



March 28, 2017

TO: Prince Edward County Board of Supervisors

FROM: W.W. Bartlett, County Administrator

SUBJECT: FY 18 County Budget

ENCLOSURES: (1) Projected Fund Balance Chart for FY17
(2) Projected Fund Balance Chart for FY18
(3) Outside Agencies

INTRODUCTION

I am pleased to present to the Board of Supervisors my recommended budget for Prince Edward County for Fiscal Year 2018 (FY18). I look forward to feedback and questions from the Board as you consider my recommendations and make adjustments as you move through the budget process, eventually agreeing on a final budget. The development of the budget is the single most important function the County staff completes during any year. The budget is the County's chief decision-making document detailing both the revenue generation decisions of the Board and the allocation of those resources. I could not have presented the budget today without the help of the Judges, Constitutional Officers, Department Directors and my staff in the County Administrator's office. I would like to thank each of them for their assistance.

The input provided by the Board of Supervisors during the initial budget planning meeting on February 7, 2017 served as the primary direction I followed in developing my recommended budget. But it was not the only input I used. In addition to that meeting, I melded input received from the Community Development and Property Committee and the Finance Committee into the recommended budget. The FY17 budget served as a starting point for the development of the FY18 budget. This meant past decisions by the Board were carried into FY18, specifically the spending reductions approved during the FY15 budget development process and the approved policy regarding funding outside organizations. Finally, the County's Strategic Plan served as a guide in the final development of the budget.

Before developing the FY18 budget I had to understand the current financial position of the County and project how that position may change during the course of the current fiscal year. In other words what will Prince Edward's FY18 financial starting point be on July 1, 2017?

FORECAST OF FY17 BUDGET RESULTS

Enclosure (1) is a chart of projected fund balances at the end of FY17 for our major budgetary funds. When totaling the funds together I predict the fund balance will decrease by \$311,237 to slightly more than \$10 million. Some of the \$10 million has restrictions on its use, either by legal restrictions or by past practice of the Board of Supervisors. Of that amount \$400,416 is contained in the School Cafeteria Fund and can only be used for costs associated with the operations of the cafeteria. An additional \$1,175,920 is found in the landfill construction fund which has historically been used to pay for the opening and closing of landfill cells. There is no mandatory requirement to pay such costs in cash, thus those funds are

available for use at the discretion of the Board of Supervisors. It is predicted the Forfeited Asset Fund will contain \$52,386 and the Piedmont Court Services Fund will have \$311,085 at the end of FY17. The Forfeited Asset Fund is legally restricted for law enforcement purposes only and the Piedmont Court Services Fund is used to support the regional delivery of services associated with that office. Assuming the cash in the four funds mentioned above cannot be used, the unrestricted cash balance for Prince Edward County at the end of FY17 is projected to be \$7,965,598. Historically, the County's cash balances decrease about 42% from the end of June until it hits its low point which is typically in September or October. Assuming cash needs will follow the same pattern the County's cash balance will drop to about \$4.6 million sometime in September or October. On top of the normal cash flow cycle we are in the midst of a major renovation project for the Courthouse. Depending on the final scope of the project the estimated cost of the project could be over \$2 million. Adding that expense means the County's cash balances will drop to about \$2.6 million in the fall. While still a significant cash balance, that amount would be the lowest for the County in several years.

The increase in the cash balance in the General Fund was the result of both revenues exceeding expectations and savings in expenditures. The General Fund is our primary source of revenue and supports the majority of all County operations. The General Fund will end FY17 with an estimated increase in the fund balance of \$497,436 bringing the cash reserve to \$8,024,985. A combination of better than expected revenues and lower than expected spending led to this positive result. The result is about \$800,000 better than anticipated since the existing budget calls for the use of almost \$328,000 from the General Fund fund balance. The fund balance was budgeted to be used for only two items. First, \$208,000 is carry over from the Volunteer Fire Departments and second, \$120,000 was loaned to the Rescue Squad to buy equipment.

