



March 26, 2019

TO: Prince Edward County Board of Supervisors

FROM: W.W. Bartlett, County Administrator

SUBJECT: FY 20 County Budget

ENCLOSURES: (1) Projected Fund Balance Chart for FY19  
(2) Projected Fund Balance Chart for FY20

## INTRODUCTION

I am pleased to present to the Board of Supervisors my recommended budget for Prince Edward County for Fiscal Year 2020 (FY20). 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 February 5, 2019 served as the primary direction I followed in developing my recommended budget. The FY19 budget served as a starting point for the development of the FY20 budget. This meant past decisions by the Board were carried into FY20, specifically the spending reductions approved during the FY15 budget development process and the approved policy regarding funding outside organizations.

Before developing the FY20 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 FY20 financial starting point be on July 1, 2019?

## FORECAST OF FY19 BUDGET RESULTS

Enclosure (1) is a chart of projected fund balances at the end of FY19 for our major budgetary funds. When totaling the funds together I predict the fund balance will increase by \$1,200,259 to slightly more than \$15 million. This is even after factoring in the expenditure of \$954,000 to place a new roof on the STEPS CENTRE. Some of the funds have restrictions on their use, either by legal restrictions or by past practice of the Board of Supervisors. Of that amount \$458,247 is contained in the School Cafeteria Fund and can only be used for costs associated with the operations of the cafeteria. The \$1,055,279 contained in the School fund will be used to cover an accrued payroll amount. An additional \$1,816,673 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

\$60,162 and the Piedmont Court Services Fund will have \$401,152 at the end of FY19. The DARE fund is used to support anti-drug activities for children and the fund balance is from donations earmarked for the DARE program.

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 FY19 is projected to be \$11,217,671. 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 \$6.5 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 and constructing a new building to house Social Services. The estimated cost of all of the projects could be between \$9 - \$10 million. Subtracting that expense means the County's cash balances would decline below the amount needed to absorb the normal cash decline in the fall before recovering once the real estate and personal property tax bills are mailed. The County will need to borrow at least a portion of the funds to pay for these capital construction projects. The County's financial consultant is reviewing the County's financial status and developing a recommended path forward to finance these projects. He will be presenting that plan to the Board during the budget review on a date to be decided.

The projected increase in the cash balance in the General Fund of \$866,194 is a combination of better than expected revenues and lower than expected spending. The General Fund is our primary source of revenue and supports the majority of all County operations. I project the General Fund will end FY19 with an estimated cash reserve of \$ 10,611,927.

General Property taxes are estimated to generate \$865,878 more than contained in the budget and are the main reason for the increase in the General Fund cash balance mentioned above. Collections of Personal Property taxes are predicted to exceed the budget by almost \$610,000 and is the primary reason for this positive outcome. This result is a combination of used cars holding their value, citizens buying more new cars than usual and increased collections of delinquent accounts by the Treasurer. The increased efforts involving collecting delinquent accounts will also result in the collections of Penalty and Interest to exceed the budgeted amounts by over \$141,000. Real Estate tax collections will exceed its budget by more than \$90,000 but collections of Merchants Capital Tax will be more than \$48,000 less than budgeted. Revenues from the Local Sales tax will exceed the budget by \$150,00 due to the strong economy and collections of Fines & Forfeitures will exceed budgeted amounts by \$38,000 as the result of enforcement actions by the Sheriff. Revenues from the state associated with the Child Services Act (CSA) should be approximately \$340,000 less than the original budget. But this reduction in revenue is more than offset by a reduction in CSA expenditures of \$628,156 with the end result being a savings in local expenditures of almost \$213,000.

Expenditures in the General Fund are forecast to be about \$1.5 million less than budgeted. The savings in CSA of \$628,156 was by far the largest area of savings. Other significant savings were the transfer to the Solid Waste Fund (\$311,000) and lower than expected Jail expenditures (\$210,000). As is the case every year department directors and Constitutional Officers held the line in spending and most departments are projected to under spend their budgets.

