

April 7, 2009

At a reconvened meeting of the Board of Supervisors of Prince Edward County, held at the Court House, thereof, on Tuesday the 7th day of April, 2009; at 5:00 p.m., there were present:

William G. Fore, Jr.

Robert M. Jones

Charles W. McKay

Howard F. Simpson

Lacy B. Ward

Mattie P. Wiley

Absent: James C. Moore

Also present: Wade Bartlett, County Administrator; Sarah Puckett, Assistant County Administrator; Dr. Patricia Watkins, Division Superintendent; Mr. Russell Dove, School Board Chairman; and Cindy Wahrman, Prince Edward County School Finance Director.

Chairman Fore called the reconvened meeting to order and stated the purpose of the meeting was to hear the Prince Edward County budget presentations, and called upon Dr. Patricia Watkins, Superintendent of the Prince Edward County Schools, to present the proposed School Budget.

In Re: Presentation of School Budget

Dr. Watkins presented the Proposed Operating Budget for FY 2009-2010. She stated the School Board remains committed to the mission of providing the best quality of education to all students in the community. She reviewed the challenges presented by the current economic climate, and stated the Board is taking a proactive approach, and looked at alignment of services, prioritized programs, and targeted budget cuts. She said the main goal continues to be improving the achievement of all students in the community.

Supervisor Moore entered the meeting at this time.

Dr. Watkins reviewed the proposed School Budget; she said there has been a \$1,134,000 reduction in funds from the state. She added the American Recovery & Reinvestment Act, also known as the Stimulus Plan, will go toward non-recurring needs. Dr. Watkins reviewed the School Budget presentation; a brief discussion on the Food Service Program and the cost for fuel for the school buses followed.

Dr. Watkins thanked the School Board for their support and guidance.

Chairman Fore called a ten-minute recess.

In Re: Presentation of the Proposed County Budget

Chairman Fore called the meeting back to order and called upon Mr. Bartlett, County Administrator, for the presentation of the proposed County Budget.

Mr. Bartlett read the transmittal letter, as follows:

I am pleased to present to the Board of Supervisors my recommended budget for Prince Edward County for Fiscal Year 2010 (FY10). While County Revenues are forecast to fall significantly placing pressure on our ability to maintain current service levels, I do not propose any tax rate or fee increases. This is in response to the desire of the Board who recognize the challenging economic environment County residents are facing.

After deducting the transfers between funds the proposed budget totals \$44, 098,107 for the county operations and the school system. The overall budget is effectively balanced drawing only \$523 from the combined fund balances of the various funds.

The proposed budget includes \$27.69 million for the school system, \$11.61 million for general governmental operations and \$1.25 million for the new utility system. This represents an overall decrease of \$1.3 million from the County's FY 09 Budget.

Excluding the use of debt and the fund balance, General Fund revenues fell almost \$822,000 when compared to the FY09 original budget. Facing this decline in revenues, I was forced to make very hard decisions, in order to present a balanced budget without requiring a tax increase.

Factors shaping the FY10 Proposed Budget

The FY10 proposed budget incorporates the Board's direction to present a budget with no tax increases, little if any use of the fund balance but at the same time maintain core service levels. During your strategic planning retreat on January 24, 2009 you strongly encouraged me to review County operations and recommend changes that would result in savings which could be sustained in future years.

The FY10 proposed budget process comes amid the most challenging period of economic turmoil and uncertainty most of us have ever seen. Major factors shaping the proposed budget were declining business activity, rising unemployment, increasing health care and insurance costs and significant reductions in revenues received from the Commonwealth. One statistic which conveys the scope of this economic downturn is the unemployment rate. Unemployment in Prince Edward County reached 8.3% in February 2009,

compared with 5.1% in February 2008. This is the highest unemployment level for the County since at least 1997.

In difficult economic times there is an inverse relationship between the demand for governmental services and the state of the economy. Thus, unlike businesses which see a reduction in demand, government experiences an increase in demand for services during recessions. Our residents who are facing economic distress look first to their local government to provide the support they need. Providing such support during this period of declining revenues represents a considerable challenge for the County in FY10.

