned Gallaway, Ms. Beatrice (Bea) J.S. LaPisto-Kirtley, Ms. Ann H. Mallek, Ms. Diantha H. McKeel, and Ms. Donna P. Price.

ABSENT: None.

OFFICERS PRESENT: County Executive, Jeffrey B. Richardson; County Attorney, Steve Rosenberg; and Clerk, Claudette Borgersen.

Agenda Item No. 1. Call to Order. The meeting was called to order at 3:01 p.m. by the Chair, Ms. Donna Price.

Ms. Price introduced the following Albemarle County Police Officers in attendance: Officer Brian Miller; and Officer Nathan Withers.

Agenda Item No. 2. Work Session: FY 2024 Operating and Capital Budget.

- Albemarle County Public Schools. (pgs. 319-A-59)
- Capital Improvement Program (CIP). (pgs. 261-296)
- Debt Management. (pgs. 297-306)

Mr. Andy Bowman, Chief of Budget, said that there were two topics today: the Albemarle County Public Schools (ACPS) operating request and the joint Capital Improvements Program (CIP) and Debt Program.

Mr. Bowman said that he wanted to make people aware that when it came to the appropriation of the ACPS budget, the total amount was under the authority of the Board of Supervisors under the County's form of Government, and the School Board had the authority to make programmatic decisions within that total amount.

Mr. Bowman turned the floor over to the School Board Chair.

Ms. Price said she first wanted to recognize the County's Chief Financial Officer, Ms. Nelsie Birch, who was present.

Ms. Katrina Callsen, Chair of the School Board, first thanked the Board of Supervisors for their ongoing commitment to high quality education.

Ms. Callsen said that the theme for the budget was, "We Will Know Every Student," and reflected the commitment to provide student-centered learning that was interspaced and highly engaging.

Ms. Callsen explained that they began the budget development process by engaging community members and partners, students, families, and staff. She said that the planning incorporated ideas from the stakeholders and was integrated into the budget development. She said that one of the goals of the strategic plan focused on affirming and empowering communities.

Ms. Callsen said that they had five primary budget goals: advance the mission of ACPS; support competitive benefits and salaries; develop a responsive and systemic approach to operations reflecting best practices and ensuring long-term financial stability; align the proposals with the ACPS strategic plan and School Board priorities; and incorporate metrics as a management and decision-making tool.

Ms. Callsen said that the strategic plan, Learning for All, was adopted at the beginning of the prior school year. She said that there were three strategic goals: thriving students; affirming and empowering communities; and equitable, transformative resources. She said that they organized their presentation based on the strategic goal that each investment primarily supported.

Ms. Kate Acuff, School Board, Jack Jouett District, said that ACPS employed 2,649 staff members, half of whom served the division in a teaching capacity. She said that 43% of employees were classified staff. She said that administrators made up 7% of the workforce. She said that nearly 14,000 students were enrolled PK-12, and 40% of whom were students of color. She said that more than 1,700 students, or 12.4%, were eligible for special education services. She said that 4,300 students, or 31%, were economically disadvantaged. She said that more than 1,500 students, or 11%, were English learners, meaning their primary language was not English, and they participated in a program with ACPS to learn English. She said that students represented nearly 100 countries of origin and more than 70 home languages.

Ms. Acuff said that bus drivers traveled over 10,000 miles each day to transport students to and from school. She said that the cafeteria team served an average of 1,900 breakfasts and nearly 6,000 lunches every day. She said that the average class size was 18.6 in elementary schools, 19.9 in middle schools, and 20.1 in high schools. She said that 94.3% of high school seniors graduated on time the prior spring, and 64.5% of graduates earned an advanced diploma. She said that in comparison, the state-wide on-time graduation rate was 92.1%, with only 52.9% earning an advanced diploma. She said that an

advanced diploma was earning 26 credits, four of which they passed both the course and SOLs (Standards of Learning).

Ms. Acuff said that 35% of high school students enrolled in an AP (advanced placement) class during the 2021-22 school year, 25% of high school students took an AP test, and nearly 22% of high school students participated in a dual enrollment course. She said that the dropout rate was 3.9% compared to the 5.2% state average.

Ms. Acuff said that the funding request was built along the strategic goals.

Ms. Acuff said that the goal of thriving students sought to ensure the academic and social-emotional growth of students. She said that they sought to support students by implementing mental health support structures, helping them pursue interests, and developing engaging learning experiences. She said that \$1.2 million of the increase in expenditures was allocated to regular growth. She said that based on the staffing standards, the funding would support adding 14.4 FTEs (full-time equivalents) in response to changes in projected enrollment.

Ms. Acuff said that \$1.1 million in funding would allow the Office of Special Education to respond to an increase in the level of intensive support services required by students. She said that \$714 thousand was proposed to support the addition of eight FTEs to address projected enrollment growth of English language learners population. She said that the proposal aligned with the VDOE (Virginia Department of Education) recommendations to provide increased support. She said that there was a request for over \$500 thousand for security assistants in the secondary schools. She said that \$126 thousand would support school resource officer (SRO) positions, which was law enforcement in schools. She said that \$116 thousand was included to support mental health services. She said that in the previous year, they received a \$500 thousand anonymous gift, which helped them establish a comprehensive framework for their mental health programs, and they had to assume that budget item.

Ms. Acuff said that they would continue to fund 24 social-emotional learning coaches with one-time funding, and they would incorporate permanent funding for the positions starting in FY25. She said that the total proposed allocation to support thriving students was about \$3.9 million.