General Property taxes are estimated to generate \$274,468 more than contained in the budget. Collections exceeding the budget in Real Estate (\$76,706), Personal Property Tax (\$99,052) and Public Service Corporations (\$76,170) account for most of this amount. Revenues from Fines & Forfeitures will exceed budgeted amounts by \$63,000 and the Local Recordation Tax collections will be about \$61,000 greater than budgeted and revenues from the state associated with the Child Services Act (CSA) should exceed the budget by \$155,000 but expenses in the CSA program will exceed the budget by a similar amount. No other local revenue source is expected to exceed the budgeted amount in any significant way.

Expenditures in the General Fund are forecast to be about \$60,000 less than budgeted. The largest expenditure savings can be found in the Planning Department (\$44,000), Economic Development Office (\$45,000), the Regional Jail (\$100,000) and the transfer to the Virginia Public Assistance (VPA)/Welfare fund (\$101k). Holding positions vacant generated the savings in the departments, having fewer inmates than estimated caused the savings in the Regional Jail and a reduction in the local match requirements for various programs created the savings in the VPA fund.

While the majority of departments will expend less than the amount budgeted, there are three areas where expenditures will significantly exceed the budget. These are costs associated with the Child Services Act (CSA) program, expenses associated with legal services and the Sheriff's department. I estimate CSA expenses will exceed the budget by \$147,000 but as mentioned above revenues from the state will cover this overage. Expenses for legal services will exceed the budget by about \$40,000. This is the first full year of the transition from the Commonwealth Attorney providing those services to having private part-time legal services. This fiscal year served as an adjustment year and provided the County the base data to estimate future costs. Expenditures for Part-time, At-will, and Overtime caused the overage for the Sheriff. The Part-time expenses were driven by the Sheriff having to transport prisoners that the Regional Jail would normally transport but because of personnel shortages the Sheriff's department of all the Counties had to pick-up that responsibility. The At-will program overage was funded by an increase in

revenues mentioned above and the Overtime overage was caused by the Vice-presidential debate and personnel shortages in the Sheriff's department.

FY18 BUDGET

For FY18, the recommended budget for all funds is \$53,402,040. The budget is balanced, and as directed by the Board of Supervisors this was accomplished with no increase in tax rates or use of the General Fund Fund Balance.

There are two significant expenditure items for capital improvements that are not contained in the FY18 budget. These are the Courthouse renovation project and renovations at the animal shelter. The County is in the process of scoping the Courthouse project and hiring an architectural firm. Until those steps are completed we will not receive an estimate of the cost for this project. When the animal shelter was constructed no vapor barrier was laid under the building. This fact combined with daily use of harsh cleaning detergents to include bleach in the dog runs have made it nearly impossible to keep the paint on the floor of the runs. It is a state requirement that an enclosure used to house an animal shall have a surface material that is durable, nonporous, impervious to moisture, and able to be thoroughly cleaned and disinfected. The Community Development and Property committee recently toured most of the county facilities. The committee provided guidance to County staff concerning the animal shelter. We are in the process of obtaining estimates of the costs of these improvements. Once cost estimates are received on these two items the Board can make a decision of what course of action it wishes to take. If it is decided to fund these projects the budget will need to be amended. After adjusting for the non-cash expense of depreciation, to balance the water and sewer funds required the transfer from the General Fund of \$236,452 to the water fund and \$88,171 to the sewer fund. The Welfare Fund (Social Services) will require the transfer of \$545,976 from the General Fund to meet the local funding requirements for the programs overseen by Social Services. This is a decrease of slightly more than \$100,000 as compared to the FY17 budget and is caused by a decrease in local matching requirements for administrative expenses and funds designated as pass-through funds that support several programs,

Enclosure (2) is a chart that shows the anticipated revenues, expenses and projected fund balances of the various funds at the end of FY18.

FACTORS SHAPING THE FY18 PROPOSED BUDGET

The dominant factor in developing the FY18 budget was holding expenses in check to ensure there would be no increase in tax rates or the need to use the fund balance of the General Fund while providing for a pay raise in-line with actions taken by the General Assembly.