There are a number of outside factors that may still impact the FY10 budget. Final decisions and implementing instructions regarding the Commonwealth's budget have not been received and specific guidance concerning the Federal stimulus plan is still being developed. Thus, there is still great 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.

FY10 Reduction Strategies

The Board of Supervisors has expressed its concern for the citizens who are struggling during this period of economic uncertainty. You made it clear to me you wanted an FY10 Budget submission that contained no tax or rate increases, funded education at the highest level possible and at the same time maintained the core services provided to the citizens of the County.

This was a daunting challenge, one which cannot be met by the actions of the County staff alone. Departments which report directly to me account for only \$4.5 million or approximately 10% of the entire County budget. To meet the challenge laid out by the Board of Supervisors required the help and sacrifice of the Schools, Constitutional Officers and the many outside organizations which receive funds from the County.

I realize many of the reduction strategies will result in less funding for various organizations which may cause them to have to make difficult decisions or raise funds elsewhere. My recommendations are not made lightly and are focused on reducing capital not operational expenditures. It is my desire that our partners use the funds provided to maintain the daily services they provide our citizens. I strongly recommend they delay capital purchases, just as we have at the County.

In addition to eliminating most capital purchases, the reduction strategy also includes no cost of living/merit pay increases for county employees and reductions in part-time staffing.

The Prince Edward County School Board has requested \$7,968,525 in local funds for operations, which represents level funding as compared to the FY09 budget. I am recommending funding of \$7,868,525. This is a reduction of \$100,000 over the requested amount or only a 1.25% reduction. Recognizing the education of our children is one of the cornerstones in fostering future prosperity for the County, I only assigned 12% of the revenue shortfall to the school system. This is significantly less than the percentage of local funds provided the school system this fiscal year.

Under the proposed budget, more than 55% of local funds are dedicated to the schools and will be used for the school system's operational, capital and debt service needs.

Besides the \$100,000 reduction to the schools, I am recommending a reduction in operating hours of the solid waste convenience sites. This action will save approximately \$80,000. All sites will be open on Saturday and Sundays. The reduced hours are based

on the public's use of the various sites. The three busiest sites will be closed one day per week. Of the rest of the sites all but one will be closed two days a week. The site which receives the least traffic is proposed to be closed three days per week.

As stated above, I propose a large reduction in capital expenditures. Only three capital projects totaling \$152,500 are recommended. This is a reduction of \$954,500 in capital expenditures from last FY.

I recommend the \$15,000 provided annually to each Volunteer Fire Department for equipment purchases be suspended this fiscal year. This will save \$105,000. This reduction only involves funds used for equipment; the \$53,000 provided to each department for daily operations is still being funded.

Numerous reductions spread throughout the General Fund saved an additional \$70,828. Almost no County department, Constitutional Office or county-supported program was spared from the reductions.

Tax rates

The FY10 proposed budget contains no tax rate increases in either the real estate or personal property taxes. As required by state code a reassessment was completed in 2008 of all Prince Edward County properties. Overall, property values increased an average of 45%. The Board of Supervisors has indicated its desire to see the tax equalized to offset the increased values. The equalized real estate tax rate is 40 cents per \$100 of value.

It is recommended the tangible personal property tax rate be maintained at \$4.50 per \$100 of value. This steady rate coupled with large decreases in automobile tax values means the citizens will see a reduction in their tax burden. The combined effect of a steady tax rate and declining automobile values has resulted in a reduction of \$447,532 in the forecasted collection of personal property taxes associated with automobiles. This was the single largest revenue reduction for Prince Edward County.

While many counties in the state are increasing their tax rates to recoup this revenue loss, you indicated that during this global economic crisis it would be best for our citizens if the County could absorb this revenue decrease. While a rate increase may not increase the actual amount of taxes paid by our citizens as compared to last year, the amount would still be more than if the rate is held steady. With the rising unemployment and underemployment of our citizens, the take home pay of many of our residents is falling and many are struggling with their monthly bills. In a small way we are relieving the financial stresses faced by our residents by holding the rate steady and reducing their tax burden.