Ms. Acuff said that compared to fall enrollment 10 years ago, total Pre-K-12 enrollment had grown by 707 students, from 13,263 to 13,970, or a 6.9% increase.

Ms. Acuff said that over the same time period, enrollment of students with disabilities had increased by 396 students, from 1,340 to 1,736, or a 37% increase. She said that the economically disadvantaged enrollment had grown by 765 students, which exceeded the overall growth in enrollment, and it represented a 23.8% increase, from 3,568 to 4,333. She said that they had gained 490 English language learners, a 45.3% increase, from 1,048 to 1,538. She said that the changes in the demographics indicated a greater intensity of services was required.

Ms. Callsen said that the second goal of the strategic plan supported affirming and empowering communities. She said that the goal sought to foster culturally responsive environments that respected and championed the life experiences of the stakeholders and supported their physical and mental health. She said that the goal sought to actively empower students, staff, and families to engage in the school community.

Ms. Callsen said that the funding request included a total increase of about \$570 thousand in support of affirming and empowering communities. She said that \$276 thousand of the increase was intended to expand access for Pre-K students to extended-day enrichment program (EDEP) childcare services to reduce EDEP waitlists and to mitigate hiring challenges. She explained that EDEP was essentially after-school programming, and it was intended for students who stayed after school and received after school services.

Ms. Callsen said that \$170 thousand would fund an executive director to assist in the development, administration, and supervision of the Albemarle Foundation for Education (AFE). She said that AFE was intended to increase partnerships in the community and hopefully become another funding stream for the schools. She said that \$115 thousand was allocated to hiring a dedicated Title IX coordinator responsible for the administration, supervision, and monitoring of the school division's compliance with federal Title IX requirements. She said that \$10 thousand was included to support a student voice fund, which was an initiative to encourage students to apply for funds to address a problem currently facing the school division.

Ms. Callsen said that the work to engage the community extended beyond budget planning and decision-making. She said that every school year, the school division hosted community forums and information sessions, implemented culturally responsive teaching, held advisory groups, conducted stay interviews by the Human Resources Department (HR), and held School Board meetings, public hearings, and town halls.

Ms. Callsen said that the third strategic goal was to support equitable, transformative resources. She said that the goal was about attracting, developing, and retaining high-quality staff, developing sustainable and modern facilities, infrastructure and equipment, and equitably distributing resources to transform learning experiences and opportunities. She said that the biggest portion of the expenditure increase was to support equitable and transformative resources.

Ms. Callsen said that almost \$9.5 million was proposed to fund a 5% salary increase for all employees and a step-scale adjustment for teachers. She said that the request included \$1.4 million to support continued improvements to the substitute program. She said that improvements already undertaken included school-based substitute teachers as regular employees, pay increases for daily substitutes, and hiring a substitute coordinator. She said that the proposal supported a second phase to include an increase in operational funding and the addition of 10 school-based substitutes to serve schools with an average substitute fill rate below 40%.

Ms. Callsen said that \$1.2 million of the request supported a restructuring of differentiated staffing. She said that schools typically used differentiated staffing allocations to reduce class sizes and provide intervention services. She said that the proposed restructuring would add staffing to ensure consistent and transparent allocations to schools to support lower class sizes at the most at-risk schools. She said that a full-time reading specialist for every school would be provided, which exceeded the requirements of the new Virginia Literacy Act, and there would be extra staffing to support tiered support for students.

Ms. Callsen said that nearly \$250 thousand of the request included support for additional building services staff to maintain continued use of HEPA air-filters in classrooms, clinics, and school buses. She said that the request included \$61 thousand to hire a records analyst responsible for establishing and maintaining a digitally secure student records storage system. She said the request included \$43 thousand to permanently fund a half-time employee management analyst in the Fiscal Services Department. She said that the expenditure increase in support of equitable, transformative resources was \$12.4 million.

Ms. Callsen said that the School Board understood that competitive compensation bolstered recruitment, hiring, and retention efforts. She said that the teacher retention rate was 82.9% which exceeded state-wide retention rates of 80.5%. She said that the teacher vacancy rate was 2%, nearly half of the state average.

Ms. Callsen said that they worked to improve salaries through multiple efforts, the first of which was a 6% compensation increase in July 2022 for all employees. She said that in December, the School Board approved a one-time \$1 thousand bonus for regular employees who were at least a 0.7 FTE and a \$750 bonus for regular employees who were less than 0.7 FTE. She said that also in December, the School Board implemented the first phase of recommendations that came from the compensation study. She said that they increased bus driver starting pay to \$21.50 per hour and implemented a step scale to provide annual compensation increases based on years of experience. She said that they improved pay for school nurses with a registered nursing license, and they increased compensation for positions that were identified as hard-to-fill.

Ms. Callsen said that they would move forward with the second phase of recommendations from the compensation study in the spring. She said that items in phase two included increasing pay for all positions identified as 4% to 10% below the market midpoint, and they planned to make adjustment to positions that warranted reclassification based on ongoing reviews.

Ms. Callsen said that the funding request supported a 5% salary increase for all employees plus adjustments to the teacher step scale. She said that the request incorporated an employer rate increase of 7% for health insurance premiums.

Ms. Acuff said that they considered the projects on the capital project summary as critical needs over the next five years. She said that the work of ACPS would be hindered by the absence of infrastructure that provided adequate capacity and optimal environments. She said that funding the renovations through a multi-year approach would improve aging schools to modern standards.

