

March 25, 2014

At a special meeting of the Board of Supervisors of Prince Edward County, held at the Court House, thereof, on Tuesday, the 25th day of March, 2014; at 3:00 p.m., there were present:

Howard M. Campbell

Robert M. Jones

Charles W. McKay

Howard F. Simpson

C. Robert Timmons, Jr.

Jerry R. Townsend

Jim R. Wilck

Absent: Pattie Cooper-Jones

Also present: Wade Bartlett, County Administrator; and Sarah Elam Puckett, Assistant County Administrator.

Chairman Simpson called the meeting to order as a reconvened meeting.

Supervisor Cooper-Jones entered the meeting at this time.

In Re: Presentation of County Administrator's Budget

Mr. Wade Bartlett, County Administrator, reviewed the budget documents, the process for the budget approval, and then presented the draft FY15 County Budget to the Board of Supervisors:

I am pleased to present to the Board of Supervisors my recommended budget for Prince Edward County for Fiscal Year 2015 (FY15). I look forward to the Board's feedback and response to the many difficult decisions that will be required during this year's budgetary process. The failure of the General Assembly to pass a budget has left many unanswered questions regarding the amount of revenue local governments can expect to receive from the Commonwealth. I developed the County budget under the most conservative assumption – that revenues from the Commonwealth would not increase. Once the General Assembly passes a budget and it is found to contain additional funding for Prince Edward, the Board can adjust the budget to reflect those additional revenues.

Locally, revenues are flat. Prior to any tax rate adjustments I forecast total local revenues for FY15 to be \$15,840,195, a decrease of \$63,942 or four-tenths of one percent (0.4%). It appears the closing of several businesses over the course of the last year (Kroger,

Roses, Country Cooking, etc.) has had only a modest impact on local revenues. The County's unemployment rate for January 2014, the most current month reported by the Virginia Employment Commission, was 8.2%. This is a slight improvement over the January 2013 rate of 8.9%.

As was the case last fiscal year, the most difficult issue will be the increase in expenses associated with the regional jail. When last year's budget was developed, there were several unresolved issues at the regional jail. That is no longer the case but the end result has been an increase in the costs associated with the jail. The proposed budget contains an expense of \$1,400,000 for the regional jail. The Board will need to expect this to be an on-going expense.

The increased cost associated with the jail, the flat revenue stream and the failure of the General Assembly to adopt a budget made the development of the budget very challenging. To balance this year's budget I am recommending an increase in the Real Estate Tax rate of eight cents (\$.08). Prince Edward is not the only County facing the pressure of increasing costs. Many of our neighboring Counties either raised taxes last year or are contemplating doing so this year.

FORECAST OF FY14 BUDGET RESULTS

Before discussing the new budget which starts on July 1, 2014. I think it is appropriate to review the current budget and to forecast the state of the County's finances at the start of the new fiscal year. Enclosure (1) is a chart of projected fund balances for our major budgetary funds at the end of the current fiscal year. When totaling the funds together I predict the fund balance will decrease by \$1,016,857 to a total of \$10,137,449. Of the amount in cash, \$478,187 is contained in the School Cafeteria Fund and can only be used for costs associated with the operations of the cafeteria. An additional \$1,754,903 is found in the Landfill Construction Fund which has historically been used to pay cash 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 anticipated a landfill cell will be partially closed and a new cell constructed beginning late in FY14 with most of the work being completed in FY15 at a cost of \$1,212,000 which will decrease the fund balance a like amount.

The General Fund is our primary source of revenue and supports the majority of all County operations. I project the General Fund will end FY14 with a decrease in the fund balance of \$773,470 and end with a cash reserve of \$6,622,880. While this is a significant decrease, the result is much better than anticipated. The existing budget anticipated a use of more than \$1.3 million from the fund balance. The initial budget adopted for FY14 called for a draw from the fund balance of \$251,688. During the course of the fiscal year, the Board approved additional appropriations which increased the anticipated draw from the fund balance. The largest of these appropriations were \$700,000 for jail expenses, \$179,569 to reappropriate funds for grants and capital projects that began in FY13 and carried over into FY14, \$65,600 to increase funding for the Volunteer Fire Departments and Rescue Squads, \$50,000 for the YMCA loan and \$40,500 for a new case management system for the Commonwealth's Attorney. The ability to absorb approximately one-half of these expenditures is the result of savings in expenditure lines as projected revenues closely match initial budgeted revenues.

