

**March 27, 2018**

Mr. Bartlett presented his FY 19 County Budget:

## **INTRODUCTION**

I am pleased to present to the Board of Supervisors my recommended budget for Prince Edward County for Fiscal Year 2019 (FY19). 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, School Superintendent, 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 March 6, 2018 served as the primary direction I followed in developing my recommended budget. The FY18 budget served as a starting point for the development of the FY19 budget. This meant past decisions by the Board were carried into FY19, specifically the spending reductions approved during the FY15 budget development process and the approved policy regarding funding outside organizations.

Before developing the FY19 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 FY19 financial starting point be on July 1, 2018?

## **FORECAST OF FY18 BUDGET RESULTS**

Enclosure (1) is a chart of projected fund balances at the end of FY18 for our major budgetary funds. When totaling the funds together I predict the fund balance will increase by \$1,464,471 to slightly more than \$13.7 million. Some of these funds have restrictions on their use, either by legal restrictions or by past practice of the Board of Supervisors. Of that amount \$465,657 is contained in the School Cafeteria Fund and can only be used for costs associated with the operations of the cafeteria. An additional \$1,486,682 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 \$47,330 and the Piedmont Court Services Fund will have \$336,539 at the end of FY18.

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 FY18 is projected to be \$11,379,295. 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 \$6.6 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 and the former STEPS CENTRE. The estimated cost of all phases of the project could be between \$3 - \$4 million. Subtracting that expense means the County's cash balances could decline between \$3.3 - \$2.3 million in the fall before recovering once the real estate and personal property tax bills are mailed. 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 FY18 with an estimated increase in the fund balance of \$1,206,498 bringing the cash reserve to \$ 11,569,870. A combination of better than expected revenues and lower than expected spending led to this positive result.

General Property taxes are estimated to generate \$306,359 more than contained in the budget. Collections exceeding the budget for Personal Property Tax (\$269,365) and Merchants Capital (\$54,059) were the primary reason for this positive result. Revenues from Fines & Forfeitures will exceed budgeted amounts by \$23,034 and the Local Recordation Tax collections will be about \$45,000 greater than budgeted. Revenues from the state associated with the Child Services Act (CSA) should be approximately \$173,000 less than the original budget. But this reduction in revenue is more than offset by a reduction in CSA expenditures of \$250,000 with the end result being a local savings of \$77,000.

Expenditures in the General Fund are forecast to be about \$1,078,327 less than budgeted. The School Superintendent is estimating the need to use almost \$602,000 less in local funding than originally budgeted. That is the single largest savings item for FY18. Additional, savings can be found in the Planning Department (\$56,000), Economic Development Office (\$44,000), the Regional Jail (\$183,329), Juvenile Detention (\$25,000), Clerk of Circuit Court (\$30,000) and CSA as mentioned above (\$250,000). Holding positions vacant generated the savings in the departments, having fewer inmates than estimated caused the savings in the Regional Jail and Juvenile Detention and a reduction in the number of children requiring services caused the under expenditure in CSA.

## **FY19 BUDGET**

For FY19, the recommended budget for all funds is \$54,631,302. 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. In fact, it is projected that \$235,407 will be added to the fund balance in the General Fund.

There is a significant expenditure item not contained in the FY19 budget. This is the Courthouse renovation project and renovations at the STEPS CENTRE. The County is in the process of obtaining bids on both of these projects. Until that is accomplished we will not receive an estimate of the cost for this project.

After adjusting for the non-cash expense of depreciation, to balance the water and sewer funds required the transfer from the General Fund of \$237,579 to the water fund and \$89,579 to the sewer fund. The Welfare Fund (Social Services) will require the transfer of

\$600,000 from the General Fund to meet the local funding requirements for the programs overseen by Social Services. These are approximately the same amounts as in FY18. Enclosure (2) is a chart that shows the anticipated revenues, expenses and projected fund balances of the various funds at the end of FY19.

## **FACTORS SHAPING THE FY19 PROPOSED BUDGET**

The dominant factor in developing the FY19 budget was the lack of a final budget from the General Assembly. The major impact on the General Fund is primarily restricted to the uncertainty of the funding the County receives to support the Constitutional Officers. From the information I have received the funding of these officers is not controversial or in jeopardy. In building the FY19 I assumed we will receive funding from the state for the Constitutional offices as we normally do. The same cannot be said in regards to funding for the Schools. The funding for K-12 education is considerably different in each of the budgets (Governor, Senate, House). Because the County provides approximately \$3 million more in local funding than is required by the SOQ, I recommend the local contribution be held the same as was provided in FY18 (\$8,440,984). Once the final funding numbers are provided by the state the Schools will be required to adjust their budget accordingly. In addition, the Board of Supervisors provided guidance that they would not support any tax increases and expenses should be held in check in anticipation of the expenses associated with the renovations to the Courthouse/STEPS CENTRE.

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) \$135,000 to allow the Sheriff to purchase 3 new cars, (2) \$32,350 to purchase computers, printers etc., (3) \$45,000 to purchase an animal control truck, and (4) \$75,000 for the second payment for the new voting machines. In addition to these capital items I have included \$42,000 for the development of a GIS system and \$15,000 for a redesign of the County's website.

Our technology consultant has informed me he may be retiring in December 2020. The consultant assists with all tax preparations, retrieval of information from DMV to prepare Personal Property Tax Tickets, install equipment and software upgrades for PCs and the IBM AS400 to include the BRIGHT financial system. He is responsible for building and maintaining the County's internet network. Besides these critical networks the Sheriff's new IBR system will require someone trained to install, maintain and monitor this system. To implement a smooth succession plan to ensure these critical functions are not interrupted I have budgeted for the hiring of a full-time position. We are fortunate to have someone locally that is highly proficient in most of this technology and would be a valuable addition to the County. Not only is he technically savvy but he is also a lawyer. I am proposing hiring Brain Butler to become the County's in-house IT support and serve as County Attorney for most issues. Mr. Ennis will still be used on a part-time basis to continue work involving the Manor and any other work the Board so desires. Once fully implemented several cost savings will be realized and IT support will expand. A more detailed explanation of this proposal will be presented during the budget process.

Due to the refinancing of debt in 2017 the County's debt expense in FY19 is almost \$200,000 less than the previous year while capital expenditures are approximately \$150,000 less than in FY18 because of the completion of the purchase of the IBR system for the Sheriff.

The \$10,000 placed in the Planning and Community Development budget last year to be used to pay for officers to oversee additional inmate work crew is not in the proposed budget. This program was not as effective as hoped. But I have spoken with the interim jail superintendent and he has revamped the work crew program. The changes he has instituted (use of weekend inmates, expansion of officers certified, etc.) will result in an increase in the number of work crews and the number of inmates on each crew. It is anticipated these changes will provide additional coverage at no cost increase.

Enclosure (3) is a listing of outside agencies showing the funding approved by the Board for FY18, the request from the agency for FY19 and my recommendations for FY19. 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 agencies receive the same funding as they received in FY18 with no new agencies added. The total amounts to \$145,123. This leaves \$4,877 that could be used at the discretion of the Board.

There are a number of outside factors that may still impact the FY18 budget, especially the failure of the General Assembly to adopt a 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.