Ms. Acuff said that half of the schools were over 50 years old, and two were over 80 years old. She said that they had not constructed a new school in 20 years, and the last school to be built was Baker-Butler. She said that the capacity needs required the use of nearly 80 mobile classrooms across the division for classroom instruction, auxiliary services, flex-space, and storage. She said that nearly half of the students attended schools that were over 95% capacity. She said that based on the guidance of regional partners, the County's population was projected to expand by 30% over the next 30 years.

Ms. Acuff said that continuing to expand facilities built in the early and mid-20th century was not sustainable to meet capacity needs. She said that it was against the educational interests of the students and not representative of a thriving county. She said that they sought the County's partnership to fund a robust, needs-based capital spending model to support future growth of the County.

Ms. Acuff said that there was a baseline adjustment that reduced the budget increase by about \$10 million because they had eliminated one-time funding costs that were in the current budget. She said that \$4 million was allocated for technical and non-discretionary expenses. She said that \$9.5 million was proposed to support employee compensation, and \$4.3 million was proposed to support enrollment and demographic shifts. She said that \$680 thousand was allocated to support transitions from one-time funding to permanent funding.

Ms. Acuff said that the new proposals totaled \$2.5 million, which was less than 1% of the funding request. She said that the new proposals included the second phase of the substitute program, security assistants, an executive director, a school resource officer, a Title IX coordinator, a records analyst, and support for the student voice fund. She said that the proposed increase of expenditures over the prior

budget totaled about \$10.9 million with the included baseline adjustment.

Ms. Acuff said that the total funding request was \$257.3 million. She said that the budget was balanced based on anticipated revenues, which included an 8.8% increase in local funding and a 6.9% increase in state funding. She said that nearly 2/3 of expenditures were allocated toward school-based budgets, and 27% was dedicated to department budgets. She said that more than 85% of the funding went to support staff. She said that the remaining 15% of the funding was split between operating and transport expenses.

Ms. Callsen said that about 72% of the anticipated revenue, or \$185 million, was coming from local sources, primarily local government transfer. She said that 28% of revenues, about \$72 million, was projected to come from the state, and \$618 thousand was budgeted from the federal government. She said that compared to the current adopted budget, they projected an 8.8% increase in local revenue and a 6.9% increase in state revenues. She said that they were anticipating an 8.2% increase in recurring revenues. She said that they did not budget any use of the fund-balance in FY24. She said that they would consider fund-balance allocations as they finalized fund-balance projections. She said that overall, there was a total budget-to-budget increase of 4.4%, about \$10.9 million.

Ms. Callsen said that County enrollment was growing, and that increased the funding levels from the state. She said that per-pupil amounts were increasing in some areas. She noted that sales tax revenues had been strong, so they anticipated an increase in the County's share of sales tax revenue. She said that the state was providing a portion of funding to cover a 5% salary increase. She said that the anticipated 6.9% increase in state allocations was subject to change.

Ms. Callsen said that the timeline for the state budget was unknown. She said that they were scheduled to adopt the FY24 budget at the end of April, but they were not able to rely on funding figures provided by the state. She said that both the House and Senate amendments to the budget proposed an additional 2% salary increase over the 5% increase that was anticipated. She said that the increase would affect the budget, and the County would be responsible for most of the costs. She said that there were changes proposed to standards of quality (SOQ) funding to eliminate a cap on funding support positions.

Ms. Callsen said that three budget work sessions and a public hearing had been held since the superintendent presented the draft budget. She said that they would adjust the budget as needed pending information about state revenues. She said that they intended to adopt the FY24 ACPS budget on April 27.

Ms. LaPisto-Kirtley asked how many bus drivers were still needed and whether ACPS was having success filling the positions.

Ms. Callsen said that they had made progress in hiring bus drivers, but they were not at the place they needed to be. She said that she did not know whether the salary increase had been a primary motivation in newly hired bus drivers, but that the access to retirement benefits had attracted some new hires, and the step pay scale was impactful. She noted that the pay rate was higher than neighboring localities.

Mr. Haas responded that the rate was \$0.50 higher than the City, and there was a gulf between the City and the County and surrounding areas with the exception of Louisa.

Ms. LaPisto-Kirtley asked how far ACPS was from fully staffing its bus drivers.

Mr. Haas responded that they could provide the information to the Board. He noted that they provided bi-weekly updates to the School Board on bus driver vacancies, and that report could be forwarded to the Board. He said that not all applicants were qualified or continued employment after training. He said that they had seen an uptick in applications. He noted that they would have to strategically modify the services.

Ms. LaPisto-Kirtley asked whether the step increases for teachers were based on longevity or if they included an education aspect.

Ms. Callsen responded that years teaching, and education contributed to step increases.

Ms. LaPisto-Kirtley asked if the education step increase required a degree or if individual classes could be counted.

Mr. Haas said that a master's degree plus 30 was possible. He said that they provided professional development reimbursement. He explained that bus drivers were previously hired at one pay level, and that they received raises based on where their salary was in relation to the midpoint, which disincentivized drivers from staying. He said that they decided to use a step scale system to be more competitive in the labor market.

Mr. Andrews asked what percentage of ACPS employees lived in the City and the County.

Mr. Haas said that they would be able to share the annual HR report with the Board. He noted that the report was also available online. He said that about 65% of ACPS employees lived in the County and about 16% lived in the City.