While projected revenues, in total, are expected to match budgeted revenues, some revenue streams exceeded expectations while others did not. Collections of General Property taxes are expected to exceed FY14 budget estimates by \$220,737. This is mainly the result of collections in personal property taxes exceeding the budget by almost \$88,000, Public Service Corporation taxes being almost \$50,000 greater than budgeted, and real estate having a

positive variance of almost \$38,000. Collection in local sales tax is expected to fall about 3.7% (\$99,338) below our budget estimate and is probably the result of the business closings mentioned earlier. A major loss of revenue has occurred in landfill charges. It is anticipated collections will be almost \$230,000 less than budgeted. This is the result of the company that purchased Arena Trucking using their own landfill to dump the waste they collect. This loss of revenue is expected to continue into FY15. A positive aspect of this development will be a decrease in the amount of trash placed in our landfill. This decrease will extend the life of our cells. The largest expenditure savings can primarily be found in planning (\$118k), CSA (\$92k), refuse (\$54k), general property (\$44k), and juvenile detention (\$30k) budgets being under expended.

Almost every department in the County has under-expended its budget. I want to commend all County employees and Constitutional Officers and their employees for the hard work necessary to achieve such a positive outcome.

Another major revenue source is the Landfill Construction Fund. Revenues from customers of the landfill who are located outside Prince Edward County are placed in this fund and accumulated and then used to pay for the closure and construction of new landfill cells. The balance in this fund will increase by \$299,559 to \$1,754,903 but as mentioned earlier the majority will be used in FY15 to close a landfill cell and open a new cell.

Water and Sewer fund balances will decrease a total of \$325,000 primarily due to debt payments.

FY15 BUDGET

For FY15, after deducting the transfers between funds, the proposed budget for all funds is \$43,839,565. The budget is balanced but requires an increase in the real estate tax rate of eight cents from \$0.42 to \$0.50 which is anticipated to increase revenues by \$1,200,000. In addition I recommend transferring \$664,286 from the IDA fund to the General Fund and use \$110,392 from the cash reserves of the General Fund. The transfer from the IDA fund represents payment from the sale of land in the business park (\$640,000) and payment from businesses for various loans made to assist the business in expansion and job creation.

As mentioned above, we must open a new landfill cell during FY15. This cost is estimated to be \$1,212,000 and I recommend \$973,857 be used from the fund balance of the landfill construction fund to pay for this project. This will still leave a fund balance of \$781,046 in the Landfill Construction fund.

After adjusting for the non-cash expense of depreciation, to balance the water and sewer funds required the use of \$236,987 and \$90,980 from the fund balance. This is an ongoing issue that will need to be addressed in the next budget cycle.

The total anticipated decrease in fund balance for FY15 is \$1,411,916. Almost 70% of that decrease is associated with the landfill construction fund and the opening of a new cell. This expense will not reoccur in FY16.

Enclosure (2) is a chart that shows the revenues, expenses and projected fund balances of the various funds at the end of FY15.

FACTORS SHAPING THE FY15 PROPOSED BUDGET

The \$1,400,000 expense from the regional jail and the loss of \$230,000 in landfill revenues were the primary factors driving the development of the FY15 budget. The overriding theme of the FY15 proposed budget is level funding. With very few exceptions all expenses have been held at level funding. This includes the schools, charitable donations and County departments. No pay increase is proposed. The County's health insurance premiums did not increase thus, those are also held steady.

The state and local economies are improving but at a very slow rate. Construction appears to be increasing with 19 building permits issued for single family dwellings from November 2013 – February 2014 compared with 12 for the same period one year earlier. The Commissioner of Revenue informed me she mailed 161 more personal property tax collections in FY15. The Commissioner still has much work to accomplish before a more definitive estimate of revenues from personal property can be made. Therefore the initial budget assumes collections from Personal Property will remain flat for FY15. Luck Stone continues to move forward with the development of its quarry, but I did not include any anticipated revenue from this project in the FY15 budget. Finally, Longwood continues to see growth in its student population which will pump additional money into Prince Edward County's economy.

Revenues from General Property taxes are projected to increase \$206,071 when compared to the same amount in last year's initial budget. This is offset by the decrease in revenues from landfill charges which are projected to be \$203,098 less than the FY14 initial budget amount. Various other revenues are forecast to see minor changes with the final result that projected FY15 local revenues will be about \$64,000 less than the beginning FY14 budgeted amounts.

The County's engineers anticipate we will have to close a landfill cell during FY15. It is anticipated this will cost \$1,212,000.