With a few exceptions all expenses have been held at level funding or decreased. This includes the charitable donations and County departments. There are four large capital expenditure items in the proposed budget. These are (1) \$120,000 to allow the Sheriff to purchase 3 new cars. (2) \$32,350 to purchase computers, printers etc., (3) \$200,000 to purchase a new CAD/reporting system for the Sheriff and (4) \$70,000 to purchase new voting machines, the total cost of replacing all voting machines is \$140,000 but the vendor chosen by the Electoral Board has agreed to split payment over two fiscal years.

The \$10,000 placed in the Planning and Community Development budget last year to be used to pay for officers to oversee an inmate work crew is once again in the budget. These funds will pay anywhere from 400 to 500 hours of time for an officer to oversee an inmate work crew.

Enclosure (3) is a listing of outside agencies showing the funding approved by the Board for FY17, the request from the agency for FY18 and my recommendations for FY18. Last FY the Board of Supervisors agreed to a funding policy for outside agencies that removed public safety organizations and governmental organizations from this category and restricted the amount of funding to \$150,000. I am recommending all but three agencies receive the same funding as they received in FY17. Those three are (1) Pamplin Community Center which asked for no funding, (2) Piedmont Senior Resources where I recommended they be funded the amount they requested - \$6,328, an increase of \$4,328 and (3) Virso Recreation Center where I am recommending no funding in FY18.

The increase in funding for PSR will allow them to receive matching funds from the Department of Aging and Rehabilitative Services (DARS) which will be used to develop a program called No Wrong Door. The goal of this program is to link all service organizations via a software program. Such a program would allow faster referrals and allow all organizations to see how much a particular client is receiving from each. The Board of Supervisors approved funding of the Virso Recreation & Community Center for FY16 and FY17. The Board provided no recommendation for FY18 and as such I did not recommend any funding in FY18.

I am recommending \$8,440,984 in local tax dollars be provided to the Prince Edward County Schools. This is an increase of \$123,802 or 1.5%. The school will receive significantly greater funding from the state for the FY18 budget; this increase added to the local funding increase will bring the School budget to \$25,693,974. This is an increase of \$748,600 dollars or 3% over the FY17 budget. Except for the Social Services/Welfare Fund whose costs are mandated, no other fund will experience nearly that type of increase. The 3% increase is greater than the percentage increase in the ADM. The ADM is projected to increase from 1,990 to 2,040 or 2.5%. The County's health insurance premiums will increase 5.0% which increases the County's expenses by about \$40,000.

I am recommending a 2% pay increase for all County employees effective August 1, 2017. That date is the same date the General Assembly proposes to implement the 2% increase they approved. This will cost the County \$102,870. After consultation with the Community Development and Properties Committee I am recommending hiring of two part-time employees working a combined total of 40 hours each week at a total cost of \$22,878. These employees would provide additional man-hours' to maintain County Facilities.

The state and local economies are improving but at a slow rate. Because of the improving economy and increasing revenue collection in the current FY I am recommending the revenue amount be increased approximately \$350,000 for the General Fund. Increases in General Property revenues of \$283,537 account for the majority of this increase. Increases in Real Estate (\$114,537), Public Service Corporations (\$60,000) and Personal Property (\$100,000) account for almost all of the increase in the General Property category.

There are a number of outside factors that may still impact the FY18 budget. Final decisions and implementing instructions regarding the Commonwealth's budget have not been received. Thus, there is still uncertainty regarding the final disposition of State and Federal funding at the local level, but we must proceed with the information we have at hand.

Conclusion

I look forward to our future work sessions and realize the Board may make changes to the proposed budget. That is understandable and expected. Thank you for the opportunity to present this budget for the citizens of Prince Edward County.