Mr. Andrews asked for more information about the funding for the market salary adjustment.

Mr. Haas responded that beginning in fall 2022, they performed a compensation review with an outside consultant. He said that the School Board adopted a new market and goal of the market, and they made a series of recommendations to make compensation more competitive in the market. He said that they addressed the compensation recommendations in phases because there were areas of critical shortage. He said that increasing the teaching salaries increased diversity. He said that grant programs were offered through the VDOE and with UVA to help subsidize teacher certification.

Ms. Acuff said that they had not reviewed the markets in 20 years. She said that they used to limit salaries to 75% of the market rate. She said that they were far below the market rate in many instances, and they were working to address it.

Ms. Mallek asked how many administrators were in each school building.

Ms. Acuff said that they had principals in the school buildings, and last year, they added assistant principals to all of the school buildings.

Mr. Haas said that they had a staffing standard for every employee. He said that they would provide the information to the Board, and it was also in the back of the budget book.

Ms. Mallek asked for more information about the security assistants. She asked if other items had been moved from the instructional category.

Ms. Acuff said that schools could use the differentiated instructional staffing to hire positions where there was a need in the schools. She said that social workers had been removed from instruction because it was only supportive of instruction. She said that differentiated staffing had to be focused on instruction. She said that they had to identify other job functions in the budget. She said that the security assistants would work with the school safety coaches and would help secure buildings and interact with students and teachers.

Mr. Haas said that security assistants had been hired in some of the County schools, and this year, they decided to create a staffing standard for the position. He said that there was a job description for the security assistants in the staffing standard. He said that security assistants and some other positions, such as substitute teachers, had been pulled from the instructional staffing and were now funded and supervised centrally.

Ms. Mallek asked, of the 1400 teachers, was there a percentage of the SOQ-funded teachers.

Mr. Haas responded that the funding was filtered through the local composite index, and that only a portion of the positions were SOQ-funded.

Mr. Gallaway asked for a copy of the ACPS budget book, as he wanted to better understand the security assistant and safety coach positions. He asked whether the safety coach was an administrative position.

Mr. Haas said that they could provide job descriptions for the positions. He said that security assistants required a low-level of training. He said that safety coaches were used in instances where students were frequently in trouble or acting out. He said that safety coaches were required to have a higher level of education and training as determined by the VDOE and Virginia Department of Juvenile Justice. He said that safety coaches were not police officers, but they had similar training and background. He said that safety coaches work with students who may have been identified through a threat assessment or who were often working with the school counselor.

Ms. Acuff said that school safety officers were called safety coaches in the County. She said that the schools needed more monitoring in the hallways.

Mr. Gallaway confirmed that safety coaches already existed.

Ms. Acuff said that was correct. The school safety coaches or officers already existed, and that they were adding school safety assistants. She said that teaching assistants had been serving the function of safety assistants.

Mr. Gallaway asked if a safety coach was a full-time non-instructional position that reported to the school administration.

Mr. Haas said yes.

Mr. Gallaway clarified that security assistants would be full-time.

Mr. Haas said yes, and that they were the pay grade of a teacher's assistants.

Mr. Gallaway clarified that they would have to make adjustments to provide the cost difference if the state ends up being higher in what they offered.

Ms. Acuff said that if the additional 2% salary increase happened.

Mr. Gallaway asked what those costs would be.

Ms. Acuff said that it was about \$2 million to \$2.5 million.

Mr. Gallaway asked if they tracked returns on investments for programs they had implemented.

Mr. Haas said that they did not track it. He said that they did not have a return-on-investment strategy.

Mr. Gallaway said that sometimes the superintendent would just have to make that call based on their own internal data. He said that it was important to be able to explain why it was important to invest in different programs. He asked if the mental health coordinator position funding was only for one employee.

Mr. Haas said that they used an anonymous donation to hire Myles Nelson as the mental health coordinator and fund the position for three years. He said that he coordinated the school counselors. He said that they used ARPA (American Rescue Plan Act) funds to add a social-emotional counselor to every school. He said that the 25 counselors were being funded with one-time funds for one more year.

Ms. Acuff noted that they had mental health counselors in all of the schools, and that the data indicated they were making a difference through intervention and proactive efforts.

Mr. Gallaway requested a copy of that data.

Mr. Haas said that every proposal that was made had to have an associated logic model. He said that throughout the year, if a logic model was submitted and funded, then periodic reviews were conducted of the model. He said that there were several regulations that they had to address and comply with. He said that programs had to be healthy to continue receiving funding.

Mr. Gallaway asked if one could have access to the reviews.

Mr. Haas said it would be in the minutes of the leadership team, and that he could pull it from there.

Mr. Gallaway said he agreed with the strategy to redefine which localities should be included in the compensation bucket. He noted that many jurisdictions were doing compensation studies of their own, and that they should remember that people who worked in the County lived in the neighboring localities. He said that if one of those localities began paying more for a specific position, the County may lose an employee who lives in that locality and was traveling to Albemarle to work.

Ms. Acuff said they included some aspirational school divisions, but that they were no longer pegged at 75%, they were more in the mid-range.

Ms. McKeel said that she appreciated the centralization that they were doing, and that they were trying out different programs using the logic model, then evaluating the program's success. She noted that Greer would get an early childhood special education program. She asked if the School Division was still using restorative justice in the disciplinary process.

Mr. Haas said that they had restorative practices training for all of the administrators.

Ms. McKeel noted that the state underfunded school divisions.