There are a number of outside factors that may still impact the FY15 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. I have attempted to budget in a conservative manner. Positive news on any of the factors mentioned earlier will either decrease costs or increase revenues to the County.

FY15 BUDGET DEVELOPMENT STRATEGIES

As stated before the overriding factor in developing the FY budget was how to fund the \$1,400,000 expense for the regional jail. This is a mandated cost which cannot be avoided. The second major factor to overcome was the loss of about \$230,000 in revenue from landfill charges.

Enclosure (3) lists the capital/one-time purchases contained in the various funds. The total amount is \$1,422,900. The largest expenditure is the \$1,212,000 required to close/open a landfill cell. Repairs to the Courthouse roof are estimated to be \$50,000 and the Sheriff is requesting \$90,000 to purchase three new vehicles, \$29,000 for mapping system for dispatch and \$5,000 for a camera and audio system for the interview room.

Most of the Constitutional Officers requested a pay increase of 5% for their employees and the Sheriff requested an increase for one of his employees. I did not recommend any pay increases for any employees.

Most outside agencies have been recommended to receive level funding. The exceptions are the volunteer fire departments and the rescue squads which requested additional funding. Over the last few years the Board has demonstrated a strong desire to fund these agencies requests. Therefore I recommend the 10% increase requested by the Firefighters Association be honored. This will increase expenses for fire and rescue by \$100,506 when compared to the initial budget amount approved in FY14.

The only other outside agency recommended for an increase is the Piedmont Senior Resources (PSR). It is recommended that funding be restored to this agency. Funding was suspended to PSR in FY14 due to the turmoil in the program. Since that time a new board has been seated, a new director hired and the program has been completely revamped. They

have greatly expanded the number of citizens they have served and have also expanded the programs being offered. Due to the positive results I recommend the budget request of \$2,018 be honored.

The proposed budget includes a transfer of \$8,346,800 to the schools. This is the same amount contained in the approved FY14 budget. The School Board requested an additional \$960,672 in local revenues. To honor the schools request would require an increase in the real estate tax rate of \$0.064, over and above the \$0.08 I am recommending. I recommend the real estate tax rate be increased by \$0.08 to \$0.50.

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.

Mr. Bartlett then reviewed the PowerPoint presentation to highlight several key points in the proposed budget. He stated there may be changes in the budget when the General Assembly adopts a budget and when there is more data collected regarding the personal property tax on motor vehicles. Mr. Bartlett distributed information from David Smith, Superintendent of Schools, outlining issues if level funding for the school occurs. Mr. Bartlett stated the proposed tax increase is the first major increase since he began with the County in 2007.

Supervisor Townsend questioned if the proposed Fire/EMS levy is included in this proposed budget; Mr. Bartlett said it is not included.

Supervisor Wilck asked where information on the Debt Service can be located. Mr. Bartlett stated it is at the end of the General Fund, and is approximately \$895,000.

Supervisor Jones asked if the Landfill Fund Balance appears to be about \$300,000 more this year and asked if that is normal. Mr. Bartlett stated it is normal but one large customer no longer uses the County's landfill which reduced revenues in the General Fund by \$230,000. It is planned to move the revenues of three or four smaller companies into the General Fund from the Landfill Construction Fund. Discussion followed regarding the landfill cells and upcoming costs associated with the closing of a cell and opening another landfill cell.

Supervisor Jones then commended Mr. Bartlett on the savings in the Planning Department and his having assumed those responsibilities.

Supervisor Campbell questioned the existence of methane at the landfill; Mr. Bartlett stated two companies have looked at it and both report it is feasible, it meets minimum requirements to make it cost-effective, but the problem is getting it onto a grid. There is not enough electric presence that runs by the landfill to get it onto the grid. Discussion followed.

Mr. Bartlett stated the Insurance Committee was interested in looking at the insurance issue further; he then queried the Board regarding a work session regarding the insurance. Supervisor Timmons said Ms. Grasso was going to provide information regarding what to do to reduce the cost to the county and keep costs for employees the same. Discussion followed regarding scheduling a meeting with the insurance representative before the Donation Requests on April 1.

On motion of Supervisor McKay and adopted by the following vote:

Aye:	Howard M. Campbell	Nay:	None
	Pattie Cooper-Jones		
	Robert M. Jones		
	Charles W. McKay		
	Howard F. Simpson		
	C. Robert Timmons, Jr.		
	Jerry R. Townsend		
	Jim R. Wilck		

the meeting was recessed at 3:58 p.m. until Tuesday, April 1, 2014 at 1:00 p.m.