## **FY20 BUDGET**

For FY20, the recommended budget for all funds is \$57,614,375. 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. Reduced budgets for the Jail (\$100,000), CSA (\$100,000) and Legal (\$94,000) combined with increased revenues from Property Taxes (\$435,000), Sales Tax (\$170,000), increased rental income (\$134,150) and state revenues (\$55,000) allowed this positive result.

There are significant expenditure items not contained in the FY20 budget. These are the costs associated with the Courthouse renovations, the interior renovations at the STEPS CENTRE and the construction of the new building for Social Services. As mentioned above how best to fund these items will be discussed with our financial advisor during the budget development schedule.

After adjusting for the non-cash expense of depreciation, to balance the water and sewer funds required the transfer from the General Fund of \$236,048 to the water fund and \$88,086 to the sewer fund. The Welfare Fund (Social Services) will require the transfer of \$595,000 from the General Fund to meet the local funding requirements for the programs overseen by Social Services and \$837,115 is budgeted to be transferred to the Solid Waste Fund. These are approximately the same amounts as in FY19.

Enclosure (2) is a chart that shows the anticipated revenues, expenses and projected fund balances of the various funds at the end of FY20.

## **FACTORS SHAPING THE FY20 PROPOSED BUDGET**

The dominant factor in developing the FY20 budget was following the Board's direction of not proposing a tax increase yet fund the expected pay raise for the teachers, Constitutional Offices and County employees. The General Assembly passed a budget with a 3% pay increase for Constitutional Offices and other state supported employees and 5% for teachers. Such an increase costs the County about \$150,000 and the Schools \$750,000. The schools also requested funding for six additional positions costing \$447,000 bringing the total additional school spending to almost \$1.2 million. But additional state funding of almost \$529,000 and a reduction in Health Insurance costs of \$76,176 reduced the increase requested from local funds to \$596,687.

The Board agreed the teachers needed the pay increase and that the additional positions would assist the schools becoming fully accredited. Another significant item that had to be funded was the reassessment. It is time once again to conduct the reassessment and \$220,000 is contained in the budget for that expense. Since this expense occurs only once every six years it would be appropriate to use the fund balance to pay for this expense. That was not necessary but may need to occur to help fund ambulances for the rescue squad which is discussed below. Finally, FY20 will be the first full fiscal year to contain the new positions the Board approved for the Sheriff to implement increased security for the Courthouse.

Except for the pay increase most expenses have been held at level funding or decreased. After discussion with our Insurance Consultant I am recommending a 5% or \$50,00 increase of the amount dedicated to funding Health Insurance. After discussion with the Chairman I am not recommending funding either the Moton Museum or the Longwood Small Business Development Center. These are activities controlled by Longwood University whose budget is more than twice the size of our budget. It appears the Tri-County Life Learners are no longer active and I am not recommending any funds be set aside for that organization.

With the increased workloads in the offices of the Treasurer and Commissioner of Revenue, I am recommending an additional position be funded. Currently, these two offices share one position. The incumbent spends 6 months in each office. The additional position will allow each office to have an additional employee for all 12 months and cost about \$39,000. Because we are still in discussions to determine the additional amount the rescue squads need to fund the purchase of ambulances no funds were budgeted for that need. This can be added when the cost is finalized.

There are five large capital expenditure items proposed in the General Fund budget. These are (1) \$157,000 to allow the Sheriff to purchase 3 new cars and radar units, (2) \$82,750 to purchase computers, printers etc. - \$40,000 will be used to upgrade the operating system for the IBM AS 400 which controls the County's financial accounting system. After September IBM will no longer support the current version we use. (3) \$34,000 to purchase a pick-up truck for the new hire in Public works, (4) \$12,000 to buy a new commercial grade zero turn mower to replace one that is 19 years old and (5) \$45,000 to repave the parking lot at the Natural Resources building. There are also four capital items in the Solid Waste Fund. These are (1) \$15,000 to replace three sheds at the dump sites, (2) \$125,000 for a used bulldozer, (3) \$5,000 for repairs to the scale house, (4) \$60,000 to build a maintenance work shop at the landfill.

There are several other adjustments to the budget but none as large as those mentioned above. We will be reviewing the budget in great detail as we move through the budget schedule and all your questions will be answered.

### **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.