Ms. Kumazawa said that the state approved the policy to hold the schools harmless for the care in FY23.

Ms. McKeel said that she had heard that Governor Youngkin was going to give millions of dollars to families for them to address temporary issues that children had during the pandemic.

Ms. Callsen said that she had read that but had no further information about it.

Ms. McKeel expressed her thanks for the mental health services and various positions that were added to the budget, and that they looked at the market basket. She asked if they were watching donations so that they didn't impact the shared CIP.

Ms. Acuff said that would not happen.

Ms. McKeel asked if the foundation was being used to address the disparity in PTO (Parent Teacher Organization) and PTA (Parent Teacher Association) funding between the schools.

Ms. Acuff said that they were looking for broader solutions. She said that they were looking for school-based or division-level grants rather than classroom grants. She said that the plan was intended to address inequity.

Ms. McKeel said there was disparity between the wealthier and poorer schools, and what was happening in those schools.

Ms. Callsen said that the foundation would not supersede PTOs. She said that people could give to public schools, and that private schools fundraised differently from public schools.

Ms. Price acknowledged and recognized School Board member Jonno Alcaro, At-Large, who had joined them shortly after they started.

Ms. Price said she marveled at how ACPS could use metrics to measure success with the various demographic groups that they served. She asked how many security assistants they estimated to hire based on the funding allocation.

Ms. Callsen responded that it would be 14.

Ms. Price commended them on their class sizes, graduation rates, advanced diplomas, and drop-out rates. She applauded the job that they did, and the \$10 thousand dollars to allow students' voices to be heard.

Ms. Acuff said that in addition to the number of special education students, there was an increase in severity that required a high-intensity intervention.

Non-Agenda Item. **Recess.** The Board recessed its meeting from 4:34 p.m. to 4:43 p.m.

Agenda Item No. 2. Work Session: FY 2024 Operating and Capital Budget, continued.

- Capital Improvement Program (CIP). (pgs. 261-296)
- Debt Management. (pgs. 297-306)

Mr. Bowman introduced the County's CFO, Nelsie Birch; County Executive, Jeff Richardson; Assistant County Executive, Trevor Henry; Senior Budget Analyst, Tia Mitchell; Budget Analyst, Thomas Unsworth; Senior Budget Analyst, Laura Vinzant; Grants Lead, Kimberly Gardner; and Assistant CFO for Policy and Partnerships, Jacob Sumner.

Mr. Bowman said that no action would be requested from the Board at that work session. He said that a third work session would be held on March 15, and at the end of that work session, the Board would be requested to propose a budget and tax rate for advertisement.

Mr. Bowman said that the CIP covered a five-year timeframe. He said that the first year of the CIP was called the capital budget year, and it was the only year that the Board would appropriate funding. He said that the majority of the CIP was planned to be funded through planned borrowed proceeds, which would be bond issuances that the County would perform every two years to reimburse itself for its expenditures. He said that the debt service on the bonds would be paid over the terms of the bond. He said that other revenues, aside from cash equity, were smaller revenues typically tied to specific projects.

Mr. Bowman said that the majority of expenditures were dedicated to public school projects, about 61% of total expenditures. He said that the largest expenditure in the functional areas was community development, which was more than just the Community Development Department (CDD), and which included the transportation leveraging program.

Mr. Bowman said that prior to the Great Recession, the capital program budget generally increased overtime. He said that during the Great Recession, capital investment was lower and was relatively flat. He said that after the Great Recession during the recovery, capital investments steadily increased until the FY21 onset of the pandemic, when the spending decreased. He noted that capital spending had increased since that time and continued on that upward trend.

Mr. Bowman said that the CIP had been balanced since the December 7 meeting. He said that 2023 reassessments had been included in the CIP. He said that the recommended tax rate had not changed since the December 7 meeting, and it was still \$0.854. He said that investment of one-time funding from the end of FY22 and other reprioritizations had been included in the CIP. He said that efforts to gain local authority to levy a sales tax for school construction had failed in the General Assembly.

Mr. Bowman said that updated project costs and borrowing costs had made it difficult to find ways to continue to implement the already scheduled CIP projects. He said staff worked to not descope, delay, or remove projects. He said that raw-material costs and availability and labor costs had been dynamically variable over the past few years. He said that the same projects from FY24 to FY27 of the previous year's CIP would cost an additional \$38 million, a 26% increase in the FY24 to FY17 of this CIP. He said that the CIP was balanced with those factors in consideration, and most of the new tax revenue went to address increased costs for existing projects.

Mr. Bowman said that the interest rate environment changed dramatically, and the Fed had raised interest rates, and had indicated it would continue to do so into the future. He said that \$1 million of debt service would afford \$13.1 million in projects based on the prior year's plan, and presently, \$1 million in debt service would afford \$11.8 million in projects. He said that the County could obtain a better rate through general obligation bonds, which would afford \$12.1 million in projects per \$1 million of debt service. He noted that costs had increased, and they were not able to leverage as much capital as before.

Mr. Bowman said that \$16.7 million in one-time revenues was added in addition to the regular formula funding in the proposed CIP. He said that there were four sources for the one-time revenues. He said that from prior fiscal year revenue sources, they had identified \$1.2 million in general fund fund-balance to transfer to the CIP beyond the policy obligations.