**PRINCE EDWARD COUNTY
ESTIMATED FUND BALANCE 06/30/2017**

	<u>Audited Cash</u> <u>Balance</u> <u>06/30/16</u>	<u>Projected</u> <u>Revenues</u> <u>FY17</u>	<u>Projected</u> <u>Exp/</u> <u>Transfers</u> <u>FY17</u>	<u>Projected</u> <u>Cash</u> <u>Balance</u> <u>06/30/17</u>	<u>Net (Decrease)</u> <u>Increase</u>
GENERAL	\$7,527,549	\$22,476,624	\$21,979,188	\$8,024,985	\$497,436
FORFEITED ASSETS	\$59,217	\$969	\$7,800	\$52,386	\$ (6,831)
POPLAR HILLS CDA	\$67,091	\$110,709	\$177,800	\$0	-\$67,091
GRANITE FALLS CDA	-\$4,576	\$1,540	\$1,540	-\$4,576	\$0
DARE	\$4,032	\$0	\$0	\$4,032	\$0
ECONOMIC DEVELOPMENT	\$695,848	\$0	\$23,368	\$672,480	-\$23,368
PIEDMONT COURT SERVICES	\$296,390	\$511,123	\$496,428	\$311,085	\$14,695
RETIREMENT	-\$37,810	\$13,548	\$13,548	-\$37,810	\$0
SOCIAL SERVICES	\$0	\$2,874,813	\$2,874,813	\$0	\$0
TOTAL GENERAL GOVERNMENTAL	\$8,607,741	\$25,989,326	\$25,574,485	\$9,022,582	\$414,841
WATER	-\$157,609	\$236,752	\$236,752	-\$157,609	\$0
SEWER	(\$442,991)	\$89,821	\$89,821	\$ (442,991)	\$0
TOTAL ENTERPRISE FUNDS	-\$600,600	\$326,573	\$326,573	-\$600,600	\$0
LANDFILL CONSTRUCTION	\$1,896,084	\$264,444	\$984,608	\$1,175,920	\$ (720,164)
RECREATION FUND	\$14,037	\$86	\$6,000	\$8,123	\$ (5,914)
VDOT - REVENUE SHARING	-\$21,536	\$0	\$0	-\$21,536	-
TOTAL CAPITAL FUNDS	\$1,888,585	\$264,530	\$990,608	\$1,162,507	\$ (726,078)
Subtotal	\$9,895,726	\$26,580,429	\$26,891,666	\$9,584,489	\$ (311,237)
SCHOOLS	\$0			\$0	-
CAFETERIA	\$400,416			\$400,416	-
SCHOOL CONSTRUCTION	\$0			\$0	-
UNDERGROUND STORAGE TANK	\$20,000	\$0	\$0	\$20,000	-
TOTAL SCHOOL FUNDS	\$420,416			\$420,416	-
TOTAL ALL FUNDS	\$10,316,142	\$26,580,429	\$26,891,666	\$10,004,905	\$ (311,237)

NOTES:

1. Revenues do not contain draws from Fund Balances
2. Expenditures do not contain deposits to Fund Balances
3. Exenditures do not contain the non-cash Expense of Depreciation