Revenues

Almost all local and state revenue sources will decline this FY. The chart below displays the changes in the major revenue categories as compared to last FY.

General Fund Taxes	(\$ 264,401)
Other Local taxes	(\$ 287,500)
Permits and Fees	\$ 10,300
Fines & Forfeitures	\$ 5,000
Revenues from Use of Money & Property	(\$ 48,555)
Charges for Service	(\$ 66,100)
Miscellaneous income	\$ 10,877
Recovered Costs	\$ 1,000
Transfers	\$ 12,250

<u>Revenue from the Commonwealth</u>	<u>(\$194,902)</u>
Subtotal	(\$821,961)

I am forecasting a decline of almost \$822,000 in the County's revenues. The single largest local revenue decrease is in Personal Property Tax with a decrease of \$447,532. The main reason for this decline is the lower assessment of used vehicles but the decrease in new cars sales also contributed to this decrease. Local sales tax is estimated to fall by \$200,000. This is a 7.1% decrease and reflects the slowdown in economic activity. Revenue generated from investments is expected to fall by almost \$60,000 which is a reflection of the lower interest rates. Most of the other revenue sources will also post decreases and contribute to the overall decline.

One exception is the real estate tax revenue, which I forecast will increase by about \$158,000. This increase is not the result of the reassessment; it represents the tax revenues collected on new construction. While our local economy is slowing down, Prince Edward County is in much better shape compared to most of the rest of the state and nation. We still have new construction albeit at reduced levels and property values are holding steady.

Conclusion

I look forward to our future work sessions and realize the Board may recommend changes to the proposed budget. That is understandable and expected. I will recommend caution against the use of the County's fund balance to restore any funding reductions. This economic environment is unlike any we have seen. We cannot predict the future and when the economy may turn around or if the recession will become worse. If either of those happens we may very well have to use part of the fund balance to serve our citizens at the levels they will need. Thus, I highly recommend we maintain the current fund balance levels.

Mr. Bartlett then reviewed the Prince Edward County Budget report. Discussion of various budget items followed.

Chairman Fore reviewed the meeting schedule, as follows:

Thursday, April 9, at 5:00 p.m.	Closed Session
Tuesday, April 14 at 5:00 p.m.	Budget work session
Tuesday, April 14, at 7:00 p.m.	Regular Monthly meeting
Thursday, April 16, at 5:00 p.m.	Budget work session
Tuesday, April 21, at 5:00 p.m.	Budget work session
Tuesday, April 21, at 7:00 p.m.	Public Hearing-School & County Budget and Tax Rates
Tuesday, April 28, at 5:00 p.m.	Approval of Budgets

Chairman Fore thanked Mr. Bartlett for all his work and expressed his appreciation for the format in which the budget was presented. Supervisors Simpson and Gilfillan expressed their appreciation as well

and commended Mr. Bartlett on a job well done. Mr. Bartlett thanked the Constitutional Officers and department directors for all of their assistance, and said it was a team concept.

Supervisor Jones asked for information on the property values and tax rates in the surrounding counties.

Supervisor Simpson made a motion to authorize a public hearing on April 21, 2009 at 7:00 p.m. on the County and School Budget and tax levies for Fiscal Year 09-10 as proposed. The motion carried:

Aye:	William G. Fore, Jr. Sally W. Gilfillan Robert M. Jones Charles W. McKay James C. Moore Howard F. Simpson Lacy B. Ward Mattie P. Wiley	Nay: None
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On motion of Mr. Moore and adopted by the following vote:

Aye:	William G. Fore, Jr. Sally W. Gilfillan Robert M. Jones Charles W. McKay James C. Moore Howard F. Simpson Lacy B. Ward Mattie P. Wiley	Nay: None
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the meeting was recessed at 6:11 p.m. until Thursday, April 9, 2009 at 5:00 p.m.