Mr. Bowman said that in FY23, the County's return on investments from interest was increasing. He said that staff recommended a one-time transfer of the additional interest revenue to the CIP. He said that a tax rate of \$0.854 would generate additional revenue in FY23, and \$7.5 million of the projected revenue increase was recommended to be transferred to the CIP. He said that \$6.3 million of that revenue increase was dedicated to the ACPS CIP. He said that the increased revenue would allow Elementary School #2 to be included in year 5, addressed the increased cost for school projects, and increased the amount of funding for school renovations from \$8 million to \$14.3 million.

Mr. Bowman said that in FY24, the transfer to ACPS and County Government operations was being adjusted to increase the capital contribution. He said that \$4.9 million would be split, with 60% going to the ACPS CIP and 40% going to County Government. He said that the County had to address \$38 million in cost increases. He said that there was additional revenue from the formula transfer because of the strong reassessment. He said that the capital fund managed multi-year projects with multiple funding sources, and it was more complex than the general fund.

Ms. LaPisto-Kirtley clarified that there was a \$38 million shortfall because of raw materials and delays in getting things.

Mr. Bowman said that costs of materials and labor costs had increased and were in extremely high demand, and that caused there to be a \$38 million shortfall.

Ms. Birch said that to not descope projects and to maintain the prior year's plan, the County had to generate an additional \$38 million in revenue.

Mr. Bowman said that staff had chosen to keep the CIP intact in terms of schedules. He said that another approach would be to change the scope or timing of projects to generate savings.

Mr. Andrews clarified that the general obligation bond would be decided by voters. He asked what the timing would be for the general obligation bond.

Mr. Bowman said that the timing was up to the Board. He explained that other localities set the referendum for the general election in November, but the actual year to hold the referendum would be a policy decision by the Board of Supervisors.

Mr. Andrews clarified that the savings were generated from the better interest rate for general obligation bonds compared to lease-revenue bonds.

Ms. Birch said yes, that they had a Triple Triple A on the obligation bonds, and they lowered it down one for lease-revenue.

Ms. Mallek noted that there were costs associated with holding the general obligation referendum related to election costs and advertisement.

Mr. Bowman said that the cost for additional materials was not more than \$50 thousand, but there were also associated staffing costs.

Ms. Price clarified that after the \$16.7 million one-time infusion, there was \$21.3 million that needed to be accounted for over the remainder of the CIP.

Mr. Bowman said that was correct.

Ms. Price noted that the loss of capital improvements from FY10 to FY14 shown on Slide 8, that they definitely needed to continue to move forward.

Ms. LaPisto-Kirtley clarified that the proposed CIP enabled the construction of a school in FY25.

Mr. Bowman responded that the construction of Elementary School #1 would be in FY25, and Elementary School #2 would be constructed in FY28.

Ms. LaPisto-Kirtley asked when High School Center #2 would be constructed.

Mr. Bowman responded that High School Center #2 was appropriated in FY23, and the funding was already appropriated for the project, and the facility just needed to be built.

Mr. Andrews asked why the \$4.9 million was split 60/40 between County Government and ACPS. He noted that the ratio was used for operations.

Mr. Bowman said that because the \$4.9 million would have normally been appropriated for operations, and considering the various budget challenges, staff decided to recommend the funding be transferred to the capital program.

Ms. Birch said that the 60/40 split was determined through discussions with ACPS staff.

Mr. Bowman said that the projects were organized around the Board's six strategic goals. He said in terms of the ACPS CIP, the major projects included system-wide renovations totaling \$14.3 million over five years, Elementary School #1 and #2, and High School Center #2. He said that although High School Center #2 was already funded, he included it to indicate future staff time that would be involved on the project. He said that Elementary School #1 and #2 would both seat approximately 500 students and be approximately 7,200 square feet.

Mr. Bowman said that the southern feeder pattern would be prioritized to relieve overcrowding at Mountain View, and the northern feeder pattern would be second to relieve overcrowding at Baker-Butler and to accommodate growth in the Route 29 corridor. He said that system-wide renovations prioritized high school renovations. He said that the ACPS CIP request totaled \$194.5 million.

Mr. Bowman said that he would go over the County Government projects. He said that in last year's budget process, the Board of Supervisors was preparing to update its strategic plan, and they did not want to plan every dollar of capacity until that plan was updated so they could align projects with the plan. He showed slide 19, which included recommended County Government projects for the CIP.

Mr. Bowman said the courts construction project was associated with the goal of safety and well-being. He said that there was additional funding based on the anticipated project costs, but there were no changes to the project itself, and most of the major phases had been appropriated.

Mr. Bowman said that the transportation leveraging category, which was associated with the goal of infrastructure and placemaking on slide 26, contained funding across all five years of the CIP. He said that funding from the transportation leveraging program was used to draw down additional funding from the state, and he included a list of projects for consideration on slide 21.

Mr. Bowman said that in terms of infrastructure and place making, there were two projects in the areas of solid waste. He said that there was a replacement baler facility jointly funded by the City and operated by RSWA (Rivanna Solid Waste Authority). He said that the City had included its share of the project in its CIP. He said that there was an opportunity to include the full local cost in the CIP. He said that the County assumed they would receive grant funding to reduce the cost, but they had not yet received the grant.

Mr. Bowman said that the northern convenience center project was planned to begin design in FY25 and FY26. He noted that the location of the center had not been confirmed. He said that the southern convenience center was assumed to open in 2023. He said that the northern convenience center was pushed back to be scheduled across FY25 and FY26 to fit the sequencing of the southern convenience center and baler.