**PRINCE EDWARD COUNTY
ESTIMATED FUND BALANCE 06/30/2018**

	<u>Projected Cash Balance 06/30/17</u>	<u>Projected Revenues FY18</u>	<u>Projected Exp/ Transfers FY18</u>	<u>Projected Cash Balance 06/30/18</u>	<u>Net (Decrease) Increase</u>
GENERAL	\$8,024,985	\$22,389,071	\$22,389,071	\$8,024,985	\$0
FORFEITED ASSETS	\$52,386	\$260	\$0	\$52,646	\$260
POPLAR HILLS CDA	\$0	\$110,709	\$110,709	\$0	\$0
GRANITE FALLS CDA	-\$4,576	\$1,600	\$1,600	-\$4,576	\$0
DARE	\$4,032	\$0	\$0	\$4,032	\$0
ECONOMIC DEVELOPMENT	\$672,480	\$0	\$43,368	\$629,112	(\$43,368)
PIEDMONT COURT SERVICES	\$311,085	\$529,152	\$569,111	\$271,126	(\$39,959)
RETIREMENT	-\$37,810	\$13,819	\$13,819	-\$37,810	\$0
SOCIAL SERVICES	\$0	\$2,928,439	\$2,928,439	\$0	\$0
TOTAL GENERAL GOVERNMENTAL	\$9,022,582	\$25,973,050	\$26,056,117	\$8,939,515	-\$83,067
WATER	-\$157,609	\$237,477	\$237,477	-\$157,609	\$0
SEWER	(\$442,991)	\$90,969	\$90,969	\$ (442,991)	\$0
TOTAL ENTERPRISE FUNDS	-\$600,600	\$328,446	\$328,446	-\$600,600	\$0
LANDFILL CONSTRUCTION	\$1,175,920	\$254,000	\$0	\$1,429,920	\$ 254,000
RECREATION FUND	\$8,123	\$0	\$0	\$8,123	\$ -
VDOT - REVENUE SHARING	-\$21,536	\$0	\$0	-\$21,536	\$ -
TOTAL CAPITAL FUNDS	\$1,162,507	\$254,000	\$0	\$1,416,507	\$ 254,000
Subtotal	\$9,584,489	\$26,555,496	\$26,384,563	\$9,755,422	\$ 170,933
SCHOOLS	\$0	\$25,693,974	\$25,693,974	\$0	\$ -
CAFETERIA	\$400,416	\$1,074,912	\$1,094,912	\$380,416	\$ (20,000)
SCHOOL CONSTRUCTION	\$0			\$	\$ -
UNDERGROUND STORAGE TANK	\$20,000	\$0	\$0	\$20,000	\$ -
TOTAL SCHOOL FUNDS	\$420,416			\$400,416	\$ (20,000)
TOTAL ALL FUNDS	\$10,004,905	\$26,555,496	\$26,384,563	\$10,155,838	\$ 150,933

NOTES:

1. Revenues do not contain draws from Fund Balances
2. Expenditures do not contain deposits to Fund Balances
3. Expenditures do not contain the non-cash Expense of Depreciation

OUTSIDE AGENCIES FUNDING RECOMMENDATIONS

			FY17 ADOPTED	FY18 REQUEST	FY18 RECOMMENDATION
OTHER WELFARE/SOCIAL SERVICE					
53501	5608	SCOPE/Meals on Wheels	\$5,000	\$5,000	\$5,000
53501	5609	Piedmont Senior Resources	\$2,000	\$6,328	\$6,328
53501	5610	STEPS Inc.	\$20,000	\$20,000	\$20,000
53501	5612	Pamplin Community Center	\$250	\$0	\$0
53501	5613	Jolly Glee Senior Citizens	\$1,120	\$1,800	\$1,120
53501	5637	FACES	\$4,275	\$4,500	\$4,275
53501	5640	Special Olympics Area 12	\$800	\$1,000	\$800
53501	5645	VA Legal Aid Society	\$1,200	\$1,248	\$1,200
53501	5650	Tri-County Life Learners	\$2,400	\$3,000	\$2,400
53501	5651	Southside Center for Violence Prev	\$4,800	\$7,500	\$4,800
53501	5652	Heart of Virginia Free Clinic	\$6,000	\$7,000	\$6,000
53501	5653	Longwood Center for Visual Arts	\$2,000	\$2,000	\$2,000
53501	5654	Habitat for Humanity	\$3,200	\$3,200	\$3,200
CONTRIBUTIONS TO COLLEGES					
68100	5643	Longwood Small Bus Dev Center	\$6,750	\$7,500	\$6,750
PARKS & RECREATION					
71100	5640	PE/Farmville Youth Association	\$24,000	\$25,000	\$24,000
71100	5642	Heart of Virginia Festival	\$2,000	\$2,000	\$2,000
71100	5643	Southside VA Family YMCA	\$20,000	\$50,000	\$20,000
71100	5647	YMCA-Summer Program	\$16,000	\$0	\$16,000
71100	5649	Virso Recreation & Community Center	\$6,000	\$2,500	\$0
MUSEUMS					
72200	5641	Moton Museum	\$8,000	\$20,000	\$8,000
COMMUNITY DEVELOPMENT					
81200	5647	Chamber of Commerce	\$250	\$2,500	\$250
81200	5652	Piedmont Area Transit	\$8,000	\$10,000	\$8,000
81200	5655	Downtown Farmville	\$8,000	\$10,000	\$8,000
GRAND TOTAL			\$152,045	\$192,076	\$150,123