Mr. Bowman said that moving to Economic Development, there was funding in the CIP to aid in leveraging public-private partnerships. He said that the funding was included in the last four years of the plan, and this funding would be added to the current balance of \$2 million in economic development as part of the goal's objective around economic development and quality of life.

Mr. Bowman said that in staying with the quality of life goal, in Parks and Recreation, the prior CIP contemplated additional phases for Biscuit Run Park. He said that the scope for Biscuit Run Park was the park entrance, trail head, internal systems, and other trails. He said that there were two grass athletic fields at Biscuit Run Park that would be designed in FY24 and constructed in FY25.

Mr. Bowman said that the final project which did not currently exist in the CIP was the concept for an urban pocket park. He said that staff would take on internal work for design. He said that once they had a concrete concept, they would come back before the Board with a proposal.

Mr. Bowman said for the sixth goal, shown as workforce and customer service on slide 26, one concept was on workplace and facilities renovations. He said that prior to the pandemic, the County leased office space for its Economic Development Office (EDO) and part of its financial functions. He said that at the time, they discussed leasing space for the Registrar's office. He said that the County's leases had expired, and the functions had moved back into the County office building. He said that they were working on identifying space needs with lessons learned in the pandemic and planning how to better use existing spaces to fit more of the modern way staff was working and to best serve customers.

Mr. Bowman said that there was core systems modernization funding scheduled across FY24 to FY27.

Mr. Bowman said that there was a community non-profit process that staff did for the first time for FY24. He said that rather than receive capital requests from the community throughout the year, they would designate a specific time for outside agencies to make capital requests in the context of the budget process. He said that the requests would be considered alongside the County's needs and in the context of the strategic plan.

Mr. Bowman said that they had received 15 capital requests from non-profits, but only one was recommended for funding. He said that they intended to make this a regular part of the process. He said that the recommended project was related to quality of life and the parks, and there was a connection to

the second goal of an equitable and engaged community in terms of service. He said that \$65 thousand would be provided to Bennett's Village, and they would create adaptive recreation amenities at Pen Park. He said that while the property was located in the City, it was adjacent to the County and in close proximity to many County residents. He said that funding was not recommended until FY25, and the project had a total budget of over \$500 thousand. He said that there was potential state funding to offset the costs. He said that if the project were approved, the County would seek to enter into an agreement with stipulations about the release of funding and other terms.

Mr. Bowman said that some projects were not included because they required further discussion with the City. He said that they received projects which could be considered through the housing fund. He said that there were project requests that did not leverage funding, and their primary request was County funding. He said that some non-profits were seeking projects to maintain existing facilities. He said there were also projects that were not prioritized as highly as the projects included in the recommended CIP, and he showed a list of those projects on slide 30.

Ms. LaPisto-Kirtley asked if projects could be reprioritized through the years of the CIP.

Mr. Bowman said that the County's needs could change year to year as funding changed and circumstances changed.

Mr. Andrews asked how the funding schedule and financing decisions were made.

Mr. Bowman said that it would be addressed later in the presentation.

Mr. Andrews said that he wanted more information about the transportation portion.

Mr. Bowman said that many of the transportation projects in the first years of the plan had already been addressed by the Board. He said that they wanted to ensure there was available funding at the end of the plan to leverage additional funding.

Ms. Mallek noted that all of the projects on slide 26 were already funded by revenue sharing or other means.

Mr. Bowman said that was correct.

Ms. Mallek clarified that the projects would not be reconsidered, the Board had already decided what to do on those, and they would continue to be funded.

Mr. Bowman said that was correct.

Ms. Mallek asked for information about the community non-profit process. She suggested tiers of consideration for projects, such as a different tier for public safety partnership projects. She requested more time to discuss the community process. She asked about the process for arts funding.

Mr. Bowman said that they would discuss the process on Wednesday as part of the operating budget.

Ms. Birch noted that it was difficult to fund large projects, so that was why a process was beneficial. She said that they had incorporated the Board's feedback into the process. She said that they could go through the decision-making of staff, but they largely used the Board's direction. She said that the pathway to funding was important for applicants to know.

Mr. Gallaway asked for more information about the Bennett's Village project. He asked about the urban pocket park proposal.

Ms. Birch said that they created an urban pocket park capital project, but it did not include funding in the proposal. She said that staff planned to perform the work in house to scope the project. She said that they wanted to communicate to the Board that staff time would be dedicated to the project. She said that next year when staff had a better cost estimate, they would provide more information to the Board for consideration in FY25.

Mr. Jeff Richardson, County Executive, noted that the project idea came out of the Board's fall retreat where they discussed the need for urban pocket parks.

Mr. Gallaway asked if the process would include a location search.

Mr. Richardson said that finding a location would be part of the work for FY24. He said that once they determined a suitable location, it would help inform cost implications and design overlay costs for FY25.

Mr. Gallaway asked what the \$97 thousand in FY24 funding for the athletic fields would be used for.

Mr. Richardson said that the funding was for the design of the athletic fields.

Mr. Gallaway asked what the total cost would be for the two fields.

Mr. Bowman said that it would be \$3.85 million.

Mr. Gallaway said that he would like to further discuss the funding of turf fields at Darden Towe. He said that they needed to address the parks inside the urban ring before building new field systems.

Ms. Price noted that the baler was to be located at one of the County's recycling facilities, but there was only one currently, the Ivy MUC (Material Utilization Center). She noted that the southern convenience centers would include a recycling center. She said that Ivy MUC seemed to be the only appropriate location for the baler facility.

Mr. Bowman clarified that the baler would be located at the Ivy MUC.

Ms. LaPisto-Kirtley asked whether the 250 Pantops Corridor project on slide 21 was for the SMART SCALE project.

Mr. Kevin McDermott, Chief of Planning, said that it was, and that that was the local share for the SMART SCALE project that was already in the works.

Mr. Bowman showed a slide that depicted the County's debt service as a percentage of the general fund and school fund revenues. He said that the policy level was 10%. He said he used an 8% target for illustrative purposes and said that it would equate to debt capacity up to \$72 million. He said it would not be a prudent practice to go to 10%. He said that this would give them some flexibility if they decided to include additional projects.

Mr. Bowman said that for the related necessary cash funding, there would be two components. He said that they would look for a cash match of 5% for projects, about \$3.6 million.

Mr. Bowman said that they would have to budget for the annual debt service payment for the life of the bond, or about \$6 million. He said that the funding source was to be determined, and it would have to be a consideration during the budget process. He said that the \$6 million in debt service equated to about \$0.0236 on the tax rate. He said that the Board could consider other ways to finance capital projects. He noted that project operating costs had to be considered in the general fund.

Ms. Birch said that in order for the County to have the related cash match, they had to identify a revenue source, typically the general fund. She said that the general fund was balanced, so if the Board decided to change the capital program, they would have to make changes to the general fund to pay for that.

Ms. LaPisto-Kirtley noted that they had the capacity, but it was not recommended to use it for that year.

Mr. Bowman said that the recommended budget for that year did not use that capacity.

Ms. LaPisto-Kirtley asked if the capacity of \$72 million could be utilized in the following fiscal years and what the impacts on the general fund would be.

Ms. Birch explained that the capital program was balanced over the next five years. She said that the extra debt capacity would change as circumstances change. She said that they would have to consider whether the extra capacity would allow the County to add more projects.

Mr. Andrews asked about the process for debt service funding decisions.

Mr. Bowman said that they identified whether projects met the criteria for borrowing. He said that the Officer of Treasury Management worked with financial advisors to identify the types of projects which were good for borrowing. He said that initially, they assumed 5% of borrowed projects would be cash supported, and 95% would be financed through borrowing. He noted that as they finalized the financials, they could deviate from the 5% and 95% baselines.

Mr. Andrews asked how a project was determined to be appropriate for borrowing.

Mr. Bowman said that it depended on the life cycle, the nature of the expense, and whether the County was the owner of the facility. He said that a school is a great candidate for borrowing.

Mr. Andrews clarified that specific projects were identified in the debt.

Mr. Bowman said yes. He said that they maintained detailed records on the debt and the debt service payment.

Mr. Gallaway asked what the increment was when utilizing additional debt service.

Mr. Bowman said that if the Board pursued additional projects, they could increase the tax rate to generate the necessary revenue to fund the one-time cash obligation and debt service.

Ms. Price asked if they were able to review the past years and determine how accurate the trendlines were.

Ms. Birch noted that before she was hired in 2020, the County had not issued debt to repay its costs in nearly four years, and that would skew the data. She said that they had committed to issuing debt every other year to maintain consistency. She said that once they had more data points, the consistency should become apparent.

Mr. Bowman noted that the debt service was increasing because of the impact from the debt service coming online for larger projects. He said that debt was retired, but the large, transformational projects increased the debt over time.

Ms. Mallek noted that for a time, they were only able to afford maintenance costs because the County did not have access to the cash it needed.

Mr. Gallaway noted that they had a similar conversation regarding the debt capacity in the past.

Ms. Birch responded that a similar presentation was provided about two years ago. She noted that the budget had increased faster than expected.

Mr. Bowman noted that financing for projects had changed, and the timing had changed.

Ms. Birch noted that the County used to forward fund capital projects, and then the projects would not be completed. She said that the County now spent the money, then refunded itself by going to the market and replenishing its reserves. She said that they may forward fund projects in the future.

Ms. Mallek noted that many of the CIP Committee discussions focused on a future tax increase, but that did not end up being necessary.

Ms. Birch said that when they worked on the model and got more connected to the project delivery, and refined assumptions regarding when debt needed to be issued for projects, it would result in savings for the plan.

Mr. Richardson said that they artificially generated about \$2 million for the County and \$3 million for ACPS. He said that funding would have typically been funneled into FY24 operations, but they created artificial capacity because of the obligations in FY25. He said that they had to consider the operating impacts in the out years.

Mr. Bowman said that at the end of the next work session, the Board would be asked to propose and advertise a budget and tax rate.

Agenda Item No. 3. From the Board: Matters Not Listed on the Agenda.

There was none.

Agenda Item No. 4. From the County Executive: Report on Matters Not Listed on the Agenda.

There was no report.

Agenda Item No. 5. Adjourn to March 15, 2023, 1:00 p.m., Lane Auditorium.

At 6:02 p.m., the Board adjourned its meeting to March 15, 2023, 1:00 p.m., Lane Auditorium on the Second Floor of the Albemarle County Office Building, 401 McIntire Road, Charlottesville, VA 22902. Opportunities for the public to access and participate in this meeting are posted on the Albemarle County website on the Board of Supervisors home page and on the Albemarle County calendar. Participation will include the opportunity to comment on those matters for which comments from the public will be received.

Chair

Approved by Board
Date: 02/19/2025
Initials:CKB